

# TOURISM AND ECONOMIC DEVELOPMENT IN MOUNTAIN REGIONS AN ECONOMIC ASSESSMENT

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*The paper gives a critical assessment of the theses of UNWTO that tourism is an effective means of developing whole regions especially difficult aeries such as mountain regions. Growth Pole Theory and Economic Base Theory are used as methodological base.*

*Key words: Regional development, Growth Pole Theory, Economic Base Theory, Tourism*

## 1. Introduction

The UNWTO, the organization of **tourism** on the UN-level, expects great achievements of this branch of economic activity. Tourism is supposed to play the role of a locomotive in less developed regions or countries that hauls income and economic standards on a higher level. Consequently UNWTO recommends economic development by subsidies for the tourist industry including tourist infrastructure. Two points of some plausibility support this view<sup>524</sup>:

- a) The tourist industry is labour intensive and hence provides income for many people. It is correspondingly not capital intensive, and needs not much capital investment, thus promising fast effects.
- b) The necessary labour force needs no high qualification; short introductory courses and training on the job will do.

Here we check the thesis with respect to mountain regions. Mountain regions on the whole are economically difficult areas. They often resist economic development. **Manufacturing** is not typically found in mountain areas. Mountains seem to exclude this major branch of economic activity. Most alternative branches are not very promising either. In very few cases mountain areas offer the opportunity of relevant **mining**. The difficult ground of mountains hardly allows of efficient **agriculture**; there is some chance of **forestry** – not a modern dynamic industry.

Tourism, in contrast, is a modern dynamic economic activity. Many people consider mountain regions as beautiful and appropriate for many kinds of sport like hiking, skiing, climbing, etc. The climate furthermore is supposed to be good for health, the air is clean. Hence the scenery often seems to be the only important economic resource of such regions. Tourism therefore is not only *a* chance but *the* chance of mountain areas. We will check this position in the light of economic theory, regional science, and general experience.

## 2. Relevant Conceptions of Economics and Regional Science

### 2.1 General remarks

Applied economics has provided two major pertinent conceptions to describe regional development as to tourism:

- a) Growth Pole Theory (GPT)<sup>525</sup> and
- b) Economic Base Theory (EBT)<sup>526</sup>.

Both conceptions appear in different variants. Only some of them are important for the main line of discussion we have to conduct.

GPT is a genuine economic conception applicable to regional problems of economic development. It is an operational theory that lends its insights to practical political economy. EBT is a methodological conception which was conceived in order to tackle data dilemma regional scientists often meet. So it is rather intended as a statistical framework than a descriptive conception of regional development; yet it has been successfully used just in this sense, too.

GPT and EBT are liable to some serious objections. This must not be concealed. Nevertheless they are very popular among regional scientists. Let us try them. In any case it must be checked very thoroughly whether the conceptions are applicable.

### 2.2 Growth Pole Theory (GPT) applied to Tourism

GPT is due to Francois Perroux (1903-1987). GPT became part of the discussions in Regional Science worldwide with some emphasis within the French speaking world. Peter Nijkamp (1946 - )<sup>527</sup> deepened the discussion about industrial complexes. Walter Christaller (1893-1969) discussed similar aspects in the context of **service industries** even earlier than these authors and paid in his later years much attention to tourism.

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524 UNWTO [http://www.unwto.org/media/news/en/press\\_det.php?id=2462&idioma=E](http://www.unwto.org/media/news/en/press_det.php?id=2462&idioma=E)

525 Perroux, F., Economic Spaces: Theory and application, QJE, 1950

526 Jung, J.-S. Die regionale Wirtschaftsentwicklung in Südkorea, Peter Lang Verlag

527 Nijkamp, P. Handbook of Regional Economics\* 1986 Nijkamp, P. & Coccossis, H. Sustainable Tourism Development, Avebury, Aldershot,

**The basic thesis of GPT:** To realize economic growth in a (less developed) region it is necessary to settle there an industrial core. These industries should belong to modern dynamic branches and fit together. If such a complex has surmounted a certain size (depending on the specific conditions) it forms a “growth pole”, i.e. the core of a regional economy that shows sustainable economic growth.

The implicit message of this philosophy is, of course, the necessity of regional economic policy that cares about the initial planning and investment. Later on the region - hopefully - needs no exertion of influence by economic policy.

The crucial question of this conception is: how can growth poles exert such an influence? Perroux and his school think mainly of manufacturing. These firms depend on other firms that provide the necessary inputs (backward linkages) and they depend on their customers that buy their products (forward linkages) perhaps as consumers but mainly as producers of other products. Strong firms may attract providers and customers and thus create locational conditions that are the cause of further growth.

