

Make it or break it: The tourism industry and the fight against income inequalities

Niccolò Comerio^{a,b,*}, Alessandra Centinaio^a

^aSchool of Economics and Management, LIUC—Università Cattaneo, Italy

^bCenter for Tourism Research, Wakayama University, Japan

Abstract

Although the overall extent of extreme global poverty has decreased in recent years, the level of income disparity remains historically high in several nations, continuing to raise concerns. From a theoretical perspective, the tourism sector has the potential to significantly contribute to the fight against poverty and income disparities. However, the current limited body of empirical literature has so far failed to reach a unanimous agreement regarding this potential opportunity. The aim of this article is to review existing studies which address the nexus between tourism expansion and income inequality, and to identify future research trajectories.

Keywords

Tourism
Economic growth
Income inequalities
Literature review

Introduction

“No society can surely be flourishing and happy, of which the far greater part of the members is poor and miserable” (Smith, 1776/1981, p. 96). Although Smith can be considered the forefather of capitalist thinking, he also lamented the negative effects of excessive disparities in the distribution of wealth. In fact, he argued the more wealth individuals acquire, the more economic inequality leads them to admire the very rich and to ignore the poor, undermining both morality and happiness (Rasmussen, 2016).

Adam Smith is just one of the many voices concerned about economic inequality, which started with the first systematic Western political philosopher: Plato. Even if the Greek philosopher contemplated the unequal distribution of goods, the solution proposed in the *Laws* (Book V, pp. 740-746) consisted of an equitable distribution of land and a moderate inequality in other wealth. More specifically, his solution was to cap wealth for the richest citizens at *“four times the wealth of the poorest ones”*, in order to minimize the risk of conflicts between the rich and the poor.

Despite centuries of historical debate, economic inequality still represents a cause for concern (Acemoglu *et al.*, 2015). Indeed, increasing income and wealth inequalities have been detected in several current economies, a phenomenon mostly driven by the rise of top income earners (see Piketty, 2014; Piketty and Saez, 2006; Atkinson *et al.*, 2011, etc.). This increase is due in part to the rate of return on capital, which consistently exceeds that of GDP and of wages (Stiglitz, 2012; Piketty, 2014). For example, the latest available data (Oxfam, 2023) revealed that the richest 1% of the population gained about 63% of the new wealth created between 2020-2021, almost twice as much money as the bottom 99% of the world's population. Therefore, economic inequality has jumped to the forefront of the contemporary political discourse (Rasmussen, 2016), with researchers investigating the determinants and consequences of this phenomenon (Neckerman and Torche, 2007; Van de Werfhorst and Salverda, 2012).

Although the tourism industry has been widely recognized as a trigger of economic development (Brida *et al.*, 2020; Centinaio *et al.*, 2022), the relationship between this industry

and income inequalities is still unclear, and the current results are mixed and not conclusive (Alam and Paramati, 2016; Li *et al.*, 2016). This article, therefore, aims to briefly summarize the existing academic literature on this topic within the branch of tourism economics.

In doing so, we applied the “Systematic Literature Network Analysis” (SLNA), a methodology introduced for the first time by Colicchia and Strozzi (2012), and recently applied in the field of tourism economics (Comerio and Strozzi, 2019). In particular, we concentrate on the so-called “Main Path”, which includes the articles that act as hubs in reference to later works, thus constituting the backbone of the research tradition regarding a certain topic (for the detailed description of the methodology we refer to Colicchia and Strozzi (2012), and Comerio and Strozzi (2019)).

Insight from the literature: tourism and income inequalities

The starting point of the SLNA is represented by Scopus, which is currently the most comprehensive and widely used of the existing scholarly citation databases (Comerio and Strozzi, 2019). The database search involved looking for the terms “TOURISM” and “INCOME INEQUALIT*” in “article title, abstract and keywords”, which resulted in a final sample of 114 articles (the search was performed in August 2023).

Recognizing the significance of selecting an appropriate set of keywords, we opted to maintain a broader approach to enable the clearer emergence of specific concepts, as well as associated issues and trends. In fact, the inclusion in the research string of specific terms determines the reduction in the number of papers, which makes the SLNA more focused on precise topics (Colicchia and Strozzi, 2012). After this preliminary phase, we extracted the “Main Path” (Figure 1). Although it runs along a time frame which goes from 2008 to 2023, it has mainly developed more recently, with 6 out of 15 articles published in 2023, suggesting researchers' increasing interest in these topics.

