

Economic impacts of tourism economics essay

[Sport & Tourism](#), [Ecotourism](#)



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Introduction

The objective of the paper is to provide an overview of how tourism has been economically impacted by the effects of tourism.

Tourism is usually described as having three major types of impacts on many of the places which Tourists visit (Harcombe, 1999). These three major types of impacts are economic, social-cultural and environment. Each individual category also includes not just positive but also the negative impacts.

However, not all the impacts are applicable due to the condition of the country or the difference in resources. The following is some positive and negative impacts listed out for economic.

Positive impacts are Contributes to income and standard of living, Improve local economy, increase employment opportunities, increase investments and tax revenue and many more. (Kreag, 2001)

Negative impacts are the increase in process and goods and service, increase in price of land and housing, increase in cost of living, job may pay low wages and many more. (Kreag, 2001)

Tourism involves a large range of retail and services. As such, tourism has variety of economic impacts as tourist contributed many to sales, profits, tax revenues and more in an area. According to Leones (1995), the primary tourism sectors like hotel and other lodging facilities, restaurants, amusement, recreational facilities such as ski resort and theme parks, retail trade and transportations are the most direct effects that occur within the

sector. According to Stynes (1997), tourism affects the most in economy sector with the secondary effect.

Direct, Indirect and Induced

The regional economist often distinguishes direct, indirect and induced effects. Indirect and induced effects at times are being known as the secondary effects whereas the total economic impact of tourism is the sum by adding the direct, indirect and induced effect.

Direct effects are the changes in economic activity that will affect the expenditure of tourism immediately. For example, if the number of tourist that stayed overnight in the hotel increase suddenly. It increases the yield in sales for the hotel sector directly.

Indirect effects are the changes from sale, employment or income that happen within the backward-linked industries (industry that supply product and services to hotel). For example, an increase percentage of sales for the linen supplier resulting from more hotel sales are an indirect effect of guest spending. And businesses that supply products and service to linen suppliers will represent another round of indirect effects. Eventually it will link up hotels to varying degrees to many other economic sectors in that region.

Induced effects are the changes happen in economic activity resulting from household spending of income that are earned directly or indirectly as a result of tourism spending. For example, hotel and linen supply employees supported directly or indirectly by tourism, spend their income in transportation, food, housing, household product and service needs in that

region. According to (Stynes D. J., 1997), the income, sales and job that resulted from household spending of wages or proprietor's income are induced effects. Meaning that indirect and induced effects, if there is changes in tourist spending it can impacts virtually in every sector of the economy in one way or another.

As mention earlier in this paper, indirect and induced effects are the secondary economic effects. Multipliers are being used to capture the secondary effects of the tourism activity. And “ multipliers have been frequently misused and misinterpreted in tourism studies and are a considerable source of confusion among non-economists” (Stynes 1997). Multipliers are used to represent the economic independencies between sectors in a particular region and they also vary from region to region as well as sector to sector. Many different kinds of multiplier that identify on which secondary effects are included and which measure the economic activity like sales, incomes or employment.

For example,

Type I sales multiplier = (direct sales + indirect sales)/ direct sales

Type II sales multiplier = (direct sales+ indirect sales + induced sales)/direct sales

The type I sales multiplier are the captured by the indirect effects and type II sales multiplier are the capture of indirect effects and induced effects.

According to (Stynes D. J., 1997), “ multiplying a Type I sales multiplier times the direct sales gives direct plus indirect sales whereas multiplying a Type II

[. . .] sales multiplier times the direct sales gives total sales impacts including direct, indirect and induced effects.”

The above multipliers are defined as the ratio types of multiplier as they only measure ratio of total impacts to corresponding direct impacts. For Income and employment ratio type of multiplier, it can be determine just by replacing the sales with the measure of income or employment.

For example,

Type III Income multiplier = (Total direct + indirect + induced income) /direct sales

Type III Employment multiplier = (Total direct + indirect + induced employment) / direct sales

In cases that factory produce goods are brought by a tourist lies outside of the region it immediately create leakages. Imports are generally representing as leakage to the local economy as income is being sent outside rather than re-circulating within the region's economy. Multipliers capture many rounds of re-spending within the region's economy.

However, there are difficulties in measuring multipliers. According to Harcombe (1999), Despite having the obvious value to measure the multiplier effect, there is still difficulties in calculating it accurately are due to the following reasons like data collection problems, data selection difficulties and supply constraints.

“ This is because secondary data is seldom available in sufficient quantities to enable an accurate calculation to be made of what a particular area, or industry sector’s actual multiplier”. (Harcombe, 1999)

Tourism has provides a significant number of beneficial economic impacts that increases job opportunities, tax revenues and many more. However there are also the negative impacts. In addition, Economic impacts on tourism are unfortunately more of a technical area involving concepts, methods and model with statistic which are very unfamiliar to non-economists. And lastly, a good understanding in tourism’s economic impact understanding is very important for government officials, tourism industry and community.