

**RACE NOT WAR:
AN ECONOMIC ANALYSIS OF THE OLYMPIC GAMES
IN ANCIENT GREECE**

– AND –

**WAR WITHOUT SHOOTING:
AN ANALYSIS OF AMBUSH MARKETING**

by

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ABSTRACT

Essay 1: Ancient Greece provided many institutions that became the foundations of Western civilization. One of its most famous innovations was the Olympic Games. I provide an explanation for the existence of these games – namely that they acted as a mechanism to avoid costly civil wars. The gains from resolving disputes so cheaply could have provided the surplus to help create their other institutions.

Keywords: Ancient Greece, ancient Olympic Games, civil wars, dispute-resolving mechanism, institutions

Subject Terms: Economic theory, ancient Greece, ancient Olympic Games

Essay 2: The modern Olympic Games are large affairs that generate hundreds of millions of dollars. In my second essay I examine a different type of war – ambush marketing. Here fringe firms attempt to free ride on the Olympic brand with clever marketing techniques. I discuss methods that might help legal authorities decide what types of marketing should or should not be allowed.

Keywords: modern Olympic Games, ambush marketing, property rights

Subject Terms: modern Olympic Games, ambush marketing, property rights theory

To Doug Allen

Without his insights, guidance, encouragement, and humour,

I would not have been able to complete this work.

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**1:
RACE NOT WAR:
AN ECONOMIC ANALYSIS OF THE OLYMPIC GAMES
IN ANCIENT GREECE**

Introduction

Virtually all countries of the ancient world suffered from the problem of civil wars. Civil wars are costly. Violence dissipates wealth. In particular, real wealth is destroyed during the acts of violence, and the sunk nature of violent actions means that in many cases more is invested into a war than the value of what is being fought over. Worse, in a civil war, the “enemy” often remains within, which can cause future problems in government. Civil wars are often more blood thirsty and violent than wars between independent nations.

Civil wars were known to the ancient Greeks. Ancient Greek city-states that were spread across the countryside we now call Greece certainly had many reasons for fighting among themselves from their formation *c.* 1200 B.C. to Greece’s cultural assimilation under the Roman Empire *c.* 500 A.D.

Yet ancient Greece was also the birthplace of Western civilization. Democracy, modern art forms, philosophy, and so much more began on the peninsula between the Aegean and Adriatic seas. Thus, an unappreciated innovation of their culture must also distinguish ancient Greece from all its contemporaries – Greece, at least for long periods, found a way out of the impoverishing practice of civil wars.

Athletics pervaded the social life of ancient Greece. It was a significant part of the ancient Greek philosophy and art. In the 8th century B.C., the ancient Greeks instituted the Olympic Games, and the first Olympic Games took place in 776 B.C. After that, the Olympic Games were held every four years and ran uninterrupted for more than a millennium. The last Games were held in 393 A.D., shortly after which they were

denounced as a pagan festival by the Roman Emperor Theodosius I, and banned in an effort to establish Christianity as a state religion throughout the Empire.

The ancient Olympic Games have little resemblance to the modern Olympic Games except for their name, wide popularity among spectators, and occurrence every four years. The ancient Olympic Games were never cancelled, interrupted, or boycotted. Compare this to the history of the modern Olympics that were revived only 112 years ago, but which have been cancelled three times: 1916, 1940, and 1944 (because of World War I and World War II); interrupted twice by terrorists in the Munich 1972 and Atlanta 1996 Olympics; and boycotted for various reasons by various countries in 1956, 1972, 1976, 1980, and 1984 – with the last two incidents related to the Cold War.

As a rule, the ancient Greek city-states sent several athletes to compete in all events, as it was not the custom to send just one person to represent his home city at the Olympic Games. Unlike the modern Olympic Games, the ancient Games did not distinguish between amateur and professional athletes. In fact, there was no such category as an amateur athlete in ancient Greece. The Greek word “athlete” itself means “the one who competes for a prize”. All competitors in the Olympic Games in ancient Greece were professional athletes sponsored by their home cities. Someone for whom sports was just a pastime would not have endured the process of athletic selection for the ancient Olympic Games. A successful candidate not only had to be the best athlete in one or several kinds of sports in his home city, but also, upon arrival at the Olympic Games, had to swear to the judges that he had spent at least the last ten months in preparation for the competition. Then he had to endure 30 days of additional training at Olympia, and pass the qualification rounds before the main competition. He would then

compete with the best athletes from other cities. Between the Olympic Games, if not recruited to an army, athletes often travelled across the country attending various minor competitions.¹

Another distinctive feature of the ancient Olympic Games was that only victory mattered. An athlete became either a winner or a loser. Only the gold medal, no second or third place, was awarded, unlike in the modern Games. Interestingly, the ancient Greeks did not record the time it took athletes to run a race. Only who came first was important, not how long it took.

The ancient Olympic Games greatly influenced the sculpture, painting, poetry, literature, and philosophy of ancient Greece. The Olympic Games had an impact even on how the ancient Greeks counted time. It is the four-year span between the two adjoining Olympic Games that the Greeks called an “Olympiad”. The Greek method of keeping time count was by referring to the ordinal number of the Olympic Games. Many past and contemporary historians agree that it was a unique case where a great number of dispersed city-states used the same method of time count.² The agreement in determining dates of various events helped enormously in studying ancient Greek heritage.³

Despite all that has been written about ancient Greece and the ancient Olympic Games, to my knowledge no one has ever drawn a link between the Games and the fighting among the city-states. This essay argues that the ancient Olympic Games were

1. Stephen G. Miller, *Ancient Greek Athletics* (New Haven: Yale University Press, 2004), 217.

2. David Young, *A Brief History of the Olympic Games* (Oxford, UK: Blackwell Publishing, 2004), 56.

3. This may explain why we now consider the culture so violent. Others were likely worse, but our records of their civil wars are not as detailed.

used to substitute the violence associated with war with athletic competitions. Thus, the Olympic Games were essentially a dispute-resolving mechanism. In addition to the savings on the immediate cost of sending an army to solve a conflict, this dispute-resolving device permitted the ancient Greeks to avoid dissipation of wealth associated with violence. The gains from resolving disputes so cheaply could have provided ancient Greeks with surplus wealth to help create other institutions that eventually became the foundations of western civilization.

