

Chapter 1

OVERVIEW OF TOURISM ECONOMICS

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Abstract: This chapter provides an overview of the contributions to this handbook and this is accompanied by some editorial observations. The range of these contributions is wide. They cover the demand for tourism, the supply of tourist services and include studies of particular segments of the tourist industry. Attention is also given to the application of cost-benefit analysis and public economics to tourism economics as well as to the importance of inter-industry analysis and tourism satellite accounts in assessing the economic consequences of tourism. International economic aspects of tourism are analysed as well as tourism's role in economic development. The interconnection between tourism, conservation and the state of the environment is emphasised.

Keywords: Conservation and tourism; cost-benefit analysis; demand for tourism; economic development and tourism; environment and tourism; international economics and tourism; inter-industry analysis; tourism satellite accounts.

1.1. Introduction

The substantial development of tourism economics in recent decades is probably the result of a combination of factors. However, one of the main drivers undoubtedly has been the growing global importance of tourism as an economic activity. Tourism is a composite commodity to which many industries contribute. When this is fully accounted for, tourism is the world's largest 'industry' in terms of employment and global production. Moreover, it is an industry that continues to expand. On the demand side, its expansion is a reflection of global economic growth. The number of people worldwide obtaining increased per capita income and more leisure-time has risen. Because the demand for tourism is income elastic and tends to increase as available leisure-time grows, this has stimulated the demand for tourism. On the supply side, contributors to the expansion in tourism globally have been a reduction in the real cost of travel, a lowering of the time needed

to travel a given distance, greater frequency and density of travel services, and lower transaction costs in arranging tours. Arguably also, despite terrorism, the overall risks associated with touring are fewer than in the past. In addition, knowledge about travel and tourism possibilities is more easily available than in the past, for example, due to advances in information technologies. All of these factors (and most likely others) have contributed to the global growth of tourism and have increased the relevance of tourism economics to the modern world. Furthermore, for at least the foreseeable future, global tourism, despite short-term and cyclical effects (such as those caused by economic recessions), is likely to continue to expand.

Much of the current growth in global tourism is being generated by the economic growth of major Asian economies, such as China and India. As economic growth continues in Asia and in several lower income countries, this will continue to fuel the expansion of global tourism. With economic growth, service industries (of which tourism is a part) increase in relative economic importance whereas many other industries, such as agriculture, decline in their relative importance (Clark, 1957). As a result, comparative interest in tourism economics has increased whereas interest in subjects like agricultural economics has waned to some extent, even though such subjects are not unimportant.

A challenging feature of tourism economics is that it involves the study of composite commodity. This means that a number of economic techniques or methods (such as Tourism Satellite Accounting and its application) have to be developed by tourism economists to ensure that their analyses are applicable. This requires significant innovation because mainstream economics concentrates mostly on economic analysis associated with well-defined singular commodities each of which is associated with a particular industry. However, as observed many years ago by Robert Triffin (1941), it is not really clear in practice (even if products or commodities are not composite ones) where the boundaries of industries are located. This is also true to some extent of the tourism industry or sector. For example, a significant portion of tourism (but not all) is a leisure or recreational activity, and other leisure and recreational activities are partial substitutes for it. However, in some cases these activities are complements. Therefore, in defining the boundaries of the tourism industry or sector, one ought not be inflexible. A flexible approach is followed here.

The purpose of this chapter is to provide an overview of the contributions in this book. These provide a contemporary coverage of the current state of tourism economics by outlining relevant theories, providing applications and

case studies. While the coverage of tourism topics in this book is very comprehensive, it does not cover every topic to which tourism economics relates because the range of possible topics is very wide. For example, in the part of the book containing studies of particular segments of the tourism industry, scope exists for considering additional segments such as religious tourism and adventure tourism. Nevertheless, this book outlines and illustrates principles and techniques that can be applied to studying all segments of the tourism industry.

In order to organise this book systematically, the remaining chapters of this book have been grouped into the following parts:

- The demand for touring (Part II);
- The supply of tourist services (Part III);
- Studies of particular segments of the tourism industry (Part IV);
- Cost-benefit analysis, public economics and tourism (Part V);
- Inter-industry features of tourism, tourism satellite accounts (Part VI);
- International economic issues and tourism (Part VII);
- Studies of the contribution of tourism to economic development (Part VIII);
- Environmental and conservation matters involving tourism (Part IX).

It should, however, be noted that these are not exclusive partitions. For example, there are many chapters in parts other than Part VII which include at least some coverage of international economic issues involving tourism.

The nature of each of the contributions in this book will now be outlined and discussed in order to provide an overview. This is a general overview and is not a substitute for the detailed reading of each of the chapters themselves.

1.2. The Demand for Touring

Demand and supply analysis is basic to the economic study of industries and sectors of economies. Consequently, Parts II and III of this book focus on supply and demand analysis involving tourism.

In Chapter 2, Sarath Divisekera provides a comprehensive review of tourism demand models based on mainstream economic concepts and theories. These models rely on the assumptions of standard economic theory and in particular, the neoclassical theory of consumer behaviour which, as Divisekera points out, assumes that consumers are rational and strive to maximise their satisfaction subject to their income constraints. In this chapter, he gives most coverage to tourism demand models which take into

account economic changes involving multiple commodities or groups of commodities, that is, system-based models. These models are important building blocks for economic general equilibrium analysis. A number of different functional forms have been suggested for specifying complete demand systems. How should modellers and policy-makers choose between these? Divisekera outlines both theoretical and empirical factors that should be considered in making this choice. He points out that sometimes theoretically appealing functional forms have to be rejected for empirical work because they cannot be applied easily.

In Chapter 3, Divisekera outlines issues that need to be addressed in applying these demand systems and reviews empirical econometric studies of the demand for tourism based on demand systems. The demand elasticities obtained from one such model are specified and discussed in order to illustrate the value of this approach to estimating the demand for tourism.

From the coverage of these two chapters, it is clear that alternatives to neoclassical economic methods of modelling demand have had little impact on mainstream economic studies of tourist demand. Alternative or different theories associated with psychological economics and behavioural economics (Bowles, 2004; Kahneman and Tversky, 2000) for example, seem to have had little influence but have some indirect relevance. Many of these theories assume bounded rationality (Simon, 1957; Tisdell, 1996) in contrast to the basic assumption of neoclassical economics which supposes a very high degree of rationality. Nevertheless, the separability concept of demand which Divisekera discusses in Chapter 2, and which he states plays a major role in applied demand studies, can be associated with the occurrence of bounded rationality. Firstly, this separability approach has similarities to the theory of mental accounting and consumer demand as developed by Thaler (1980). Mental accounting is a part of behavioural economics. Second, the separability assumption may be widely made use of because it makes econometric measurement of demand relationships tractable. Furthermore, to some extent, tourism market segmentation analysis involves separability assumptions about tourist demand and consequently, it may also provide useful clues as to how markets can be reliably separated.

