TOURISM, ECONOMIC GROWTH, AND THE HIDDEN ASYMMETRY

Unveiling the fragile tourism-growth nexus

For years, scholars of tourism economics have examined how tourism affects a nation's economic growth. Typically, the idea of this tourism-growth nexus assumes some measure of symmetry: more tourists—more economic growth; less tourism—less growth. At UCF Rosen College of Hospitality Management, Professor Fevzi Okumus and his collaborator have shown that not only is the relationship more complex, but it is also highly asymmetrical. Their work forces a reexamination of the tourism-led growth hypothesis and encourages the tourism industry to rethink strategies.

Take your mind back to 2019. The world's tourism industry is flourishing. People are traveling more than ever—visiting ancient ruins, relaxing on tropical beaches, and exploring bustling cityscapes. The hospitality industry is thriving, and nations across the globe are reaping the economic rewards. A year later, the world grinds to a halt. The COVID-19 pandemic is sweeping across continents, and international travel has all but ceased. Hotels close their doors, and restaurants sit empty; tourism-dependent economies feel the sting of sudden revenue loss and look for solutions.

This is where Professor Fevzi Okumus's work comes in. His coauthored paper titled 'Tourism and economic output: Do asymmetries matter?', recently published in the *Annals of Tourism Research*, delves into a crucial yet often overlooked aspect of tourism's role in the economy. It explores what is known as the tourism-growth nexus—the connection between tourism and economic output—and challenges a longstanding assumption that the effects of tourism growth and decline are symmetrical.

A MODEL FOR UNDERSTANDING ECONOMIC FRAGILITY

This research highlights something striking and perhaps unsettling for those in the hospitality industry: a shock contraction in tourism has a much more significant impact on the economy than a surge in tourist numbers during good times. This article uses the term de-tourism to describe the severe consequences of such a tourism downturn. While tourism growth can buoy economies with increased employment, spending and investment, de-tourism—such as what the world witnessed during the COVID-19 pandemic—does far more damage than previously understood.

To unpack this non-linear relationship between tourism and economic output, this article used a neo-classical production function—a widely accepted economic model that explains how different factors contribute to economic growth. Typically, economists look at capital (such as investments in infrastructure), labor (the people employed in the tourism and hospitality sectors), and, in this case, tourism arrivals (the number of international visitors) as key drivers of growth.

However, this study introduced a new variable: pandemic-induced uncertainty. This variable

Professor Okumus examines the tourism-growth nexus—the relationship between tourism and economic output.

was crucial, allowing the researcher to capture the economic disruptions caused by the COVID-19 pandemic. This uncertainty doesn't just affect tourism numbers; it creates a ripple effect that impacts the broader economy, stalling investments, disrupting supply chains, and halting employment in tourism-related sectors.

By factoring in the pandemic, this study could examine the profound effect such crises have on tourism and, by extension, economic output. The model's ability to capture these asymmetrical effects paints a more accurate picture of how economies reliant on tourism respond to shocks, revealing their inherent fragility.

THE HIDDEN WEIGHT OF DE-TOURISM

So, how much more damaging is a tourism downturn than the benefits of a tourism boom? This is where the numbers tell a compelling story. According to the research, an increase in tourism arrivals leads to a 0.004 increase in economic output—a modest but positive effect. On the other hand, a decrease in tourism has a -0.028 impact on economic output. This means that the negative impact of a tourism decline is nearly seven times greater than the positive effect of growth.

Let's break that down. Imagine a city that benefits from a 4% increase in economic output due to a tourism boom during a peak season. That same city would see a 28% drop in economic output if the tourism sector experiences a downturn of similar magnitude—like the one triggered by COVID-19. In business terms, this means the pain felt by hotels, restaurants, and other tourism-related businesses during a downturn is far more profound than the joy they feel during periods of growth.

