

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Trade and Finance



Bachelor Thesis

**Effect of Tourism on Domestic Economy:
Comparative Analysis of France and Spain**

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BACHELOR THESIS ASSIGNMENT

Jan Hervert

Business Administration

Thesis title

Effect of Tourism on Domestic Economy: Comparative Analysis of France and Spain

Objectives of thesis

The objective of the thesis is to answer the question of whether tourism plays a big role in the economy of given states by taking a look at the macroeconomic indicators before and after the pandemic. In addition, the author will eventually find out the country more dependent on tourism – Spain or France by assessing the extent to which their domestic budgets receive money from tourists.

Methodology

The literature review of the following thesis will help the author to take an insight into the recently published scientific articles and research in order to have a solid foundation for his own research conducted. The practical part will include an assessment of macroeconomic indicators before and after the pandemic with its relation to the number of tourists entering a given country. In the practical part, the methods of analysis, synthesis, description and comparison will be used.

The proposed extent of the thesis

30-40 pages

Keywords

tourism, pandemic, budget, tourists, revenue

Recommended information sources

- Benjamin, S., Dillette, A., & Alderman, D. H. (2020). "We can't return to normal": committing to tourism equity in the post-pandemic age. *Tourism Geographies*, 22(3), 476-483.
- Castro-Nuño, M., Molina-Toucedo, J. A., & Pablo-Romero, M. P. (2013). Tourism and GDP: A meta-analysis of panel data studies. *Journal of Travel research*, 52(6), 745-758.
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- Ivanov, S., & Webster, C. (2007). Measuring the impact of tourism on economic growth. *Tourism Economics*, 13(3), 379-388. Chicago
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Declaration

I declare that I have worked on my bachelor thesis titled "Effect of Tourism on Domestic Economy: Comparative Analysis of France and Spain " by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague on 15.03.2023

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Effect of Tourism on Domestic Economy: Comparative Analysis of France and Spain

Abstract

The goal of the following thesis is to answer the question of whether tourism plays a big role in the economy of given states by taking a look at the macroeconomic indicators before and after the pandemic. In addition, the author will eventually find out the country more dependent on tourism – Spain or France by assessing the extent to which their domestic budgets receive money from tourists. The author considers the time interval between 2012 and 2021 for his analysis and the author focuses on secondary data obtained from Trading economics database, which is analyzed using linear regression estimation and correlation analysis.

In the end, the author is able to draw the conclusion that France is much more successful in terms of tourism than Spain. This is the case despite the fact that both countries offer more or less the same range of activities and types of tourism covering almost all possible domains of tourism. The author's research was extensive, and as a result, he was able to draw this conclusion. The author arrives to the conclusion that France brings in 1.02 billion euros in income per million tourists, whereas Spain only brings in 0.97 billion euros in revenue per million tourists. Following his analysis, the author comes to the conclusion that the tourism industry is not the primary source of income for either country, as the statistical effect on the growth of the most important macroeconomic indicator, gross domestic product (GDP), is incredibly low.

Keywords: tourism, pandemic, budget, tourists, revenue

Vliv cestovního ruchu na domácí ekonomiku: srovnávací analýza Francie a Španělska

Abstrakt

Cílem následující práce je odpovědět na otázku, zda cestovní ruch hraje velkou roli v ekonomice daných států pohledem na makroekonomické ukazatele před a po pandemii. Kromě toho autor nakonec zjistí zemi více závislou na cestovním ruchu-Španělsko nebo Francii tím, že posoudí, do jaké míry jejich domácí rozpočty dostávají peníze od turistů. Autor pro svou analýzu zvažuje časový interval mezi lety 2012 a 2021 a autor se zaměřuje na sekundární data získaná z databáze trading economics, která je analyzována pomocí lineárního regresního odhadu a korelační analýzy.

Nakonec je autor schopen vyvodit závěr, že Francie je z hlediska cestovního ruchu mnohem úspěšnější než Španělsko. Je tomu tak navzdory skutečnosti, že obě země nabízejí víceméně stejný rozsah aktivit a typů cestovního ruchu pokrývajících téměř všechny možné oblasti cestovního ruchu. Autorův výzkum byl rozsáhlý a v důsledku toho byl schopen vyvodit tento závěr. Autor dospěl k závěru, že Francie přináší příjem 1,02 miliardy EUR na milion turistů, zatímco Španělsko přináší příjem pouze 0,97 miliardy EUR na milion turistů. Na základě své analýzy dospěl autor k závěru, že odvětví cestovního ruchu není primárním zdrojem příjmů ani pro jednu zemi, protože statistický vliv na růst nejdůležitějšího makroekonomického ukazatele, hrubého domácího produktu (HDP), je neuvěřitelně nízký.

Klíčová slova: cestovní ruch, pandemie, rozpočet, turisté, příjmy

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List of abbreviations

GDP ... Gross Domestic Product

UNESCO ... United Nations Educational Scientific and Cultural Organization

1 Introduction

France and Spain are two of the most popular locations for travelers from all over the globe, and tourism is a significant contribution to the economy of many nations all over the world. These nations have an abundance of cultural, historical, and natural attractions, which together bring in millions of visitors every year. Because of this, the tourism sectors in France and Spain are very important to the economy of both countries, and they are always adapting in order to satisfy the shifting wants and standards of tourists. Despite suffering a substantial setback as a direct result of the epidemic caused by COVID-19, the tourist sector in France and Spain is gradually making a comeback. Travelers are starting to return to these locations as a result of the broad distribution of vaccinations and the easing of travel restrictions. They are anxious to enjoy the diverse cultures, stunning landscapes, and world-famous food that these places have to offer.

There are encouraging signals of development in the tourist sectors of both nations, despite the fact that the recovery is still in its early phases and has only just begun. The number of tourists coming from other countries has been climbing consistently over the last several months in France, and the country's own tourism industry has also seen a sizeable uptick as a result. Similarly, the number of foreign visitors to Spain has been on an upward trend since the summer of 2021, with the country's beaches, towns, and cultural monuments being among of the most popular tourist destinations. The gradual recovery of the tourism industry in France and Spain is a welcome sign for both countries, despite the fact that the industry is still facing some challenges, such as the ongoing uncertainty surrounding travel restrictions and the impact of the pandemic on businesses related to tourism. Despite these challenges, the gradual recovery of the tourism industry in France and Spain is a welcome sign. There is optimism that the tourism sectors will continue to expand and bring economic advantages for the nations and communities that depend on them as more tourists return to these areas.

