

Rings of Power

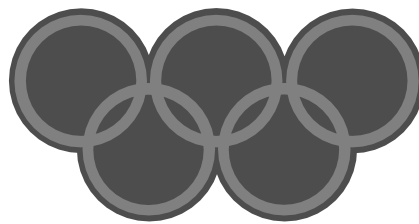
Peter Ueberroth and the 1984 Los Angeles Olympic Games

By *Claudia La Rocco*

ON AUGUST 12, 1984, Peter Ueberroth stood in the Los Angeles Coliseum during the Olympic closing ceremonies, tears escaping his usually tight control as the 93,000-member audience stood and cheered. Other honors would follow, including recognition from *Time* as the magazine's Man of the Year, over President Ronald Reagan. Neither an athlete nor a statesman nor a celebrity, Ueberroth was a middle-aged entrepreneur from Southern California, a self-made man who had, in large part, made the Games of the 23 Olympiad happen—and not only happen, but succeed on a spectacular level. In doing so, he changed many of the financial rules by which the Olympics had been played.

On March 26, 1979, Ueberroth was chosen as president and general manager of the Los Angeles Olympic Organizing Committee (LAOOC). One of two finalists, along with Edwin Steidle, he was selected when the board of directors' executive committee decided by a vote of 9-8 not to give Steidle more time to straighten out a contract dispute with May Company Stores, of which he was then chairman.

The 41-year-old Ueberroth was the founder and head of First Travel Corporation, then the largest travel business in North America save American Express (he sold the company for \$10.4 million nine months after joining the Olympic committee). Used to challenges, he had paid his way through San Jose State College with odd jobs and a partial athletic scholarship in water polo before rising quickly in the business world.



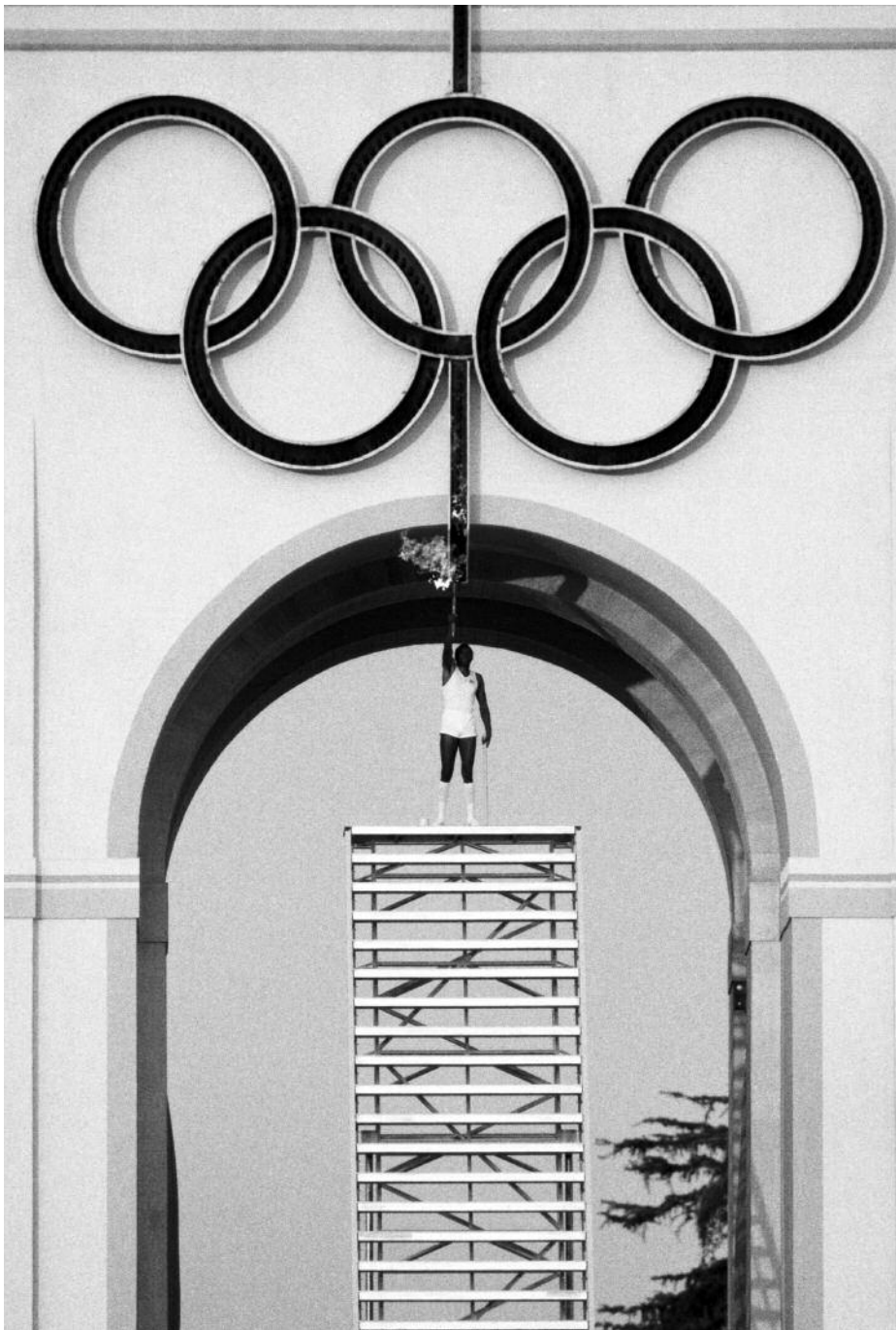
"The organizers were able to crow about the glories of capitalism and the critics of the games were free to sermonize about the horrors of capitalism. For any television viewer who preferred sports to hamburger commercials, the critics had a point."

