



Academic year	2013-14
Subject	10591 - Tourism in Developing Countries
Group	Group 1, 2S
Teaching guide	A
Language	English

## Subject identification

<b>Subject</b>	10591 - Tourism in Developing Countries
<b>Credits</b>	0.72 in-class (18 hours) 1.28 distance (32 hours) 2 totals (50 hours).
<b>Group</b>	Group 1, 2S(Campus Extens)
<b>Teaching period</b>	2nd semester
<b>Teaching language</b>	English

## Lecturers

Lecturers	Timetable for student attention					
	Starting time	Finishing time	Day	Start date	Finish date	Office
José Luis Groizard Cardoso <a href="mailto:joseluis.groizard@uib.es">joseluis.groizard@uib.es</a>	11:00h	12:00h	Monday	23/09/2013	31/07/2014	DB-211
Maria Santana Gallego <a href="mailto:maria.santana@uib.es">maria.santana@uib.es</a>	10:00h	11:00h	Wednesday	01/09/2013	31/07/2014	DB217 (cita previa por email)

## Degrees where the subject is taught

Degree	Character	Course	Studies
Master's Degree in Tourism and Environmental Economics	Optional		Postgraduate degree

## Contextualisation

Travel and tourism industry is an export activity that can bring significant contributions to the poor's welfare and to the transformation of developing countries. The diversity of the poor countries in the world is much wider and sharper than that of the rich countries in terms of social, geographic and institutional heterogeneity. The transformation of a developing economy entails enlarging some sectors (tourism) at expense of shrinking others (agriculture). Labour movement across territories and sectors is a prerequisite for the structural transformation. Understanding this process is key to address institutional reforms and public planning. Moreover, structural transformation could potentially affect economic growth and the other way around. However, there are some obstacles to be removed that impede such potential benefits.

This course will provide a selective benchmark to capture the basic features of structural change and will be illustrative on how tourism can improve or deteriorate many of the problems that individuals, firms and governments face in the developing world.

## Requirements

This is an intensive course of Economic Theory. Students must be familiar with formal economic techniques explained in previous courses.





---

Academic year	2013-14
Subject	10591 - Tourism in Developing Countries
Group	Group 1, 2S
Teaching guide	A
Language	English

## Essential requirements

To achieve an optimal performance the student must achieve a good knowledge of Advanced Economics (especially Microeconomic Theory) and Applied Econometrics. The basic competences required are:

- 1 Consumption theory.
- 2 Firm theory.
- 3 General equilibrium.
- 4 Multivariate regression analysis.

## Recommendable

It is also desirable to have followed previously or simultaneously the topic related to 'Growth and trade in tourism economies' and to use extensively an econometrics software (E-views, Stata,...).

## Skills

---

### Specific

1. To learn how to plan economic theory models using tools that interpret the reality.
2. To apply appropriate scientific methodologies knowing its basis.
3. To contribute to the economic and tourism knowledge areas.

### Generic

1. To be familiar with scientific texts.
2. To develop a synthetic and a knowledge integration capacity.
3. To make decisions, to solve problems and to develop new ideas.

## Content

---

### Theme content

#### Topic 1. Tourism and Developing Countries: An overview

General overview of the course contents. There will be a classroom discussion around the question "How tourism contribute to economic development" .

The required reading for this topic is:

\* Sinclair, T.M. (1998), "Tourism and Economic Development: A Survey", Journal of Development Studies, 34(5), pp. 1-51.

#### Topic 2. Basic general equilibrium models with expanding varieties

General equilibrium models are a basic tool to understand overall implications of aggregated shocks, either from the demand side (e.g. changes in preferences or other exogenous variables) or from the supply side (e.g. changes in productivity). Given that tourism is a bundle of varieties of products and services, we will provide a basic framework to understand how differentiated products are produced and exchanged in a simple economy.

Required readings for this topic are:



Academic year	2013-14
Subject	10591 - Tourism in Developing Countries
Group	Group 1, 2S
Teaching guide	A
Language	English

\* TBA

\* Handout notes.

### Topic 3. Structural change and productivity growth

Matsuyama, K. (2005), "Structural Change," in L. Blume and S. Durlauf, eds., the New Palgrave Dictionary of Economics, 2nd Edition, Palgrave Macmillan. Matsuyama, K. (2005), "Structural Change," in L. Blume and S. Durlauf, eds., the New Palgrave Dictionary of Economics, 2nd Edition, Palgrave Macmillan.

Structural change is very often seen as a process where traditional sectors (e.g. agriculture) shrink and modern sectors (e.g. industry or services) expand. During this process we observe that productivity grows and interact with economic expansion. Meanwhile labour is reallocated from the traditional to the modern sectors. We will study how this takes place.

Required readings for this topic are:

\* Matsuyama, K. (2005), "Structural Change," in L. Blume and S. Durlauf, eds., the New Palgrave Dictionary of Economics, 2nd Edition, Palgrave Macmillan.

### Topic 4. Intersectoral complementarities and coordination failures

Another dimension of the process of structural change is that moving resources from different sectors with different productivity levels affect the process of economic growth per se. That is the economy could sustain a higher rate of economic growth if there would be an industrialization process on the go. But there are certain market failures that prevent the economy to move in the right direction. In this topic we will study some of these cases.

Required readings for this topic are:

\* Murphy, K.M., Shleifer, A. and Vishny, R. (1989), 'Industrialization and the Big Push', Journal of Political Economy, 97, pp. 1003-1026.