In Chapter 4, Sara Dolnicar provides an up-to-date, practical (yet critical) guide to the application of market segmentation analysis to tourism. Tourist firms often use this type of analysis to determine which segment (or segments) of the tourism market they will target in developing projects and in promoting their offerings. This approach recognises the heterogeneity of tourism markets but treats each identified segment of it as being homogenous. This supposes that a very high degree of substitutability exists

within segments but only a very limited degree of substitutability between different segments of the market. Therefore, simplifying assumptions are involved.

One problem is how to identify the relevant segments appropriately. One way is to base market segmentation on 'common sense' exogenous assumptions about the relevant segments, for example, differentiation of segments by age, gender, income levels of tourists. Another approach is to examine the available data and to see if it highlights factors that appear to be important in delineating the market segments. Dolnicar examines the alternatives and the benefits and drawbacks of these different approaches and argues that practitioners need to be transparent with their clients about the way in which their analysis has been developed. They should be transparent about procedures adopted for the selection of the segments and the possible limitations of the methods used.

As with all demand analysis, it is also important to take into account dynamic factors. The past is often an incomplete guide to the future. Therefore, changing trends in demand and possible alterations in market segments with the passage of time must also be considered.

In Chapter 5, Habibullah Khan and Francis Tan present the results of an econometric study designed to determine the extent to which tourism demand in Singapore is complemented by demand for tourism in the ASEAN region, particularly by demand for tourism in its nearby countries — Malaysia, Indonesia and Thailand and also consider the influence on tourist demand of traditional explanatory variables such as income levels of tourists and prices. This enables them to draw interesting conclusions about the type of tourism policies that Singapore should pursue. The results have important implications for regional policies for promoting tourism and involve the first formal modelling of the influence of 'neighbourhood effects' on tourist demand in countries in the same neighbourhood.

Terrorism has a major negative impact on the demand for tourism. Initially in Chapter 6, Kunal Chattopadhyay reviews the relevant literature about the impact of terrorism and violent political unrest on tourism and the costs involved. He then focuses on the consequences for tourism in India of political violence there giving particular attention to its effects on tourist demand within India. The adverse tourism consequences of the activities of India's Maoist rebels are given particular attention. His exposition also provides some interesting information about domestic tourism in India. For example, he outlines the motives for domestic tourism in India and provides data on the spatial distribution of tourism in India.

1.3. The Supply of Tourist Services

Most of the contributions in Part III of this book focus on international aspects of the supply of tourism services. Topics include the internationalisation of the hotel sector, a case study set within a global context of the development of the lodging sector in China; changes in the role of tourism and travel intermediaries in recent times, primarily as a result of advances in information technology; the significance of air transport for tourism, and the consequences for the geographical distribution of tourism of technological advances in transport. It is argued that these advances influence the nature of the tourism area life-cycle.

It is well-known that the tourism sector is becoming increasingly globalised. Zélia Breda and Carlos Costa (in Chapter 7) outline and review a range of modern theories about why and how firms have become more international in their operations. They argue convincingly that significant differences exist between the reasons for and patterns of internationalisation of manufacturing firms and those in the service industry, such as in the hotel sector. To date, most theories of the internationalisation of business firms have been based on the behaviour of manufacturing firms. After outlining general theories of factors leading to international operations by firms, Breda and Costa focus on the behaviours of firms in the hotel sector. They find that the most common practice is for hotels to begin international operations by means of management contracts with overseas organisations and businesses. Franchising and foreign investment is less common. However, the situation is not static. They suggest that patterns of internationalisation in the hotel sector could be changing and that as hotel groups obtain more experience in overseas markets, the vehicle for their involvement is liable to alter, for example, they may be more inclined to undertake direct investment.

The development of China's hotel industry provides some support for the above observation of Breda and Costa. Larry Yu and Huimin Gu (in Chapter 8) outline the way in which China's hotel industry has evolved in an international setting and has adapted to, and reflected changes in the structure of the Chinese economy since China began its reforms in 1978. First, with foreign involvement, China's lodging sectors catered mainly for inbound tourists, then increasingly for domestic tourists, and now it has a focus on outbound Chinese tourists. Yu and Gu analyse how international involvement in the Chinese hotel industry has helped China catch up with more developed economies in managing its hotel industry and how in the latest phase, some Chinese hotel companies are investing abroad. Both supply and demand side features of China's lodging sector are explored. These

include changes in the productivity of China's hotel industry and its adaptation to change in the demand for lodging services.

Aspects of the internationalisation of the tourist industry are also covered in the contribution of Nevenka Čavlek in Chapter 9. She examines the changing role of travel and tourism intermediaries giving particular attention to the effect on travel and tourist agents of advances in information and communication technology (ICT). Some 'futurists' predicted that the services provided by travel and tourist agents would be little demanded given advances in ICT. According to the research results reported by Čavlek, the fact of the matter is, nevertheless, that travel agents still account for most of the holiday bookings in Europe and USA. However, there have been some changes in the composition of services supplied by travel and tour agents and significant structural changes in this segment of the tourist industry. This market has become more concentrated in hands of fewer firms and through mergers, acquisitions, vertical expansion and horizontal (backward) integration, large-sized travel and tourism agencies have become even larger. As a result, they have achieved greater economies of scale, more bargaining power and have gained more economies from increased scope. Furthermore, they have increased the extent of their international operations. The more successful intermediaries have used electronic and internet possibilities to expand this market. They are now able to offer more economic tours customised to better meet the needs of individual tourists who can 'pick and mix' tour combinations using the internet. Čavlek is confident that tourist intermediaries will still continue to play a major role in the travel and tourism market.

Adequate transport, especially air transport, is essential for the development of tourism. The contribution of Papatheodorou and Zenelis (Chapter 10) explains the importance of the transport sector for tourism and concentrates on the role of air transport in developing tourism. Airlines carry over half of the world's international travellers and many countries (such as island countries and those consisting of archipelagos) are almost completely dependent on air services to carry their international tourists. After considering the influence on tourism of the supply of air transport and its attributes, they examine the evolution of the airline sector. This evolution has involved changes from a situation dominated by flag carriers, to the emergence of charter airlines associated with large tourist operations and in more recent times, radical changes brought about by market penetration by low cost carriers. They show that both institutional changes and technological innovations have played a major role in the changing structure of

the airline sector and in the type of services supplied by it. They point out that while these changes have helped to grow the tourist industry in some regions and countries, environmental problems have emerged as a result of this growth.

