

Sustainable development in tourism municipalities: The role of public goods

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Abstract

It is usually argued that, since many of the inputs used in the production function of private firms in tourism municipalities are depletable, unsustainability looms over the horizons of tourism jurisdictions. However, this reasoning forgets that public goods are an important part of tourism products. Since public goods are nonrival (and hence nondepletable), a way out of the apparent unsustainability might exist. By considering well-established growth models, this paper argues that a correct supply of public goods may contribute to achieve sustainable development throughout time in tourism municipalities.

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1. Introduction

Many activities related to tourism intensively use the territorial and natural resources of the jurisdiction where they are located. This is the case, for instance, of the hotels located in a given tourism municipality. Economic activity in the jurisdiction is directly related to the number of tourists visiting it. Although greater numbers of tourists increase the economic activity of the jurisdiction where the tourism supply is located (thus increasing the jurisdiction's income levels), increasing numbers of visitors also imply more pressure on the jurisdiction's resources. For instance, as more hotels are built to accommodate increasing demand, natural and territorial resources become scarcer and, since those resources are clearly limited (a jurisdiction has fixed boundaries), a limit to growth is to be reached some time into the future. This reasoning lies at the heart of Kenneth Boulding (1966):

(...) I am tempted to call the open economy the 'cowboy economy,' the cowboy being symbolic of the illimitable plains and also associated with reckless, exploitative, romantic, and violent behaviour, which is characteristic

of open societies. The closed economy of the future might similarly be called the 'spaceman' economy, in which the earth has become a single spaceship, without unlimited reservoirs of anything, either for extraction or for pollution, and in which, therefore, man must find his place in a cyclical ecological system which is capable of continuous reproduction of material form even though it cannot escape having inputs of energy.

Indeed, it could be argued that there is no way to escape the apparent unsustainability of development and growth in tourism municipalities. However, this paper argues that a way out of the trade-off exists for municipalities which base their tourism supply on the provision of local public goods. One should understand a jurisdiction's "public goods" in a broad sense, including cultural legacy (monuments, gastronomy, traditions, etc.), preservation of the environment and landscapes, brand image (reputation, prestige) and public services and infrastructures (roads, public safety, cleanness of public places). Since public goods are nonrival, they can be enjoyed by many users (tourists) without decreasing the amount available to additional users.¹ Thus, because they are not depleted by use, public goods might lay the ground for sustainable

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¹Although some congestion may exist.

development in tourism municipalities. Higher quantities of inputs having public good characteristics would imply higher output for a municipality (i.e., higher income and welfare for its inhabitants). In a sort of virtuous circle, higher output would lead (by means of higher total tax revenues) to higher levels of public goods feeding back successive waves which would not stop because of (the apparently inescapable, in a traditional tourism development model) diminishing returns. Since at the end of the day the sustainability of the tourism activity at local level depends on a municipality's ability to reproduce the inputs entering the production function of its firms, a development model based on public goods is more likely to be sustainable than one relying on depletable inputs. However, sustainability in a tourism model with public goods assumes that the public sector provides the optimal quantity of those goods.² If the public sector fails to do so, then unsustainability looms over the horizons tourism municipalities.

This paper tackles the sustainability of economic activity in tourism municipalities in five sections. Section 2 discusses what sustainable development is in a tourism setting. Section 3 reviews well-established endogenous growth models in order to identify how a correct supply of public goods may contribute to achieve a sustainable development level throughout time in tourism municipalities. Section 4 presents some implications regarding the role of the public sector in managing the provision and financing of public goods. Finally, the paper's main conclusions are summarised in Section 5.

2. Sustainable development and tourism

2.1. The meaning of 'sustainable development'

The term 'sustainable development' has been widely used, with multiple meanings, in very different settings. This paper understands 'sustainable development' in the terms expressed by the so-called *Brundtland Report*³: "*Sustainable development* is development that meets the needs of the present without compromising the ability of future generations to meet their own needs". From this definition it can be deduced that, in general, an activity is sustainable whenever it can be carried out continuously in the course of the time without diminishing either its characteristics or effects. As a matter of fact, different activities have distinct characteristics which may determine the feasibility of a development model. One of the intrinsic characteristics of tourism (which fundamentally differentiates it from other economic activities) is that in order to enjoy a tourism product it is necessary to move to the

physical location (municipality) where the good is "produced". This implies that tourism-related activities impinge several types of impact on a jurisdiction. According to the United Nations,⁴ there are three types of impact:

- 1 *Impacts on the environment (both natural and man-made)*: Two types of impact, of opposite sign, exist. On the one hand, many tourism activities (especially those linked with the construction of general infrastructures and tourism facilities) may have a negative impact on the environmental resources on which they depend, damaging or destroying them. On the other hand, by raising financial resources and the tourists' awareness of environmental values, tourism can increase the preservation of the environment.
- 2 *Socio-cultural impacts*: They involve the effects on host communities of direct and indirect relations with tourists, and of interaction with the tourism industry. Tourism activities may imply negative impacts when they bring about changes in value systems and behaviour threatening indigenous identity, changes in community structure, family relationships, collective traditional life styles, ceremonies and morality. However, tourism may have positive effects whenever it serves as a force for peace, it fosters pride in cultural traditions and, by creating local jobs, helps avoiding urban relocation.
- 3 *Economic impacts*: Likewise environmental and socio-cultural impacts, they can be either positive or negative. Negative impacts are related to the resources required to provide the infrastructures that sustain the tourism industry, the increase in prices linked to increasing demand for basic services and goods from tourists, the emergence of economic dependence of the local community on tourism or the seasonal character of jobs, among many others. Positive impacts are related to foreign exchange earnings, the contribution to government revenues, the generation of employment, the stimulation of infrastructure investment and the contribution to local economies, for instance.

In view of the impacts above, according to the World Tourism Organization^{5,6} to be sustainable a tourism model should:

- 1 Make optimal use of the environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural heritage and biodiversity.

⁴United Nations Environment Programme, <http://www.unep.org/>.

⁵World Tourism Organization (2004), *Sustainable Definition of Tourism. Conceptual Definition*, http://www.world-tourism.org/frameset/frame_sustainable.html.

⁶See World Tourism Organization (WTO), United Nations Environment Programme (UNEP), United Nations Educational, & Scientific and Cultural Organization (UNESCO) and European Union (1995), *Lanzarote Charter for Sustainable Tourism*, <http://www.world-tourism.org/sustainable/doc/Lanz-en.pdf>.

²Of course, the composition (type, quality and characteristics, for instance) of public goods also matters. However, for simplicity, here only total quantities of public goods have been considered.

³World Commission on Environment and Development (1987), *Our Common Future*, Oxford University Press, p. 54.

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