

BOOK REVIEW  
*Annals of Tourism Research*

*Tourism, Trade and National Welfare*. By Bharat R. Hazari and Pasquale M. Sgro. Elsevier, B.V. (Sara Burgerhartstraat 25, P. O. Box 211, 1000 AE Amsterdam, The Netherlands) ISBN: 0-444-51707-3, 2004, xvii+245 pp. (tables, charts, references, subject index) \$95.00 (cloth)

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Two international trade economists at Deakin University in Melbourne, Australia, have written this “pioneering attempt” to integrate “tourism into the pure theory of international trade” (p. 1). While the authors appear to have met their goal, there is little evidence that this effort is efficacious for the problems tourism managers and policy-makers face.

One reason is that these economists have a view of tourism that differs considerably from that of tourism scholars and managers. Their intent is to append the temporary movement of persons to the mobility of goods, services, and factors of production across international boundaries in international trade models. Unfortunately for tourism scholars, the authors lump guest workers, illegal migrants and students together with the UNWTO concept of international visitor as “any person who travels to a country other than that in which s/he has his/her residence but outside his/her usual environment for a period not exceeding 12 months and whose main purpose of visit is other than the exercise of an activity remunerated from within the country visited”. (World Tourism Organization 2000)

The crux of their argument is that international visitors temporarily move from one country to another to consume “non-traded goods and services”. The archetypes of such products are “the Eiffel Tower in Paris and the Twelve Apostles on the great Ocean Road in Australia.” (p. 2) This is central to their modeling approach recognizing international visitor demand for such non-tradable products “necessarily creates a monopoly power distortion” that reduces national welfare. (p. 3)

However, it does not appear that such products characterize the bulk of what tourists purchase. We might readily concede that certain resources (i.e., scenic, built, cultural/heritage attractions) are unique or almost unique in destination countries and draw visitors to their sites. However, goods (souvenirs, gasoline, food) purchased in visited countries are likely to be traded internationally. And most accommodation services are tradable in the sense one can purchase a standard hotel room or restaurant meal in most countries of the earth.

Moreover, international travel for business purposes (sales calls, meetings, conventions, site visits, government lobbying, etc.), mostly indifferent to the Mr. Eiffel's engineering

marvel, must be excluded from dealing in such nontraded goods and services. This leaves a minority of what tourism economists are interested in – 10 percent of 2003 overseas inbound visitor purchases in the U.S., for example – addressed by this theory.

The authors discuss a number of trade models in turn. Chapter 2 provides a “systematic and self-contained treatment of trade theory (to make this book accessible to non-trade theorists and specialists in tourism).” Chapter 3 elaborates a dependency model to show how a tourism boom can lead to impoverishment of a country (“immiserization”) under certain assumptions. Chapter 4 emphasizes the non-traded product “produced in one country only” and as such can only be consumed if people move temporarily to the country, and this necessarily creates monopoly power in trade. In chapter 5, by adding a domestic distortion of a production monopoly of the non-traded product, the monopoly cannot be removed by increasing free trade in the economy. The authors conclude that increasing tourism facilities may be immiserating to that country (p. 4).

Chapters 6 and 7 deal with guest workers and illegal migrants, and so appear of little interest to tourism economists. But the conclusion that “a tourism boom in the presence of guest workers may result in the immiseration of the resident population” (p. 5) is striking for its originality and counterintuitive substance. Chapter 8 introduces an urban versus rural dichotomy, each with its own non-traded goods and finds that an urban tourist boom may impoverish the rural area. On the other hand, “rural regional tourism is always welfare increasing” for the country (p. 6), demanding a deep understanding of the nature of “welfare” in the authors’ models. Chapter 9 introduces additional distortions through urban versus rural concentration on manufacturing and non-traded products. According to model assumptions, if the non-traded good is more labor intensive than the manufactured good, then welfare will fall in the face of an increase in visitor demand. (p. 7)

Chapters 10 and 11 introduce tourism into dynamic models of international trade. The main findings are that tourism will hasten achievement of a steady-state capital/labor ratio in a closed economy and that the more differentiated a host country’s tourism product is, the greater the potential for raising the economy’s’ long-term rate of growth.

This book is not accessible to most of the community of tourism scholars. It requires a knowledge of advanced microeconomic theory, designation of a social welfare function for the country, and the abilities to interpret large systems of equations and apply the calculus. The various models presented have various assumptions with the result that a rise in international visitor demand in a country may make a country wealthier or impoverish it.

Final chapter 12 deserves special mention because it provides the only applied work in

the book. The authors define an external competitiveness index as  $CR_{ij} = \frac{X_{ij}/M_{ij}}{X_{tz}/M_{tz}}$ ,

where  $X_{ij}$  represents exports of tourism products in terms of some unspecified currency by country  $j$ ,  $M_{ij}$  denotes tourism imports, and  $X_{tz}$  and  $M_{tz}$  represent the same variables for the multinational region in which the country is located (p. 212). After examining demand data for 1980-97 for each of 19 OECD countries, the authors conclude the U.S. is the only country in the sample that increased its competitiveness over the entire

period. On the other hand, Italy, the UK, Greece Mexico and Switzerland have all declined by this measure. In searching for reasons for such changes, the authors concentrate on real exchange rates and find as these rise for a country, its competitiveness tends to fall if not offset by a decline in airfares such as happened for the U.S.

In sum, this book may be of interest to economists teaching advanced classes in microeconomic/welfare analysis, but appears of little appeal to most tourism managers and researchers. Much of the writing is turgid and would benefit from strong editing. The charts, while plentiful, too would benefit from revision by an artist with a heart for communication.

#### Reference

World Tourism Organization (2000). *Basic References on Tourism Statistics* at [http://www.world-tourism.org/statistics/International\\_Standards/STS/Official\\_references/basic\\_references/index-en.htm](http://www.world-tourism.org/statistics/International_Standards/STS/Official_references/basic_references/index-en.htm) accessed March 10, 2006.

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