Airports also play a vital role in tourism development. Papatheodorou and Zenelis explain why and consider the occurrence of competition between localities to attract airlines and tourists to land in their locality rather than others. They also discuss the role that information and communication technologies are playing in facilitating modern air transport. They argue that 'aviation policies concerning the smooth cooperation of tourism and aviation can make a big difference in the prosperity of a leisure destination'. Today, it is impossible for tourism to thrive in many parts of the world without adequate and reliable aviation services.

Kato and Mak (Chapter 11) provide an interesting long-period case study of how technical progress in transport has influenced the development of tourism in Hawaii. They point out that tourism in Hawaii depended initially on shipping and subsequently on air transport and altered as transport innovations began to occur. They find that as a consequence of innovations in transport that the number of tourists visiting Hawaii as a function of time is of a logistic form. This means that it is similar in form to the first portion of the area life cycle proposed by Butler (1980). They find however, that the causes of this development differ from that proposed by Butler. They ascribe this mainly to changes in the supply and nature of transport as a result of technical innovation. They are convinced that the slowdown in tourism growth in Hawaii is not due to environmental or social deterioration which would be the case if Butler's theory applied.

1.4. Studies of Particular Segments of the Tourist Industry

The tourism industry and the reasons why people engage in touring are diverse. Studies of the tourism industry can, therefore, be divided into many different focal segments. Studies may, for example, be segmented by the socio-economic attributes of tourists (for instance, their age, gender, income level, nationality and level of education), by the geographical location of the tourism, and by its purpose (for instance, for leisure, visiting friends and relatives, business, seeking medical treatment, education, adventure, religious experiences and so on). Many of these segments can be further divided into sub-segments. Only a limited number of these segments are covered in Part IV of this book, but they provide worthwhile insights into particular segments of the tourist industry.

Leisure tourists and recreationists are drawn to particular locations by their attractions. Wanhill in Chapter 12 examines the attributes of attractions, considers the importance of their 'imagescape' and support services as factors in generating visits to attractions, and also shows that their ability to draw visitors depends on the social and cultural context in which they are developed. He gives particular attention to the role of innovation in generating demand and economic returns from attractions. Apart from linking this part of his study to Schumpeter's (Schumpeter, 1952) theory of business innovation and the economic dynamics of the development of capitalism, Wanhill suggests that the institutional ownership and management of attractions (that is, whether this is in the hands of public bodies, voluntary organisations or private business) is influenced by the extent to which attractions provide scope for innovation. Those attractions which afford little or no scope for innovation are likely to be in the hands of public bodies whereas those where significant innovation can occur are likely to be business-dominated. The best way to develop attractions and suitable methods of regenerating localities by developing attractions, including industrial attractions, is considered by Wanhill along with strategies that may be adopted to maintain visitor attendance. The question of appropriate admission charges for attractions is complex. Wanhill points out that the normative economics of this varies depending on whether the attractions are supplied by the public sector, voluntary organisations, or private enterprises. This leads on to the interesting question of what constitutes the successful development of an attraction. Obviously, this depends on the purpose or objectives of those developing it. The relevant test, may, therefore, differ depending on whether the attraction is supplied or developed by a public body, a voluntary organisation or a commercial business. For instance, the public sector may treat the supply of some attractions as merit goods and most voluntary bodies have non-profit missions.

Different attractions cater for different segments of the tourism market. Stephen Wanhill's focus is on attractions that cater for the leisure-market and which are site specific once supplied. Travelling for medical attention and for education is not location specific. Beach, sun and surf tourism is to some extent site specific. These are all additional topics considered in Part IV of this book. In Chapter 15, Wanhill provides a worthwhile analysis of the business of amusement parks which are also site specific (once established). Stephen Wanhill (personal communication, 29/4/11) has mentioned that Chapter 12 reflects his experience in researching and funding attractions when he was at the Wales Tourist Board.

In Chapter 13, Grace Lordan examines the development of international health tourism. After providing evidence on its economic importance, she gives reasons why it is happening, charts its growth using internet-based data, and assesses the effects of this tourism on host countries. Host countries are usually developing nations but not always low-income countries. For example, Singapore is a country in which incomes are relatively high but which also caters for a substantial number of inbound medical tourists. She then outlines and addresses major concerns that have arisen about medical tourism and specifies ways in which these could be addressed. She believes that international medical tourism will continue to grow, particularly because populations are ageing in higher income countries. Consequently, the urgency of addressing several of the significant issues which she raises (such as the risks faced by patients in seeking medical services abroad) is likely to grow in importance.

Travelling abroad for education has become a major international economic activity in recent years. Several higher income countries earn a substantial amount of foreign exchange from this activity as pointed out by Duhs in Chapter 14, OECD data for 2010 indicates that over 20% of students in Australian tertiary education institutions were international students as were 13–15% of tertiary students in Austria and the UK, Switzerland and New Zealand. The number of foreign students is also substantial in several other countries. Today, many nations are seeking international fee-paying students for economic reasons. However, if some standard definitions of tourists are adopted, many of these students would not be classified as tourists, because they stay in their host country for more than a year. Nevertheless, it is not entirely inappropriate to discuss this topic in this book.

In his contribution, Alan Duhs uses Australia as a case study to identify relevant economic and related issues that have arisen in the development of international travelling for education and considers the future for educational tourism. He foresees the possibility that growth in this type of tourism will taper off in the future and may even decline. Particularly, the number of outbound students from China and India may decline as these countries continue to experience economic growth and strengthen their own educational institutions.

In Chapter 15, Stephen Wanhill (apart from applying concepts of attractions developed in Chapter 12) outlines the historical developments of amusement parks, gives reasons for their development, and analyses the economics of their operations as well as market influences on this. Strategies are identified that are expected to improve the economic performance of amusement

parks. Particular attention is given, among other things, to the economic implications of the high level of overhead costs of most amusement parks, the mixture of their attractions, changes in their attractions in order to generate repeat visits, their location, and issues involving queuing. Wanhill observes that a large proportion of the revenue of many amusement parks comes from sales of incidental items such as food and drink. It is also evident that the commercial development of amusement parks involves a considerable degree of business risk, and therefore, banks limit their financing of such parks. Choosing an appropriate theme for an amusement park is of considerable economic importance. Wanhill observes that ‘complex or scholarly themes have difficulty producing the emotional experiences necessary to attract family groups and have limited repeat visit potential’.

