

A study of Regional Economic Impact of Tourism Using Input-Output Approach

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Abstract. *Tourism economics is unfortunately a technical area that requires critical assessment of the economic models' concept and their applicability for the study of tourism. Input-Output (I-O) methodology is popularly used because the model's structure is flexible for extension for more comprehensive result. The objective of this paper is to examine in greater depth of the conceptual guidance and the applicability of the three I-O approaches for regional economic study; basic static (Open I-O model), extended static (Closed I-O model) and dynamic model. Closed model is extended from open model to relax the exogeneity of the consumption function for household, government, investment and export while dynamic I-O model is introduced to close for investment. Dynamic model could give a deeper insight of the dynamic behavior of a region's economic system by relaxing the constancy of technical coefficient matrices of a production function but a consistent point of view between the economists and engineers for the production capacity and capital stock's extension in computing the input and capital coefficient is imperative. However, in closed model the technical coefficients may remain constant as the production technologies are representing the most efficient technologies available to produce a sector's output and the production function cannot be altered immediately given the existing stock of fixed capital over a certain period. Although I-O models are conceptually simple, none of these models is able to capture all dimensions and dynamic changes in the tourism industry. Henceforth, this paper also intends to suggest some modifications in order to bring the I-O findings closer to reality.*

Keywords: *I-O Open model, I-O Closed Model, I-O Dynamic Model*