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TOURISM IMPACTS AND RANKINGS: METHODOLOGICAL  
MYTH VS ECONOMIC INQUIRY

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ABSTRACT

Data, in the travel and tourism industry, has been used to inflate economic projections. The driving force behind the use of this type of information is political processes. This article explores this issue and its ramifications upon the nature of research.

TOURISM IMPACTS AND RANKINGS: METHODOLOGICAL  
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Tourism receives considerable attention these days. This is evidenced by the fact that most states and areas promote tourism as part of their economic development plans. In fact, many have created agencies and/or departments and spend considerable amounts of money to promote such programs. The rationales used for supporting such programs, however, is sometimes less than adequate. It would appear that various states have been persuaded to allocate resources to tourist-related projects and programs on the basis of such catch phrases as, "there is money in tourism", "tourism dollars carry large economic impacts," "it is

an industry that carries negligible negative environmental impacts," "the tourist dollar turns over several times," (a claim that the turn over is seven or larger is not uncommon), "a tourist is worth more than a bale of cotton and easier to pick" etc., all of which may be challenged.

An example of the type of economic myth too often associated with tourism promotion is the cost-benefit logic. For example, a director of a state travel department once commented that his state "gets back in direct taxes over \$80 for every dollar spent in tourist advertisement." (1) Another state representative made a similar claim at a travel-seminar a few years ago. Obviously, if such returns were true, these states could literally spend themselves rich by investing in tourism promotion. A more accurate measurement of the feasibility of state advertisement would be the incremental taxes collected resulting from the incremental advertisement by the state. Claims such as the above assume that total tourism activity is a direct result of government advertisement, and that advertisement by private firms and other factors have no affect on sales. Apparently, such statements have not been seriously questioned or challenged in the past and have often been used to justify public resource allocations to tourism. This may stem from the fact that tourism is still a relatively new field in terms of research and scope of attention. The key point we wish to stress is that such logic and presentations are invalid and may serve to allocate resources away from areas that no doubt have much higher priorities in terms of a state's future development and growth.

#### CONFLICTS IN FINDINGS/POLICY IMPLICATIONS

Based on the above review, we believe that additional research is needed on tourism measurement because of its policy implications. One area in need of attention is the formulation of philosophy and policy and correct use of economic concepts in evaluating the economics of tourism. Some states apparently do not have an official philosophy or policy. Different state agencies that impact on tourism often have different views, sometimes conflicting views, and little coordination among themselves. Included in the Survey of State Travel Offices, 1986-1987 by U.S. Travel Data Center was the question do you have a "State Travel Development Policy Statement or Development Plan?" Twenty indicated "No", one "NA", and 35, "Yes". Of the "Yes" responses only one specifically noted a state tourism policy, however. The other "yes" responses with specific notes were "Yes, Marketing Plan" or "Yes, Annual Marketing Plan". One response indicated "under consideration." Thus, the policy issue has been and/or is being addressed in some states. It was not clear from the responses, however, how many state legislatures have established a state policy as opposed to the travel agency of the state developing an independent advertisement or promotion plan. One of the benefits of an official policy statement would be the basis for directing the research needed to establish and execute the appropriate governmental programs.

It seems that most individuals who head government departments related to tourism feel that more government involvement in tourism is better than less government involvement. They work to get more public

monies allocated to tourism. One approach is to claim tourism has a major economic impact. The U.S. Travel Service's Publication, "Highlights International and Domestic Tourism 1976", stated that "thirty-six of the fifty states indicated tourism ranked among the top three industries. Four states indicated tourism was their leading industry." A contrasting finding was reported in the article, "A Re-examination of the Relative Importance of Tourism to State Economies," by Thomas R. Doering, in the Journal of Travel Research, Volume XV, No. 1, Summer 1976. This report reviewed the proportion of gross state product that was attributed to domestic travel (often referred to as tourism) for the various states. It showed that tourism contributed five percent or more in only 17 states and ten percent or more in only three states, the largest being 15.4 percent in Nevada.