The author's profound respect for the nations of Spain and France served as the impetus for him to complete his undergraduate thesis on the subject. These two countries have long been among the most popular places in the world for tourists from all over the globe because they provide an abundance of history, culture, and natural beauty that has captivated the

hearts and minds of people from all over the world. The author has had the opportunity to go to both nations, and throughout his time there, he was awestruck by the uniqueness of each nation's topography, the vitality of its cities, and the friendliness and generosity of its people. The author has also made the observation that tourism plays a vital part in the economy of these nations, as well as in the creation of employment and the acceleration of economic development in many areas. It is because of this affection for Spain and France, as well as the author's wish to make a contribution to the continuous efforts being made to maintain and improve the tourist sectors in both countries, that the author has decided to tackle the task of writing this thesis. The author expects that by undertaking a thorough examination of the tourist industries in these nations, he will be able to give insights into how these sectors might be further developed and managed to guarantee their long-term success and viability.

2 Objectives and Methodology

2.1 Objectives

The goal of the following thesis is to answer the question of whether tourism plays a big role in the economy of given states by taking a look at the macroeconomic indicators before and after the pandemic. In addition, the author will eventually find out the country more dependent on tourism – Spain or France by assessing the extent to which their domestic budgets receive money from tourists.

2.2 Methodology

The literature review of the following thesis will help the author to take an insight into the recently published scientific articles and research in order to have a solid foundation for his own research conducted in the practical part that would include an assessment of macroeconomic indicators before and after the pandemic with its relation to the number of tourists entering a given country. The author considers the time interval between 2012 and 2021 for his analysis and the author focuses on secondary data obtained from Trading economics database.

For the analysis, the author uses only the quantitative approach, where he is focused on the calculation of correlation coefficients according to Pearson's formula, indicated below:

$$r = \frac{\sum(X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum(X_i - \bar{X})^2(Y_i - \bar{Y})^2}} \quad (1)$$

Apart from focusing on the correlation analysis, the author also considers a linear regression for his analysis. Linear regression is based on the OLS, i.e., ordinary least squares approach, which is conducted according to the following formula:

$$OLS = (X^T X)^{-1} X^T Y \quad (2)$$

3 Literature Review

3.1 Importance of Tourism for Countries

3.1.1 France

Evidently, it is fair to suggest that tourism in general is not something that had been a specialization of countries couple of centuries ago. Undoubtedly, the increasing role of globalization and generally of integration of different communities to the world economy played a huge role in the ascension of tourism. In that regard, France is not an exception – the first cases of tourism to France are dating back to the 17th and 18th century. Yet, it is important to realize that tourism back then is considered to be an entirely different thing, especially for the case of France. From the very early years of the 16 and 17th century, French education was considered one of the finest ones in the world, especially in Europe. For this purpose, young men were sent to something called The Grand Tour, where tourists were taking specific courses in foreign languages and sciences. Evidently, the main purpose of tourism in 16 and 17th centuries was entirely different, and people were not really focused on enriching their knowledge by observing incredible masterpieces and unbelievable buildings due to the fact that there was really no such thing as galleries, because it was not something accessible to everybody (Zuelow, 2015).

Nevertheless, the rise of civil tourism around the world and also in France happened in the end of the 19th century, when the grip of constant wars and revolutions were finally eased. As researchers conclude it, the main driving force behind the birth of civil tourism was the facilitation of transport and also increasing integrity of European communities. For the case of France, tourism contributed a lot to the rural development of the French south or French Riviera, which was exceptionally popular among wealthy Englishmen and Russians, who were quickly buying real estate and building their large villas all over the South and notably in cities of Nice, Cannes, etc. For sure, as many researchers suggest, the development and increasing economic output of the South would have never ever been made possible without the tourism. The tendency remained the same even after the First World War, where the number of wealthy people and their geography increased. As the United States started to cooperate more closely with the continental Europe, wealthy Americans also started to spend

their time and what is more important, money in the country, where the first go-to option was the South and notably, the French Riviera (Jean-Pierre, 2016).

Figure 1, French Riviera



Source: Oneika, 2019

Nevertheless, as the industrialization process gained momentum and the trade between the country and its colonies was facilitated, the role of tourism for the French economy decreased. However, a breath of fresh air happened after the end of the World War two and after the Marshal's plan was finally working and European communities slowly started to recover, the numbers behind tourism grew. Another turning point was the establishment of the European Communities, when countries slowly started to integrate more and more, thus defining its strategic partners and in that regard, France was the side that was benefitting the most due to the role that the country played in the newly established Union (Towner, 1988). As more and more members were joining the community, the numbers behind tourism grew larger and larger until eventually, in the 21st century, France became the world's most visited destination of tourists with three locations extremely popular for tourists – Paris, French Riviera and French Alps. However, when comparing numbers for each destination, it becomes evident that the last two (French Riviera and French Alps) are lagging behind Paris, which gained the reputation of the world's most visited city with over 20 million visitors

annually with the population of just approximately one million, when considering the city itself without its urban areas (Cro, 2020).

Of course, researchers and analysts believe that the country's economic position and success are not entirely explained by tourism, but tourism has its tremendous effect on domestic businesses and people many of which specialize exclusively in tourism and provision of services to visitors. All researchers coincide that the tourism industry in France is one of the most powerful in the world and there is still room to grow with many regions being not fully visited and discovered by the general public, such as the French West with cities of La Rochelle and Bordeaux and the northern part of the country, which has a huge number of UNESCO sites, such as Mont Saint-Michel, which has a picturesque and unique views (Saint Pierre, 2020).

Figure 2, Mont-Saint-Michel



Source: Nicklin, 2023

3.1.2 Spain

Due to the fact that Spain is one of the most popular tourist destinations on the planet, the tourism sector is a significant contributor to Spain's economy. The first tourists arrived in Spain in the early 19th century, giving the country a long and illustrious history in the hospitality industry. Since that time, the business has seen enormous growth, and Spain is today famous for its beaches, cultural attractions, and lively towns. The purpose of this

chapter is to offer a general overview of the development of tourism in Spain as well as the situation of the sector at the present time (Barke, 1996).

Of course, when comparing the development of Spain's economy and the role of tourism in it, it is wise to say that the situation was always somewhat different to the one observed for the case of France prior to the end of 20th century, when the country's pattern of tourism became quite similar to its neighbors. Indeed, the first commercial tourism came into place in the late 19th century, but it is wise to understand that Spain was almost always engaged in the series of wars for its remaining international colonies, so the country's poor governance was not really interested in using their opportunities for the tourism sector, because the country's situation with sovereignty was being questioned. Nevertheless, the country did not manage to seize the opportunity even after the end of the first World War, because the country was mainly entangled in the series of political, social and economic problems until eventually reaching the point of no return in the middle of the 30s, when the Civil War broke out eventually leading to the rise of Franco to the power. The fact that Franco maintained his position in the head of the country set the whole vector of development for the country for the second part of the 20th century, when the country was highly isolated from other European communities due to the autocratic nature of governing the country and generally the fact that Franco was a unanimously known dictator, which was quite notorious for his collaboration with Hitler in the 30s and 40s of the 20th century. Yet, with the death of the odious figure, the country was quickly accepted to the European Community and the country slowly started to open its doors not just to foreign investors but also to European tourists. In other words, the real golden ages of Spain happened in the 80s-90s of the previous century, where the inflow of cash from the tourism sector finally helped the country's smaller regions and towns to break the circle of poverty (Walton, 1997).

