9 The Economic Impacts of Tourism

Introduction

For almost 60 years from the early 1960s, the 'impacts of tourism' was the most researched topic in tourism, and economic impacts were more researched than any other type in this period. When, in the late 1980s, Pearce discussed research on tourism impacts, he stated that the geographical focus of this research, was the tourism destination. As Pearce (1989:2) indicated:

> *Studies of the impact of tourist development on a destination or destinations have been the largest single element of tourism research … and has concentrated on the effects of income and employment.*

Despite this quotation coming from over 30 years ago, and taking into account the development of many different research areas in tourism since then, it is still the case that economic impact studies are a key focus in tourism research. Although, as has been stated in Chapter 6, economic impacts of tourism are linked to, and cannot easily be separated from, other types of impact, largely in an attempt to assist with understanding, economic impacts are discussed in this chapter separately from other tourism impacts.

Key perspectives

Chapter 6 provided a general indication of the key influences on the impacts of tourism, but of particular importance in relation to economic impacts are:

- Scale of tourism activities
- When tourism occurs (particularly whether tourism is a seasonal activity)
- The historical development of tourism (with a particular emphasis on infrastructure for tourism) (Mason, 2016).

Measuring the economic impacts may appear at first sight to be an easy process. If, for example, a tourist buys an ice cream at an ice cream parlour in a tourism destination, then it should be obvious that the owner of the shop will financially benefit. They will receive the price of the ice cream (in economic terms they will derive revenue) and,

simply stated, if the price exceeds the cost of producing and selling the ice cream, will make a profit. However, the amount of revenue gained may depend on a number of factors, including where the ingredients come from and how easy they are to source, be they local, from another part of a country or overseas, the cost of the ingredients, where the ice cream is made, whether the staff selling the ice cream are part-time or full-time, seasonal or permanent, and if the ice cream parlour is open all year, or just during the tourist season. It is therefore likely that the revenue and hence profit will vary according to different combinations of these factors.

The focus on an ice cream parlour is an example of micro-economics, and as should be clear in the discussion above, it affects just one individual business. However, data and statistics on economic aspects of tourism are usually expressed in what are known as macro-economic terms. These are factors that affect a whole economy. Hence they will be, for example, at the national or possibly regional level. Such information can be then compared internationally and an indication of the importance of tourism, (or any other economic activity) to a specific country's or region's economy, be gained. Such economic factors will include jobs (or employment), regional development and what is known as Gross Domestic Product (GDP).

These macro-economic activities are particularly important economic measures as they add together, or *aggregate,* individual economic activities. Hence, GDP is an aggregate of the total productivity of a country's economy and provides an indication of the size of the economy. GDP is the value of goods and services produced domestically and is usually indicated over a specific time period, such as a year (Tribe, 2011). The International Monetary Fund defined GDP as follows:

> *GDP measures the monetary value of final goods and services - that is, those that are bought by the final user - produced in a country in a given period of time (say a quarter or a year) (IMF, 2014).*

GDP may be given as a total figure, using a currency such as dollars, euros or pounds. Alternatively it may be the total figure in monetary terms, divided by the total number of people living in a country. In this way it as expression of productivity per inhabitant, or *per capita*.

There is a great variation in GDP geographically, partly because some countries are spatially very large, including the USA, China and India, while others are small, including islands such as Fiji and Mauritius. GDP also varies because some countries produce manufactured goods, others make agricultural products, and yet others have an economy dominated by services, including banking and insurance. Tourism would be included as a service industry. In the past, economies where manufacturing is important would have high *per capita* GDP. However, in the past 30 years or so, economies with a significant proportion of service industries have had high *per capita* GDP. The stage at which an economy is found can also affect the amount of GDP, with some countries having a history of several hundred years of significant economic activity accompanied by high manufacturing activity, whilst others are at a far earlier stage of such development.