To some extent, cruise ships have become floating amusement parks. At least, amusement possibilities are an important part of the cruise product-mix today. Adrian Bull explores cruise tourism as a segment of the tourism industry in Chapter 16.

He reports that cruising is divided into several sub-markets, the industry is becoming increasingly concentrated in the hands of just a few suppliers and is oligopolistic in nature. He shows that there has been substantial growth in the number of cruise passengers since 1990, examines the nature and geography of cruising markets and details the structure and marketing strategies of the industry. Particular attention is given to product differentiation as a competitive strategy. Furthermore, factors that influence the demand for cruising are identified and the types of changes that have occurred in cruising products in recent years are outlined. These changes partly reflect changing tastes as well as the availability of new technologies. Significant innovation has occurred in this industry. The economics of cruise ship operations and the sourcing of factor inputs (including cruise ships) by this relatively ‘footloose’ industry are considered as well as the controversial subject of the economic impact of cruises on destinations.

Beaches, sun and the surf combined are important magnets for tourism and recreation in many coastal locations. After summarising the uses made of sandy beaches in sunny places and providing background information, Lazarow, Raybould and Anning (Chapter 17) outline economic methods that may be applied to measure the economic value of beaches tourism and recreation. The purpose of such methods (for example, the travel cost method, contingent valuation, choice modelling) is usually to measure how much tourist and recreationists are willing to pay to utilise the resource, access to which in most cases is not marketed. In Australia, for instance, as in Britain, there is open access to beaches. These beach valuations can

(in suitable circumstances) be employed in social cost-benefit analysis (see Part V) to determine whether the economic value of beach maintenance and improvements by public authorities exceeds the cost involved, that is whether such expenditure is worthwhile from a social economic point of view. These valuation methods depend for their accuracy on the basic assumptions of neoclassical economic being satisfied, such as strong assumptions about the rationality of individuals (see Tisdell and Wilson, 2012). Empirical evidence, however, demonstrates that these methods can have serious limitations in some circumstances (see Tisdell and Wilson, 2012). This is especially so when they are applied to first-time visitors (tourists) compared to more frequent visitors (recreationists). Basically, this is because of knowledge limitations and bounded rationality. However, this is not a serious problem in the surveys by Lazarow, Raybould and Anning because most of the visitors surveyed would have been repeat visitors.

The second portion of the contribution by Lazarow, Raybould and Anning involves case studies based on the beaches of the Gold Coast in Queensland, Australia. First, they estimate the direct total expenditure on surfing on the Gold Coast. Strictly this is not economic valuation as such but is an element of economic impact analysis (see Chapters 18 and 19). They then report the results of a contingent valuation study of the willingness to pay for alternative measures to protect the beaches of the Gold Coast from erosion and consider the sensitivity of the results to variations in the information provided to those surveyed. They found, in their particular case, that there was little effect on the level of willingness to pay for beach protection for the changes in information which they supplied. Nevertheless, this is not always so (see, for example, Tisdell, 2006) and depends on the prior information which respondents have about the focal good, as noted by Lazarow, Raybould and Anning. In many circumstances, it is inappropriate to assume that tourists are recreationists and are fully informed and therefore, one needs to be cautious in applying methods of economic valuation based on neoclassical economics. However, that does not mean that they are always inadequate methods of economic valuation.

1.5. Cost-Benefit Analysis, Public Economics and Tourism

In Chapter 18, 'Tourism, projects and cost-benefit analysis', Norbert Vanhove discusses tourism project appraisal and argues that it is important that such appraisals be done from both a private and social point of view. If tourism projects are to succeed, they must be economically viable

from the point of view of private investors. Furthermore, it is also desirable for them to provide net social benefits because, among other things, such projects often require significant investment in infrastructure by governments. Both private and social cost-benefit analysis are valuable means for completing the economic assessment of tourism projects. Vanhove considers private cost-benefit analysis to be a micro-approach and social cost-benefit analysis (SCBA) to be a macro-approach because the latter takes into account the economic side-effects of projects. In SCBA, allowance is made for externalities and other market failures but not in private CBA, as is demonstrated by Vanhove.

After placing CBA in context, Vanhove outlines the basic steps that need to be followed in applying CBA. These are:

1. Identifying the items involving costs or benefits;
2. Quantifying these;
3. Placing economic values on these; and
4. Allowing for the time-factor in the way usually done in estimating the net present value or the internal rate of return from projects.

An informative feature of Vanhove's coverage of social cost-benefit analysis is his comparison of it with economic impact analyses, such as analyses based on the use of income and employment multipliers, input-output analysis and compatible general equilibrium models. The latter are given particular attention in Part VI of this book. Vanhove also demonstrates in an illuminating manner, the difference between social cost-benefit analysis and economic impact analysis by his examination of a project involving a special event, namely a formula one motor racing event.

After identifying potential problems, including how to allow for risk and uncertainty about costs and benefits that are likely to arise in applying social cost-benefit analysis, Vanhove concludes by strongly advocating the use of social cost-benefit analysis as a means for assessing tourism projects. In doing so, he reinforces a similar view to that expressed by (Stabler *et al.*, 2010). Nevertheless, the question remains of why there is a tendency in practice to rely so heavily on economic impact analysis in assessing tourist projects. Some suggestions about why this is so are given in Tisdell and Wilson (2012). Possible reasons include the greater cost of completing cost-benefit analysis compared to some types of economic impact analysis, the insufficient attention of CBA to the regional distribution of economic impacts, and the greater political clout of those who depend for their livelihoods on *marketed* goods compared to those desiring non-marketed goods. In many cases, results from

both social cost-benefit analysis and economic impact analyses are useful for assessing the same tourist project because these methods measure different attributes of it. However, funding for the purpose of decision-making (storage, collection and processing of data and so on) is usually limited and the optimality of imperfect decisions (Baumol and Quandt, 1964; Tisdell, 1996) needs to be kept in mind. Taking into account such factors, bounded rationality is likely to influence the choice of decision-making techniques for assessing tourism projects as well as the optimal degree to which they should be refined from applications (Tisdell, 1996).