1 History of the Ancient Olympic Games

The ancient Olympic Games were athletic competitions among the Greek city-states. No foreigners, slaves, or females were allowed to participate in the Games. The first dozen-odd Games included only one event – a foot race called the *stadion*.⁴ In 724 B.C., at the 14th Games, the second event was added – a two-stadion race (400 meters). At the next Olympic Games, the third race, known as the *dolichos* was introduced (three miles). The last running event, *hoplitodromos*, a race in full armor, was added in 520 B.C. At the height of the Games' popularity in 600-500 B.C., the Olympic events included: a stadion race (200 meters), a two-stadion race (400 meters), a *dolichos* (three miles), a *hoplitodromos* (a race in full armor), boxing, wrestling, *pankration* (unarmed hand-to-hand combat resembling the mixed martial arts of today), chariot racing, and pentathlon (wrestling, stadion, long jump, javelin and discus throwing).

All ancient Olympic Games were hosted by just one city – Elis. It is located next to Mount Olympia in southern Greece on the Peloponnesian peninsula. Today Elis is a small village of 150 citizens. In ancient times, however, due to hosting the Olympic Games, it grew from a small town into a prosperous city. In addition to being the host city, Elis was also the home city of the Olympic judges. Except for a few early Games that had only three judges, every Olympic Games had ten regular judges that oversaw the competition. The Olympic judges were legendary for their impartiality and no single

4. The ancient Greeks had their own system to measure distance, they did not use meters. The modern archaeologists determined that the ancient Greek *stadion* was a distance approximately equal to 200 meters. See Young, *The Brief History of the Olympic Games*, 102.

scandal of corruption or misjudgement was ever recorded over the centuries of the Olympic Games history.⁵ The position of an ancient Olympic judge was hereditary and they could not sell their position. All judges throughout the history of the Olympic Games came from the same two families of Elis. Formally, the position of an Olympic judge was unpaid. Nevertheless, it was considered a great honour not only to the judge, but also to his whole family. The judges and their families eventually became some of the wealthiest and most influential members of aristocracy in Elis.⁶

A remarkable feature of the ancient Olympic Games is that the political leaders of the city-states could also be athletes. The ancient political leaders exploited the political potential of a victory at the Olympic Games, with one of the most prominent examples perhaps being from the late period of the Olympic Games when the Macedonian king Philip II (the father of Alexander the Great) used his victories at the Olympic Games to consolidate his political influence over Macedonia and gain enough support to conquer and annex the Greek territories.

The evolution of the Olympic Games in ancient Greece underwent three distinct stages. In their *early period*, from 776 B.C. to 600 B.C., where the rules and principles of the Games were developing to become the Games' distinctive characteristics. In *the*

5. The only exception involved was Nero, the Emperor of Rome. In 67 A.D., Nero arrived at the Games to compete personally in a chariot race. His chariot had ten horses, which was quite impractical. Nero fell from his chariot and did not finish the race, but the judges were forced into declaring him victor. The results of these Games were later cancelled by the judges when Nero departed back to Rome. This anecdote is mentioned in many historical texts, for example, see Tony Perrottet, *The Naked Olympics: The True Story of the Ancient Games* (New York: Random House, 2004), 89.

6. See Douglas W. Allen and Clyde G. Reed, "The Duel of Honor: Screening for Unobservable Social Capital," *American Law and Economics Review* 8 (2006), for a discussion of the importance of reputational social capital, and the role it played in generating wealth in pre-modern times.

golden era between 600 and 300 B.C., the Games had their heyday. The Games were by all counts the most popular event in the country, gathering tens of thousand of spectators from all over Greece and from abroad; the number of events reached and maintained its maximum of nine; the prestige an athlete gained by winning *the* Olympic medal was truly unsurpassable by any celebrity status we know in our modern world; the financial donations the city-states were making to the training of their athletes and to the city of Elis and the site of Olympia at this period reached an unprecedented high as well. It was during this golden era of the Games that the best-known ancient Greek sculptures were produced and poems were written.⁷ With the Peloponnesian War of 431 B.C. and especially later, when Greece was being assimilated by the Roman Empire, the Olympic Games entered their *final period*, and started losing many of their principal traits. For example, non-Greeks were allowed to participate in the Games, the number of the events was reduced, an Olympic victory brought less prestige to a champion, the monetary and material gains from winning a competition decreased, and city-states spent less on financing their home athletes.

7. For example, Pindar's victory odes, Myron's statue of Discobolus, the statue of Charioteer of Delphi, the sculpture works of Praxiteles and Phidias.

2 The Missing Link between Civil Wars and the Olympic Games

Ancient Greece was an agrarian country, isolated, and difficult to travel given its mountainous terrain. These attributes contributed to the formation of numerous independent city-states. Historians and archaeologists generally agree that by the 8th century B.C. there were over a thousand city-states in ancient Greece.⁸ For the most part, the city-states shared a common language, culture, and religion. The city-states were largely homogeneous within the structure of their economies and population. Furthermore, the largest cities had approximately the same-sized populations. The population of the ancient Greek city-states was not large: at the height of their development, between 600-400 B.C., the largest cities of ancient Greece, Athens and Sparta, each had a population of about 200,000.⁹ These relatively small populations, combined with an agrarian economy and a culture of frequent neighborly feuds, led to the primary concern of city-states over losing manpower and destroying urban infrastructure and crops in frequent wars. The same men who fought wars tended crops. If feuds broke out frequently and became violent, war casualties and the associated armed conflicts caused destruction of real wealth, and would soon exhaust the resources of the city-states.

8. Miller, *Ancient Greek Athletics*, 93.

9. Robert K. Fleck and F. Andrew Hanssen, "The Origins of Democracy: A Model with Application to Ancient Greece," *Journal of Law and Economics*, vol. XLIX (2006): 133, <http://www.journals.uchicago.edu/>.

Local feuds among the ancient Greek city-states were usually over land borders, independence for the colonized city-states from the larger cities, or civil wars between various alliances for the dominance over certain parts of Greece. The feuding tendencies of ancient Greece evolved from being fierce in the beginning (1200-800 B.C.), to significantly softening for the few centuries including the Golden Age (500-300 B.C.), to culminating in the final stages of the Peloponnesian war and its fateful aftermaths.