*Corresponding author

Email address: ncomerio@liuc.it (N. Comerio)

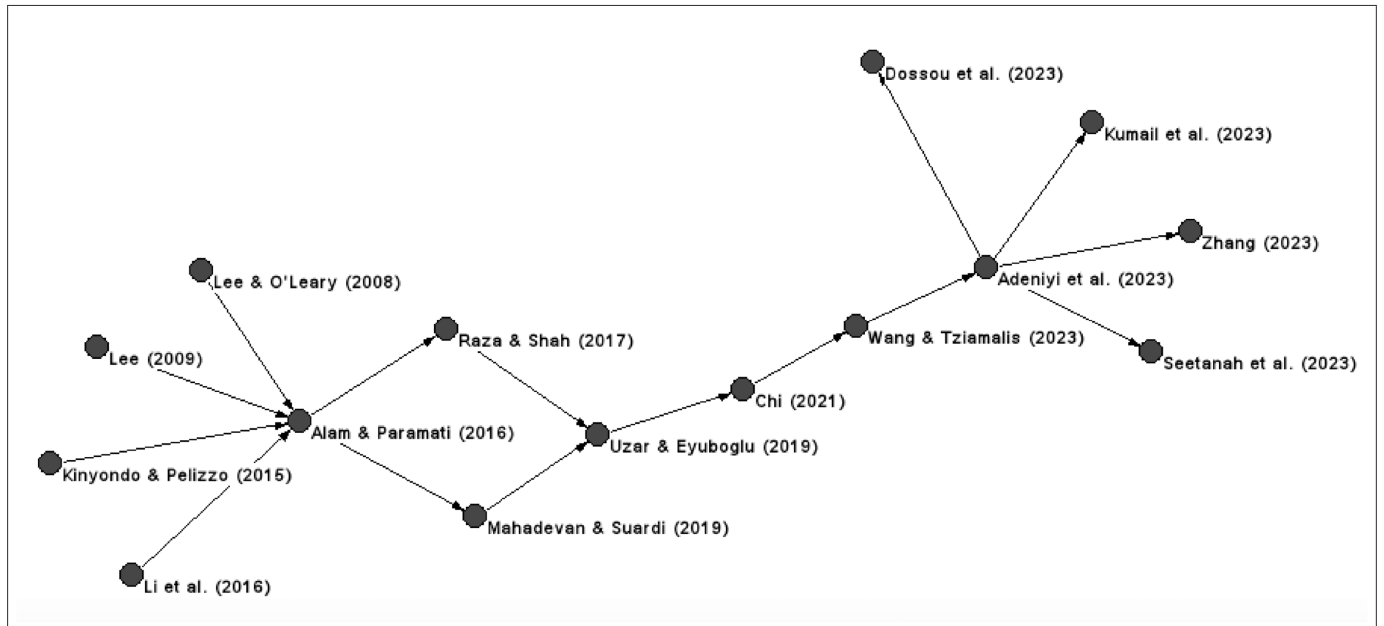


Figure 1. Main Path. Source: authors' own work.

A first group of studies¹ found evidence that tourism can enlarge the disparities between territories. According to Lee and O'Leary (2008), the earnings from tourism and recreation activities exacerbate income inequality in all the U.S. nonmetropolitan communities whose economies depend on those industries. Similarly, Lee (2009) showed that tourism services-dependent countries exhibit greater income inequality than non-tourism services-dependent ones. Kinyondo and Pelizzo (2015) revealed that the development of tourism is a key driver of economic growth in Tanzania, although the tourism-induced growth was not as beneficial as it could have been in reducing poverty and inequality. By focusing on 25 developing countries, Alam and Paramati (2016) confirmed that the tourism industry "significantly" increases the level of inequalities. However, they reported a negative relationship between the square of the tourism revenues and income inequality, thus validating the so-called inverted U-shaped Kuznets Curve hypothesis (*i.e.*, tourism development initially leads to an increase in inequalities, which is followed by a drop) and suggesting that a further expansion of the tourism industry in the future will help policymakers to reduce income inequalities. In the same way, using a panel of the top 43 tourist arrival countries, Raza and Shah (2017) showed that tourism has a positive effect on income inequality in both the full and the region-wise sample. However, if the examined countries continue to increase their tourism revenues, this will help them to reduce income inequality in the future (U-shaped Kuznets Curve). Chi (2021) affirmed that an increase in tourism revenues leads to a worsening in income inequalities in developing countries, but not in developed ones. Furthermore, the author identified two turning points (*i.e.*, points at which significant changes occur, as in the case of a high or low point on a graph). Initially, tourism development increases inequalities; then, the situation improves once a first turning point is reached; however, after a second turning point