Tisdell and Wilson in Chapter 19 ('Public economics and the assessment of tourism developments and policies') give further consideration to some of the issues raised by Vanhove, particularly the value of social cost-benefit analysis and economic impact analysis as a means to assess tourism developments. Their discussion is set within the framework of public economics. Sustainability issues are examined and the costs and benefits of inbound tourism are considered as an illustration. Subsequently, drawing on the relevant literature, economic implications of taxes and subsidies on tourism are reviewed. This contribution then considers the application of the user-pays principle to tourism and focuses on the desirability (or otherwise) of charging fees for entry to national parks and protected areas. The tourist services provided by these government-supplied facilities are modelled as quasi-public goods. Many other facilities supplied by governments and used for tourism and recreation also have this quality, for example museums and art galleries. However, the services provide by natural areas are very diverse. Their capacity to cater for tourist and recreationists is just one of their economic attributes. They normally provide a range of ecosystem services and these all need to be taken into account in determining their economic value and in devising appropriate policies for their use and conservation.

In Chapter 20, Boyd Blackwell, Mike Raybould and Neil Lazarow present a case study using public economics to assess expenditures by two Australian local governments on beach protection and maintenance. Access of users to these societal assets is free in Australia. In their study they focus on beach and foreshore expenditures by the Gold Coast City Council and the Sunshine Coast Council (both of which are located in Queensland and which can be reached in under two hours driving from Brisbane) and report these expenditures for 2010–2011. They then provide estimates of the economic recreational benefits obtained from these beaches in each of the two local government areas. They find that recreational benefits from beaches in these

areas are very high compared to the expenditure by the councils on beaches. However, they did not have data to estimate the marginal returns to expenditure on beaches in these local government areas nor to estimate benefit-expenditure ratios corresponding to different levels of expenditure on beach conservation and maintenance. Therefore, the study remains indicative from a cost-benefit point of view.

An important observation by these authors is that beach and foreshore assets on the Gold Coast and the Sunshine Coast differ markedly in nature. When the Gold Coast was increasingly urbanised, building on the sand dunes abutting its beaches was not prohibited. However, when later development of the Sunshine Coast occurred, the foreshore dunes were protected as a buffer zone between the sea and buildings. The dunes constitute a form of natural capital and provide significant protection from seaside erosion which is likely to increase with climate change. The Sunshine Coast Council therefore, needs to spend less on beach protection and maintenance than the Gold Coast City Council. From several different points of view, the protective zoning of a wide strip of foreshore coastal dunes on the Sunshine Coast has been a worthwhile investment in the conservation of natural capital. It results in less economic investment being needed to protect beaches, buildings and so on, and it provides several ecological benefits (for example, the conservation of wildlife species). This is evident on the Sunshine Coast of Queensland.

1.6. Inter-Industry Features of Tourism and Tourism Satellite Accounts

Contributions in Part VI mostly concentrate on the economic impact analysis of tourism. Tourism is complex from the point of view of the analysis of its economic impacts because it draws on services and commodities supplied by several industries and therefore, studying its economic impacts requires inter-industry analysis and accounts. The contributions in this section outline contemporary techniques that have been used for this purpose and also provide application of these techniques. Topics such as tourism satellite accounts, and tourism in relation to inter-industry models, input-output analysis and computable general equilibrium (CGE) are discussed in Part VI.

Stephen Pratt's chapter 'Estimating tourism impacts using CGE models: a historical review and future developments', provides a very useful introduction to Part VI. In this chapter, he considers 36 articles which have applied CGE models to tourism-related topics. He organises his in depth

review by dividing these applications of CGE models into seven categories. These are:

1. Economic impacts of tourism booms and busts;
2. The economic consequences for tourism of natural and man-made disasters and their overall economic impacts;
3. Trade-related issues involving tourism;
4. Taxation and tourism;
5. The environment and tourism;
6. Tourism and special events; and
7. Economic impacts of ‘shocks’ or occurrences on segments of the tourism industry and the economic impacts on the wider economy of changes in segments of the tourism industry.

Therefore, the range of application of CGE models is quite wide. However, Pratt argues that it is desirable to give greater attention to sensitivity analysis in this modelling and to dynamics than in the past. He also believes that it would be beneficial to have more CGE applications examining the environmental impacts of tourism and exploring its consequences for poverty. He states that there is scope for greater creativity in CGE modelling and compared to CGE modelling, he finds IO analysis to be inadequate.

Chapter 22 is entitled ‘Tourism Satellite Accounts and their application to CGE modelling’. In this chapter, Tien Pham and Larry Dwyer provide a detailed outline (with examples) of Tourism Satellite Accounts (TSAs) and CGE models. These methods are assessed and the connections between TSAs and CGE models are carefully explained. TSAs for Australia are used to illustrate and explain TSAs, and a CGE model for the state of Queensland, Australia, illustrates CGE modelling and its application to tourism-related issues. They conclude by providing an overall evaluation of the relevance of TSAs and CGE models to the enhancement of our economic knowledge about tourism. They conclude that both techniques are valuable and emphasise that TSAs and CGE modelling are complementary.

The next two contributions in Part VI utilise input–output analysis to analyse regional economic issues involving tourism. Eugene Tian, James Mak and Ping Sun Leung (Chapter 23) examine the direct and indirect contributions of tourism to Hawaii’s GDP. They find that in 2010, it accounted for 16.4% of Hawaii’s GDP when direct and indirect effects are accounted for and 22% if induced effects are included. This is significantly less than an estimate published by the First Hawaiian Bank. They stress that as a rule, reliance on the tourism satellite account alone to estimate the economic

impacts of tourism results in underestimates. They also claim that if a destination already has an input–output table, TSAs are not needed to estimate tourism’s contribution to GDP.

Eusébio, de Castro, and Costa use input–output analysis in Chapter 24 to complete an economic analysis of tourism in the Central Region of Portugal. A distinguishing feature of their study is their analysis of different economic impacts of various clusters or segments of tourists according to their socio-demographic attributes. They examine the possibility of using this information to refine the marketing of tourism for this region by improving its targeting of these different tourist clusters or segments. They also provide an informative historical review of earlier studies of the economic impacts of tourism.

1.7. International Economic Issues and Tourism

Although all the chapters in Part VII deal with international economics and tourism, it should be noted that several other chapters in this book also consider economic aspects of international tourism. For example, they are considered in Chapter 5 (‘Tourism demand in Singapore: estimating neighbourhood effects’), in Chapter 7 dealing with the internationalisation process of tourism firms, and in several other chapters, including most contributions in Part VI dealing with the economic impacts of tourism. All the chapters in Part VII contain a significant amount of economic theory although two also pay attention to empirics.