In a war conflict of those times, the size of the army was a critical condition for victory. Both sides of a conflict were able to anticipate that whoever brought the larger army would likely win. If each side had good information regarding the size of their opponent's forces (through spies), then in equilibrium both sides would always show up to battle with armies of an equal size. When the sizes of the conflicting armies were equal, then the outcome of a battle was likely determined by the military skill of its warriors. City-states then would compete on the skill margin, and for cities of roughly equal resource endowments, we might expect roughly equal soldier quality. Hence, the conflicting sides would tend to have armies of an equal skill.

Indeed, from the accounts of historians it is known that the long-standing military tradition of ancient Greece until the Peloponnesian War was a hoplite pitched battle.¹⁰ The pitched battle was fought by the armies of a pre-decided size comprised of hoplites, i.e. infantry soldiers in the standard armor with a standard military training, at a chosen

10. Victor D. Hanson, *The Western Way of War: Infantry Battle in Classical Greece*, (Berkeley and Los Angeles, California: University of California Press, 2000), 27.

place and time. The outcome of the battle would decide the outcome of an ongoing war.¹¹

However, even the hoplite pitched battles were fought frequently and resulted in numerous manpower losses and destructions of real wealth. Equality in strength means that there is no clean victor at the outset, and a large battle to the finish is likely. Often, no decisive battle could be fought due to the rival army's skill being equal in level but different in its area of specialization. For example, Athens was known for its naval skill, whereas Sparta was known for its excellence in land-based military skills. By the time of the Peloponnesian War, the two rivals were most often unable to fight decisive battles.¹²

If the ancient Greeks had many reasons for daily disagreements among themselves, they also had one agreeable passion as a nation – athletics. However, this passion was not exogenous. The Games, I conjecture, were linked to the potential to fight, and their popularity was fundamentally grounded in their ability to resolve disputes. It is undeniable that the ancient games were popular. The ancient Greek athletic competitions traditionally celebrated or commemorated various events of their lives. Memorably, Homer tells of an athletic competition organized by Achilles at the funeral of his friend Patrocles. From Plato's accounts it follows that by 500 B.C., athletics was taking the main stage of the public life of Greece: more and better gymnasia (the ancient Greek athletic facilities) were built across the country; a career in athletics was

11. Such exercises have occurred at other times. The conflicts between the Jews and Philistines often revolved around contests, with the most famous being David vs. Goliath. During the period of gentleman's war of the pre-modern era, the various sides would simply count numbers. See Michael Glover, *The Velvet Glove: The Decline and Fall of Moderation in War*, (London: Hodder and Stoughton, 1982), 45.

12. Thucydides, *History of the Peloponnesian War*, trans. Rex Warner (Harmondsworth, Eng.: Penguin Books, 1972), 1.89-1.117.

considered a top choice, even better than that of a philosopher or a poet. Winners of the Olympic Games were considered equal to immortals and praised equally with gods; indeed, they *became* gods. The victories themselves were esteemed as important signs forecasting or prophesizing the future.

One of the important conditions of the Olympic Games to serve as a dispute-resolving mechanism was equality in power between the sides of a larger conflict. This balance of power ensured that the outcome of the Games was accepted by the conflicting sides without further engagement into an actual combat because the balance of power ensured that a losing side would not have an incentive to disregard the outcome of competition and through the use of force gain more than what the Games' outcome allocated to it.¹³

Summing up the above observations about ancient Greece's social and cultural realities: (1) ancient Greece was an agrarian country split into the number of independent city-states that were homogeneous among themselves in terms of their societies and economies; (2) the same mountainous terrain that allowed formation of numerous city-states made practices of warfare, such as massive infantry battles or the horse cavalry attacks, difficult if not impossible; (3) the city-states valued their manpower that was not large and relatively of the same size across the cities and their alliances; (4) at the same time, the city-states had frequent causes for feuding with each other, such as land borders or dominance over colonies; (5) yet the city-states shared common culture of great passion for sports which they used to create an event where the outcome was so important that the victories in the athletic event were considered to indicate the winners

13. Umbeck found that equality among gold miners in California led to low levels of violence. John Umbeck, "Might Makes Rights: A Theory of the Foundation and Initial Wealth Distribution of Property Rights," *Economic Enquiry* XIX, no. 1 (1981): 36.

of all other life contests, including local wars; (6) great traditions of ancient Greek athletics were supported by the no less than religious zeal over the meaning of the athletic victories.

As with many other nations, the ancient Greeks looked for a way to resolve disputes without violence and brutality. To do away with these would require doing away with war itself. Obviously, this was and is still not possible, so the second best then was to minimize the horrors of war. The ancient Greeks used the mechanism of the Olympic Games to minimize the losses from war. With the Olympic Games, the Greeks could still resolve their disputes and determine a winner, but at the same time there was no need for destruction and death from feuding. By using the Olympic Games, the Greeks were able to save on the costs of war, preserve their wealth, and generate a surplus that was then channelled into more productive uses.

3 Evidence from Historical Literature

Contemporary historians supply evidence that the ancient Olympic Games were more than just an athletic competition held for public entertainment. In particular, the Olympic victory in ancient Greece had an important meaning. The ancient Greeks took the Olympic victories for more than just victories in an athletic competition. These victories were taken symbolically and represented force and power that stood behind the victors and their accomplishments. Important historian and archaeologist Stephen Miller notes that,

The Greeks saw the Olympic victories as a sign of a winner's city power and a forecast of the city's victory in a war. A victor acquired a particular aura that reflected on his hometown.¹⁴

There is a recorded speech from an Olympic victor, Alkibiades of Athens, who speaks of the importance of his victory in the chariot races in the Olympic Games of 416 B.C. This year is half-way through the Peloponnesian war, the period known as Peace of Nicias that Sparta and its allies had reluctantly agreed to after having been exhausted by several crucial defeats from Athens. The chariot races in the Games were considered to have a special function of displaying wealth and power. In the chariot races, it was not the rider of a chariot, but the chariot's owner who was considered a competitor and thus a winner if the chariot came first. It was in the chariot races that the rulers and kings often entered the Games. The Athenian Alkibiades claims:

14. Miller, *Ancient Greek Athletics*, 271.

My deeds, which make me the object of public outcry, actually bring glory not only to my ancestors and myself but also to my country, and this glory is mixed with practical advantage as well. The Greeks who had been hoping that our city was exhausted by the war came to think of our power as even greater than it is because of my magnificent embassy at Olympia.¹⁵

There is a curious parallel between the historical accounts of the internal feuding in ancient Greece and the timeline of the Olympic Games. Between formation of Greece c. the 12th century B.C. and until the 8th century B.C., when most of the elements that much later became labelled as the distinguishable characteristics of classical Greece more or less appeared on the scene, the internal wars were brutal resulting in massive manpower losses and sizeable destructions. The Olympic Games did not exist yet. Between 800 and 400 B.C., the scale of local feuding was gradually decreasing and no massive internal violence was recorded during this time. The orderly pitched battle was revered as a distinctive Greek tradition.¹⁶ In this period, the Olympic Games were instituted and gained their grandeur and vivacity. But starting from the Peloponnesian war onwards, brutalities and blood thirstiness return to the practice of civil wars in ancient Greece. During the same historical period, the Olympic Games go into decline and lose their earlier meaning.

