

# TOURISM ECONOMICS

## 旅游经济学原理 (英文版)

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## Preface

### **International Tourism Cooperation Needs More Academic Exchanges Between China and Other Nations** —The Preface to China Tourism Academic Collection

In 1979 China started the policy of reform and opening-up. During these thirty years of development, the tourism industry has gained valuable experiences in all phases of modernization, industrialization and marketization. However, in the early years, the real focus of the policy was to earn hard currency from the inbound tourists. Today a new strategy has been initiated to develop the three main tourist markets—inbound, outbound and domestic markets. In the early stages, the tourism management organizations integrated the needs of both the government authorities and the private entrepreneurs. The current situation is that tourism associations and commercial enterprises cooperate under the supervision of the government authorities. In the early years, the tourism operations were labor intensive with management mainly based on experience. Today's industry is driven by business innovations and supported by modern technology and capital operation. China's tourism industry not only merges gradually into the nation's economic and social strategic development system, but also plays a leading role in international tourism community. In 2008, in spite of the impact of the worldwide financial crises, China achieved remarkable tourism records of 131 million inbound tourists, 45.84 million outbound tourists and 1.712 billion domestic tourists. Evidence reveals that China's tourism industry has now entered into a new phase of development—mass-

based tourism. This is undoubtedly the golden age for Chinese tourism, but it also presents old and new challenges. China has never been in such an urgent need to reinforce cooperations with other nations and regions, so that a nationwide sustainable development in tourism industry can be enhanced with more mature international experience, managerial expertise and technology. China's tourism industry has the capability as well as responsibility to make a more practical and effective contribution to the prosperity of the global tourism industry and distribute tourism's benefits to all.

China's tourism industry embraced the international community three decades ago with open arms. Likewise, its related academic research and higher education initially began by studying methods used in developed countries, but it was also closely related to the real practice. In the early 1980s, China's tourism study was after the western methods in almost all aspects such as basic concepts, academic framework, university level course books, training programs, faculty teams, and managerial staff. Until now, the research paradigm, evaluation system, and values orientation in the Chinese tourism academic were all based on the western academic system. Tourism in China has developed quickly, especially during the mid-1990s when domestic tourism was booming. Rapid growth in Chinese outbound tourism started early in the 21st century and was coupled with the government promotion of higher education and scientific research institutions. A group of tourism scholars with both indigenous consciousness and modern academic norms attempted to establish a tourism academic system with both Chinese characteristics and an international perspective. *Beijing International Studies University (BISU)* is one of the typical academic institutions established under this axiom.

Beijing International Studies University was founded in 1964 and has become fully committed to the business of tourism since 1981 when the National Tourism Administration of China became its governing body. BISU has also become China's leading academic center for higher education in tourism and tourism academic research. This is not only because it has a large number of

institutions including the School of Tourism Management, the Academy of Tourism Development, the Tourism Education Press, the Academic Journal (Tourism Edition), the travel agencies and the Beijing Hospitality Institute—the first independent college of hospitality in China, but also because of the many reputable and influential academic elites it attracts. For years, BISU has played a leading role in the areas of student enrollment, both undergraduate and post-graduate, academic theses, monograph and textbook publications and applied research achievements for both government authorities and private enterprises. These achievements symbolize BISU's ideology which emphasizes International Perspectives, Indigenous Consciousness, Problem-Solving Orientation and Academic Norms. It is the development of an energetic national tourism industry that provides higher education and academic institution, including BISU, a valuable foundation of theoretical research. Meanwhile, it is the best time ever for China to develop international communication and cooperation for the purposes of tourism academic research. It is acknowledged that the Chinese tourism market has been vital to the global economy during the past 30 years; equally, tourism academic research from China should also make a great contribution to the prosperity and development of the international tourism arena.

China's academic research in the field of tourism has achieved tremendous success in both the tourism industry and in the higher education of tourism. Nonetheless, due to the differences in research topics and methods, as well as the language barrier, a full understanding of the reality is yet to enlighten the mainstream of the international academic organizations. With that in mind, the Beijing Educational Committee has launched a visionary program to support Beijing International Studies University's efforts to promote China's tourism academic achievements internationally and to expedite the process of international academic communications. Therefore, the academic committee of the Beijing Tourism Development and Research Base has selected the academic outcomes that represent the academic works of the theoretical construction and

applied research reports. The selected works highlight the different research methods and comprehensively reveal the typicality of the research group and the diversity of the research methods. English translation of the first set of achievements is presided over by Professor Wang Xiangning and her team of ten experts and scholars from both China and overseas who have both language advantages and tourism knowledge.