In Chapter 25 (‘Globalisation in tourism: A theoretical and empirical trade examination’), Nowak, Petit and Sahli point out that tourism is a composite product involving multiple sequential stages. Therefore, scope exists for international specialisation in supplying different parts of this product and in catering for different stages in its supply. They hypothesise that specialisation in different stages will tend to occur in accordance with comparative advantage. They develop a simple analytical framework to explore this aspect. They then use the revealed comparative advantage index to investigate empirically the international division of tourism production. They find empirical support for their hypothesis that international specialisation in supplying parts of the tourism chain occurs. This specialisation accords with differences in the comparative advantages of potential suppliers of the components of tourism.

In Chapter 26 (‘International tourism: its costs and benefits to host countries’), Chi-Chur Chao and Pasquale Sgro employ comparative statics relying on neoclassical economic modelling to examine the costs and benefits to a

host country of inbound tourism. To do so, they extend the model put forward by Copeland (1991). Within their model they consider the costs and benefits of various public policies relating to tourism. For instance they consider the consequences of a tax on tourism. They argue that the implications of their model 'lends support to the levying of taxes on inbound tourists'. While this is so within the model considered, this policy issue is probably more complicated in practice (see, for example, Tisdell, 1983). Chao and Sgro also point out that the short-run economic advantages to a host country of an increase in inbound tourism may be offset to some extent if it results in the 'Dutch Disease', a consequence of which is likely to be reduced capital formation in the non-tourism sectors of the host country and the host's foreign reserves may drop. So, short-run and long-run considerations need to be balanced against one another.

In Chapter 27 ('Inbound tourism and economic growth: A review of theory and empirics'), Mondher Sahli and Simon Carey find that theoretical studies of whether inbound tourism stimulates economic growth are inconclusive but they state that 'empirically, the notion of tourism-led growth finds strong support'. They conclude that more research is required to discover the processes linking substantial tourism exports with economic growth in host countries. In practice, the processes involved are likely to be complex and may vary between situations. In some instances, a substantial rise in inbound tourism may result in sustained economic growth but not in all cases. It is, therefore, necessary to isolate the reasons for such differences.

1.8. The Contribution of Tourism to Economic Development

Part VIII of this book contains five contributions, the first of which discusses generally the relationship between tourism and economic development. The remaining contributions are case studies concentrating respectively on tourism and development in Goa (India), Arunachal Pradesh (India), Zhangjiajie (China) and the Fiji and other Pacific island countries.

The title of Chapter 28 is 'Economic impacts of tourism, particularly its potential contribution to economic development'. In this chapter, Tanja Mihalič after pointing out that measures of economic development and economic growth (as, for instance indicated by rising GDP or GDP per capita differ), provide useful background information on the relative importance of tourism in selected advanced, emerging and developing countries. Then taking into account sectoral change, she outlines the thesis that a tourism cycle exists and relates this to economic growth. She provides empirical evidence

that advanced countries usually have a deficit in their international tourism account whereas emerging and developing countries normally have a surplus. She subsequently considers different ways in which inbound tourism may contribute to economic development and reduce the income gap between rich and poor nations. She finds that inbound tourism brings in foreign currency (which may be used for the import of capital and new technologies as suggested by Tisdell (1993) in China's case), has other development benefits and creates employment. Furthermore, inbound tourism can enable host countries to appropriate extra economic value from their environmental assets as a result of visits by inbound tourists. The assets involved may be natural goods or man-made ones in limited supply. The extra economic value appropriated as a result of inbound tourism due to their presence may be obtained directly and indirectly. Basically, inbound tourism enables rents or extra rents to be earned from a nation's tourism assets, provided their supply is not perfectly elastic (see, for instance, Tisdell, 2001). Mihalič also points out that situations can occur in which the above hypothesis needs to be qualified.

The next two chapters (29 and 30) consider tourism development in two very different parts of India, namely Goa in its west and Arunachal Pradesh in its far east. These two states of India differ significantly in the extent of their economic development, their types of tourist attractions, their accessibility and the extent to which they attract tourists. They also differ considerably in their geographical attributes and their historical background. For example, Goa (a former colony of Portugal has coastal attractions but Arunachal Pradesh (a part of India's Northeast Frontier) is landlocked and most of its terrain is mountainous. It receives few tourists compared to Goa which has become a well-known international tourist attraction.

In Chapter 29, Zélia Breda and Carlos Costa analyse the evolution of Goa as a tourist destination paying particular attention to the socio-cultural conflicts that this development has generated and the environmental changes that it has brought about, many of which make Goa less attractive as a tourist destination. Special consideration is given to the public administration of tourism development in Goa and its shortcomings. However, such shortcomings are not peculiar to Goa. For example, tourist developers (with differing rates of success) may 'capture' public administrators and gain their support for projects that serve their special interests but which are contrary to the public interest. The extent to which tourist developers are able to do this depends on the nature of the political system but all political systems are prone to such problems.

According to Amitava Mitra and Maila Lama, Arunachal Pradesh is one of the most backward states economically of India. However, it is rich in natural resources, in natural environments and in ethnic diversity. These authors, therefore, argue in Chapter 30 that it has tremendous tourism potential, especially to support ecotourism. However, this potential is far from being realised because of several impediments identified by Mitra and Lama. They argue that if these obstacles can be reduced, tourism growth can make a substantial contribution to the economic development of Arunachal Pradesh.

Drawing on their survey data and other data, Chao-zhi Zhang and Julie Jie Wen analyse in Chapter 31, the process of tourism development at Wulingyuan, a World Heritage site in the Zhangjiajie National Park located in Hunan Province in China, not far from Zhangjiajie city. The major contributor to tourism development in this area has been made by the influx of Korean tourists, the so called 'Korean Wave'. Zhang and Wen explore and explain how and why the Korean Wave emerged and examine its impacts. They argue that both private (market) initiatives and government support played important complementary roles in the development of Zhangjiajie as a significant destination for Korean tourists. In their view, this complementary model of the marketing of inbound tourism might be successfully applied in other parts of China and elsewhere. This is an interesting in-depth study of tourist development in a local area.