15. Miller, *Ancient Greek Athletics*, 273.

16. Hans van Wees, ed., *War and Violence in Ancient Greece*, (London: Duckworth and the Classical Press of Wales, 2000), 201.

4 The Institutional Tests

This section of the essay is devoted to the “institutional” tests of the essay’s main hypothesis. If the suggested hypothesis is correct, then the Olympic Games’ facts would fit into the theory discussed in the previous section. The institutional tests look at the following aspects of the Games: the contents of the Games, the credibility of the Games’ outcome, the judges, the process of selection and financing of the athletes, the question of the Peloponnesian war, and the decline of the Games under the Roman Empire.

4.1 Credibility of the Olympic Games’ Outcome

A problem with using the Olympic Games for resolving a dispute is that it may not be credible. A strong city-state, which nevertheless loses every event, may decide to attack regardless. Yet the outcomes of the Games were never disputed or overturned, and city-states respected the meaning of victory. This fact fits into the theory because the balance of power between the conflicting sides was equal in terms of the relative size of their armies. As was stated in the previous section, the militant cities of ancient Greece were equal in size and skill, therefore, a city that lost an event would expect also to lose an actual war. Going to a war would not provide a better solution for a conflict as long as the Olympic Games represented an actual combat, and battle outcomes depended on skill.

An important observation about the ancient Greek city-states throughout their history is that there always seems to have been a balance of power among them: military,

economic, and political, until the later period *c.* 400 B.C. marked by the atrocities of the Peloponnesian war and the overall demise of the ancient Greek culture.

The balance of power among the city-states seems to have been maintained at several levels simultaneously. The smaller cities were colonized by the larger ones but the relative sizes of the alliances that existed in the country at the same time, in terms of population, were always roughly equal to each other. The sources of economic power that the militant cities were endowed with were different, but of approximately the same size: for example, Athens derived its wealth, apart from the colonies, from the silver mines it owned. Sparta, on the other hand, relied on the system of slaves known as *helots* as well as on the resources of its colonies and allies. Since neither of the alliances was powerful enough to dominate the whole of Greece, the balance of political power was also observed: whenever one side was becoming too aggressive in its ambition for dominance in Greece, the other side counter-balanced this ambition by open resistance. Moreover, because no military superiority of one party over another was possible, the political power was also kept in balance.¹⁷

4.2 Multiple Events at the Olympic Games

The ancient Olympic Games included several events: a stadion race (200 meters), a two-stadion race (400 meters), dolichos (three miles), hoplitodromos (a race in full armor), boxing, wrestling, pankration (unarmed hand-to-hand combat resembling the mixed martial arts of today), chariot racing, and pentathlon (wrestling, stadion, long jump, javelin, and discus). The multiple events most likely were needed for the Games to

17. Yoram Barzel has noted that this condition leads to democracy. Yoram Barzel, *A Theory of the State: Economic Rights, Legal Rights, and the Scope of the State*, (New York: Cambridge University Press, 2002).

be a credible simulation of a real fight. The participants needed to show that they had skills considered necessary in a battle, namely, wrestling, fighting, racing in armor, throwing a javelin, handling horses and a chariot. For example, why was a race in full armor introduced among the Olympic events? The Greeks could have run carrying a big stone or a pig, yet they added full armor. For the Games to reflect the actual level of combat skill of soldiers, a race in full armor was needed because that was what they fought with.

Running just one race might seem to be a more intuitive way of resolving a dispute: just run that one race and then whoever comes first is a winner. Actually, the Games would have to include multiple events instead of just one race to control for the element of luck or chance. In addition, the city-states would usually send more than one athlete to the Games. The multiple events and participants provide more information about the actual level of skill of the participants and, thus, reduce the role of luck in the outcome. The early Games had only one event – a 200-meter foot race, and the number of events gradually increased. As the number of events increased, the feuds were reduced. It is, therefore, consistent with the theory that the Games included multiple events according to the range of skills needed in a battle: running, wrestling, pankration, javelin and discus throwing, and chariot racing.

4.3 The Incentives of the Olympic Judges

The Olympic judges were legendary for their impartiality and there was recorded no single scandal of corruption or misjudgement over the centuries of the Olympic Games history. A fair and just assigning of a victory to one side or another meant everything at the Olympic Games because the athletic outcome actually meant a resolution of a much bigger conflict, therefore, only a party with a reputation for perfect neutrality and impartiality would be able to make the Olympic Games work. Elis, the home city of the Olympic judges, remained a neutral city for most of ancient Greek history.

The Olympic judges had the proper incentives that allowed them to never stray from impartiality into corruption. The hereditary feature of a position of an Olympic judge prevented rent seeking on the part of the judges and ensured that the judges had huge rents to lose in case they were caught in a corruption scandal. The modern Olympic Games, which arguably are a sporting event, have survived judging scandals.

Interestingly, there was a period of absolute peace dominating the territory of the country for three decades from 476 to 446 B.C., known as the Thirty Years Peace. It was made possible by openly regarding the Olympic judges as a judicial board that allowed disputing cities to settle their differences by arbitration instead of arms. A city-state that considered itself in the wrong had to make its case before the Olympic judicial board. The board would review the case and make a decision. Both sides of a dispute were obliged to abide by the Olympic board's ruling.¹⁸ This method worked for a few decades

18. Young, *A Brief History of the Olympic Games*, 96.

but was interrupted by a change in the socio-economic conditions in the country that eventually led to the Peloponnesian war.

4.4 Selection and Financing of the Olympic Athletes

The participants of the ancient Greek Olympic Games were limited to free Greek males who were the best athletes at their home cities and passed the qualification rounds at Olympia before the actual Games.