Figure 3, Spanish Civil War



Source: Morales, 2017

As the time went on and the country integrated more and more to the European Community, the economic situation of the country improved and also thanks to the globalization process, Spain soon gained the reputation of one of the world's most popular destinations for summer tourism. Spain is projected to receive more than 80 million tourists this year, making it one of the most visited nations in the world. Visitors from all over the globe come to the nation to see its bustling cities, beaches, and cultural landmarks, all of which have earned it a well-deserved reputation (Moreno-Luna, 2021).

The COVID-19 pandemic has had a huge influence on Spain's tourist industry, resulting in a dramatic decline in the number of visitors in the year 2020. But, if the travel restrictions are repealed, it is anticipated that the nation will recover fast. As a result, many individuals have already begun making plans for their next vacation to Spain in the end of 2020. In 2021, the sector was able to partially recover until eventually reaching the year 2022, when the recovery was finished – right after all possible restrictions and control of vaccinations were lifted (Moreno-Luna, 2021).

The tourist business in Spain is rather broad, and the country has a wide variety of lodging options, ranging from five-star hotels to inexpensive youth hostels. The nation also provides a diverse selection of activities, such as mountaineering, water sports, and cultural

sightseeing excursions. Yet, the most important purpose for going to Spain is still summer vacation – thanks to the geography of the country, the Iberian peninsula is almost entirely surrounded by water, which allows very diverse tourism for people. When it comes to the North of the country, cities such as San-Sebastian and Bilbao, as well as the whole northern region itself are extremely popular among surfers, while the country’s south with cities as Barcelona, Valencia and Malaga are extremely popular for their beaches and resorts. Yet, as many researchers suggest, a very interesting situation is the situation with Madrid – the country’s most important city is somewhat lagging behind Barcelona, which is preferred to Madrid due to the presence of seaside (Baidal, 2004). This situation causes a lot of controversy in the political domain of the country and many researchers believe that this disparity and increased interest of tourists in Barcelona strengthened beliefs of Catalan people that they deserve to be independent, until eventually trying to deliver an independence referendum, which was met by aggression from the part of the central government in Madrid, as well as the country’s royal family (Barrio, 2018).

Figure 4, Barcelona landscape



Source: GQ, 2022

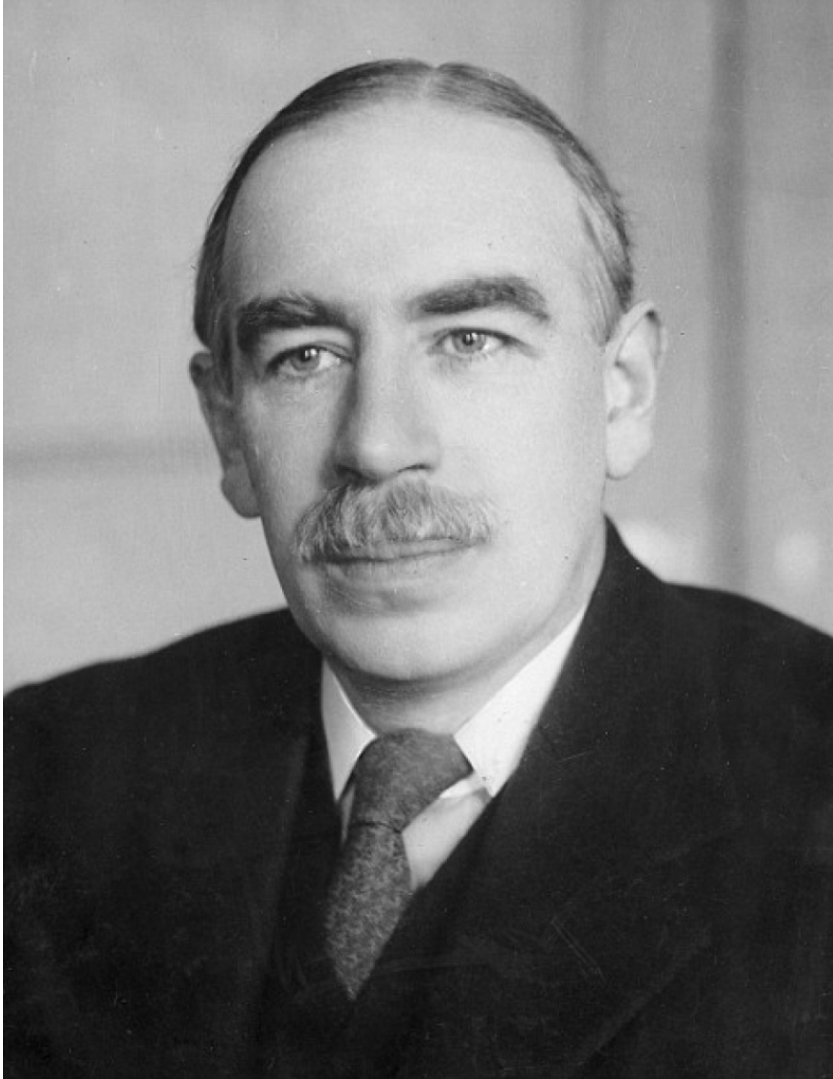
3.2 Effect of Tourism on Economic Growth

Of course, there are numerous theories that all view the effect of tourism on the economic growth from a really different perspective. However, it is wise to understand that almost all economic theories coincide in the conclusion that tourism has a really positive effect on the economic growth and what is more important for the eradication of local disparities and inequality in the development of countries, it has a positive effect on the economic development of selected regions, especially the ones that do not have a rich presence of international organizations and corporations (Ennew, 2003).

When considering the effect of tourism and evaluating its impact from the lens of different economic theories, Keynesian economics is the one which sees the greatest importance of tourism, since it is directly related to the increase of money in the pockets of locals. For Keynesian economics, demand and generally expenditure of populations is the most important driving force behind any economic growth and changes. Keynes himself was a strong believer that governments should provide more incentives to people and even bury bottles of money so that people will get a quick inflow of cash, which will later on be contributed to the economic benefit of somebody else. Keynesian economics are based on the concept of the multiplier, when an increased spending of one individual inevitably prompts to the increase in the spending of another since in fully operational market economies, all people are connected between each other. Therefore, whenever people have more and more money, it contributes not just to the improvement of the economic situation of another human being, but it inevitably leads to the benefit of the whole country, as the demand drives the economic growth, supply catches up and a given country is becoming closer to the goal of reaching its full employment. Given the fact that tourists contribute to the most to a given country's not most industrialized and economically developed region (since tourism destinations are not usually concentrated around production sites, this helps less economically active regions specializing in mostly tourism to catch up with the rest of the country without a need for the government to intervene and adopt specific policies to increase the economic output of those regions. All in all, many authors believe that this is exactly the way how the economic effect of tourism works and this is why tourism is so important – it helps to contribute to the economic growth of selected regions without

excessive intervention from the part of the government, thus it saves money for the central government that can be spent somewhere else (Mearman, 2005).