These findings seem to be incompatible. The method and sources of data used by Doering were specified in the article. U.S.T.S. was contacted about the method used in determining the ranks they reported. The response was that the rankings were those reported to them by the 50 states' travel directors. Upon contacting the states as to the method they used to rank tourism, a variety of responses were received. Some responses contained no clear methodology, procedure, or source of data. We considered many of the responses to be ambiguous, without support and in cases, apple-orange comparisons. If, indeed, tourism ranks so high, the question should be asked, why should the general public be taxed further for the benefit of an industry which already ranks in the top three?

Arkansas is one of the states for which tourism was reported as the third largest industry by its travel department. It is in conflict with the findings of a study of the "Economic Impact of Travel and Tourism in Arkansas" by Troutman and Opitz.(2) Troutman's study showed that "the present impact of tourism on the State's personal income accounts is minor, only eight-tenths of one percent. A doubling or tripling of the size of the industry would be a major accomplishment requiring a tremendous development effort. Even then, tourism would be relatively unimportant to the overall economy of the State, accounting for only 1.5 to 2.4 percent of total personal income." The director of that state's travel department also stated, "We know that the dollars a tourist spends are literally turned over seven times in our economy," inferring an economic multiplier of seven.(3) In contrast to this implied multiplier of seven, Troutman estimated an income multiplier of 1.65. Troutman's report is relatively specific in terms of methodology and sources of data. Research conducted by the U.S. Department of Commerce, in a well documented study, estimated the gross national product travel multiplier to be 1.62.(4)

The view of large impacts has also been expressed in the authors' own state. For example, while the authors were preparing a report to the Tourism Study Commission for the State Legislature, a top travel official issued a release stating that "Tourism is the third largest industry in Mississippi" and that "Tourism is only second to oil as being the largest industry in the world."(5) No documentation as to method used to arrive at these rankings or sources of data were provided with the release. As noted below, the analysis by the Mississippi Tourism Study Commission based on research conducted by the authors does not support such a claim.

## FINDINGS IN MISSISSIPPI

The general approach of the Mississippi Tourism Study Commission was to conduct public hearings and a relatively detailed data analysis.(6) Estimating the value of travel and tourism to a state's economy is a complex undertaking, and a review of literature found that existing works were characterized by ambiguity. Certain factors accounted for these problems. Specifically, there was no generally accepted definition of what constituted "travel" and/or "tourism." This problem has produced a gross lack of comparability among studies performed in this field. Moreover, it was not uncommon to find promotional literature which quantified the value of travel and tourism with the use of one indicator (i.e., retail sales) and then made comparisons with other economic sectors utilizing another indicator (i.e., income). Such "apples and oranges" comparisons were misleading and no doubt have led to erroneous data inputs in the decision and policy making process. Because of these factors, every effort was made in our analysis to make all comparisons of relative value between travel and tourism and other economic sectors as comparable as possible by using a generally accepted economic indicator.

### DEFINITION

For purposes of our analysis, two definitions of travel and tourism were utilized. The first and more comprehensive definition related to the value of the "travel industry" to the State of Mississippi. The travel industry was defined to include selected travel-related categories as reported by the Mississippi State Tax Commission retail accounts. (7) Such a comprehensive definition, of course, made no distinction relative to the purpose of travel, distance of travel, or between residents or local patrons and those from out-of-state. In short, this definition placed emphasis on the "travel industry" as an economic sector in the State which permitted comparisons with other sectors of the economy. Because of the broad scope of this definition, it also served to set an upper limit on the value of the travel industry.

The second set of values determined for the travel and tourist industry in Mississippi was based on those specified by the United States Travel Data Center and the United States Bureau of the Census. The Center's estimate of travel in Mississippi included household trips of persons outside the State traveling to or through Mississippi as well as Mississippians traveling within the State as long as the travel met the Center's definition of "trip." (8) What portion of the trips included in the estimates for Mississippi that were to, through, or limited to within the State was not available. Thus, it should be noted that the Center's definition produced estimates of traveler expenditures for Mississippi that included purchases in the State by both persons from out-of-state and in-state. To limit the expenditure impacts of travel in Mississippi to only out-of-state travelers traveling to or through the State would have produced lower estimates accordingly. For purposes of the analysis, the Center's estimates of travel in Mississippi were accepted as the

lower range of travel impact for the State and were also used as an indication of the value of "tourism." Travel as defined by the Center appears generally to be accepted nationwide more than any other definition and, as such, was utilized in the report.

