

The effect of prosperity on international tourism expenditures

Abstract

This paper implements a 2SLS estimation method with fixed effects specification to study the prosperity-international tourism expenditures nexus. While studies have focused on the impact of income on international tourism expenditures, none consider the effect of prosperity on tourism expenditures. We apply panel regression analysis, using annual panel data for the sample period between 2009-2013 on 98 countries. The estimation results reveal a statistically significant relationship between tourism expenditures of the citizens and prosperity, when prosperity is measured using its sub-indices including Entrepreneurship & Opportunities, Government Efficiency, Education, Health, Safety & Security, Personal Freedom, Social Capital and Economy of the country. Education, Safety & Security, and Health are the most significant factors which affect tourism expenditures of the country of origin. Tourism policy implications are also discussed.

Keywords: Panel Data, Prosperity, Tourism Expenditure, Entrepreneurship, Economy, Safety, Health.