

Good example of the effects of tourism on the american economy research paper

[Business](#), [Industries](#)



Introduction:

Despite the devastating effects of the 2008 global financial crisis and the subsequent Euro zone crisis, the tourism industry has continued to flourish. Initially, the industry was referred to as a cottage industry but the international travel and tourism industry has evolved becoming a major contributor to economic growth and development in almost every economy in the world. Research has shown that the global increase in worldwide tourist arrivals outperform gross domestic product growth in one out of every two years in the past three decades. Many countries regard tourism as the most significant primary export industry especially the developing world. Nonetheless, in terms of returns, the developed economies are the prime beneficiaries of tourism (Ferguson, 2013).

US Major Industry: Economic Impact and Tax Revenue

The United States tourism industry is very essential to the American economy as it is the largest service export and a source of employment (income) to millions of its citizens. As the world economy gradually recovers from the financial crisis, tourism is predicted to grow considerably in the next five years. Given the significant role played by the industry, the US economy will reap optimum benefits. Tourism also encompasses international travels to the US whether for business, educational, medical, leisure or even visiting friends and families staying in the federal republic. This is because such visits bring in the much needed foreign exchange; the travelers will also spend locally increasing the aggregate demand (Xenias & Erdman, 2011). It is hard to view the US tourism industry as an export industry as many

people regard exports as visible products; however, it is a high value export with the product being the country. Tourists visit the United States to feel and experience its distinctive and attractive sites, lifestyle and heritage. While many manufacturing industries have outsourced their services to low cost countries, tourism is an industry that cannot be outsourced. The tourists must visit the US to feel its unique tourist offerings. In the year 2010, a total of 60 million tourists visited the federal republic; this was five million more than the number of visitors recorded in 2009. The tourism industry injected a total of \$2. 1 trillion of economic impact to the economy and supported the livelihood for tens of millions of Americans. This implies that in every hour, an average of \$101. 4 million was being injected into the economy (US Travel Association, 2013).

In addition, the industry directly generates \$133. 9 billion in tax revenue for local, state and federal governments. Without the revenue from the travel and tourism industry, every American household would be forced to pay \$1093 additional tax to support government operations. Higher taxation would inconvenience the American people and negatively affect the aggregate demand. If the extra \$1093 was paid as tax, the aggregate demand for individual American would fall by a similar amount (US Travel Association, 2013). The cumulative amount would be astronomical economic loss; consequently, the multiplier effect of high taxation would affect all economic sectors deepening the economic turmoil experienced during the financial crisis. The implementation of the Travel Promotion Act will further increase the competence of the US as a preferred international destination (Yu, 2010).

Service Export: Balance of Trade and Source of Foreign Exchange

The tourism industry helped in boosting the US trade accounts. Due to the financial crisis, the economy has experienced the worst trade deficits and the earnings from the tourism industry reduced the deficits. Indeed, the US has maintained a tourism trade surplus in the past 25 years aided by the fact that tourists visiting the country spend more than the amount US tourists spend in foreign countries. The importance of the tourism industry to the US economy can further be clarified by assessing the industry's total contribution to total earnings from the service exports and total exports. 25 percent of earnings from the service exports is contributed by the tourism industry while 7% of total exports earnings are directly linked to tourism. The US is able to attract high spending tourists thus boosting the total receipts from tourism (Xenias & Erdman, 2011).

The US is leading in terms of world traveler expenditure controlling 11.6 percent; nearly twice the percentage of Spain (6.2%) that is ranked second. In fact, the country is ranked first in terms of international visitor expenditure. For example, in 2009 France attracted almost 75 million tourists but they spent only \$49.4 billion. Conversely, in the same year, the US attracted 20 million tourists less (55 million) but they spent a whopping \$93 billion. If the amount paid to international carriers bringing in the tourists was factored in, the total revenue is more than \$120 billion. This implies that tourists in the US spend almost twice the amount spent by tourists visiting France. In other words, the amount of money spent by tourists is more economically sensible than the number of tourists recorded (Xenias &

Erdman, 2011).