## PROCEDURES

As previously noted, one of the problems confronting the travel industry is a quantification of its economic value to state economies. Much abuse has occurred in this area of research, mainly stemming from inappropriate indicators, double counting and invalid comparisons. To avoid these short-comings, we used contributions to the state's total personal income as the most relevant indicator for measuring the economic value and ranking of travel and tourism. Travel related income was defined to include wages, salaries, and proprietor's income received from travel-related businesses. Personal income going to Mississippians was deemed to be the most appropriate measure of economic value and rank since income represents the residual of any economic activity--specifically in this case, that part of the economic activity of the travel industry that went to residents of Mississippi versus that part that went outside the State. Also, the most important factors in considering economic development of a state are the employment and income of its residents.

By way of comparison, retail sales of the travel industry in relationship to total retail sales could have been used to measure the relative importance of travel. Such an analytic procedure, while valid for its purpose, ignored the question of what part of the sales dollar went to out-of-state suppliers, foreign suppliers, how much of the value was added by the travel industry versus other industries, etc. That portion of each sales dollar in the travel industry that eventually ended up as personal income to Mississippi was the key consideration in the analysis and not the absolute volume of such sales.

For these reasons, the analytic procedure used translated the impact of the travel industry into its contribution to the State's personal income. However, most of the secondary data available were in the form of traveler expenditures and/or retail sales. Conversion of the expenditure data of the United States Travel Data Center and the retail sales data from the Mississippi State Tax Commission was carried out based on travel industry sales/income conversion studies.

Research that supports this procedure has been carried out in selected other states and by other travel oriented research groups. For example, the study conducted in Arkansas by Troutman and Opitz found that about 22 cents of each one dollar of travel sales accrued to the State of Arkansas as personal income.(9) A similar analysis of the travel industry in Montana reached approximately the same conclusion, finding that slightly over 22 cents of each dollar of travel sales accrued to Montana as personal income.(10) A slightly higher figure of about 26 cents per one dollar of sales was reported by the Discover America Travel Organizations.(11) Based on a report by Travel South U.S.A., it was indicated that as much as 35 cents of each dollar of travel sales accrued

as personal income to eleven selected southern states.(12) One would assume the latter figure to be higher due to the scope of the area delineated (eleven states) versus the single state data since the opportunity for economic "leakages" would be less. Based on this review of related research, it was decided to use a figure of 26 cents per dollar of travel sales to estimate the amount of income accruing to Mississippi from the travel industry. This figure was in line with the national norm, yet it was at least four percentage points higher than that found for both Arkansas and Montana. Thus, estimates resulting from the use of this factor were more likely to be slightly higher than they should be rather than lower. This fact should be kept in mind in reviewing the estimates of travel-related income that follow.

#### ESTIMATED TRAVEL RELATED INCOME FOR MISSISSIPPI

Based on the above methodology the data showed that income attributed to the travel industry ranged from only 3.3 to 3.7 percent of Mississippi's total personal income during the years from 1971-1975. Estimated income attributed to the tourist industry was only 1.4 percent of Mississippi's personal income in 1975. In 1974 the comparable estimate was 1.2 percent while in 1972 it was only eight-tenths of one percent. Thus, based on the two separate sets of data, one can be relatively certain that the value of Mississippi's tourist and travel industry accounted for from 1.4 to 3.7 percent of the State's personal income based on the definitions used, respectively. If the data were restricted only to out-of-state travelers, the resulting contribution of the tourist industry to the State's personal income would be even less. Also, it is our opinion that when tourism is analyzed as a vehicle for economic growth and development it restricts the definition of tourism (tourist) to out-of-state visitor expenditures. Otherwise, it would be ordinarily related to the redistribution of economic activity within a state rather than increasing the level of economic activity.

The tourist and travel industry would rank about tenth or eleventh in importance in terms of personal income generated for Mississippi, which is close to the bottom. This conclusion holds when using both the liberal definition of the travel industry and the more narrow one noted for tourism. Thus, contrary to common claims, neither the travel or tourist industry can be considered major contributors to the economic vitality of the State of Mississippi on a relative basis.