— Allen Guttman

But he now faced a Herculean task: organizing and financing an enormous event that he, along with a majority of Los Angeles citizens, had voted against funding, amending the city's charter so that taxpayers would not be responsible for the then-expected Olympic deficit. Los Angeles wasn't happy to have the Olympics again (the city had hosted the games in 1932) and the International Olympic Committee (IOC), for its part, wasn't particularly thrilled to be there.

But beggars can't be choosers. John Argue, a local lawyer and president of the Southern California Committee for the Olympic Games, had negotiated with the IOC and the United States Olympic Committee to bring the games to the city. Soon after he secured the deal, the city amended its charter; when the IOC demanded that the city, and not the private sector, must be in charge of the games, Los Angeles Mayor Tom Bradley responded quickly and unequivocally: Withdraw the bid. The IOC had to concede—no other city, beside a half-hearted Tehran, had made a bid to serve as host. The IOC soon changed its charter so that a private group could run the show.

The reasons for this lack of interest



1960 Olympic gold medalist Rafer Johnson lights the Olympic rings at the Opening Ceremonies of the 1984 Summer Olympics.

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in the Olympics had to do partly with the troubled politics of the times. A massacre of student protesters before the 1968 Mexico City Olympics and the Palestinian slayings of Israeli athletes during the 1972 Munich Games had left potential host cities wary of violence and terrorism. Boycotts had become a concern, with 22 African nations staying home from Montreal in 1976.

The bigger reason, though, was

money. Holding the Olympics had become increasingly burdensome, despite efforts to reduce their ballooning scale and cost. As author Allen Guttman notes, prior to the planning of the 1976 games, Montreal Mayor Jean Drapeau declared that the city's Olympics would be run with an eye toward austerity. "The Olympics should not come as an astronomical enterprise," he pronounced. "We promise

that in Canada, in Montreal, we will present the games in the true spirit of Olympism, very humble, with simplicity and dignity."

Anyone with knowledge of Drapeau's penchant for squandering taxpayer funds on extravagant building projects must have winced at his estimation that the games would cost only \$125 million, particularly as the federal government offered no financial guarantee. When all was said and done, Montreal, the official guarantor, was left with a bill of almost \$2 billion, and a special tobacco tax to balance the deficit. The tab for each Montreal taxpayer was an estimated \$700.

Determined to make the games profitable for the first time in more than 50 years, Peter Ueberroth, along with his executive vice president, Henry Usher, turned toward the private sector.¹ Much of the LAOOC's plan rested on securing a lucrative domestic television rights deal with one of the major networks.