inequalities begin to worsen again (the so-called "N-shaped Kuznets Curve"). By focusing on China, Zhang (2023) found both inbound and domestic tourism to be driving forces for increasing rural income inequality, especially in all those areas with low development levels. Adeniyi *et al.* (2023) focused on the Southern African Development Community (SADC) region, showing that tourism development is inequality-worsening and validating the non-linear effect between the former and inequality outcomes (*i.e.*, the Kuznets Curve). Lastly, Dossou *et al.* (2023) revealed that tourism enhancement is positively associated with income inequalities in a panel of 30 Asian economies. However, governance quality can invert the sign of the relationship, thus drawing attention to the importance of implementing pro-poor policies.

Conversely, a second group of studies² provides evidence of the tangible contribution of tourism to the reduction of inequalities. Taking China as the empirical case, Li *et al.* (2016) found that tourism development is able to support economic convergence, which can be defined as the situation in which poor economies grow faster than the rich ones, eventually catching up on them (Solow, 1956; Swan, 1956). Furthermore, the contribution of domestic tourism to reducing inequalities is larger than that of international tourism. Uzar and Eyuboglu (2019) claimed that an expansion of tourism activities can support the reduction of income inequality in Turkey in the long run, as they reported an inverse U-shaped nexus between tourism revenues and income inequality. By focusing on 13 tourism-intensive economies, the study of Mahadevan and Suardi (2019) brought evidence that tourism growth reduces the poverty gap, in the sense that the poor earn enough to climb above the poverty line. However, tourism does not affect headcount poverty or income inequality; for this reason, the authors stressed the importance of clearly specifying the form of poverty reduction the policymakers aim to target. Based on a sample of 83 countries, the study of Seetanah *et al.*

¹This group includes the following articles (in chronological order): Lee and O'Leary (2008), Lee (2009), Kinyondo and Pelizzo (2015), Alam and Paramati (2016), Raza and Shah (2017), Chi (2021), Zhang (2023), Adeniyi *et al.* (2023), Dossou *et al.* (2023).

²This group includes the following articles (in chronological order): Li *et al.* (2016), Uzar and Eyuboglu (2019), Mahadevan and Suardi (2019), Seetanah *et al.* (2023), Kumail *et al.* (2023), Wang and Tziamalidis (2023).

(2023) provided strong support to the theory that tourism development has an income-inequality reducing effect, although differences occur between developing economies (greater impact) and already developed ones (lower impact). In a panel of South Asian countries, Kumail *et al.* (2023) found that tourism growth inversely affects income inequality, but only in the initial stages, due to the oligopolistic market situation. Indeed, once small and medium enterprises leave the market, as they are unable to compete with large operators, income inequalities increase. Therefore, policymakers are required to provide more financial assistance to help local companies to compete in the market. Lastly, according to Wang and Tziamalis (2023), the relationship between tourism enhancement and reduction of income inequality is country dependent. Specifically, tourism growth alleviates income inequalities in nations characterized by lower levels of economic development, but it could potentially exacerbate income inequalities in those with higher levels of economic development.

Conclusion

The brief literature review conducted in this article reveals the lack of a unanimous consensus about the nexus between tourism development and income inequalities, as differences occur between, for example, the richest and poorest nations, developing and developed countries or single case studies. At the same time, an interesting element, which is in common across several articles, is the pivotal role of pro-poor strategies, which can be defined as policies aimed at ensuring that tourism delivers more net benefits to the poor (Alam and Paramati, 2016). Furthermore, tourism revenues can also be used as a tool to redistribute income within the population, but only if the government spends such revenues to improve the welfare of the poor (Incera and Fernández, 2015). Therefore, policymakers and governments will be increasingly asked to combine tourism industry growth with appropriate wealth redistribution strategies, especially considering that ending all forms of poverty is the first of the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development.

