How does tourism industry dependence affect economic growth in western China? --Based on the inspection and interpretation of the Resource Curse transmission mechanism

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Introduction

With the unprecedented prosperity and rapid expansion of the tourism industry, various negative effects caused by the excessive development of tourism destinations have also emerged. At the same time, the phenomenon of dislocation between tourism development and economic growth has occurred in various places. The regions with abundant tourism resources performed particularly so.

There are many types of tourism resources in China, which have been regarded as a guarantee factor for tourism development before, but in many areas with relatively abundant endowments of tourism resources, the economic impact of the tourism industry is limited, indicating that tourism resources may play a key role in the impact of the tourism industry. Moreover, as China's tourism industry has become one of the fastest growing industries in the national economy and has obvious international competitive advantages, a correct understanding of the tourism industry and its contribution to the national economy has become an important research topic for understanding and mastering the scale and operating mechanism of tourism industry development, and scientifically formulating tourism industry policies. In addition, according to previous studies, due to the lack of investment and manpower in the western region of China, the high contribution rate of tourism resources to regional tourism economic growth has led to the formation of a high degree of tourism resource dependence, so the empirical test of the resource curse effect is not only typical, but also necessary.

Therefore, this article first focuses on the analysis object in the western region of China. Based on the resource curse hypothesis, using panel data from 46 excellent tourist cities in the western region from 2000 to 2017, the existence of the resource curse and its transmission mechanism have been investigated. The research results show that: (1) The dependence on tourism in western China is a "curse" rather than a "gospel" for economic growth, which confirms that the curse effect of tourism resources really exists in the western region; (2) The dependence on tourism in the western region effectively promotes economic growth by driving investment in fixed assets, improving human capital, technological innovation, and opening to the outside world, increasing regional education investment, and expanding the scale of local governments; (3) The transmission path of the curse of tourism resources in the western region is mainly through squeezing out the manufacturing industry to cause a negative impact on the regional economy, specifically, the expansion of tourism through resource transfer effects and income effects to squeeze out manufacturing inputs, and multiple locks solidify the regional industrial structure.

The research results provide an important theoretical basis for cutting off the formation of the transmission mechanism in the western region and avoiding the trap of the curse of tourism resources, suggesting that regions with a high degree of dependence on tourism should prevent and regulate the curse effect of tourism resources by optimizing the development and utilization of tourism resources, promoting the transformation and upgrading of the industrial structure, and strengthening the intervention and control of government forces, and continue to promote the advantages of tourism resources in rich destinations to economic advantages, ultimately achieve high-quality economic growth in the region.

Literature Review

Since the 1960s, countries and regions dominated by resource-based economies have been or are slipping into the trap of resource advantages. After years of resource development, the industry has not enabled most citizens to enjoy its benefits. Many resource-rich countries and regions, such as Nigeria, Venezuela, Sierra Leone, and Central Africa, are struggling to grow economically, and even fall into the predicament of stagnant and negative growth; while some resource-poor countries and regions such as Hong Kong, South Korea, Japan, and Singapore have experienced rapid economic development in recent decades. This apparently counterintuitive phenomenon triggered a phase change in the academic research on resource-based economy. Since the 1990s, research on the negative impact of resources on the economy has become the main feature of research in this field.

The idea of resource curse was formed in the 1990s. When researching the economic development of mineral countries, *Auty*(1993) noticed the contradiction between resource endowment and economic growth, and proposed it for the first time in official economics literature, which refers to the phenomenon that abundant mineral resources may lead a country into a trap of slow economic growth or even recession. With this as a sign, the related theoretical research of resource curse has officially entered the initial research stage, and has set off an upsurge of resource curse research at home and abroad since then. So far, the resource curse has become an important discovery and a famous proposition in development economics, and it is also another new perspective to explain the reasons for the economic development gap between countries. Most scholars agree that the resource curse is universal and it is an unbreakable proposition in development economics.

At present, research on resource curse effects is mainly concentrated in the analysis of traditional resources such as oil, coal, natural gas, and less applied to tourism research. Research in the field of tourism mainly focuses on the verification of the existence of the tourism resource curse. Scholars have used non-tradable goods models to test the curse effect of tourism resources within the framework of small countries' open economy, while domestic scholars' research on the hypothesis of tourism resources curse has focused on two mismatches: the endowment of tourism resources and the level of dependence on tourism industries, the level of dependence on tourism industries and the rate of regional economic growth.