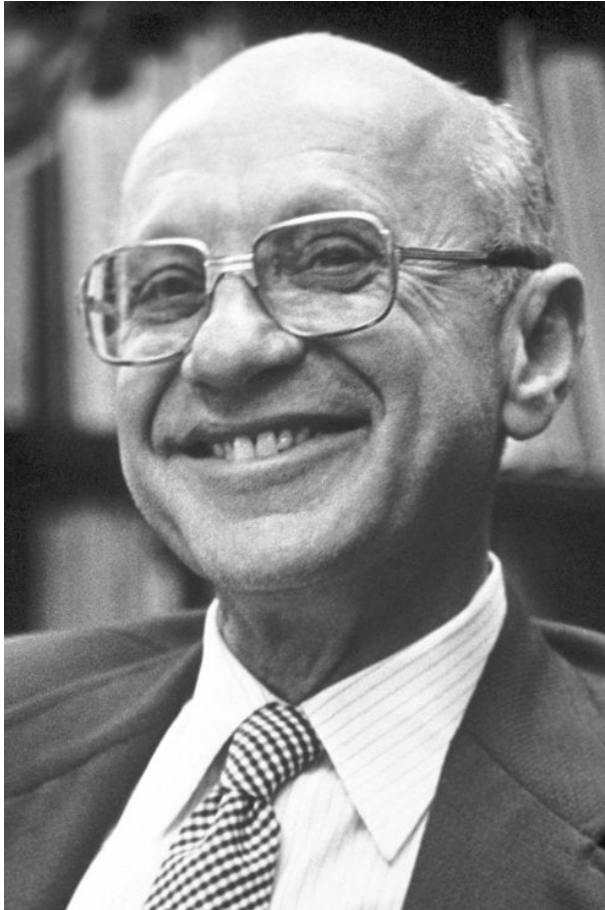
Figure 5, John Maynard Keynes



Source: Irwin, 2016

On the other hand, when mentioning Keynesian economics and generally the figure of Keynes, it is wise to consider another economic theory and the approach to tourism from the part of monetarists. Undoubtedly, the role of Keynesian economics for the 20th century is tremendous but as the time went on, economic reforms and excessive government intervention became less effective, so a new theory emerged, which empathized on the liberal approach to economics, where monetary mechanism were preferred to fiscal ones. One of the most prominent economists who criticized Keynes and sticked to the monetary approach was Milton Friedman and other representatives of the Chicago School of Economics (Wiltshier, 2018).

Figure 6, Milton Friedman



Source: NovelPrice, 2022

The monetarist approach to tourism examines the tourist sector from the perspective of the function that money supply plays and the impacts that it has. According to this theory, the amount of money available has a direct bearing on the number of tourists looking for vacation spots. If there is a rise in the money supply, then there will be a rise in the demand

for tourist services. On the other hand, if there is a fall in the money supply, then there will be a fall in the demand for tourism services. This is due to the fact that an increase in the amount of money in circulation results in an increase in the spending power of visitors, which in turn results in an increase in tourists' demand for services related to tourism (Jahan, 2014).

The adoption of the monetarist strategy within the travel and tourism sector is likely to have substantial effects on the expansion of the economy. An increase in the demand for tourist services leads to a rise in the amount of money brought in by the tourism sector as a whole. Because of this, there is a subsequent rise in the Gross Domestic Product (GDP) of the nation. A rise in GDP leads to economic growth, which in turn leads to the creation of employment opportunities, an increase in the quality of life, and an improvement in the economy as a whole (Jahan, 2014).

Nonetheless, it is essential to keep in mind that the monetarist method is not without its flaws and constraints. There is a correlation between a rise in the money supply and inflation, which may have negative repercussions for the economy. Since inflation lowers the buying power of money, it might result in a reduction in the demand for tourism-related services. Because of this, the government has to guarantee that there is a healthy balance between the supply of money and the demand for tourist services in order to promote economic development while avoiding inflation.

The monetarist theory of tourism places an emphasis on the function that money supply plays in the tourist sector and how these functions influence overall economic development. The rise in the money supply causes an increase in the demand for tourist services, which in turn causes an increase in the revenues produced by the tourism sector and the gross domestic product of the nation. Nonetheless, in order to forestall inflation and guarantee steady economic expansion, it is necessary to have a healthy equilibrium between the supply of money and the demand for services related to tourism (Lagos, 2014).

3.3 Mechanism of Tourism Sector

Accommodation, transportation, attractions, and events are the four main pillars that make up the tourist industry. There are many different kinds of accommodations that fall under the category of "accommodation," including hotels, resorts, motels, and bed and

breakfasts. Accommodation is an essential component of the tourist industry. Transportation is another essential component of the tourist industry, which encompasses all modes (air, road, rail, and water) of moving people and goods. Natural and cultural landmarks, such as national parks, museums, and historical sites, are examples of the kinds of locations that fall under the category of "attractions," which refers to destinations that people go to while on vacation. Festivals, concerts, and athletic events are all examples of types of events that are considered to fall under the category of organized activities that gather people to a certain site. As the author specified it in the first chapter, many researchers coincide in the findings that the increasing role of the tourism industry was only made possible thanks to the improvement of transportation and notably, to the rise of civil aviation and railway connections all over Europe. However, when considering the modern-day tourism, it is still wise to say that aviation plays probably the most crucial role in making countries being able to accommodate millions of people from all over the world in such a short period of time (Maftuhah, 2018).

There are many different people and organizations that are engaged in the tourism industry, such as visitors, tour operators, travel brokers, hotels, transportation firms, and government agencies. The key players in the tourism industry are tourists, who are the ones who go to a variety of locations for a variety of reasons, including business, pleasure, and other reasons. Tour operators and travel agents act as middlemen between vacationers and the businesses that offer services to them, and they also give assistance to vacationers in the process of trip planning. Hoteliers are responsible for providing visitors with a place to stay, while transportation firms are in charge of getting tourists from point A to point B. In conclusion, government entities are responsible for regulating the tourist industry and promoting tourism inside their own nations.

The hotel industry, the food and beverage industry, the entertainment industry, and the retail industry are some of the sectors that are related with the tourist sector. Hotels, resorts, and other establishments that provide housing are all part of the hospitality business, which is responsible for providing travelers with somewhere to stay. Restaurants, cafés, and bars are all part of the food and beverage business, which caters to the needs of vacationers by providing them with food and drink. The entertainment sector, which caters to the amusement needs of vacationers, is comprised of businesses such as amusement parks,

casinos, and other types of leisure activities. The last component of the tourism business is the retail sector, which is comprised of souvenir shops and other types of retail outlets. These establishments provide travelers the option to buy mementos to remember them of their travels. Many authors believe that one of the best aspect of tourism is the creation of positive externalities for other industries and vice versa, so the benefits of tourism stretch way beyond just an ordinary inflow of money to the pocket of locals – tourism is something that keeps industries in the harmony and constant interaction with each other and by doing so, it provides an ultimate help to the country’s economy (Song, 2012).