\* Rodríguez-Clare, A. (1996), 'The Division of Labor and Economic Development', Journal of Development Economics, 49, pp. 3-32.

### Topic 5. Trade and development

Tourism and trade have welfare effects as long as relative prices change. However, there is ambiguity on the trade and growth nexus. In this lecture there will be a discussion on the relationship between growth and the terms of trade deterioration. In addition, there will be an presentation regarding the competition-trade effect under vertical specialization and imperfect competition.

Required readings for this topic are:

\* Copeland, B.R. (1991), 'Tourism, Welfare and De-industrialization in a Small Open Economy', *Economica*, 58, pp. 515-529.

\* Venables, A. (1996), 'Trade policy, cumulative causation, and industrial development', *Journal of Development Economics*, 49(1), pp. 179-197.

### Case of Study. Gravity equation for international tourist arrivals

In topic two, the fundamentals of the gravity equations were presented. As practical application of this type of specifications, a gravity equation for international tourism flows is derived. The gravity model has been widely used for explaining the determinants of international trade, and the main reason for its extended use in empirical research is its goodness of fit. Moreover, this type of specification has been successfully applied to explain migration, foreign direct investment and tourism flows. In these practical sessions, a gravity equation for world-wide tourism flows is defined and estimated, and the main determinants of international tourist arrivals are studied, paying especial attention to development indicators.

Required readings for this topic are:





Academic year	2013-14
Subject	10591 - Tourism in Developing Countries
Group	Group 1, 2S
Teaching guide	A
Language	English

- \* Anderson, J. E. and E. van Wincoop (2003). "Gravity with Gravitas: A Solution to the Border Puzzle." *American Economic Review* 93(1): 170-192.
- \* Eilat, Y. and L. Einav (2004). "The determinants of international tourism: a three dimensional panel data analysis." *Applied Economics* 36(12): 1315-1328.

## Teaching methodology

### In-class work activities

Modality	Name	Typ. Grp.	Description
Theory classes	Lectures	Large group (G)	To set the theoretical foundations underlying the different topics of the course.
Practical classes	A gravity equation for international tourist arrivals	Medium group (M)	Students must estimate a gravity equation for international tourist arrivals
Practical classes	Problem Set 1	Medium group (M)	Student must solve into the classroom problems related to the models and readings explained.
Practical classes	Problem Set 2	Medium group (M)	Student must solve into the classroom problems related to the models and readings explained.
Practical classes	Workgroup discussion	Medium group (M)	During the first session there will be a workgroup discussion around the topic "What is the contribution of tourism to economic development?"

### Distance education work activities

Modality	Name	Description
Individual self-study	Study	Prepare readings, problem sets and study.

### Specific risks and protective measures

The learning activities of this course do not entail specific health or safety risks for the students and therefore no special protective measures are needed.

## Workload estimate





Academic year	2013-14
Subject	10591 - Tourism in Developing Countries
Group	Group 1, 2S
Teaching guide	A
Language	English

Modality	Name	Hours	ECTS	%
<b>In-class work activities</b>		<b>18</b>	<b>0.72</b>	<b>36</b>
Theory classes	Lectures	10	0.4	20
Practical classes	A gravity equation for international tourist arrivals	4	0.16	8
Practical classes	Problem Set 1	1	0.04	2
Practical classes	Problem Set 2	2	0.08	4
Practical classes	Workgroup discussion	1	0.04	2
<b>Distance education work activities</b>		<b>32</b>	<b>1.28</b>	<b>64</b>
Individual self-study	Study	32	1.28	64
<b>Total</b>		<b>50</b>	<b>2</b>	<b>100</b>

At the beginning of the semester a schedule of the subject will be made available to students through the UIBdigital platform. The schedule shall at least include the dates when the continuing assessment tests will be conducted and the hand-in dates for the assignments. In addition, the lecturer shall inform students as to whether the subject work plan will be carried out through the schedule or through another way included in the Campus Extens platform.

## Student learning assessment

### A gravity equation for international tourist arrivals

Modality	Practical classes
Technique	Objective tests ( <b>Non-retrievable</b> )
Description	Students must estimate a gravity equation for international tourist arrivals
Assessment criteria	Use a gravity model to estimate the determinants of international tourists arrivals

Percentage of final qualification: 40% following path A

### Problem Set 1

Modality	Practical classes
Technique	Objective tests ( <b>Non-retrievable</b> )
Description	Student must solve into the classroom problems related to the models and readings explained.
Assessment criteria	Use of models and theories explained with rigour and clarity.

Percentage of final qualification: 30% following path A





---

Academic year	2013-14
Subject	10591 - Tourism in Developing Countries
Group	Group 1, 2S
Teaching guide	A
Language	English

---

### Problem Set 2

Modality	Practical classes
Technique	Objective tests ( <b>Non-retrievable</b> )
Description	Student must solve into the classroom problems related to the models and readings explained.
Assessment criteria	Use of models and theories explained with rigour and clarity.

Percentage of final qualification: 30% following path A

---

### Resources, bibliography and additional documentation

Updated material will be provided at the web page of the course at Campus Extens.

---

#### Basic bibliography

Bardham, P. and C. Udry (2001), "Development microeconomics", Oxford University Press.

---

#### Complementary bibliography

Original articles by topic.

---

#### Other resources

Handout notes provided.

