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BOOK REVIEW

THE ECONOMICS OF TOURISM
DESTINATIONS Second Edition

By Norbert Vanhove. Elsevier (http://www.elsevierdirect.com)
2011, xxi + 327 pages (figures, tables, bibliography). $75.95 Hb.
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Recent years have produced a remarkable number of textbooks and other academic volumes devoted to the economics of tourism: five books on general tourism economics in 2010–11 alone. These welcome books maintain a wide focus, attempting to cover all aspects of tourism supply, demand, and their nexus. In Vanhove’s new edition, we have a book devoted to applying economic theories, principles, and modes of analysis to one element of tourism, the destination.

The book is organized in 10 chapters. The first addresses concepts, definitions, and characteristics of tourism supply and demand. Too much credence is placed here in the concept of a “tourism industry.” Leiper (2008) and others have argued that industries are defined nationally and internationally as collections of establishments engaged in the same productive activity. In order to converse with macroeconomists, policy officials and others investigating economic development, we need to drop the idea of a “tourism industry” and join most economists in recognizing the “tourism sector” as a collection of tourism industries.

It is astounding but true that there is no consensus on operationally defining “tourism destination” reflected in this book or any other that this reviewer has encountered over three decades. Examples of destinations are plentiful, and the author presents a hierarchy, from country to “unique locale” later in the book. But it is very difficult to measure and assess best practices across a field that is not clearly defined. One hopes that Vanhove will lead the charge to redress this sorry deficiency in tourism research by his next edition.
Chapter 2 addresses the measurement of tourism activities. Vanhove presents a comprehensive destination management information system that elaborates the data on demand and supply that destination marketers and others should have in order to manage destinations and produce relevant policies. This chapter is heavily informed by progress toward defining and documenting the Tourism Satellite Account. The TSA is the most comprehensive system for measuring tourism supply and demand and their contributions to Gross Domestic Product available to countries. It deserves to be the foundation for describing tourism supply and demand at the macroeconomic level and the authoritative source of definitions and classifications. This will allow comparisons of national tourism economies on a consistent basis, a prerogative that has so far been denied us.

Chapter 3 presents a lively discussion of tourism demand, addressing the determinants of tourism demand and its seasonality. Chapter 4 discusses tourism supply, market structures (perfect competition, oligopoly and the like), branding, and technological developments. Chapter 5 covers pricing and the effects of various types of taxation on demand and government revenues.

Chapter 6 presents eight different approaches to “destination competitiveness” and comprises the longest chapter in the book. The first approach is Porter’s five-forces model of generic competitive strategies. These were developed for firms and industries but Vanhove does not successfully explain how they assist destination management. Much more illuminating is his discussion of Porter’s competitive advantage of nations and how these concepts can inform destination management. The author also elaborates Poon’s emphasis on innovation for destination competitiveness, the Inter-American Development Bank WES distinction between indicators of competitive performance and factors that contribute to competitiveness, price competition models, the Ritchie-Crouch model of destination competitiveness and the Dwyer-Kim model emphasizing demand conditions and achieving a destination’s “socio-economic prosperity”. Vanhove attempts a synthesis of these approaches that, unfortunately, falls short of a unified protocol for a destination’s achieving and benefiting from improved competitiveness.

Chapter 7 addresses qualitative and quantitative methods of forecasting tourism demand with short case studies. Chapter 8 discusses the hoary subject of conceptualizing and estimating the economic impact of tourism. The discussion suffers from lack of focus on what a destination is: a country, a unique locale, or something in between. Multiplier analysis is presented clearly and in detail, although the notion of “income” as in “income multiplier” and “income generation model” needs refinement. Does it represent income to all factors of production (land, labor, capital, entrepreneurship) or only to labor? Multiplier studies seldom say. Vanhove ends this chapter with four case studies of computable general equilibrium (CGE) modelling. This is unfortunate. Each CGE model is idiosyncratic, reflecting its creators’ assumptions. Yet, unlike input–output models, these assumptions (institutional relationships, demand and supply elasticities, market equilibrium equations, input data vintage) are never specified in detail. It is quite likely that transactions and income multipliers from input-output models will be higher than those from CGE models for large doses of new tourism demand, but readers never know the model structure that produces such conclusions.

Chapter 9 provides an excellent introduction to project evaluation at micro- and macro-levels. Vanhove presents principles of tourism investment feasibility assessment for a contemplated capital investment such as a new hotel or convention center. Then he adds cost–benefit analysis to inform destination managers of the public costs and benefits of such projects that are not captured by the investors. Two brief case studies illustrate applications of these principles.

Chapter 10 provides the author’s overview of two strategic issues facing destinations. One is of trends promoting growth of tourism demand for destinations. The
other issue is sustainable development of destinations, especially in emerging economies. The reader concludes the jury is still out on the best way to achieve such development.

Every chapter ends with references cited in the text and for further reading. The absence of an index, however, makes it difficult for readers to trace concepts and developments that are discussed on a number of pages, such as seasonality and income elasticity.

The book is clearly written with many references, and admirably surveys the landscape of destination economics. It is a unique and informative introduction to destination economics for advanced undergraduate and postgraduate students. It will also expand horizons of those engaged in developing, marketing and otherwise managing tourism destinations.

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