Part VIII concludes with a chapter on 'The contribution of tourism to the development of the Fiji and other Pacific Island countries'. Harrison and Prasad point out that in recent years, the rate of growth of international arrivals to the Pacific Island countries have exceeded the rate of increase in global tourism and that inbound tourism is a major contributor to economic activity in several Pacific Islands countries (PICs), even though its importance in that regard varies greatly. Some indication of the relative economic importance of inbound tourism to PICs is obtained by comparing their international tourist receipts as a percentage of their GDP. For 2007, it is found that this was 67.1% for Palau, 28.0% for Vanuatu, 23.0% for Fiji, and 20.5% for French Polynesia. By contrast, it was only 0.1% for Papua New Guinea, 1.7% for the Solomon Islands, 2.5% for New Caledonia, and 2.9% for the Marshall Islands. These percentages, however, are based on gross rather than net tourism receipts. Because of large import leakages which occur in order to service tourism in these small island economies, their net receipts can be expected to be much lower than their gross receipts. After providing general background on the nature of tourism in the PICs and giving particular attention to recent tourism trends in the

Fiji, Harrison and Prasad consider whether tourism development generates a socially appropriate form of economic development, and in doing so give particular attention to its ability to alleviate poverty drawing on evidence from the Fiji. In doing this, they report the results of a survey of the corporate social responsibility activities of selected Coral Coast hotels in the Fiji.

1.9. Environmental and Conservation Matters Involving Tourism

Part IX contains the largest number of contributions in this book. This is a reflection of the importance of natural environments and resources as tourist attractions and the view that with increasing global production and levels of human population, such environments are under growing threat from increasing tourism and other causes such as growing demand to use these resources to provide materials for physical economic production. In addition, some are threatened by man-made pollution which causes their environmental deterioration. Therefore, there is increased concern about how best to manage the use of these resources, including their use to cater for tourism. Furthermore, there is a desire to find means that are likely to be effective in fostering the conservation of environmental resources. For instance, the promotion of ecotourism is widely seen as an effective means for satisfying economic and conservation objectives. Whether it is, however, is a subject of continuing debate.

The contributions in Part IX address a variety of subjects. Some involve mainly analysis and discussions of concepts whereas others focus on specific case studies, for instance, a study of the management of ecotourism in a part of Japan, and a case study of the management of tourism involving diving in Egypt.

Kristin Jakobsson and Andrew Dragun introduce Part IX by providing, ‘An overview of environmental and conservation issues of consequence for tourism policy’ (Chapter 33). They identify a range of environmental and conservation issues that tourism policy needs to address, and point out that devising appropriate and socially acceptable tourism policies often requires complex compromises and trade-offs. They argue that environmental and conservation issues need to be given increasing attention in devising tourism policies and in evaluating tourism. Because tourism has grown globally at a rapid rate and the supply of many of the natural resources on which it relies are threatened by alternative economic uses, a serious economic problem has developed. The problem is exacerbated by the occurrence of market failures and missing markets.

They point out that the development of tourism can both contribute to environmental conservation and hasten environmental loss. Tourism can involve the supply of pure public and quasi-public goods and can generate positive as well as negative externalities or spillovers. Market systems fail to ensure optimal economic and social outcomes in such cases and hence, government policy intervention can be warranted. However, the existence of such market failures is, as Jakobsson and Dragun stress, insufficient to justify government intervention because this intervention involves transaction costs. Furthermore, political failures do occur and in some cases, they result in greater economic harm than no public intervention. Therefore, the circumstances of each case need to be assessed before deciding on whether intervention with tourism development is justified.

An informative feature of this contribution is its provision of examples. For example, cases are listed in which ecotourism has resulted in resource conservation rather than environmentally destructive development. These positive examples are, however, balanced by the authors giving cases in which tourism development has added to environmental deterioration. For instance, they point out that energy use by the tourism industry contributes to global warming.

Following the publication of *Our Common Future* (World Commission on Environment and Development, 1987), it has become widely accepted that achieving sustainable development is desirable. How and to what extent such development can be achieved is subject to continuing debate (see, for example, Tisdell, 2005, 2009). A consequential effect of this development has been a growing interest in the sustainability of various sectors of the economy, including tourism. Sustainable tourism development is the subject of Chapter 34 of this book. In this chapter, after introducing the concept of sustainable development, Dr Sathiendrakumar discusses market failures in tourism activity because such failures can be a source of unsustainable tourism development. After providing background information about market failures and the effects of tourism development on the environment, he concentrates on the concept of sustainable tourism and considers the extent to which sustainable tourism development is possible. Possible management strategies which can make for greater sustainability of tourism development are outlined and discussed. In conclusion, Dr Sathiendrakumar emphasises that the pursuit of sustainable tourism development requires cooperation between the private and the public sector and as well usually involves economic sacrifices. Furthermore, initiatives designed to promote sustainable tourist development need to be funded adequately.

Ecotourism is often promoted as resulting in a win–win situation, namely a situation in which both conservationists (environmentalists) gain as well as developers. In particular, ecotourism development has been touted as an effective means to conserve nature, or more specifically biodiversity. In Chapter 35, entitled ‘Ecotourism as an instrument to conserve biodiversity’, Dr Andreas Hohl considers this view critically and outlines conditions that need to be satisfied if ecotourism is to play an effective role in conserving biodiversity. In his thought-provoking contribution, he outlines significant obstacles that can be encountered in depending on ecotourism development to conserve biodiversity. Nevertheless, he concedes that ‘ecotourism can play a central role in helping part of biodiversity through the [present] survival bottleneck’ facing nature. Although, it can only partially contribute to the conservation of biodiversity, a partial contribution is better than none at all.

In Chapter 36, Esparon, Stoeckl and Gyuris explore the economics of ecological certification of tourism (ECO certification) on the assumption that such certification ‘allows *responsible* enterprises to be identified so that consumers [tourists] who want to practice sustainability in their actions are able to make appropriate choices’. In order to examine the economics of such schemes, the effects of an ecological tourist certification programme in Australia are considered. The purpose of this certification scheme is ‘to assure travellers that certified products are genuine, are of high quality and are backed by well-managed commitment to sustainability’. A contingent valuation study is undertaken to determine the willingness of tourists to pay for this certification. Assuming that ECO certified producers have to charge an increased price for their produce, some travellers will buy their product while others will not. Therefore, they find that in the short-run the profits of certified tourist enterprises may fall. However, in the medium-term (depending on the ability of travellers demanding sustainable tourism options to locate certified tour operations) the profits of ECO certified tourist enterprises could rise. Nevertheless, in the long-term, the profits of ECO certified tourist enterprises are unlikely to be maintained at above normal levels if it is easy for new firms to begin to competitively supply certified tourism products. This is a long-run implication of economic theory of perfect competition.

