

TOURISM POLICIES AND FASHION, ART AND FOOD INDUSTRIES

**Economic considerations and the need
for policies**

Lecture 11

Pasquale Marcello Falcone

Università degli Studi di Napoli Parthenope



Learning objectives

- ✓ Goals of tourism industry and related constraints.
- ✓ Know about balance of payments.
- ✓ Understand multipliers.
- ✓ Introduction to tourism policy
- ✓ How the objective of tourism policy are achieved.

Three major goals of tourism

- Maximize psychological experience for tourists.
- Maximize profits for firms providing goods and services to tourists.
- Maximize direct (primary) and indirect (secondary) impacts of tourist expenditures on a community or region.

These goals are often compatible but in certain situations can be incompatible.

Constraints faced in tourism goal attainment

- Demand
- Supply of attractive resources
- Technical and environmental constraints
- Time constraints
- Indivisibilities
- Legal constraints
- Self-imposed constraints
- Lack of knowledge
- Limits on supportive resources

Balance of payment effects

The **balance of payments** is a statement of all transactions made between entities in one country and the rest of the world over a defined period of time.

The formula is: $Y = C + I + G + (X - M)$

where

Y = gross domestic product

C = consumer expenditures

I = investments

G = government expenditures

X = exports

M = imports

If imports (M) exceed exports (X), then the difference ($X - M$) will be a negative number, and Y will thus be smaller.

Economic effects

- **Direct Effect**

Result from visitors spending money in tourist enterprises.

- **Indirect Effect**

The multiplier impact: visitor spending circulates and recirculates.

- **Income Multiplier**

Income multiplier

$$\text{Multiplier} = \frac{1}{1 - MPC}$$

where

M = marginal (extra)

P = propensity (inclination)

C = consume (spending, *MPC*)

S = savings (money out of circulation, *MPS*)

Suppose \$1,000 of tourist expenditure and an MPC of $\frac{1}{2}$. Then

\$1,000.00	
+	
\$500.00	$\frac{1}{2} \times 1,000$
+	
250.00	$(\frac{1}{2})^2 \times 1,000$
+	
125.00	$(\frac{1}{2})^3 \times 1,000$
+	
62.50	$(\frac{1}{2})^4 \times 1,000$
+	
31.25	$(\frac{1}{2})^5 \times 1,000$
+	
15.63	$(\frac{1}{2})^6 \times 1,000$
+	
7.81	$(\frac{1}{2})^7 \times 1,000$
...	
\$2,000.00 (approx.)	

$$\text{Multiply : } \frac{1}{1 - \frac{1}{2}} \times \$1,000, \text{ or } 2 \times \$1,000 = \$2,000$$

PAUSE

The need for policies

For any policy, you should ask yourself...

... 3 Questions:

1. Why should policy makers intervene?
2. How should policies be designed?
3. What are the effects of policies?

Who formulate policies

- **Tourism policy** is a set of discourses, decisions, and practices driven by governments, sometimes in collaboration with private or social actors, with the intention to achieve diverse objectives related to tourism.
- Defining tourism policy as a public policy means that it is formulated by the **public sector**, which comprises central government and local authorities.

The objective of policies

Principal reasons for governments involvement in tourism development:

- **Economic reasons:** balance of payment situation, regional development, etc.
- **Social considerations:** cultural exchange, revival of traditional crafts
- **Environmental impact of tourism**

How are the objectives of tourism policies achieved

- Planning
- Legislation and Regulation
- Facilitation of Tourism Development
- Tourism Taxation (e.g. taxes on commercial tourism products; taxes on tourist, etc.)
- Education and Training

Contacts and office hours

Contacts

- **Email:** pasquale.falcone@uniparthenope.it
- **Tel.:** 0815474127
- **Web page:** www.pmfalcone.eu

Office Hours

- **Day and time:** Tuesday from 11:00 to 12:00
- **Place:** Room 309, III Piano Palazzo Pacanowski.