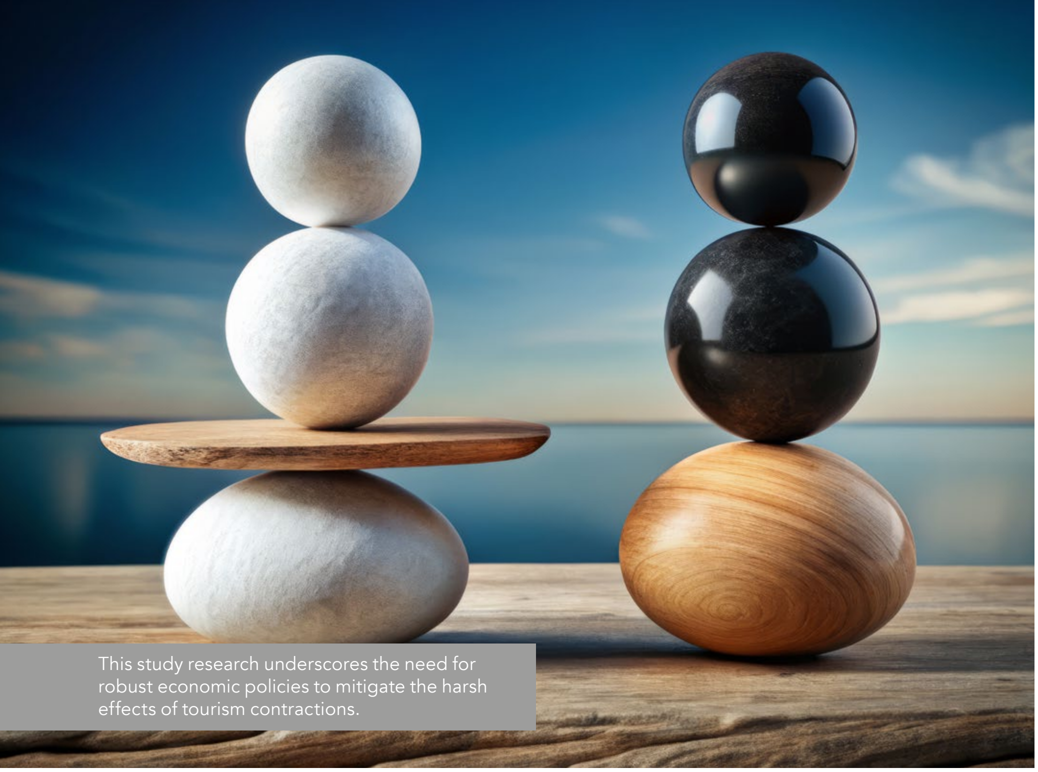
This asymmetry is crucial because it forces us to rethink how we plan for tourism growth and decline. For policymakers, it suggests that while efforts to boost tourism are essential, they should be accompanied by strategies that cushion the blow of tourism downturns. For businesses, it underscores the importance of diversifying revenue streams to protect against the severe economic losses caused by de-tourism.

> *A SHOCK CONTRACTION IN TOURISM HAS A MUCH MORE SIGNIFICANT IMPACT ON THE ECONOMY THAN A SURGE IN TOURIST NUMBERS DURING GOOD TIMES.*

DE-TOURISM: A CONCEPT THAT HITS HARD

De-tourism is not just about fewer visitors; it's about the cascading effects of fewer tourists on every facet of the economy. When international arrivals fall, the loss ripples through sectors like transportation, retail and food services, dragging down not only the direct beneficiaries of tourism but also the entire economy.

For the researchers, de-tourism is more than just a short-term disruption. The study's model, which tracks the long-term impact of tourism downturns, reveals that the effects linger well beyond the immediate period of contraction. Even as tourism eventually rebounds, the losses from a downturn continue to weigh on the economy. This suggests that recovery from



This study research underscores the need for robust economic policies to mitigate the harsh effects of tourism contractions.

a downturn is far slower and more painful than expected.

For instance, the study highlights the error correction model coefficient of -0.378, which indicates that about 38% of the deviations from economic equilibrium caused by tourism downturns are corrected within each quarter. While this means the economy eventually returns to equilibrium, it also shows that the road to recovery is slow, with the scars of tourism declines lasting longer than the temporary gains of a tourism boom.