#### TRAVEL RELATED EMPLOYMENT

Travel related employment for Mississippi was estimated by converting travel related sales to employment. Sales per employee ratios were determined primarily from the Census of Selected Services and Census of Retail Trade which report employment and sales of most of the travel categories in this report's definition of travel industry sales. Those travel related categories not available from the above census data were secured from the Mississippi Employment Security Commission (MESC). Data from the census ratios were relied on for the most part, however,

since data were not available from the MESC for several of the categories. Results of these procedures showed travel related employment was 7.4 percent of the State's total employment in 1975. If the tourist industry in terms of economic impact were defined to include only sales to those from out-of-state, it would be less than 3.2 percent.

In summary, the travel industry in 1975 was estimated to contribute 3.7 percent to Mississippi's total personal income and about 7.4 percent of the State's total employment. Tourism accounted for only 1.4 percent of the State's personal income and 3.2 percent of the State's employment. Both were close to the bottom in terms of economic sector contributions. Several factors may explain why the percentage of employment is higher than the percentage of income. The most obvious explanations are that the industry is labor intensive, and it has a relatively low wage scale.

#### SUMMARY AND CONCLUSIONS

From our detailed studies and continuing review of the subject, it is quite clear that tourism measurement is and remains an area plagued with inconsistency and ambiguity. Unfortunately, the apparent glamour of this industry has caused it to be packaged, promoted, and funded by various levels of government, especially state governments, under economic rationales that are simply not justified. Ironically enough, those vested with the public mandate of allocating and spending the states' scarce resources in an optimal way are sometimes the most guilty in this respect. The general absence of state policy and philosophy in this area seems to lend some understanding as to why such things occur. How one closes the gap between a state travel official who maintains that tourism is one of the top industries in the state and the researcher/economist who shows that it ranks near the bottom remains an open question. If states are to come to grips with a prioritized list of expenditure needs, however, they must receive good inputs for correct decision making and policy. We feel it is time that valid economics be applied the same against all programs, including tourism.

In order to develop correct policy, we must stress not only the need for correct measurement but also other areas which have and will impact more on tourism in the future. Complementary research needs will include the interface of energy and tourism and the environmental impacts of selected types of tourism such as recreational vehicles and increased accessibility to remote areas. Increased mobility and travel and altered consumption patterns in housing types also appear important derivative effects. Increased competition among the public carriers, especially the overseas' markets, also appears worthy to note. Particularly acute, however, is a renewed look at the role of government versus private enterprise in the area of tourism and where we go from here. All of these would appear to us to be viable research topics now and in the future.

Finally, we do not wish to leave the impression that we are anti-tourism. Quite the contrary, we have probably been one of the major defenders of the industry and its many positive contributions to our own State. We simply suggest that when the economics of the industry are



considered that it be done in a logical and documentable manner as opposed to the unsupported claims often made. In short, we recommend "Regulation T," which we will call "Truth in Tourism Reporting."

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3. Letter from Arkansas Department of Parks and Tourism, October 24, 1977.
4. Bill Anthony, "Industry Effects of Domestic Travel Expenditures: An Input-Output Analysis," paper presented at the 8th Annual Travel Research Association Conference, Scottsdale, Arizona, June, 1977.
5. Source: A release "Did You Know That," provided to the Director of the Mississippi Tourism Study Commission, January 5, 1978. The claim that tourism is the third largest industry in Mississippi still persists.
6. The Commission is composed of six senators, six representatives, and five appointees of the Governor. The authors of this paper, D. C. Williams, Jr., and Charles P. Cartee were Director and Research Analyst, respectively.
7. Travel-related sales were defined as follows: hotels, tourist courts, and motels; trailer parks; eating places; liquor on premises; marinas; gift and souvenir shops; gasoline service stations; tire, battery, and accessory dealers; taxi cabs; automobile repair and service shops; railroads; intercity bus lines; and air transportation carriers.
8. A "traveler is anyone who takes a "trip" defined as travel by one or more members of a household to a place at least 100 miles away from home returns, with exclusion of selected categories. Excluded are travel as part of an operating crew on a train, plane, bus, truck, or ship; commuting to or from a place of work; student trips to school or those taken while in school; travel by members of the armed forces while on active duty."
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