

The final judgment that needs to be made is a guess concerning the number of rounds of re-spending of the tourism expenditures within the area economy, the multiplier effect we introduced earlier. So, final EIA numbers, on which so many decision makers rely, are only as good as the research method used and the validity of the large number of assumptions researchers use in deriving them.

Now, Shanghai welcomes 94 airlines that connect with 256 cities. In addition, the city welcomes 608 cruise ships each year in Shanghai harbor and witnessed the successful opening of the Disney theme park. Welcoming over eight million domestic travelers each year, there is no question that Shanghai has now developed into a powerful international tourism destination generating enormous returns from the 11% value added tax (VAT) levied on overseas tourists.

Other Economic Impacts

In addition to the multiplier concept, tourism offers other positive economic benefits. First, tourism can provide stability in an economy. Although recessions affect virtually all industries, tourism historically has seen relatively minor declines in revenue during recessionary times. As we mentioned in Chapter 2, business travel remains relatively constant during changes in economic cycles; and even though people may cut back on the amount they spend on travel during harder economic times, citizens of most industrial nations have come to view vacationing as a necessity of life.

Second, tourism provides economic diversity. A stable economy is one that provides jobs and revenues from a variety of industries. Tourism can be added as another economic engine to the industry mix. Obviously, the addition of any industry to a community will increase the employment opportunities of that community. However, unlike many other industries, tourism provides a wide variety of job possibilities, such as:

1. Entry-level employment for relatively unskilled and semiskilled workers
2. Positions for highly skilled craftspersons, such as chefs and artists
3. Many professional-level career opportunities for well-educated decision makers

Third, tourism often provides the economic incentive to improve infrastructure that can be enjoyed by residents as well as tourists. For example, state-of-the-art airports are built by communities primarily to increase accessibility, thereby enticing more visitors and increasing business activity; but the airport can also be used by locals to meet their travel needs.

Tourism offers a fourth additional positive impact that you may find particularly appealing. Unlike most manufacturing-based enterprises, a tourism business can be started in the form of a small business. In this way, the tourism industry can be used to encourage **entrepreneurial** activity. Have you ever considered developing your own business? Many people today like the idea and challenge of being their own boss. Tourism provides plenty of chances for creative, motivated individuals to start their own businesses. Small retail shops, restaurants, bed-and-breakfast homes, and guide and taxi services are just a few of the many tourism-related small business opportunities.

So, tourism has many economic benefits but, unfortunately, the development of tourism is not without drawbacks. Up to this point, we have been looking at the economics of tourism through rose-colored glasses. Next we will consider some of the not-so-positive economic effects tourism can yield.

Potential Problems in Tourism-Based Economies

Having a diversified economy means that an area is not overly reliant on any one industry. Consider an agricultural region that faces a drought. A diversified economy allows the area to financially recover faster because other industries will