Tourism Research: A 20-20 Vision

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Measuring and interpreting the economic impact of tourism: 20-20 hindsight and foresight

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6 Measuring and interpreting the economic impact of tourism: 20-20 hindsight and foresight

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Measuring the economic consequences of tourism activities for national and subnational (regional) areas has provided valuable input for rationally addressing issues of importance to four key stakeholder groups: public officials, business owners and managers, employees of tourism establishments, and other residents of host communities (Frechtling, 2008). It seems appropriate at the time of commemorating the twentieth anniversary of the founding of the International Academy for the Study of Tourism to review developments in measuring such economic contributions over the last two decades and to suggest future developments in the field.

Before we address our topic, it is essential to define it. We had thought that standard English usage over the last three decades was pretty well established. As Reece (forthcoming) reaffirms, the economic impact of tourism comprises ‘changes in regional employment, incomes, tax payments, and other measures of economic activity . . . that result from a region’s tourism development’ (p. 50), except that we understand this to apply to nations as well as regions. Reece follows a long train of authors who have defined ‘tourism economic impact broadly’ (e.g. Frechtling, 1994; Smith, 2000; Goeldner and Ritchie, 2003; Mason, 2003). Some now claim that reliable ‘tourism economic impact’ measures only result from complex economic equilibrium models (Dwyer *et al.*, 2008), a clear break with tradition and the ways the term is commonly used in tourism research today.

According to the tradition of tourism economic studies, the ‘economic impact of tourism’ is a term that covers one, some or all of the following economic changes resulting from the presence of visitors in an area, their activities or their expenditures:

- Business receipts
- Value added contribution to gross domestic or regional product
- Employment (jobs, persons employed)
- Labour earnings

- Other factor earnings (dividends, interest, rent, profits)
- Government tax revenue
- Other government revenue (e.g. user fees, fines, receipts of government enterprises)
- Distribution of income
- Government spending
- Externalities and public goods
- Multiplier effects on transactions, output, income, employment or government revenue
- New business formation
- Real property and other asset values
- Business investment in plant and equipment
- Price levels
- Interest rates on borrowed funds and return on capital
- Foreign exchange rates
- Imports and exports
- International balance of payments.

The way we were – 1988

Serious research interest in measuring aspects of the economic impact of tourism dates back more than 75 years (Mathieson and Wall, 1982: 35). In the post World War II period, a landmark study of the current and future demand for outdoor recreation in the US (Clawson and Knetsch, 1966) implicitly addressed tourism spending and suggested a number of aspects of measuring visitor economic impact on a local area. In 1969, an official of the US Bureau of the Census proposed a model to estimate domestic tourism expenditures, and this model was implemented within five years (Frechtling, 1974). About the same time, a study was published of national economic impacts of tourism for a collection of small island economies in the Caribbean (Bryden, 1973). This study focused on the costs and benefits of international tourism development on these 'small "open" developing economies' and policy recommendations for obtaining favourable national impacts (Bryden, 1973: 56). Then in 1975, the World Tourism Organization (UNWTO) held its first conference on measuring domestic tourism and its economic effects (Frechtling, 1975). That same year, the first economic model designed to estimate the value of visitor spending and its impact on employment, labour income and tax revenue at sub-national levels across a country was published and applied (Frechtling and Muha, 1975).

Chapter extract

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