Figure 7, travel and tourism related industries



Source: Song, 2012

3.4 Current Status of Tourism: During and After the Pandemic

The epidemic caused by COVID-19 has had an effect that has never been seen before on the tourist sector worldwide. According to the World Tourism Organization (WTO), the number of foreign tourists visiting in 2020 will be down 74% from the previous year. This will result in a loss of nearly \$1.3 trillion in income from exports and the loss of millions of jobs. The effects of the epidemic were felt across the whole business, including restaurants, hotels, travel operators, and airlines, to name a few of the sectors affected. As a result of the

pandemic's uncertainties and interruptions, a great number of firms were compelled to shut their doors, while others battled to maintain their operations (Zhang, 2021).

One of the most important contributors to the downturn in tourism was the imposition of travel restrictions and closures at international borders. In an effort to stop the virus from spreading further, a number of nations have placed severe restrictions on travel and instituted quarantine policies. Because of these limitations, there was a considerable reduction in the number of people traveling internationally, which led to a dramatic fall in the number of tourists. In addition, many tourists called off their travels out of concern that they would get infected with the virus, which contributed even further to the drop in tourism.

However, the countries themselves were interested in reviving the industry due to the high number of positive effects that it had on the economy of entire nations. For this purpose, governments applied a series of specific steps that helped to revive the industry during the pandemic:

- 1) Rollout of the Vaccine: Several nations are making it a top priority to vaccinate their populace in order to prevent the further spread of the virus and to make the area more secure for visitors. Vaccine passports are another measure that some nations are contemplating adopting in order to restrict travel privileges to just those people who have received the necessary vaccinations.
- 2) Travel Bubbles: In order to facilitate travel between countries with low COVID-19 transmission rates, several nations have constructed travel bubbles with neighboring nations that share their characteristics. The goal of this strategy is to increase tourism while reducing the likelihood that the virus would spread to other areas.
- 3) Digital Health Passports: Several nations are now in the process of producing digital health passports in order to verify the COVID-19 status of a person before allowing them to travel. This strategy seeks to ensure that travelers are not restricted in their movement while also reducing the likelihood that the virus will be brought into the country.

- 4) Loosening of Travel Limitations As the situation continues to improve, several nations are progressively relaxing their travel regulations in order to make it possible for more people to travel. For instance, several nations are now waiving the need for passengers from certain other countries to go through a quarantine before entering those countries (Cheer, 2020).

However, as the overwhelming majority of restrictions were lifted, the situation changed entirely and the whole pandemic helped to reshape the tourism industry. According to many authors, these are the list of the most important changes that will occur with the tourism industry in the post-pandemic era:

- 1) Because of the likelihood that there will be further limitations placed on foreign travel in the near future, it is anticipated that domestic tourism will see tremendous expansion. It is anticipated that a large number of individuals would travel inside their own nations and regions, which will result in an increased demand for travel within the country.
- 2) Even after the epidemic has passed, worries about health and safety are likely to continue to be among the highest priorities for visitors. Tourists are likely to demand more strict health and safety precautions, such as social separation, wearing masks, and frequent cleaning and sanitization.
- 3) The epidemic has brought to light the need of implementing sustainable tourism methods that lessen the negative effects on both the surrounding environment and the people who live there. There is a good chance that a significant number of vacationers will give sustainable tourism practices a higher priority, including eco-friendly lodgings, responsible tourism, and community involvement.
- 4) Technology: It is anticipated that technology will play a more major role in the tourist business in the years after the epidemic. Technology that does not need physical contact, such as digital check-ins and contactless payments (Santos, 2021).

4 Practical Part

Two datasets available below are used throughout the whole practical part presented in this chapter, with the dataset for France indicated in Table 1.

Table 1, dataset for France

Year	Contribution of tourism, billion EUR	Number of arrivals	GDP, trillion USD
2012	197,7	197,522	2,684
2013	208,0	204,410	2,812
2014	207,6	206,599	2,856
2015	198,6	203,302	2,439
2016	201,2	203,042	2,473
2017	204,3	207,273	2,595
2018	208,5	211,998	2,791
2019	210,7	217,877	2,729
2020	107,9	117,109	2,630
2021	161,5	156,322	2,937

Source: Trading Economics, 2022

Then, the author also presents the dataset for the second country – Spain, which is indicated in Table 2.

Table 2, dataset for Spain

Year	Contribution of tourism, billion USD	Number of arrivals	GDP , trillion USD
2012	111,7	98,128	1,325
2013	110,3	103,231	1,355
2014	113,5	107,144	1,371
2015	119,2	109,834	1,196
2016	126,3	115,561	1,233
2017	141,1	121,717	1,313
2018	146,3	124,456	1,421
2019	154,7	126,170	1,393
2020	52,5	36,410	1,281
2021	88,6	59,858	1,425

Source: Trading Economics, 2022

4.1 Correlation Analysis

4.1.1 France

The first part of the practical part is dedicated to the analysis of correlation between the contribution of the tourism sector to the GDP and the total number of

arrivals to two researched countries. The author consequently analyzes the correlation between the GDP growth and the number of arrivals to two countries.

For this purpose, Gretl application is used where the author computes the indicators for two countries.

Thus, in the first part of the analysis, the author finds the correlation between the GDP in France from 2012 to 2021 and the number of arrivals from 2012 to 2021. Figure 8 contains the primary output of the analysis.

Figure 8, correlation between the GDP and the number of arrivals in France

```
corr(Numberofarrivals, GDPtrillionUSD) = -0.09035584  
Under the null hypothesis of no correlation:  
t(8) = -0.256615, with two-tailed p-value 0.8040
```

Source: own processing based on Trading Economics, 2022

In the first case, the correlation is so low that it is wise to assume that there is almost no correlation between the GDP and the number of arrivals. However, it does not necessarily mean that the number of tourists does not anyhow influence the change in the GDP. What it does mean, indeed, is that the contribution of tourism to the GDP of France is not significant enough based on the correlation coefficient. Also, P value of 0.8 suggests that there is in fact no statistically significant correlation present for the case of two variables. Of course, it is not a surprise since France does not only specialize in tourism, but the country is quite strong in terms of other industries.

4.1.2 Spain

Then, it is wise to continue to the second country of the analysis – Spain. The author presents the results of the correlation analysis in Figure 9.

Figure 9, correlation between the GDP and the number of arrivals in Spain

```
corr(Numberofarrivals, GDPtrillionUSD) = 0.01494338
Under the null hypothesis of no correlation:
t(8) = 0.042271, with two-tailed p-value 0.9673
```

Source: own processing based on Trading Economics, 2022

Upon processing the second dataset, it also turns out that the tourism does not significantly influence the GDP in Spain, as the correlation is also low. Also, P value of 0.96 suggests that there is in fact no statistically significant correlation present for the case of two variables. Overall, these two countries share the same trait – they do not fully rely on tourism as the main source of their income and fuel for GDP growth, as it turns out after the correlation analysis.