Ueberroth was after the then-laughable sum of \$200 million. ABC eventually purchased the rights for a record \$225 million, almost half of what the LAOOC spent on the games.

At the same time as the fledgling committee set its sights on future contracts, it was in desperate need of cash to continue daily operations. Instead of asking for a handout, Ueberroth asked for a deposit. In the spring of 1979, with the negotiations for U.S. television rights just getting under way, the LAOOC required all bidders to pay \$500,000. Each deposit (along with the additional \$250,000 that the final five bidders put down for formal negotiations) was refundable, of course—but, in the meantime, the Los Angeles committee was free to live off the interest generated by these hefty payments.

Just because the LAOOC had money did not mean employees were free to spend. Ueberroth was determined to keep the committee lean. The frugal millionaire eschewed his own



Peter Ueberroth was named Time magazine's Man of the Year for 1984.

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salary (though he was later granted a controversial \$475,000 bonus) and established symbolic practices such as the “no limousines” rule. Some of his approaches, such as using or renovating existing buildings whenever possible instead of building expensive new stadiums, made good sense. At times, however, Ueberroth’s penny pinching ended up costing him. This was the case with a three-story administrative center the LAOOC built on the UCLA campus; the \$3 million building was meant to house a permanent staff of 350, Ueberroth’s projected number of how many people it would take to run the games. By the time he realized this figure was absurdly low (the committee eventually swelled to about 1,750), it was too late. After a year, the committee outgrew the UCLA building.

As *Los Angeles Times* reporter Kenneth Riech documents in his book *Making It Happen*, Ueberroth’s need for financial control (Usher’s approval was required for any expenditure over \$1,000) also led to a good deal of complaints from staffers, who were sometimes forced to make desperate phone calls for more money to pay their bills. And yet, as David Israel, director of the LAOOC president’s office for the six months preceding the games, told Riech, “Most good companies, most very well run companies, most successful companies, probably have a brilliant autocratic

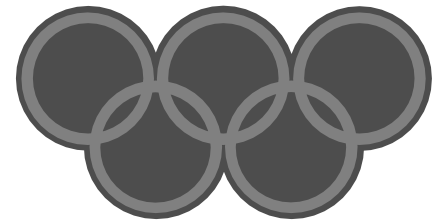
leader at the top. That’s what the Olympic committee had.”

There is no doubting Ueberroth’s financial brilliance. The numbers speak for themselves, from ABC’s extraordinary bid (plus another \$33 million from European and Japanese networks) to the revenue from corporate sponsors to \$139.9 million in ticket sales for an Olympics that Californians hadn’t even wanted to host.

Well aware that the 380 sponsors of the 1980 Lake Placid Olympics brought in only \$9 million, Ueberroth limited the number of corporate sponsors to 30, banking on the lure of exclusivity to bring in larger bids. He wasn’t disappointed. Los Angeles raised a whopping \$130 million from such companies as Anheuser-Busch, Coca-Cola, M&M Mars (Snickers) and IBM. Another 43 companies were licensed to sell “official” Olympic products, from McDonald’s Olympic hamburger to Budweiser’s official domestic Olympic beer. In the end, despite a Moscow-led boycott, the LAOOC turned a \$215 million surplus—dwarfing the \$15 million number the sly (some would say duplicitous) Ueberroth had floated as a possible profit, and upsetting many business partners who felt they had been tricked into underselling their products by Ueberroth’s perennial lament of being broke.

There were other critics, who dubbed the games “the Hamburger Olympics” amid complaints of rampant commercialism ruining the spirit of the event. As Guttman notes, when the United States Olympic Committee objected to the Miller Brewing Company’s slogan for the U.S. Olympic Training Center in Colorado Springs (“Let’s win the Games Again”), Miller dismissed the concerns. In the words of one Miller representative, “We felt it would be easier to raise money if we worked the national pride angle.”

One sore point was the transcontinental torch relay. Ueberroth had plans to sell the relay, at \$3,000 a pop,



“I believed then, as I do now, that there are many important programs much more deserving of government support than a sports event, even one as special as the Olympic Games.”