UNDERSTANDING THE ASYMMETRY

This imbalance is critical for policymakers and industry leaders to understand. It reveals that strategies solely focused on promoting tourism growth might overlook the more significant challenge of mitigating the damage of tourism downturns.

The asymmetry this study reveals has significant implications for the hospitality and tourism sectors. First, it highlights the vulnerability of economies dependent on tourism. If a negative tourism shock—such as a global health crisis or natural disaster—can cause far more damage than a corresponding positive tourism boom can repair, it suggests that strategies focused on resilience should be a top priority for businesses and policymakers.

From a business perspective, this could mean diversifying revenue streams to protect against the impacts of de-tourism. Hotels and resorts, for example, might explore long-term residential clients or pivot toward corporate events and meetings to ensure they aren't solely dependent on international travelers. This approach could create a more stable income base during tourism downturns.

For governments, this research underscores the need for robust economic policies to mitigate the harsh effects of tourism contractions. Instead of focusing solely on promoting tourism, there should be a strong emphasis on preparing for inevitable downturns—whether caused by pandemics, natural disasters, or political instability. This might include stimulus packages for tourism-dependent businesses, support for workers displaced by downturns, or infrastructure investments that serve multiple economic sectors.

> *BY UNCOVERING THE NON-LINEARITY AND ASYMMETRY OF THE TOURISM-GROWTH NEXUS, PROFESSOR OKUMUS HAS SHIFTED THE CONVERSATION AROUND HOW TOURISM IMPACTS ECONOMIC OUTPUT.*

THE TOURISM-LED GROWTH HYPOTHESIS RECONSIDERED

One of this study's critical contributions is its reexamination of the tourism-led growth hypothesis, which suggests that tourism can drive economic growth. While the hypothesis holds in many respects, this study's findings show that the story is more complex than previously thought. Yes, tourism can fuel growth, but the impact is far from symmetrical.

The research demonstrates that while tourism booms may contribute to economic prosperity, the real challenge lies in addressing the disproportionate damage caused by de-tourism. For someone aspiring to work in the tourism industry, this study offers valuable lessons about the fragility of the tourism-growth nexus. The idea that tourism downturns have a far greater impact on the economy than tourism booms should serve as a wake-up call.

Understanding these asymmetries means recognizing that tourism is not just about growth. It's about building an industry that can weather inevitable storms. For future leaders in the hospitality and tourism sectors, this could mean focusing not just on expanding markets and attracting more tourists but also on developing strategies that build resilience during periods of de-tourism. Diversifying services, investing in sustainable tourism, and planning for downturns should be key elements of any successful tourism strategy.

By uncovering the non-linearity and asymmetry of the tourism-growth nexus, this study has shifted the conversation around how tourism impacts economic output. Ultimately, his research offers a sobering reminder that while tourism can drive economic growth, it can also leave economies vulnerable when things go wrong. As we look to the future of the hospitality and tourism sectors, the insights gained from this research could be the key to creating a more resilient, adaptable industry—one that understands the profound risks of de-tourism and prepares for them. The question remains: how do we build an industry that can thrive in both good times and bad?

RESEARCHERS IN FOCUS

RESEARCH OBJECTIVES

Professor Fevzi Okumus examines the tourism-growth nexus—the relationship between tourism and economic output.

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PERSONAL RESPONSE

Your research prompts an overhaul of strategies among leaders in the hospitality and tourism industry. To consider building resilience during periods of de-tourism, what areas can researchers focus on to guide such strategies?

" They can focus on how organizations, destinations, and countries can build resilience and be better prepared for such crises. "

Dr. Fevzi Okumus

Dr. Fevzi Okumus is the CFHLA Preeminent Chair Professor within the Hospitality Services Department at UCF Rosen College of Hospitality Management. His main teaching and research areas include strategic management, leadership, hospitality management and lodging. He has over 300 academic publications. According to Google Scholar, his publications received over 28,625 citations and he has an h-index of 77. He is the Editor-in-Chief of the *International Journal of Contemporary Hospitality Management* (IF: 9.10) and the *Journal of Hospitality and Tourism Insights* (IF: 4.80). He is a frequent speaker at international conferences and has received numerous prestigious research awards and recognitions.

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