Since the athletes did not compete for their personal glory (although the fame came along, too), but mainly as the representatives of their home cities, as many historians note, the Olympic athletes were sponsored by their home cities.¹⁹ In case of victory, they were presented with lavish gifts and material remuneration from the authorities of their home cities. Moreover, the home cities were harshly opposed to selling their athletes to other cities.²⁰ The cases of athletes themselves switching to competing on behalf of other cities were extremely rare (throughout all the history of the Olympic Games such a switch happened only twice) and when this happened it caused public scandal and dismay up to the point of public ostracism of an athlete and subsequent physical prosecution.²¹ Had the Olympic Games been only a sporting competition, trading athletes would have been as common as in the NHL.

These facts fit the theory because the participants must have been representative of the *real* armies in their city-states. By training their home athletes, the city-states

19. Miller, *Ancient Greek Athletics*, 272.

20. *Ibid.*, 274.

21. *Ibid.*

increased their chances of winning in the Games, yet should a war break out the city-states would have an army able of competent military action.

4.5 The Peloponnesian War

The Olympic Games were not sufficient to prevent the Peloponnesian War because the conditions that allowed the Olympic Games to be sufficient for preventing the war were disturbed at this time. The balance of power between the two large alliances of that time – Athens and Sparta – disappeared. First, there were the changes in the size of the populations of Athens and Sparta. The Athenian population sharply decreased whereas the Spartan population increased. As mentioned in writings of Thucydides, the plague came to Athens and roughly a quarter of the Athenian manpower died. By contrast, the population living in the territories controlled by Sparta increased due to Sparta's forming alliances with more city-states and, at a later stage, receiving help from Persia.²²

Second, the hostile actions that both Athens and Sparta took against each other around this time further unsettled the balance. Around 430 B.C., Athens also began fortifying posts around the Peloponnesus. One of these posts was near Pylos, on the island of Sphacteria. The post near Pylos struck Sparta where it was the weakest – its dependence on the helots. Sparta was dependent on a class of slaves, known as helots, to tend the fields while its citizens trained to become soldiers. The helots made the Spartan system possible, but now the post near Pylos began attracting helot runaways. In addition, the fear of a wide revolt of helots emboldened by the close presence of the Athenians drove the Spartans to action.

22. Thucydides, *History of the Peloponnesian War*, 2.47-2.54.

Responding to the actions of Athens, Sparta raised an army of allies and went for one of the main sources of Athenian power, capturing the Athenian colony of Amphipolis, which controlled silver mines the Athenians relied on as a source of their finances. In the face of such a strategic loss coupled with the signs of unrest throughout its empire, the survival of Athens was, in their turn, fundamentally threatened.²³ Hence, the economic balance between the two major powers was severely disturbed.

In addition, Athens made unprecedented claims for the increased dominance over Greece. This aggravated Sparta who actively wanted to stop this Athenian tendency. As a result, there was no balance of power between the two major alliances any longer. The outcome of the Olympic Games would not have been a good indicator of the outcome of an actual combat. Therefore, the parties engaged into a military conflict to resolve their conflict.

4.6 The Olympic Games under the Roman Empire

With Greece's assimilation into the Roman Empire at the beginning of our millennium, the Olympic Games, together with many other important elements of the Greek culture, underwent drastic transformation and generally declined. There were many changes in the principles of the Games that contributed to the Games' transformation. For example, the requirement for homogeneity of the participants was relaxed and foreigners were allowed to compete in the Games. Since different countries and nations could participate, Greece could not use the Games for resolving its civil disputes any longer. In addition, balance of power between Rome and Greece, with Rome being much stronger, was not possible. Furthermore, classical Greek culture

23. Thucydides, *History of the Peloponnesian War*, 4.8-4.15.

ceased to dominate the Games. Instead, Roman excesses and hedonistic attitudes were diminishing classical Greek thought. The Olympic Games gradually became an entertainment event and lost their role of the dispute resolving mechanism because of the historical changes in the conditions that led to the mechanism's formation and functioning.²⁴

24. Interestingly, the Games were banned completely in the late 4th century A.D. by the Roman Emperor Theodosius I in his pursuit to make Christianity a state religion in the Roman Empire. If the Christian Church became a way of screening for trustworthy types, then it would not have liked the competitors. See Douglas W. Allen, "Theocracy as a Screening Device," (Mimeo, 2007.)

Conclusion

This essay has argued that the ancient Olympic Games allowed the ancient Greeks to substitute the Olympic Games for large-scale violence. The Games functioned as a dispute-resolving mechanism. In addition to the savings on the immediate costs of sending an army to resolve a conflict, this dispute-resolving device permitted the ancient Greeks to avoid dissipation of wealth associated with violence. Via this wealth-preserving property of the ancient Olympic Games, the ancient Greeks were set apart from the rest of the nations of those times. The ancient Greeks could accumulate and preserve wealth, not just in financial terms, but also in the intangible form of art, philosophy, history, law, and political theory – the institutional and cultural heritage that eventually became the foundation of the Western Civilization.

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WAR WITHOUT SHOOTING:
AN ANALYSIS OF AMBUSH MARKETING

Introduction

The art of ambush is relevant not only during war, but also as a part of a marketing strategy. When the stakes are high and an event potentially generates a vast amount of wealth, fringe firms will saddle up to the event and reap some of the spoils without ever paying for the right – this is the practice of ambush marketing. Consider the case of Nike and Reebok at the 1992 Barcelona Olympic Games, where Reebok was the official sponsor of the Games, but Nike only privately sponsored the U.S. basketball Dream Team. That Dream Team won the competition, and when Michael Jordan accepted the gold medal for basketball, he blatantly displayed the Nike logo, while at the same time covering up the official Reebok logo on his tracksuit. Nike had put considerably less in sponsorship money, but their targeted investment was able to generate incredible exposure at Reebok's expense. Two Olympiads later, what went around came around: despite Nike being the official clothing supplier for the Australian Olympic team, the Olympic swimmer Ian Thorpe and the Australian swimming team were privately sponsored by Adidas. At a medal presentation ceremony, the swimmer had his towel covering up the Nike logo on his official team swimsuit while displaying the logo of Adidas.

Ambush marketing strategies abound and come in a variety of forms. Consider two other seasoned ambush veterans: Visa and American Express. Visa was one of the official sponsors at the 1994 Winter Olympics in Lillehammer. They aired television advertisements that, in addition to prominently featuring the Olympic logo, highlighted the message that American Express cards were not accepted in the Olympic Village.