In conclusion, fruitful research areas arise from this contribution and further studies are strongly encouraged, focusing, for example, on (i) countries never analyzed before, (ii) sub-national level of analyses (regional but also municipal, given the availability of data), (iii) alternative income distribution indicators, (iv) the main mechanisms through which tourism development enlarges and/or reduces income inequality as in the case of specific pro-poor strategies (v) comparisons between pre and post COVID-19 to shed light on the impact of the pandemic (particularly when long time-series data become available).

References

- Acemoglu, D., Naidu, S., Restrepo, P., and Robinson, J. A. (2015). Democracy, Redistribution, and Inequality. In A. B. Atkinson & F. Bourguignon (Eds.), *Handbook of Income Distribution*, (pp. 1885-1966). Amsterdam (NL): Elsevier. <https://doi.org/10.1016/B978-0-444-59429-7.00022-4>
- Adeniyi, O., Adekunle, W., Afolabi, J., and Kumeka, T. T. (2023). Tourism-income inequality Nexus in Africa: evidence from SADC countries. *Current Issues in Tourism*, 1-19. <https://doi.org/10.1080/13683500.2023.2227377>
- Alam, M. S., and Paramati, S. R. (2016). The impact of tourism on income inequality in developing economies: Does Kuznets curve hypothesis exist?. *Annals of Tourism Research*, 61, 111-126. <https://doi.org/10.1016/j.annals.2016.09.008>
- Atkinson, A. B., Piketty, T. and Saez, E. (2011). Top income in the long run history. *Journal of Economic Literature*, 49(1), 3-71. DOI: 10.1257/jel.49.1.3
- Brida, J. G., Gómez, D. M., and Segarra, V. (2020). On the empirical relationship between tourism and economic growth. *Tourism Management*, 81, 104131. <https://doi.org/10.1016/j.tourman.2020.104131>
- Centinaio, A., Comerio, N., and Pacocco, F. (2022). Arrivederci! An Analysis of Tourism Impact in the Italian Provinces. *International Journal of Hospitality and Tourism Administration*, 24(4), 563-589. <https://doi.org/10.1080/15256480.2021.2025187>
- Chi, J. (2021). Revisiting the tourism-inequality nexus: Evidence from a panel of developed and developing economies. *Current Issues in Tourism*, 24(6), 755-767. <https://doi.org/10.1080/13683500.2020.1743243>
- Colicchia, C., and Strozzi, F. (2012). Supply chain risk management: a new methodology for a systematic literature review. *Supply Chain Management: An International Journal*, 17(4), 403-418. <https://doi.org/10.1108/13598541211246558>
- Comerio, N., and Strozzi, F. (2019). Tourism and its economic impact: A literature review using bibliometric tools. *Tourism Economics*, 25(1), 109-131. <https://doi.org/10.1177/1354816618793762>
- Dossou, T. A. M., Kambaye, E. N., Berhe, M. W., and Alinsato, A. S. (2023). Toward efforts to lessen income inequality in Asia: Exploring synergies between tourism and governance quality. *Tourism Management Perspectives*, 46, 101086. <https://doi.org/10.1016/j.tmp.2023.101086>
- Incera, A. C., and Fernandez, M. F. (2015). Tourism and income distribution: evidence from a developed regional economy. *Tourism Management*, 48, 11-20. <https://doi.org/10.1016/j.tourman.2014.10.016>
- Kinyondo, A., and Pelizzo, R. (2015). Tourism, development and inequality: The case of Tanzania. *Poverty and Public Policy*, 7(1), 64-79. <https://doi.org/10.1002/pop4.92>
- Kumail, T., Sadiq, M., Ali, W., and Sadiq, F. (2023). The impacts of tourism development on income inequality: how does tourism capital investment contribute to income distribution? Tourism Agenda 2030. *Tourism Review*, 78(2), 630-645. <https://doi.org/10.1108/TR-08-2022-0378>
- Lee, S. (2009). Income inequality in tourism services-dependent counties. *Current Issues in Tourism*, 12(1), 33-45. <https://doi.org/10.1080/13683500802248001>
- Lee, S., and O'Leary, J. T. (2008). Determinants of income inequality in US nonmetropolitan tourism-and recreation-dependent communities. *Journal of Travel Research*, 46(4), 456-468. <https://doi.org/10.1177/0047287507312425>
- Li, H., Chen, J. L., Li, G., and Goh, C. (2016). Tourism and regional income inequality: Evidence from China. *Annals of Tourism Research*, 58, 81-99. <https://doi.org/10.1016/j.annals.2016.02.001>
- Mahadevan, R., and Suardi, S. (2019). Panel evidence on the impact of tourism growth on poverty, poverty gap and income inequality. *Current Issues in Tourism*, 22(3), 253-264. <https://doi.org/10.1080/13683500.2017.1375901>
- Neckerman, K. M., and Torche, F. (2007). Inequality: Causes and consequences. *Annual Review of Sociology*,