Chains of argumentation along these lines are not very convincing as to tourism. Backward linkages do not strongly influence tourist offer. It does not matter, where the goods are produced which are used in a tourist resort besides, of course, the services that must be provided in the place. Even more obvious is the absence of relevant forward linkages. No other firm requires tourism as input. The location is given. It may be improved or may decline with no or little influence on the economy around. Customers, i.e. the guests must visit the place, and can consume tourist services only in the place. There may be – this is conceded - some influence on the spatial environment since tourists stay not strictly in their recreation resort but take part in excursions e.g. The economic impact of these activities, however, is not strong.

The power of backward and forward linkages is under debate even if manufacturing is concerned, where linkages are certainly more plausible. There are case studies that support the thesis others that throw doubt on it.

In case of tourism there is no empirical support of any linkages. Insofar we are skeptical as to the optimistic hopes of UNWTO. Tourism will help to develop a place but stay without substantial effect on the surrounding area.

We may raise the question whether there might be other effects that could cause self- sustaining growth above a certain minimum level of tourist infrastructure.

Tourist supply may be interpreted as a bundle of different services that make a resort attractive for guests, i.e. a variety of different hotels with different standards, different restaurants, and different amenities of various kinds. In history of economic thought many authors have mentioned the fact that services have to be made available as suitable compound offer. This is true for shopping malls, fairs, or a whole city but also for tourism. If the supply of services in a city or a holiday resort is sufficiently **diversified** then it will be successful: The location is considered a place where there is “something on”. This basic fact seems to be self-evident; yet it has not become a fix part of economic teaching before Christaller and the subsequent discussion.<sup>528</sup>

These observations contradict the above supposition that tourism may be developed with a low rate of investment. It takes much time to make a holiday resort out of an ordinary village. There are quite pitfalls on the way to success that cost time and money.

As a result of this discussion we keep in mind that tourism (like a shopping mall) requires bundles of services that cling together in one location (Christaller Effect). This requires a certain minimum size. To create a holiday place requires substantial investment. This can be done e.g. by a development company provided they have much experience. More likely is a long way with costly trials and errors. Linkage effects that make a resort the locomotive for a whole region do not exist or are at most very weak.

### 2.3 Economic Base Theory (EBT) applied to Tourism

Economic Base Theory was developed to help out of a serious lack of data in regional analysis. Whilst national data are readily available it is difficult to receive statistical information of an appropriate regional delimitation. Even if there are regionalized data they will usually be raised for political but not for relevant economic area units. The very simple conceptual framework of EBT is the point of criticism. The conception, however, shows very flexible, and allows the use of proxy-variables and a manifold of rough assessments even for small areas where only sparse data exist.

**The basic thesis of EBT:** The regional product  $Y$  is used for locally produced goods  $C_1$  and imports  $C_m$ . Imports must equal exports  $C_x$ :  $C_m=C_x$ . Furthermore we have  $Y=C_1+C_m$ . No region is independent of imports These must be “paid” by exports  $C_x$ .  $C_m=C_x$  form the “economic base” of the region. Suppose there is a known relationship between  $C_x$  and  $Y$ , say  $Y=3 C_x$ , then it is possible to estimate the effect e.g. of tourism which is by its very nature export though happening in the place

The EBT view again supports rather the capsulated economic effects of tourism: The imports come from the “rest of the world” without preference for the immediate environment. The imports are furthermore predominantly consumption goods (for tourists and the local population) with little linkage effects.

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<sup>528</sup>Christaller, W., Die zentralen Orte in Süddeutschland, Gustav Fischer Verlag, Jena, 1933

This simple method described is often the only way to analyze the economic situation of a region especially a small region, e.g. a single place. The alternative may be no “statement at all”. If more information is at hand it can, of course, be used for refinements.

Research workers will feel encouraged to break down national data according to population statistics that are usually available even for small areas.

A local expert will be able to give quite valid estimations of the role of tourism for a region and moreover make forecasts by comparison with already successful tourist areas.

Notwithstanding all sophisticated economic reasoning the idea of an economic base has a strong intuitive appeal. The share of imported goods will usually increase the smaller (measured in population) the area is. Small areas e.g. groups of villages or even single villages have highly specialized production, and must therefore import consumption goods. One might object that villages have agricultural production and can cover most needs of their inhabitants. Actually this was reality over long historical periods. This is the picture of a very backward society with a low standard of living which we want to change by introducing a new economic base, say tourism.

Efficient modern agriculture is specialized. Mountain areas provide only a narrow base for this. The question therefore is: What can be done to improve the economic base of mountain regions. How can these regions become guided to modern standards? The economic base conception is a practicable base for competent discussion. The locomotive view of the UNWTO, however, is not supported by EBT.

### 3. Final conclusions

We have shortly discussed two modern frameworks of regional science with respect to development of tourism in mountain regions. This may be considered as the starting point of specific empirical research.

#### Two main results:

- a) Tourism may well help a smaller region to develop; it will, however, not have a locomotive function for greater region or even a country.
- b) The EBT conception is a instrument to analyze a small region with respect to its economic base and the possible effects of tourism. Tourism often is the only chance a mountain area has.

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