By describing the process of resource curse acting on some of the driving factors that may affect economic growth, and then indirectly transmitting to economic growth, the research on the transmission mechanism of resource curse explains how resource curse affects regional economic growth. The early literature mainly focused on the perspective of driving factors of economic growth, concentrating on how the resource curse hindered economic growth through crowding-out effects on various economic factors. The more typical ones are the *Dutch Disease effect*, the deteriorating terms of trade, and the crowding-out effects. From a political perspective, the transmission mechanism of the resource curse emphasizes how resource development profoundly affects the government's financial extraction methods and governance models through the intermediate variable of the political system, resulting in the weakening of the quality of the national system, government rent-seeking, corruption, and conflict and other activities, and eventually formed a *curse* on economic development.

Compared with the rich and comprehensive transmission mechanism research of the resource curse, the transmission mechanism of the tourism resource curse is still very weak. Most of the existing studies have discussed the transmission mechanism of tourism *Dutch Disease effect* by examining the deindustrialization effect of the tourism industry. That is, with the vigorous development of the tourism industry, the total output of the tourism industry has increased substantially, and the marginal output of production factors has increased. Factors such as labor and capital have flowed from the low-profit export sector to the high-profit and prosperous sector. The increase in output and factor use in the tourism sector results in a resource transfer effect, while the output of the manufacturing industry is directly proportional to the inflow of factors, and the outflow of production factors leads to a continuous decline in the share of manufacturing output, employment and export shares, which has led to shrinking manufacturing and a de-industrialization problem. This factor flow and the increase in the total demand for production factors will lead to an increase in the price of production factors under equilibrium conditions. Specifically:

- For the labor factors, the nominal wages in the tourism sector will increase. Under the premise of free flow of production factors in the region, labor factors will accelerate the transfer to the tourism sector; for capital factors.
- For the capital factors, the price of tourist destinations has risen, and the production cost of tradable goods has been forced to increase. However, their prices can only be consistent with the world price level, resulting in a decline in the relative profit of the manufacturing sector. At this time, capital is profit-seeking. It is determined that it will inevitably flow from the pharmaceutical industry to the higher profitability sector, and the transmission mechanism of the Dutch Disease effect of the tourism resource curse has been further strengthened.
- For the land factors, the massive investment in tourism infrastructure has increased the construction cost and land value. What's more serious is that the tourism boom has established excessive expectations for real estate profits, thereby stimulating overall real estate prices. If there is speculative activity leading to real estate overheating at the same time, the situation will deteriorate further. High real estate prices will further increase the production costs of other sectors, and fluctuations in real estate prices will have a significant impact on inflation, which caused by the expansion of prosperous sectors is also one of the transmission channels of *Dutch Disease.*

On the other hand, with the large number of tourists and foreign investors entering the country, the demand for non-tradable goods has been greatly increased. Huge demand will push up the price of local non-tradable goods represented by services.

- First affecting the price level of the host country, and the demonstration effect of foreign tourists will gradually change the consumption behavior of local residents, making these commodities not only more and more popular among tourists. Locals also increased their demand for non-tradable goods under the premise of higher income levels, further magnifying the price effect.
- Secondly, when the price of domestic tradable goods is consistent with the world price, the change of the relative price of non-tradable goods is the change of the real exchange rate. The price of service products increases relative to tradable goods, and the actual currency appreciation will weaken the overseas competitiveness of

domestic exports and triggered a decline in manufacturing exports.

- Specifically, for China, in addition to the mechanisms mentioned above, the government also plays an important role in the transmission of tourism Dutch Disease. Due to the high expectations of the profit of tourism resource development, the government's support and guidance to other industries are relatively insufficient, which has intensified the de-industrialization and de-agriculturalization of the tourism industry.

In general, although the existence of the tourism resource curse is still controversial, this proposition has received the attention of a large number of domestic and foreign scholars and extensive empirical tests have been carried out. However, most existing studies have focused on the authenticity of the tourism resource curse, and have not conducted a more in-depth study on the transmission mechanism behind it. However, it is more urgent to answer the question of which channels the tourism industry mainly uses to produce a curse effect on economic growth, especially when the development of China's tourism industry has clearly entered the fast lane and has become a reality that cannot be ignored in the national economy, which made it more necessary to study the transmission mechanism behind the curse of tourism resources. Because the empirical test of the curse of tourism resources, the identification of its transmission channels and the analysis of its transmission mechanism can proceed from the inherent logical starting point of tourism economic theory research, and consider how tourism, as a means to promote regional economic development, can better exert its economic effects in practice and promote high-quality economic development in tourist destinations.

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