- 33, 335-357. <https://doi.org/10.1146/annurev.soc.33.040406.131755>
- Oxfam. (2023). *Survival of the Richest*. <https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621477/bp-survival-of-the-richest-160123-en.pdf>
- Piketty, T. (2014). *Capital in the Twenty-First Century*. Harvard University Press.
- Piketty, T., and Saez, E. (2006). The evolution of top incomes: a historical and international perspectives. *American Economic Review*, 96(2), 200-205.
- Rasmussen, D. C. (2016). Adam Smith on what is wrong with economic inequality. *American Political Science Review*, 110(2), 342-352. <https://doi.org/10.1017/S0003055416000113>
- Raza, S. A., and Shah, N. (2017). Tourism growth and income inequality: does Kuznets Curve hypothesis exist in top tourist arrival countries. *Asia Pacific Journal of Tourism Research*, 22(8), 874-884. <https://doi.org/10.1080/10941665.2017.1343742>
- Seetanah, B., Gopy-Ramdhany, N., and Bhattu-Babajee, R. (2023). Can tourism curb income inequality? Tourism Agenda 2030. *Tourism Review*, 78(2), 646-664. <https://doi.org/10.1108/TR-02-2022-0094>
- Solow, R. M. (1956). A contribution to the theory of economic growth. *The Quarterly Journal of Economics*, 70(1), 65-94. <https://doi.org/10.2307/1884513>
- Smith, A. (1981). *An Inquiry into the Nature and Causes of the Wealth of Nations*, volume 1 (R. H. Campbell, A.S. Skinner, and W.B. Todd, Eds.). Indianapolis (IN): Liberty Fund (Original work published 1776).
- Stiglitz, J. E. (2012). *The price of inequality: How today's divided society endangers our future*. New York (NY): WW Norton and Company.
- Swan, T. W. (1956). Economic growth and capital accumulation. *Economic Record*, 32(2), 334-361. <https://doi.org/10.1111/j.1475-4932.1956.tb00434.x>
- Uzar, U., and Eyuboglu, K. (2019). Can tourism be a key sector in reducing income inequality? An empirical investigation for Turkey. *Asia Pacific Journal of Tourism Research*, 24(8), 822-838. <https://doi.org/10.1080/10941665.2019.1636105>
- Van de Werfhorst, H. G., and Salverda, W. (2012). Consequences of economic inequality: Introduction to a special issue. *Research in Social Stratification and Mobility*, 30(4), 377-387. <https://doi.org/10.1016/j.rssm.2012.08.001>
- Wang, Y., and Tziamalis, A. (2023). International tourism and income inequality: The role of economic and financial development. *Tourism Economics*, 29(7). <https://doi.org/10.1177/135481662311771>
- Zhang, J. (2023). Tourism and rural income inequality: Empirical evidence for China. *Current Issues in Tourism*, 26(1), 153-170. <https://doi.org/10.1080/13683500.2021.2010674>



Niccolò Comerio is a Research Fellow in the School of Economics and Management at LIUC — Università Cattaneo (Italy) and Director of the Responsible Tourism Lab. In 2019, he received a Ph.D. in Management, Finance and Accounting from LIUC — Università Cattaneo. His Ph.D. project investigated the Japanese tourism sector and its economic spillovers. He was a Visiting Junior Fellow at the

Center for Tourism Research, Wakayama University from April 2019 to March 2020, and he is currently Visiting Fellow at the Center for Tourism Research, Wakayama University. His current research activities focus on several facets of the development of the tourism sector, such as the economic contribution at a micro-territorial basis, and its potential negative externalities on the environment.



Alessandra Centinaio is a Ph.D candidate in Management, Finance and Accounting at LIUC — Università Cattaneo, and member of the Responsible Tourism Lab. She is currently a Visiting PhD Student at Durham University (United Kingdom). Her research mainly focuses on the role that financial variables play in determining the magnitude and the frequency of business cycle fluctuations, and on the mechanisms through which inequality might impact aggregate fluctuations.