American Express was not a sponsor. Nevertheless, in response to Visa, American Express aired television advertisements that explained that American Express cards were accepted throughout Norway and featured a tagline stating that American travellers did not need a "visa" to go to Norway. The American Express statement was, in fact, correct because American travellers did not need travel visas to visit Norway. The Lillehammer Olympic committee was upset because it felt American Express represented itself as a sponsor when, in fact, it was not.

Ambush marketing divides the corporate community into two fiercely rival camps: the opponents like Reebok and Visa above, who suffer financial and reputational losses; and the proponents like American Express, who claim it is nothing more than a creative approach to marketing. Overriding these two sides are the event owners who often believe that these tactics lower the amount sponsors are willing to pay to put on these events. The concern of the event owner is that private and fringe sponsorships free ride on the efforts of the official sponsors. In response, the official sponsors reduce the amount of sponsorship money they are willing to pay, and thus the entire event is put in jeopardy.

The purpose of this essay is to analyze the phenomenon of ambush marketing within a property rights framework. When does ambush marketing stop being a creative marketing endeavour and become an infringement on the property rights of the organizers? When is it commercial theft? Definition and analysis of such a borderline is the purpose of this essay.

1 The Olympic Games as a Reputational Device

Firms are interested in becoming official sponsors of athletic events like the Olympic Games because it helps generate reputation for the quality of their products. As Klein and Leffler argued in their model of product quality, sponsorship of an athletic event, or a charity, or engaging in other types of “conspicuous” specific asset expenditures help firms generate information about the quality of their products.¹ When consumers do not know the quality of goods above some minimum, they often rely on a firm’s reputation to guarantee the supply of high-quality goods. The larger a firm’s sunk brand name capital investment is relative to sales, the more likely its price premium is sufficient to motivate high quality production. This mechanism works because the sunk investment works as a bond for good performance. Implicit information about the sufficiency of price as a guarantee can be supplied by “conspicuous” specific asset expenditures. Such firm-specific asset investments inform consumers of the magnitude of sunk capital costs and thereby supply information about the quasi-rent price-premium stream being earned by the firm and hence the opportunity cost to the firm if it cheats. A sufficient investment in advertising implies that a firm will not engage in short-run quality deception since the advertising indicates a non-salvageable gap between price and production costs, that is, the existence of a price premium.

1. Benjamin Klein and Keith B. Leffler, “The Role of Market Forces in Assuring Contractual Performance,” *The Journal of Political Economy*, Vol. 89, No. 4 (1981), <http://www.jstor.org/>.

Therefore, endorsements by celebrities and other seemingly “non-informative” advertising such as sponsorships of athletic events and charities are valuable to consumers – especially when the events are large and well known. In addition to drawing attention to the product, such advertising indicates the presence of a large sunk “selling” cost and the existence of a price premium. The advertising of the name brand product indicates the presence of a current and future premium. This premium on future sales is contingent on the firm’s brand name capital which will be lost if the firm supplies lower than anticipated quality. Therefore, firms selling more highly advertised, higher priced products will necessarily take more precautions in production.

The Olympic Games are arguably one of the most popular athletic events on the planet. Together with the athletes, the official sponsors of the Games are exposed to a worldwide audience. The world gets to know that the official sponsors have made this huge sunk investment in the Games. Making such an investment generates trust from the public towards the sponsors’ businesses. The companies anticipate that their reputation will be enhanced by their investment into the Olympic Games. Hence, the companies want to be sponsors and, therefore, make the sunk investment. These contributions from the sponsors help organize the Games. The owners of the event benefit from the event taking place.²

2. Interestingly, like the ancient Olympic Games, the modern Games may have little to do with athletics! The role of generating reputations in the business world corresponds to the role of generating reputations for battle in ancient times.

2 The Property Rights Approach

To deal with ambush marketing, this essay adopts a property rights approach that defines property rights as the ability to freely exercise a choice over a good or service.³ The property rights literature distinguishes between legal property rights and economic property rights. Distinction between the two categories of property rights is important for the analysis of ambush marketing. Not all property rights associated with a good or service are specified by law. Those rights that are legally specified are called legal property rights and are just that – the rights to make choices under the law. However, there are a number of property rights associated with the use of goods that are not specified by the law and that partly overlap with legal property rights. These are economic property rights. They refer to the ability of individuals to make choices over the use of resources. The choices can be made over many dimensions. For example, a person can decide to possess, use, transform, develop, or improve something he considers his property, he might exclude others, consume, destroy or sell, donate, bequeath, lease, or mortgage. It is useful to consider Figure 1 below where the two categories of property rights are represented by the circles.⁴

3. Douglas W. Allen, "Transaction Costs," (1999): 898.

4. Douglas W. Allen, *Economic Principles: Seven Ideas for Thinking... About Almost Anything* (McInnes Creek Press, 2006), 308.

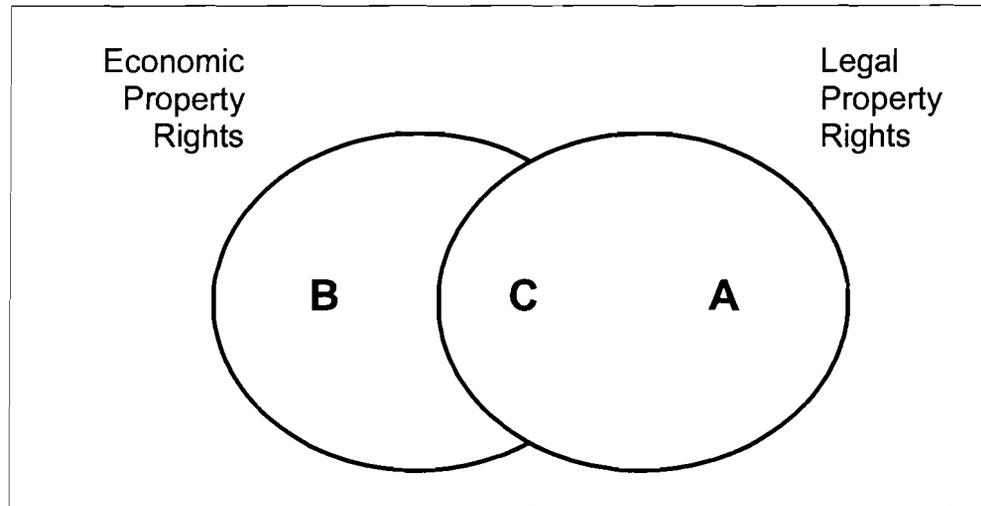


Figure 1 - Different Definitions of Property Rights

Consider section A. Here a person has the legal right to do something but not the economic right. For example, official sponsors of an athletic event are legally protected from infringements on their brand. However, the official sponsors cannot actually enforce this right and prevent infringements. Section B is a different case. Here a person has the economic right but not the legal one. An example of this is a company that violates the property rights of a brand's legal owners by its ambush marketing techniques, even though this is not legally allowed. Section C represents the case where a person has both the legal and economic right to do something. Many situations fall into this category. For example, a company that paid a fee to become an official sponsor of an athletic event can advertise its products during this event according to the agreement with the event owners.