The US tourism industry grew in importance in the 1980s following the enactment of policies favorable to the industry. In the 1960s and 1970s, the industry contribution to the well-being of the American people was minimal although the industry growth was solid. In the 1960s and 1970s, the government policies favored the goods exports sector with several multilateral agreements signed to boost goods exports. The US government decision to suspend the visa prerequisites before visiting the country in 1986 for key allies in Europe and Asia emerged as a blessing to the tourism industry. Although the industry was adversely affected by the 11th September terror attack and the 2008-2009 global financial crisis, the general performance of the industry since 1986 has ensured that the tourism industry records surpluses even when faced by severe crises (Christiansen, 2014).

The industry has grown from an ignored economic sector to an industry that rakes in 25% of the total service exports. It earns more than the royalty proceeds made to the economy by the rest of the world. The industry earns the economy the same returns the economy reaps from its export of non-electrical machinery and over double export proceeds from petroleum, coal and agriculture. While the American people paid \$123.6 billion in travel and tourism imports, the US economy earned \$180.7 billion from tourism and travel exports creating a balance of trade surplus of \$57.1 billion. The bulk of the visitors to the US come from Canada and Mexico (over 55%) but the number of tourists from the Oceania, Asia and South America has grown in double digit. The growth in the number of tourists from Brazil, South Korea

and China was the highest registering increments of 34%, 49% and 53% respectively. In fact, of all overseas markets, only Ireland, the United Kingdom and Venezuela recorded a decline in visitation to the US in 2010. Ireland and UK are still grappling with economic crises and once the economies recover, tourists from the two countries will increase (Xenias & Erdman, 2011).

80 percent of all tourists hail from the top 10 arrival markets and 61% of total expenditure. Canada is a critical arrival market accounting for over 30 percent of the tourists and 13% of tourists spending. The tourism industry will continue been a major service export as the economies of the emerging economies continue registering impressive growth thus a higher number of the population of these economies can afford visits to the US. A greater percentage of visitors (82 percent) to the US come for leisure as compared to 15% who come for business. The rest percentage visits for both leisure and business. The greatest arrivals are during summer when the weather is favorable for visiting various scenic scenes from beaches to mountains (Christiansen, 2014).

Source of Employment:

The industry is a source of livelihood to 14. 9 million people with more than 7 million people benefiting directly while in excess of 7 million people gaining indirectly. The industry total contribution to the GDP is \$1. 33 trillion accounting for 2. 8% of the national gross income. The tourism industry offers more jobs to the American citizens than other critical economic sectors such as agriculture, information technology, financial sector and construction

industries. Even when only direct jobs are considered, the industry still outpaces the IT and agriculture sectors and equals the number of employees in the financial industry. Actually, the number of Americans working in the tourism industry is twice the number of employees in the IT industry. 1 of every 9 jobs (direct or indirect) created in the US is stimulated by the industry. Furthermore, the tourism industry ranks among the top ten industries in all states of the US and the District of Columbia (Washington) in terms of employment generation (US Travel Association, 2013).

The industry provides livelihoods across the nation as opposed to other industries such as mining that are prominent in specific states. The period between 2007 and 2010, millions of Americans working in other industries lost their jobs but the jobs in the tourism industry remained intact as the industry was not as hard hit as other economic sectors such as the financial services. In reality, it is the only industry that sustained the livelihood of the American people while the rest economic sectors were crumbling while others outsourced jobs that Americans would execute more efficiently. Workers in the industry are less concerned about job security therefore their productivity is high. There are high expectations that more direct and indirect jobs will be created by the industry as the world economy is on a recovery path and the number of tourists from traditional European market as well as the emerging markets increases (Campoy, 2014).

Conclusion:

References:

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