

Endowments v Institutions: The “Recent” Episode of Tourism Development¹

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Abstract Is tourism an opportunity for all lagging countries in search of reliable development paths and endowed with adequate natural and cultural amenities? In this paper we frame this question within the general debate about the determinants of economic growth, where is discussed the relative importance of a “good” institutional base *vis à vis* the availability of more tangible economic endowments. Tourism represents an ideal opportunity to contribute to this debate: the early stages of international tourism development date back to the Sixties, a period endowed with detailed cross-country economic data, and in which the institutional framework à la Acemoglu was in place (Acemoglu et al., 2001). Recent evidence documents that specialization in tourism is likely to be associated with positive economic growth. However, this evidence is flawed by a fundamental drawback: it ignores how many of the countries with a potential for tourism have failed to develop a successful sector and a successful macroeconomic story. In this paper we start from the existing cross-country econometric analysis to control the robustness of previous results in the presence of several variables on institutional quality. We find that while the quality of institutions is important for growth, yet we are able to confirm that the weight of tourism in an economy is a robust predictor of higher-than-average growth.

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