A property right is complete if an owner is able to make all of the decisions with respect to the goods. Property rights of event owners and official sponsors are incomplete. For instance, they cannot prohibit fringe firms from engaging in ambush marketing related to the event. The Property Rights theory predicts that interested parties

will make efforts, either wealth dissipating or wealth generating, to capture the missing property rights in order to increase their private wealth.⁵

Therefore, the sunk investments that official sponsors of the Olympic Games make are wealth-enhancing from the point of view of the event owners. Ambush marketing is a concern to the event owners because its practice reduces the incentive of the official sponsors to make investments in the event and, thus, ambush marketing is often wealth dissipating to the event owners. As long as the property rights over the event remain incomplete and the costs of maintaining the property rights are not high, there will be this perpetual process of maintaining the existing property rights and attempting to establish new ones.

The guideline in judging whether a particular case of ambush marketing is an infringement on the property rights is whether a particular advertising behaviour increases a stream of revenues from a sporting event for its organizers or dissipates it. If a company's actions help increase the revenues for the event's organizers, then the law should not penalize these actions.

5. Allen, "Transaction Costs": 899.

3 Types of Ambush Marketing

Ambush marketing is usually defined as a deliberate attempt by an organization to “inappropriately” associate itself with an event (often a sporting event) in order to gain some of the benefits associated with being an official sponsor without incurring the costs of official sponsorship. Ambush marketing can be divided into two broad classes of activity:

1. Activities traditionally considered piracies. These activities clearly constitute infringements of the legal property rights of an event owner. For example, unauthorized use of a registered event logo on merchandise, or false claims to be official sponsor of a particular team or event.
2. Subtle or fringe marketing practices that take place at the margin of the law. In these practices the economic rights are infringed, but not the legal ones; that is, where the “spirit” of the law, not the “letter” is violated. Hence, the problem is a mismatch between the economic property rights and legal property rights. In this second category, I divide the cases into three subcategories:
 - i) *broadcast marketing*, where a non-sponsoring firm buys advertising space on a sponsoring network during an event;
 - ii) *private sponsorship*, where a non-sponsoring firm privately sponsors an individual or team; and
 - iii) *associative marketing*, where a firm affiliates itself with an event, and where no benefit from this effort reaches the event owner.

4 The Property Rights Analysis of the Categories of Ambush Marketing

Because there are legal remedies available for piracy, I focus my attention on these three subcategories where a firm infringes on the economic rights of the event owner. As I pointed out before, I divide the cases of ambush marketing where firms infringe on the economic rights of an event owner into three categories: (i) broadcast marketing; (ii) private sponsorship; and (iii) associative marketing. I now turn to the analysis of each category.

(i) Broadcast Marketing

This is a type of marketing where a non-sponsoring firm buys advertising space on a sponsoring network during an event. Suppose, the International Olympic Committee sells an advertisement space to two official sponsors of the Olympic Games: Coca-Cola and NBC, a TV company. NBC then sells some of its ad space to Pepsi, which broadcasts its TV commercials during the Olympic Games. Pepsi's action would not dissipate the stream of revenues for the International Olympic Committee and would only increase it because Pepsi's payments to NBC are capitalized into the bid NBC makes to broadcast the Olympic Games. If NBC did not sell the ad space to Pepsi, no additional payments in the amount that Pepsi made to NBC would have come to the International Olympic Committee. Therefore, Pepsi's buying the ad space from NBC makes the International Olympic Committee wealthier. Therefore, Pepsi's actions, if considered ambush marketing, should not be considered a problem. As long as a company's

marketing strategy is enhancing wealth for the organizers, the company's behaviour should be considered legal and not punished.

(ii) Private Sponsorship

In the case of private sponsorship, as in when a firm privately sponsors an individual or team, it is necessary to consider two cases: (1) when the efforts of private and official sponsors are not complementary, and (2) when they are strategic complements.

(1) If the Olympic athletes' performance is considered exogenous to the stream of revenues the Olympic Games bring, that is, as long as the level of the athletic performance does not influence the size of the revenues, the non-official sponsorship of individual athletes or teams does not result in higher revenues from the Games. Instead, it threatens the event because the ambush marketers divert attention from the official sponsors and mislead the public into believing that the non-official sponsors have contributed equally with the official sponsors. Therefore, the ambushers achieve the effect similar to what the official sponsors have paid for, at the expense of the official sponsors. The ambushers free ride on the official sponsorship investments. The official sponsors are, therefore, willing to contribute smaller amounts of investment into the event. This decreases the stream of revenues for the owners of the event. Therefore, to avoid the financial failure, the owners would do their best to prevent invasion of the non-official sponsorship into the organization of the event. Thus, the non-official sponsorship is an undesirable phenomenon to be avoided.

(2) Suppose the marketing efforts of the private sponsor are complementary to the efforts of the official sponsors. For example, if the amount of revenues from the Games depends on the quality of athletes, then the organizers might want companies to sponsor athletes and teams during their pre-Olympic training at home. In other words, if the improved athletic performance attracts more people to watch the Games and increases the revenues from the Games, then the organizers are interested in ways to improve the performance of the athletes, thus making the Games more entertaining. Letting companies finance the training of the athletes improves performance at the Games and, therefore, generates higher revenues. In this case, ambush marketing has two effects. On the one hand, it infringes on the rights of the official sponsors, reducing the amount they are willing to pay. On the other hand, by improving the overall quality of athletes and competition the Games are worth more and this increases the amount official sponsors are willing to pay. Whether the “ambush” effect dominates the “competitive” effect determines whether or not the event owner would want to allow this type of marketing.