In Chapter 37, Sally Driml outlines various methods used to measure the economic value of national parks and protected areas as tourist attractions and reports the results of their application in Australia at regional and state levels. After providing background on different economic approaches to this valuation, she concentrates on the application of expenditure methods as a guide to the economic value of Australian national parks and protected areas.

She reports on and discusses the empirical findings from several Australian studies of these valuations, including those in which she has participated. As she points out, expenditure estimates are usually a part of (or a precursor to) economic impact analysis. There is considerable political interest in the regional economic impacts of national parks and protected areas. The reported results show that ‘tourism expenditure associated with visiting protected areas is an important component of tourism in many regions in Australia and for Australia as a whole’ and that annual public expenditure on tourism management in protected areas in Australia falls far short of their contribution to Gross State product in the states for which information is available.

Driml also brings attention to the ‘conservative spending’ measure of expenditure generated by tourist attractions, such as national parks and protected areas, and the fact that many alternative measures over estimate such expenditure. The ‘conservative measure’ was used by Tisdell and Wilson (2002) in studying the expenditure generated in the Bundaberg region by the Mon Repos turtle attraction and subsequently, it was also employed by Lindberg and Denstadii (2004). While there are some practical difficulties (noted by Driml) in estimating the conservative measure (for example, it relies on interviews with visitors), it provides a more accurate measure than one alternative, namely the alternative of attributing the total expenditure in a region by all those who visited a particular tourist attraction to the presence of this attraction. This estimate is normally a gross over estimate of the regional expenditure that can be really attributed to the presence of the attraction.

Takayuki Arima, Toshio Kikuchi and Yoshihiro Kuronuma contribute an in depth study in Chapter 38 of the physical, biological and other impacts of tourism on a natural environment in Japan and outline and examine the application of socially agreed rules to manage those impacts. The main focus of their case study is the management of tourist visits to Minami-jima island in Ogasawara group of islands located in the Pacific Ocean to the east of the main islands of Japan. The Ogasawara Islands were listed as a World Heritage site in 2011, and are promoted as an ecotourism destination.

The contribution of these authors begins with an outline of the historical development of interest in Japan in ecotourism and they specify a spectrum of concepts of ecotourism. The predominant view of the Japanese about what constitutes ecotourism is located by the authors in this spectrum. They then explain why the management of ecotourism on Minami-jima island depends on adherence to self-imposed rules and how these rules were developed. Subsequently, they provide data on the effectiveness of the implementation

of these rules. They conclude that these voluntary rules have been effective in managing tourism on Minami-jima island and its environmental impacts. However, they are concerned that visitor numbers to the Ogasawara Islands will increase (particularly now that they have been World Heritage listed) and social pressure may mount locally to abandon these rules. For example, social pressure may grow to allow an increasing number of tourists to visit Minami-jima island in larger groups than is currently agreed. This type of social approach to governing the use of common resources based on voluntary adherence to social rules is rare in Western countries but its value has been extolled by Ostrom (1990). This study by Arima, Kikuchi and Kuronuma illustrates (for this case) the evolution of institutions for such collective action in relation to tourism management. Both the evolution and the effectiveness of rules for collective management of natural resources are however, likely to depend on the specific circumstances (as this study indicates) and on the nature of cultural values where the rules are developed.

The last chapter in this book ‘Ecosystem services approach to dive tourism management: A case study, Ras Mohammed National Park, Egypt’ is by Rady T Tawfik and R Kerry Turner. Apart from providing interesting information about dive tourism itself, they adopt an ecosystem approach to conservation, and outline various strategies for improving the management of dive tourism in the Ras Mohammed National Park. Their contribution includes economic assessments of the net economic benefit of alternative policies that may be adopted to achieve different degrees of sustainability of dive tourism in this park. They find that the current policy of not managing visitor numbers and their distribution between dive sites is resulting in the rapid loss of coral cover and reef biodiversity in the most frequented sites. The expected consequence in the long-term is to make diving in this national park less popular and to reduce visitor numbers. If the current policies continue, the long-term economic benefits will be lower than if the number of divers is reduced and if the reduced numbers of divers are distributed more appropriately between more dive sites. They state: ‘the difference in [economic] value between ‘towards sustainability’ scenarios and ‘business-as-usual’ scenarios seems to be sufficient to justify the commitment to conserve and manage the reef ecosystems’.

1.10. Concluding Comments

Thus, it can be seen that a wide range of topics relevant to contemporary tourism policy are covered in this book and that it highlights recent advances

in this subject.¹ This handbook provides a comprehensive coverage of the current state of tourism economics. It does this by outlining and reviewing relevant theories, demonstrating their applications, and by providing illustrative case studies. In addition, innovative ideas are to be found in the individual contributions in this handbook as well as constructively critical assessments of topics in tourism economics.

To some extent, developments in tourism economics reflect changes in economics generally. However, the relationship between tourism economics and economics generally is not a one-way process. Developments in tourism economics have sometimes alerted economists to the need to modify their general economic hypotheses. For instance, it became evident from the research of Gray (1970) on international tourism, that nations frequently trade in like commodities rather than specialising in the production of different commodities to the extent predicted by the theory of comparative international advantage. Furthermore, tourism economics has developed methods and procedures which are uniquely tailored to its own requirements, such as tourism satellite accounting.

However, general economic theories and methods as well as tourism economics are not static. Developments have been occurring in economics (such as research findings from behavioural economics, experimental economics and psychological economics) which result in economic theory being less dependent on deductive methods. These developments can be expected to influence the future development of tourism economics. For example, Tisdell and Wilson (2012) adopt a non-deductive behavioural approach in studying how tourists make decisions to holiday in a particular area and visit its attractions.

As argued by Steve Pratt in Chapter 21, future innovative advances are possible in the applications of computable general equilibrium analysis. Furthermore, major issues still remain to be resolved about how tourism developments should be evaluated so as to take account of economic considerations. For example, to what extent is the use of social cost-benefit analysis appropriate? What are the advantages and pitfalls of using economic impact analysis for the assessment of tourist developments? Is it desirable to use multi-criteria analysis? What role, if any should political feasibility play in

¹Collections of past writings on tourism economics and leisure tourism provide some guidance to the development of contemporary thought about tourism economics (see, for instance, Tisdell, 2006, 2000).

economic assessment?² These are all issues that will continue to be debated, and much further development of tourism economic can be expected in the future. For now, however, this handbook provides a valuable overview of the subject.

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²Some institutional economics argue that political feasibility should be taken into account in devising and assessing economic policies (see, for instance, Hagedorn, 1993).

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