It is our hope that this project will introduce Chinese tourism scholars' research achievements to the tourism scholars in other countries. We also expect to follow up with more frequent and larger scale academic exchange between the Chinese tourism scholars and the international experts. More academic exchanges and cooperation between China and other nations will promote further communication and strategic collaboration in the tourism industry.

Dai Bin

Professor, PhD

President of China Tourism Academy

6th July, 2009

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# Chapter 1 Objects of Tourism Economics Research

## Section 1 Formation of Tourism Economics

### 1.1 Early Researches on Tourism Economy

Whether a social phenomenon can become a focus for study by social scientists to some extent hinges on its enduring existence and impact on social and economic development. When a social phenomenon is significantly influencing the social economy as well as people's lives, it will naturally attract the interests of the social scientists. Therefore, social science study is usually related to the research field's practices and the study objects. The study of tourism is not different from other social science; it too is related with tourism practices, and its development fell into several phases. Tourism as a social phenomenon, started with industrialization and the independence of tourism phenomenon only dates from the contemporary times. Thus the systematic study of tourism is a relatively new field, stretching back only a century. This means that various studies on the subject are still preliminary and ongoing, particularly when set against the history of tourism activity and development. Compared to the study of economics in general, tourism economics is evidently lack of research method and framework. Up to now, the related theories and generalizations of laws associated with tourism economics is still at a stage of initial understanding and discussion.

#### 1.1.1 Tourism Economics Study Before World War II

Though the study on tourism economics is still at a probing stage, it originated from practical statistical study on phenomenon growth in much the same way as the other social science studies began. "As study object in the scope of social science, the over-

seas studies on the tourism are usually undertaken in the aspects of academics and business".<sup>①</sup> Italian scholars contributed greatly to early-stage tourism economics study. "The Alien Visitor's Movement and Expense in Italy", published by L. Bodio from the Statistics Administration of Italian Government in 1899, is the earliest document on tourism economics study. It was followed by "The Alien Visitor's Movement in Italy" published by the Italian A. Niceforo in 1923 and "Improvement on How to Work Out the Visitor's Movement" by another Italian R. Benini in 1926. This sort of study, in the angle of the number of visitors, time of stay and consumption capacity, reflects the people's awareness on tourism in the field of economics and the need to pursue its economic benefits.

In terms of the study's starting-point and method, L. Bodio's thesis seeks to explain or do research on tourism economics phenomena, rather than produce "a research document researching the tourism in the angle of academics".<sup>②</sup> Early-stage scientific study usually begins with business development, takes advantage of existing statistics and research achievements, and analyzes social phenomena. The majority of work in economics, anthropology, sociology and other social sciences started from statistical study. As one of these social sciences, tourism economics is no exception to this rule. The various forms by which tourism are expressed can be more easily grasped when the internal regularity of tourism is understood through statistical study. From the middle of 19th century, the international exchange of commodities became increasingly frequent by hours, along with the rising of the global industrialization, the tourism activities, especially the international business tourism activities came into being in Europe and then in North America. Though not large in scale, the international tourists flow and their overseas consumption were indeed able to affect the politics and economy of the two countries. One point stresses that the international tourists flow have brought considerable foreign currencies income to the country which is being visited. That is why that the government of the countries in Europe and America, particularly of the countries boasting bigger ratio of their international trade, began to pay attention to the tourism economy as a kind of social phenomenon. "This phenomenon established the social background for L. Bodio and other scholars to have studied the tourism economy".<sup>③</sup> By way of statistics methodology, they did a lot of investigations and researches on the

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① Shen Baojia. Research on Overseas Tourism. Tourism Journals, 1996(1-6).

② Xie Yanjun. Basic Tourism. China's Tourism Press, 1999: 2.

③ Zhang Hui. Tourism Economics. Shaanxi Tourism Press, 1991: 2.

travelers to Italy and assessed the tourism's influence and effects to national economy in the context of balancing international foreign currencies income.

In the middle of the 19<sup>th</sup> century, the tourism activities were only within Western Europe and North America, meanwhile, its scale of supply and the number of travelers was also limited. The tourism has not yet become a considerable scale of economic phenomenon or industrial phenomenon. Due to the historical limitations, the tourism phenomena just happened within certain areas without any tendency of globalization and popularization. Under such social circumstance, the study on tourism science was sure to have its own historical limitations. It is therefore that in terms of the content studied, L. Bodio and other scholars have merely done researches on specific tourism economical phenomena or related questions, but they failed to take the tourism economics as a whole system. Thus, we should say that they were the pioneers who set feet in tourism economics study and put forward some new ideas and opinions.