For example, cases like the “Dream Team” should likely be allowed. At the 1992 Barcelona Olympic Games, the so-called Dream Team, made up of NBA stars, represented the USA in basketball. 1992 was the year that the Olympic Games became opened to professional athletes, and the United States basketball team dominated every team they played on their way to the gold medal. Participation of the Dream Team made the Games more exciting and attracted more viewers than before. Nike individually sponsored the Dream Team, while the official sponsor of the Games was Reebok. If not for Nike’s sponsorship, the Dream Team’s participation would not have occurred. Certainly, Nike’s unofficial sponsoring of the US Dream Team infringed on Reebok’s

official rights. Nevertheless, the overall increase in the Games' viewership could be an outcome of Nike's actions desirable by the Games' owners. Thus, in the Dream Team scenario, the "competitive" effect is likely to dominate the "ambush" effect. Therefore, the Dream Team cases should be allowed.

(iii) Associative Marketing

The third category of ambush marketing intrudes on the economic rights of event owners. A firm affiliates itself with the event, but no benefit from this effort reaches the event owner. On this level, this type of marketing should not be allowed. The problem is being able to identify it. A wide range of ambush marketing is related to this category, from the use of the athletes by non-sponsors, to sponsoring the TV broadcasts of press conferences or individual events during a competition, to the use of the specific words in the advertisements which might lead to the false conclusion that an advertiser is connected to the event (e.g. "Olympic" in relation to sale, "Spirit of the Game" in relation to a product, and such like). This type of marketing strategy would usually have a wealth dissipating effect since, by its very nature, it creates an association between the advertising company and the event and, thus, generates confusion among the public. Therefore, the law should be hard against the companies that engage in this type of ambush marketing.

A few examples of ambush marketing that happened at the Olympic Games in Sydney in 2000 illustrate this.

Example 1 – The Use of Athletes by Non-Sponsors

In the period leading up to the Sydney Olympic Games, Australian airlines “Qantas” and National Australian Bank, without being the official Olympic sponsors, embarked on marketing campaigns that featured Olympic athletes.

Early Qantas advertising campaigns featured a series of athletes including Olympic athletes Cathy Freeman and Kieren Perkins. Cathy Freeman competed in one of the premier Olympic track events, the 400 meters. She represented Australia at the World Championships, winning a gold medal; at the 1996 Olympic Games in Atlanta, winning a silver medal; and at the 2000 Olympic Games in Sydney, winning a gold medal.

Since 1997, Freeman has been featured in a Qantas advertisement that showed her with her arms outstretched and crossing the finishing line. The use of Freeman’s image in Qantas’ marketing campaigns was a huge public relations success. Qantas was not an official 2000 Olympic Games sponsor. Ansett was. Despite this, a poll conducted by Woolcott Research in July 1999 found that 58% of those surveyed were sure that Qantas was a sponsor of the Sydney 2000 Games compared to 38% for Ansett.

The Qantas ad campaign generated a high degree of confusion in general public as to whether Qantas was an official sponsor. Because of this confusion, Qantas’ actions were damaging to the proper sponsor, Ansett, whose investment in the Games was jeopardized by the free riding competitor. Qantas’ actions also hurt the Olympic Games organizers by indicating that the organizers could not protect the investments of their official sponsors from ambushes. The Qantas’ marketing strategy dissipated the stream of future revenues from the Olympic Games. Therefore, marketing similar to what Qantas did in Sydney should not be allowed.

Example 2 – Sponsoring of Press Conferences and TV Broadcasts of Individual Events

Consider the following examples first:

- At the Sydney 2000 Games, Qantas Airlines sponsored both pre-Olympic meets and the Olympic selection trials for the Australian swimming team. The trials were broadcast from the Olympic swimming pool and the broadcast featured the Qantas name and logo.
- At the 1992 Barcelona Games, Nike sponsored press conferences with the US basketball team despite Reebok being the official sponsor.
- At the 1984 Los Angeles Games, Kodak sponsored TV broadcasts of the Games as well as the US track team despite Fuji being the official sponsor. Fuji returns the favor in kind during the 1988 Seoul Games of which Kodak was the official sponsor.

From these, one might reasonably assume that in each case “the ambushers” were able to establish a link between themselves and the Olympic Games, infringing on the rights of official sponsors and misleading the public. The marketing strategies like the ones described above are certainly wealth dissipating for the organizers of the Games and should not be allowed.

Example 3 – The Unauthorized Use of “Related to the Event” Words in the Advertisements

Finally, the last form that associative marketing usually takes is the unauthorized use of related to the event words in the printed advertisements. If an advertisement creates significant confusion in the minds of the readers as to whether an advertiser is

officially associated with the event, then such an advertisement is dissipating wealth of the official organizers and should be prosecuted. If, however, the possible association is too vague and indirect, then this advertisement is not an infringement. The following two examples of magazine advertisements illustrate this.

During the Sydney Olympic Games the television manufacturer Loewe ran the magazine advertisement for its TV sets containing the words “Olympic box seats” beside the big-screened TV. It is unlikely that this advertisement could suggest that Loewe was a sponsor of the Games or otherwise affiliated with the Games. Similarly, Landrover's use of the slogan “Let the Games Begin” in its advertisements at the time of the Sydney Olympics would not suggest that it went beyond being just a clever slogan.

To sum up the discussed above, the criterion of whether the public was significantly confused by the featured marketing campaign is crucial to deciding whether the stream of revenues was reduced. If the confusion caused could be considered significant, then the wealth was dissipated, and, thus, the marketing campaign should be classified as commercial theft and prosecuted.

Conclusion

The modern Olympic Games are a business vehicle that is supposed to drive up the reputation of its official sponsors. The practice of ambush marketing, however, interferes with the interests of the event owners and official sponsors and, thus, represents a problem. Ambush marketing is the clever use of marketing techniques which fringe firms use to attempt to free ride on the Olympic brand. The property rights approach seems to be a natural theoretical framework with which to analyze ambush marketing. I classify different types of ambush marketing and discuss the methods of dealing with each of them. The guideline in judging whether a particular case of ambush marketing is an infringement on the property rights or is still within the realm of healthy competition is whether a particular advertising behaviour increases a stream of revenues from a sporting event for its organizers or dissipates it. If a company associates itself with an event by taking actions that help increase the revenues for the event's organizers, then the law should not penalize these actions.

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