—Peter Ueberroth

to individual citizens and corporate sponsors (AT&T ended up as official sponsor, paying for all logistical costs). The money would go to benefit local community athletic associations. Greece, in particular, objected to what they saw as the commercialization of the Olympic flame.

Ueberroth had no patience for such qualms, particularly when he saw that the economy of the town of Olympia depended in large part on selling the flame, from the “Olympic Flame Hotel” to gift shops selling little plastic torches. Further, as he (along with many others) notes in his memoir, *Made in America*, the torch relay is hardly a sacred, ancient Greek ritual, but a 20th-century invention by the Nazi regime during the 1936 Olympics in Berlin. As editors Alan Tomlinson and Garry Whannel write in their introduction to *Five Ring Circus*, the Olympics have never been entirely divorced from economic and political realities. It’s too easy to simply say that modern-day commercialism has destroyed a pure tradition. As Tomlinson and Whannel ask, “How real is the tradition, and how new is the corruption?”

Still, whether you applaud or decry Peter Ueberroth’s methods, there is no denying that the Los Angeles Olympics changed the way the games were played. As Robert Barney, Stephen Wenn and

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Scott Martyn write in *Selling the Five Rings*, “The 1984 Olympic Games ushered in the formalization of relations between the world of business and the Modern Olympic Movement.” The “tradition” continues today, as the world gears up for Athens 2004 — apparently over their squeamishness at commercializing the torch run, Greece is proud to announce the first global Olympic torch relay, compliments of Samsung. Interested in carrying the torch? Sign up at Samsung.com today. **FH**

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Note

i The 1932 games, also held in Los Angeles, made a small profit despite the dire economics of the times. As Rick Gruneau notes in his essay, “Commercialism in the Modern Olympics,” in *Five Ring Circus*, the city “had sought the Games in order to demonstrate to both the Eastern American financial establishment and to the rest of the world that Southern California was a thriving commercial and cultural center.” The popular games succeeded, Gruneau notes, but also angered many people, who objected to the use of public funds on sports during a depression.

A Tribute to Modigliani and Miller

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2. Peter Bernstein relates Miller’s reluctant move to corporate finance: “In 1956, his dean...asked him if he would like to fill a vacancy in corporate finance at the Business School. Miller recalls that economists in those days were ‘kind of snobbish about that,’ and he told Bach he wasn’t interested. Bach replied that perhaps he had not made himself clear. ‘The Business School salaries are up here,’ he said, pointing to the ceiling. ‘The economics scale is down there,’ pointing to the floor.” Miller, who “knew almost

nothing about corporate finance,” took the job. (Bernstein pp. 164, 166)

3. Miller (1998) notes the advantage that the physical and biological sciences have because of the ability to deliberately shock a system and study the response.
4. In 1998, Modigliani wrote that the article was “written tongue-in-cheek, not really to demonstrate that leverage could not possibly affect market values in the actual world but to shock those who accepted the then-cur-

rent naïve view that some debt in the capital structure had to reduce the cost of capital even in the absence of taxes simply because the interest rate was lower than the earnings-price ratio on equity.”

5. Miller was co-recipient of the Nobel Prize in economics along with William Sharpe and Harry Markowitz. Modigliani won the prize in 1985 for his work with Miller and his development of the life cycle hypothesis of saving.

The Wall Street Scandal of Grant and Ward

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Eventually both Ward and Fish were tried and sentenced to 10 and seven years, respectively, in prison. (While both were being held at the Ludlow Street Jail, Fish threatened to “kill the scoundrel!”) As details of the scheme emerged, the public realized that Grant had been victimized by Ward like everyone else. (In a self-serving 1909 article for the *New York Herald*, a destitute Ward said

that Grant was “so much the child in business matters” that it would have been impossible for him to concoct such a scheme.)

Incredibly, some good came from this disaster. Desperate for money, Grant wrote a few articles for *Century Magazine*. This led him to write his memoirs, which were a huge success and provided Julia with healthy royalty checks after his death in July of 1885.

But sadly, the last years of his life proved again to Grant that he could not defeat every foe. **FH**

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