4.2 Regression analysis

Now, in the second part of his analysis, the author focuses on the regression analysis of the contribution of tourism to the country's GDP and the number of arrivals. Thus, the following model is created for both countries:

$$y_t = \beta_0 + \beta_1 x_t + \varepsilon_i$$

$\beta_0 = \text{constant}$

$\beta_1 = \text{parameter of the independent variable of arrivals}$

$Y_t = \text{Contribution to the country's GDP, billion euro}$

$X_t = \text{Number of arrivals, millions of people}$

$E_i = \text{error term or irregularity}$

After creating each model, an interpretation and statistical verification is done.

4.2.1 France

First, the author starts with France once again and the following output available in Figure 10 is presented below.

Figure 10, Gretl output for France

Model 1: OLS, using observations 2012–2021 (T = 10)				
Dependent variable: Contributionoftourism				
	coefficient	std. error	t-ratio	p-value
const	-6.33183	9.86793	-0.6417	0.5390
Numberofarrivals	1.02278	0.0506503	20.19	3.78e-08 ***
Mean dependent var	190.6000	S.D. dependent var	32.34663	
Sum squared resid	181.1972	S.E. of regression	4.759165	
R-squared	0.980758	Adjusted R-squared	0.978353	
F(1, 8)	407.7565	P-value(F)	3.78e-08	
Log-likelihood	-28.67439	Akaike criterion	61.34878	
Schwarz criterion	61.95395	Hannan-Quinn	60.68491	
rho	0.165798	Durbin-Watson	1.413045	

Source: own processing based on Trading Economics, 2022

As a consequence, it is possible to create the following linear model:

$$y_t = -6.331 + 1.02x_t + \varepsilon_t$$

In other words, whenever the number of arrivals to France per year rises by 1 million people, it leads to a 1.02278 billion USD rise in the revenue contributed to the country's GDP and vice versa. Clearly, in case of France, it is clearly possible to see that tourists are strongly associated with generating revenues for the French budget.

Now, the author will verify if the created model appropriate for making conclusions about the effect of tourism for the French budget.

First, the quality is assessed. The best indicator to assess the quality is the coefficient of determination or R square. R square indicates the percentage of variation in the dependent variable explained by the variation in the independent variable. In case of the created model,

the adjusted coefficient of determination is equal to 0.97, which basically means that 97% of variation is explained. This is a very good result.

Then, it is essential to test if the number of arrivals has any significant statistical effect on the predicted variable. For this purpose, the author uses a t-test:

Ho: There is no significant relationship between the predictor and the predicted variable ($\beta = 0$)

Ha: There is a significant relationship between the predictor and the predicted variable ($\beta \neq 0$)

A = 0.05 (significance level)

T = 20.19

T (df = 9, a = 0.05) = 2.26

20.19 > 2.26 => Ho is rejected and Ha is assumed (number of arrivals is a significant predictor of the tourism's contribution to the GDP of France)

Following the result of the t-test, it is possible to say that the effect between variables is statistically significant.

Then, the author will assess if there is a problem of autocorrelation of residuals (repeated residuals over periods of time); if residuals are homoscedastic (independent) and if residuals are normally distributed (follow the normal distribution, the bell-shaped curve). Three tests are also done in Gretl application and indicated in Figure 11.

Figure 11, autocorrelation test for France

```
LM test for autocorrelation up to order 1 -  
Null hypothesis: no autocorrelation  
Test statistic: LMF = 0.242248  
with p-value = P(F(1, 7) > 0.242248) = 0.637647
```

Source: own processing based on Trading Economics, 2022

The first test that will be done is the autocorrelation test. The testing procedure is available below.

Ho: There is an absence of autocorrelation

Ha: There is a presence of autocorrelation

A = 0.05 (significance level)

P = 0.63

0.63 > 0.05 => Ho is not rejected (there is no autocorrelation).

So, there is no autocorrelation, and it is a good sign for the model. Then, the author continues to the testing procedure for detecting if the residuals are homoscedastic or not. The results are indicated in Figure 12.

Figure 12, heteroscedasticity test

White's test for heteroskedasticity -

Null hypothesis: heteroskedasticity not present

Test statistic: LM = 3.37278

with p-value = $P(\text{Chi-square}(2) > 3.37278) = 0.185187$

Source: own processing based on Trading Economics, 2022

Ho: Heteroscedasticity is not present

Ha: Heteroscedasticity is present

A = 0.05 (significance level)

P = 0.18

0.18 > 0.05 => Ho is not rejected (there is no heteroscedasticity).

All in all, residuals are homoscedastic, and it is a good sign for the dataset.

Finally, the author finds out if residuals are normally distributed or not following the output from Figure 13.

Figure 13, normality test for France

Test for normality of residual -

Null hypothesis: error is normally distributed

Test statistic: Chi-square(2) = 0.390458

with p-value = 0.822646

Source: own processing based on Trading Economics, 2022

Ho: Residuals are normally distributed

Ha: Residuals are not normally distributed

$A = 0.05$ (significance level)

$P = 0.82$

$0.82 > 0.05 \Rightarrow H_0$ is not rejected (residuals are normally distributed)

All in all, following the results of the verification, the author concludes that the created model is suitable for making conclusions.

4.2.2 Spain

Now, the author performs the same steps for the second country – Spain.

First, the author starts with the second dataset and the following output available in Figure 14 is presented below.

Figure 14, Gretl output for Spain

	coefficient	std. error	t-ratio	p-value
const	18.9031	10.2872	1.838	0.1034
Numberofarrivals	0.972579	0.0988445	9.839	9.58e-06 ***
Mean dependent var	116.4050	S.D. dependent var	29.81597	
Sum squared resid	610.6682	S.E. of regression	8.736906	
R-squared	0.923675	Adjusted R-squared	0.914135	
F(1, 8)	96.81540	P-value(F)	9.58e-06	
Log-likelihood	-34.74923	Akaike criterion	73.49846	
Schwarz criterion	74.10363	Hannan-Quinn	72.83459	
rho	0.526019	Durbin-Watson	0.947242	

Source: own processing based on Trading Economics, 2022

As a consequence, it is possible to create the following linear model:

$$y_t = 18.9 + 0.9725x_t + \varepsilon_t$$

To put it another way, anytime there is a 1 million person increase in the annual number of people arriving to Spain, this results in an increase of 0.972579 billion USD in the income provided to the country's GDP and vice versa. In the case of Spain, it is plain to see that

visitors are highly related with producing profits for the Spanish budget as well; however, the value of these revenues is far less than in France.

Now, the author will verify if the created model appropriate for making conclusions about the effect of tourism for the Spanish budget.