It was A. Mariotti, an instructor of Rome University, who did systematic analysis and demonstration in the angle of economics. He published his presentations on tourism economics in 1927 and published its continuation in 1928. The two publications were together called *Teaching Materials on Tourism Economics*. In this book, A. Mariotti not only carried systematical studies on development of tourism areas and operation of tourism reception industry, but also specified on the tourism activities' form, structure and elements. He was the first to raise the view that tourism activity has its quality of economics. In his study of tourism economics, A. Mariotti classified tourism activity into two forms: Active Tourism and Passive Tourism, and he created the first tourism center theory. This theory says that the destinations the travelers are fond of merge natural conditions, art, archaeology, local specialties, and customs and health, as well as entertainment, facilities, and hotels. The previous part is the natural attractions, while the latter part is the attractions derived from the natural ones. Tourism centers arise when a good balance can be struck between these two parts. We can therefore say that A. Mariotti had noticed that the tourism attraction was the main factor of formation of touring places.

When viewed from the fields and issues they studied, A. Mariotti's work differs from that of L. Bodio. He did not simply consider tourism as a kind of social phenomenon expressed in terms of international income and expenditure; his studies on tourism went beyond their impact on the national economy. He devoted many pages to detailed research on the tourism industry, agents, units, resources, centralization, and

other issues, which expanded the tourism economics field's domain. Meanwhile, he firstly put forward the tourism economics' study target, structure, and content, thereby creating a strong basis for the later formation of tourism economics' theoretical framework.

Like the Italian scholars, the British scholar Augwel published *Tourism Activity* in 1933. Aguwel offered an economic definition of tourists and used statistics to scientifically study tourist movements.

In contrast to these British and Italian scholars, the studies of two scholars from Germany were not limited to the visual angle of economics. In 1931 the German scholar, A. Bormann, issued *Tourism Theory*. He argued that "tourism theory is subordinate to economics and its basic issues not only belong to the domain of national and operational economics, but must make use of theory and research done in every subject". In 1935 G. Glucksmann published his *General Theory on Tourism*, which systematically expounds on tourism activities' occurrences, basis, and quality, touches upon tourism's economic and social affects, and how to promote the industry's growth. They thought that tourism study is an extensive sphere containing the reasons for tourism, along with its operation and affects on the society. It needs to be studied by way of various subjects rather than by economics alone. But Bormann didn't agree with Glucksmann, who brought psychology into the study on tourism, believing this is not relevant for tourism studies. In 1942 the Swiss scholars, Hunziker and Krapf, published *Outline of a General Theory of Tourism*, which adhered to the idea that studying tourism is a multi-subject endeavor, covering aspects of both economics and sociology.

### 1.1.2 Tourism Economics Study after World War II

During the period from the end of World War II to the 1960s, tourism scholarship focused mainly on the great economic advantages brought about by the development of tourism. Advanced states and remote areas within were seen as bene-fiting from tourism. This view was mainly represented by the following three works. First, the German scholar Krapf's *Tourism Consumption*, which was published in 1954, was a special study on the motives and process of tourism consumption. Second, the Italian scholar Torys' *Economy Theory of Tourism and Tourism Income*, which was published in 1955, probed in depth the concept of the tourism economy, as well as its income and economic advantage. And third, the Japanese scholar Tanaka Kiichi, published his work *On Development of Tourism* in 1955, studied international

tourism from the view of economics and thereby further deepened understanding of tourism economics.

The tourism growth helped some reception states and areas to keep a balance between international revenue and expenditure, to increase the employment and tax income, and to ameliorate foreign currency shortages as a substitute for traditional export industries which was then facing crises. At the same time, tourism growth has had negative affects, leading to criticism of the argument that it can promote the reception area's economy development. These critics have pointed out a range of issues. They argued that the multiplier effect of tourism economy was not as high as expected; the existence of leakage and the burst of tourists might cause the commodity price hikes of tourist destination areas so that the expected profit might come to nothing.

The rapid growth of tourism activity in 1970s and consequent huge streams of tourists traveling about in a comparatively concentrated time and space, put unprecedented pressure on the society and environment of tourist destinations areas. This, in turn, meant that the study of tourism social culture and ecology proceeded faster than the study of tourism economics. From the 1960s to the 1980s tourism economics focused on the economic impact of tourism. After the 1980s researchers began studying issues at a macro-level, namely the economic interests and cost of developing tourism. Giving a broad overview of these problems, the study on tourism economics by Europeans and Americans dealt with following five broad issues. The first was the international tourism work division and different needs of the industry. The second was the tourism market, business operation and management. The third was tourism's impact on regional economic development, including study on growth multipliers, resource exploration, construction and land usage in tourist destinations. The fourth was tourism investment, economic policy, and international cooperation. And the final area was developing countries' tourism economics.

