

Abstract

The paper tests the causality of growth in real GDP per capita and tourism income of countries at different stages of their economic development. These include the developing Asian countries of Cambodia, Laos, Myanmar and Vietnam, the Asian Newly Industrialized Countries (NICs) of China, India, Indonesia, Malaysia, Philippines and Thailand, the Asian Tigers of Hong Kong, Korea, Singapore and Taiwan, and the G7 countries of Canada, France, Germany, Italy, Japan, UK and USA. Dynamic panel data for 19 years, from 1990 to 2008, are used in the empirical analysis. Economic growth is measured as real GDP per capita, while tourism income is approximated by both Travel and Tourism (T&T) Industry GDP per capita, and Travel and Tourism (T&T) Economy GDP per capita. The Arellano and Bond (1991) method for dynamic panels is used for estimation. The empirical results suggest that economic growth is accelerated by both the T&T Industry and T&T Economy measures for the Asian Tigers, while economic growth is also determined by tourism income growth in the T&T Industry. Economic growth in the NICs significantly enhances T&T economic expansion. Somewhat surprisingly, there is no evidence of causality in either direction for the developing Asian and G7 countries.

Keywords: Dynamic panel data, Real GDP, Economic growth, Economic development, Tourism income, Tourism development, Causality test.

JEL Classifications: C33, F41, F42, F43, O57.