The first step is to determine the level of quality. The coefficient of determination, often known as R square, is the most accurate measure of quality that can be obtained. The value of the R square statistic gives an estimate of the proportion of the variation in the dependent variable that can be attributed to changes in the independent variable. In the instance of the model that was developed, the modified coefficient of determination is equal to 0.91, which, in bare bones terms, indicates that 91% of the variance is explained. This is a satisfactory outcome. The model is not quite as exact as the one that came before it, but the end product is still satisfactory.

Then, it is essential to test if the number of arrivals has any significant statistical effect on the predicted variable. For this purpose, the author uses a t-test:

Ho: There is no significant relationship between the predictor and the predicted variable ($\beta = 0$)

Ha: There is a significant relationship between the predictor and the predicted variable ($\beta \neq 0$)

A = 0.05 (significance level)

T = 9.8

T (df = 9, a = 0.05) = 2.26

9.8 > 2.26 => Ho is rejected, and Ha is assumed (number of arrivals is a significant predictor of the tourism's contribution to the GDP of Spain)

Following the result of the t-test, it is possible to say that the effect between variables is statistically significant.

The author will next determine whether or not there is an issue with autocorrelation of residuals (repeated residuals over periods of time); whether or not residuals are

homoscedastic (independent); and whether or not residuals are normally distributed (follow the normal distribution, the bell-shaped curve). Additionally, the application of Gretl undergoes three tests. The results are presented in Figure 15.

Figure 15, autocorrelation test for Spain

LM test for autocorrelation up to order 1 –
Null hypothesis: no autocorrelation
Test statistic: LMF = 2.77462
with p-value = $P(F(1, 7) > 2.77462) = 0.139711$

Source: own processing based on Trading Economics, 2022

The first test that will be done is the autocorrelation test. The testing procedure is available below.

Ho: There is an absence of autocorrelation

Ha: There is a presence of autocorrelation

A = 0.05 (significance level)

P = 0.13

0.13 > 0.05 => Ho is not rejected (there is no autocorrelation).

So, there is no autocorrelation, and it is a good sign for the model. Then, the author continues to the testing procedure for detecting if the residuals are homoscedastic or not. The results are presented in Figure 16.

Figure 16, heteroscedasticity test for Spain

White's test for heteroskedasticity –
Null hypothesis: heteroskedasticity not present
Test statistic: LM = 0.199294
with p-value = $P(\text{Chi-square}(2) > 0.199294) = 0.905157$

Source: own processing based on Trading Economics, 2022

Ho: Heteroscedasticity is not present

Ha: Heteroscedasticity is present

A = 0.05 (significance level)

P = 0.9

0.9 > 0.05 => Ho is not rejected (there is no heteroscedasticity).

All in all, residuals are homoscedastic, and it is a good sign for the dataset.

Finally, the author finds out if residuals are normally distributed or not following the output from Figure 17.

Figure 17, normality test for Spain

Test for normality of residual -
Null hypothesis: error is normally distributed
Test statistic: Chi-square(2) = 1.79258
with p-value = 0.408081

Source: own processing based on Trading Economics, 2022

Ho: Residuals are normally distributed

Ha: Residuals are not normally distributed

A = 0.05 (significance level)

P = 0.4

0.4 > 0.05 => Ho is not rejected (residuals are normally distributed)

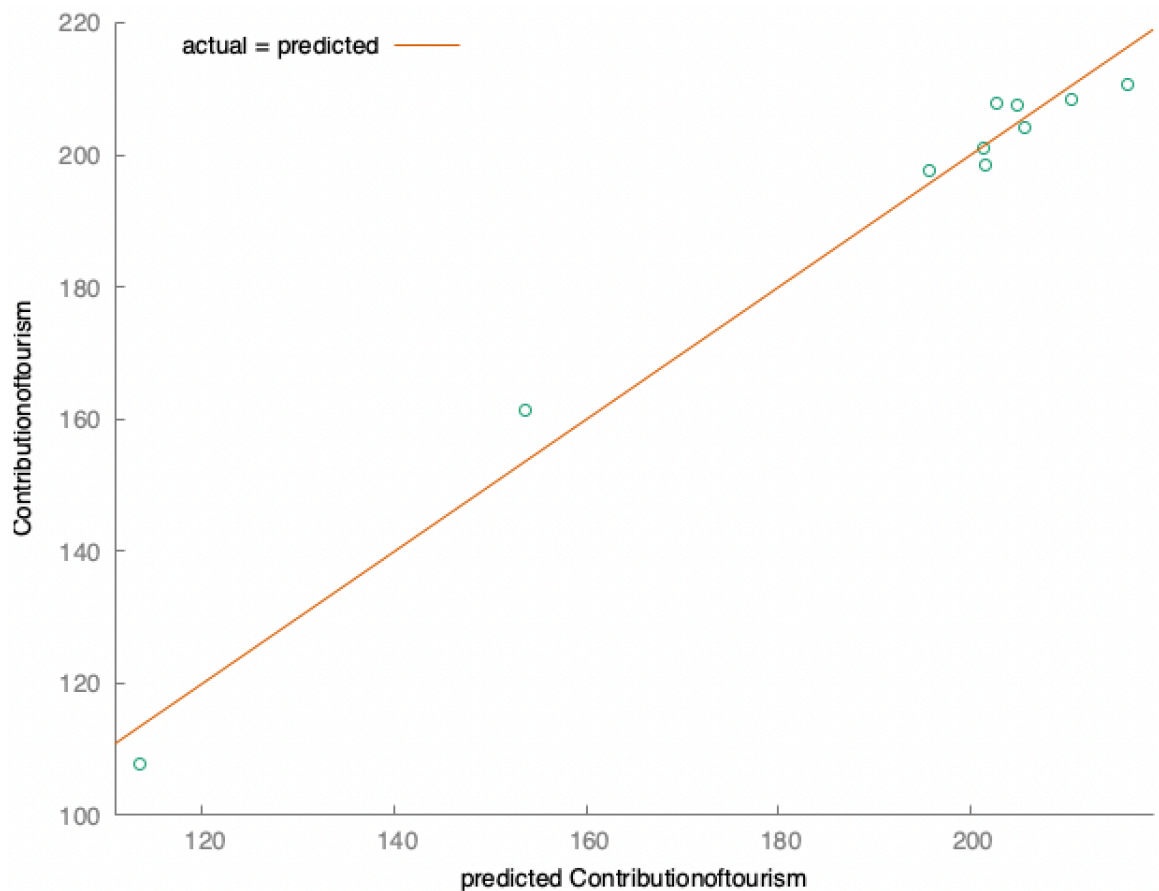
As a whole, the author draws the conclusion, based on the findings of the verification, that the model that was constructed is appropriate for use when drawing conclusions.

The author is going to now analyze the outcomes of two nations in order to come to a conclusion about which nation focuses on tourism more than the other.