Overseas scholars studying tourism's economics impact commonly believe that the tourism economics multipliers theory is the most effective way of assessing its impact on economic development. This theory became a hot topic following the 1970s, and local studies were done to assess the impact of the tourism industry's economic multipliers. In particular, the British researchers B. Archer and R. Vaughan did much work and achieved important results in this area. They independently did inspections on the travel income of the hotels in Gwynedd and Lothian Region of Edinburgh in Scotland and arrived at similar conclusions regarding the practical significance of tourism economics multipliers.

At the same time, by using tourism economics multipliers theory, they checked and researched the employment situation of different kinds of accommodation industries in these two regions. They thus obtained reliable data on three employment multipliers effects, among them direct, indirect, and induction employment. This work demonstrated the function of the multipliers theory in boosting employment.

### 1.1.3 General View of Overseas Tourism Economics Teaching Materials

In the overseas research done on tourism, economics, sociology, anthropology, and environmental ecology science have increasingly become used in research. The importance of anthropology, sociology, and environmental ecology science are now exceeding that of economics. The study of tourism economics study also has yet to achieve a significant scholastic breakthrough. Nevertheless, the multiple studies on tourism economics already has to some extent provided a sound basis for the setting-up of tourism economics science and resulted in some relatively influential tourism economics textbooks. One very early and comparatively influential text is *Tourism Economics* published in 1979 by a Yugoslavian scholar, Unkovic. This book provides a general discussion of tourism economics theory and development, analyzes tourism markets, the policies of tourism reception countries, and forecasts the development trends in the international tourism industry. Some Japanese scholars also clearly believed that tourism economics should be a major part of the scientific study of tourism. In the 1980s tourism economics became a separate subject at the University of Hawaii in the USA. In the 1990s Bull, Lundberg, Sinclair, and Stabler et al consecutively published general textbooks on tourism economics.

## 1.2 Domestic Tourism Economics Research

Compared to the overseas tourism economics research, Chinese research on tourism economics came late and has just a 20-odd year history. If overseas studies of tourism have been linked with tourism's recent development, Chinese tourism study is also linked to the rapid emergence of China's tourism industry. China initiated its opening up policy in 1978. As a travel destination and commercial investment place for the advanced countries, China's business and sightseeing travel markets quickly took off after being opened up. Because Chinese tourism theory offered little guidance for the tourism industry in meeting these challenges, it was necessary for the industry to seek out overseas theories. However, due to the differences between the socioeconomic



environment of China's tourism development and the tourism growth environment of foreign advanced countries, our knowledge of tourism's economics features, roles, and the like made a detour. For example, based on overseas theories of the tourism industry, much of the early Chinese research shared the view that the tourism is an industry that requires less investment to provide quick and sound returns. This thinking confusedly and mistakenly merged the Chinese tourism industry's environment with that of other countries and thereby ignored the issue of environment suitability.

To make a general overview, China's tourism economics study went through three stages. The first period between 1980 and 1990 was marked by the creation of tourism economics as a subject. This was largely done by universities drawing upon the work and achievement of overseas scholarship and research on global tourism. Strictly speaking, it was impossible for developing China, on the basis of its social economy in 1980s, to see the need for studying tourism economics. This phenomenon of study preceding practice has two important factors. One is that China's opening policy has been boosting the China tourism industry development as the "Enclave Land" of the economically developed countries. The practice of tourism needs the support of tourism theory. Another is that a host of comprehensive colleges and universities set up the tourism economics study programs, including ones offering advanced degrees. This development, in turn, to some extent promoted the scholarly study of tourism. Because of China's definite development goals with respect to tourism, the study on the subject of tourism mainly focused on the economics that are tourism destinations and on business tourism management and operation. This reflects the utilitarian circumstances behind the initial setting up of Chinese tourism economics studies. The second period was in 1990's. Along with the formation of the tourism industry system and needs of both domestic and outbound traveling, the study of tourism economics expanded from economics and management to sociology, market science, geography, and anthropology, so that a systematic research framework was formed. This cross-disciplinary research system reflects the comprehensiveness of tourism research which, from the aspects of economics and management only, can not be thoroughly understood. On the other hand, it is also related to subject adjustment and transformation of departments in Chinese universities. The third period appeared in recent years. Along with the increasing day to day integration of China tourism economics system and the coming of the internationalization of China tourism industry, people started to generally apply multiple sciences with respect to the method and angle used in studying tourism. Meanwhile, the