Tourism may have a comparative advantage over other industries in two ways. First, the region may be especially appealing to tourists because

- it has features that are highly attractive,
- it may be easily accessible to many potential tourists,
- it has the necessary **infrastructure**, and
- it has an abundant labor force to serve in the tourism industry.

In other words, the area may have the necessary ingredients for both the demand and the supply of tourism. Not all destinations are able to achieve this balance, and investment in tourism as an industry is not always an appropriate solution if existing industries in the region begin to falter. One example is when Flint, Michigan, was recovering from the loss of the automobile industry and invested $80 million to open the AutoWorld theme park in 1984 with the hope that an increase in tourism would stabilize their failing economy. Low-visitation numbers within the first year quickly indicated that Flint did not have the necessary ingredients to be a successful tourism destination and the park was closed.[9]

Second, tourism may also be the best industry to develop if there are no other alternatives. For example, many island economies are based on tourism because these small nations have little else of economic value to offer the world. Its citizens, therefore, are best able to achieve a better standard of living through employment in tourism businesses. Owing to very limited natural resources (other than beauty), the islanders have few, if any, industrial alternatives since almost all supplies and materials must be shipped in. So, tourism has the comparative advantage because the island country is at a comparative disadvantage for all other industries. Since islands have unique natural, cultural, and social attractiveness, tourism development rather than other economic development alternatives has been shown to play an important role in explaining the economic growth of these economies.[10]

Tourism and Foreign Exchange Rates

One of the most important factors influencing the level of international tourism to a country is the relative **exchange rate** of its currency for other currencies. When international travelers decide to visit a foreign land, they need to trade their currency for the currency of the nation they will visit. For example, if a U.S. citizen were to take a trip to Spain, he or she would need to trade U.S. dollars for the euro. A Spanish traveler would do just the reverse if he decided to visit the United States.

Most currency exchange rates vary daily depending on the supply and demand for each currency. The exchange rate of a nation's currency greatly affects the amount of international tourism that a country will experience. For example, the United States has been a very reasonably priced destination for Australian travelers as the dollar has fallen in value, whereas travel to Australia has become a more expensive destination for United States residents as the Australian dollar has risen in value.

The power of a single currency, such as the euro, can have tremendous impact on tourism expenditures. Three of the five most popular international destinations now use the euro as a common currency. With 28 member states (19 of which use the euro as a common currency) and more potential members, the European Union (E.U.) is the world's largest trading power; and with border crossings now easier for both Europeans and non-Europeans alike, tourism is thriving if the E.U. can work through its economic problems.

The Multiplier Concept

Why are tourism expenditures important to an area? And just how big a benefit do they have? One of the most common ideas of the economic impact of tourism is called the **multiplier concept**. Money is added to an area when someone from outside its