5 Results and Discussion

In order to begin addressing the issue concerning which of the two countries specializes in tourism the most, it is necessary to first recollect the results made by the author about the impact that tourism has on each of their respective economies. The comparison of fitted with observed valued for the linear regression analysis is presented in Figure 18 for France and in Figure 19 for Spain.

Figure 18, model for the prediction of tourism revenue in France

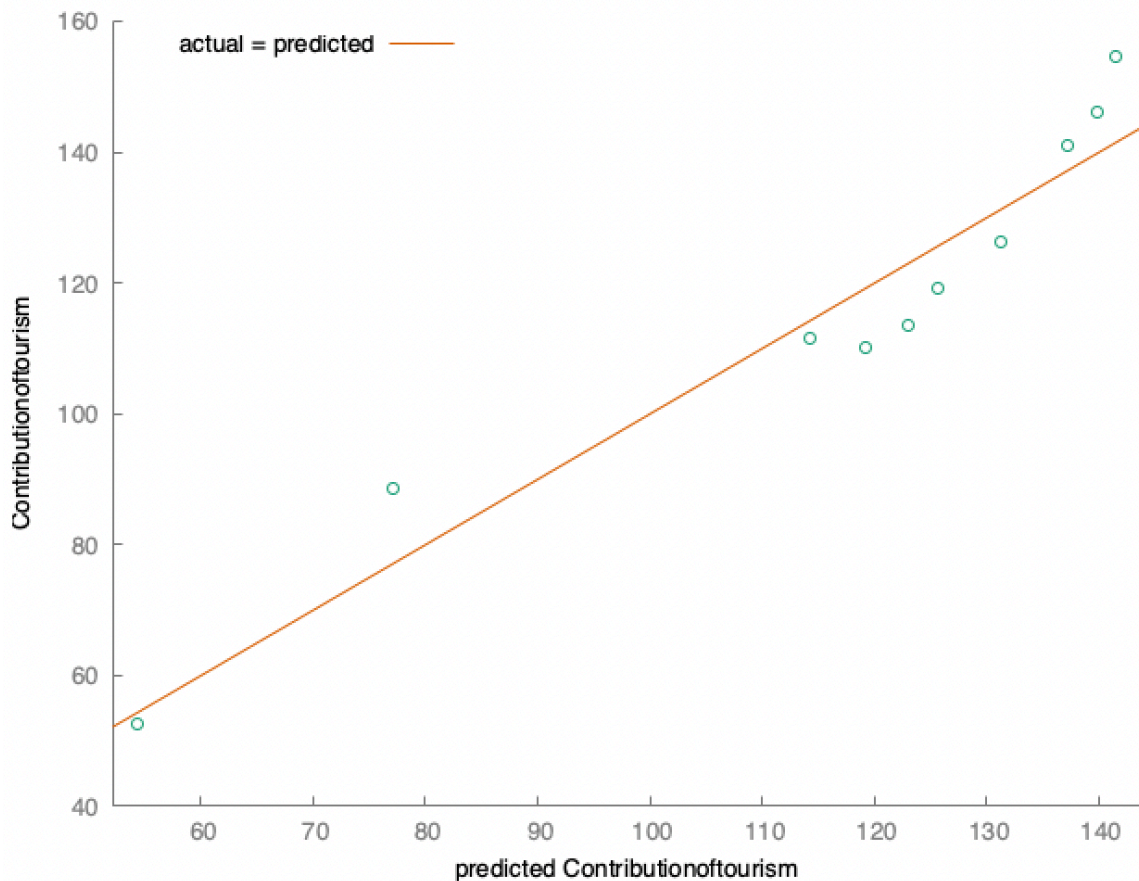


Source: own processing based on Trading Economics, 2022

Because the two countries' gross domestic products are not highly correlated with the number of tourist arrivals, the author draws the conclusion that the country is primarily focusing on making up the budget from other sources of government income. First, as it turned out after the correlation analysis, both countries do not fully depend on the tourism industry as their main source of income. This became apparent as a result of the findings of the correlation analysis. However, it would be completely wrong to think that these two

nations do not earn any money from the tourist business. The amount of contributions tourism makes to both countries' GDP is fairly substantial, thus it would be false to conclude that they do not make any money from tourism. The author coincides in his findings with the findings of Corne (2015) and Calero (2020).

Figure 19, model for prediction of tourism revenue in Spain



Source: own processing based on Trading Economics, 2022

To address this question, the author will bring up the findings of the regression analysis, where he found out:

1) A one million person increase in the yearly number of people coming in Spain leads in a rise of 0.972579 billion USD in the money supplied to the country's GDP.

2) A one million person increase in the annual number of visitors to France results in 1.02 million dollar increase in the income that is provided to the Gross Domestic Product of France.

As a result, the author arrives at the judgment that, in comparison to Spain, France is a superior nation than Spain in terms of the amount of money that can be made from the tourist business. On the other hand, if one considers the overall number of tourists that visit France and Spain each year, one realizes that France is visited by a far larger number of people than Spain does. Despite this, the values of the two countries are very comparable.

A possible argument against the hypothesis that France is more specialized in tourism than Spain is the fact that the price level in France is traditionally higher than in Spain. On the other hand, despite this, more people continue to visit France than Spain, and France continues to generate more revenue than its neighbor. For this conclusion, the author coincides in his finding with Durbarry (2003).

It is obvious that additional assumptions could be made to challenge the author's conclusion; however, the most compelling piece of evidence to suggest that France is a much more tourist-oriented country are the numbers behind the arrivals, which are significantly higher than in Spain, and the amount of money generated for each million tourists who visit the country. People do not choose France over Spain because of France's geographical position, which is more convenient than Spain's position, because the two countries are literally neighbors and are part of the same region. Therefore, it is not reasonable to assume that people choose France over Spain because of France's geographical position, which is more convenient than Spain's position.

6 Conclusion

In the end, the author is able to draw the conclusion that France is much more successful in terms of tourism than Spain. This is the case despite the fact that both countries offer more or less the same range of activities and types of tourism covering almost all possible domains of tourism. The author's research was extensive, and as a result, he was able to draw this conclusion.

The author arrives to the conclusion that France brings in 1.02 billion euros in income per million tourists, whereas Spain only brings in 0.97 billion euros in revenue per million tourists. Following his analysis, the author comes to the conclusion that the tourism industry is not the primary source of income for either country, as the statistical effect on the growth of the most important macroeconomic indicator, gross domestic product (GDP), is incredibly low. This is one of the author's main points of contention. Accordingly, the author is of the opinion that France, which shares a border with Spain to the south, is more skilled and successful in the tourist industry.

For the main recommendation, the author believes that it is wise to consider potential marketing campaigns for Spain that will help the country to become more competitive and change the way how matters stand with tourism in Europe. In addition to that, diversifying tourism and potential destinations is also a good idea that will help Spain to compete on equal terms with France, which has a higher number of different destinations that can be visited throughout the whole year, which cannot be fully applied for the case of Spain.

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