International Journal of Tourism & Hotel Business Management
(IJTHBM) (ISSN: 2641-6948) 2020
SciTech Central Inc., USA Vol. 2 (1)
235-237

A REVIEW OF HASAN GÜL AND MUSTAFA ÖZER'S PAPER OF 'AN ANALYSIS OF TOURISM AND ECONOMIC ACTIVITY IN TURKEY'

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Received 18 July 2019; Accepted 05 August 2019; Published 07 January 2020

ABSTRACT

The aim of this mini review is to evaluate the study of A review of Hasan Gül and Mustafa Özer's paper of 'An Analysis of Tourism and Economic Activity in Turkey'. In the study, the authors analyses the dynamic relationships between real Gross Domestic Product (GDP), the real exchange rate (RER) and real tourism income (TOTREC) in Turkey over the period from 2003: Q1 to 2014: Q4 by using frequency domain causality approach developed by Breitung and Candelon. According to major findings of the study, there is a causality from the real GDP Granger causes real tourism income both in the short-and long-run, which are both transitory and permanent (economic-driven tourism growth hypothesis-EDTG), while real tourism income only Granger causes real GDP in the short run, which is transitory (tourism-led economic growth hypothesis-TLEG). Also, they indicate that there is no Granger causality neither between real tourism income and real exchange rate nor between real GDP and the real exchange rate.

Keywords: Frequency Domain Granger Causality, Time Domain Causality, Real Tourism Incomes.

INTRODUCTION

This mini review intends to evaluate the paper entitled as 'An Analysis of Tourism and Economic Activity in Turkey' written by Hasan Gül and Mustafa Özer and published in European Journal of Tourism research. The study starts with mentioning the importance of tourism sector for Turkey's economy indicated that the tourism sector has contributed to the economy and Turkey is regularly ranked among the most attractive countries in the world for tourists. Also, the study indicates how vulnerable the Turkish tourism sector to external shocks, such as regional and global developments. According to study, in 2016, this sector has

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experienced a decline which can be explained among other things by the diplomatic crisis between Russia and Turkey, regional uncertainties around Turkey resulting mainly from the Syrian conflict and the coup attempt of 15 July 2016. That had created serious adverse effects on the Turkish economy. Nowadays, the Turkish tourism sector now seeking for new policies to attract new tourist arrivals from European countries and around different regions of the world to increase the contribution of the sector to the economy.

The study includes a literature review including the some of the well-known studies related to topic of paper. Lots of important studies related to the relationship between real GDP, real tourism receipts and Real exchange rate. For example, Pavlic et al. (2015) who stated that if tourism growth has some positive effects on GDP, employment, foreign exchange earnings and government revenues, defined as Tourism-Led Growth Hypothesis (TLGH). Among the supporters of TLGH, there is among others Balaguer & Cantavella-Jorda (2002); Dritsakis (2004); Durbarry (2004); Brida, Sanchez Carrera & Risso (2008); Brida, Pereyra & Devesa (2008); Akinboade & Braimoh (2010); Belloumi (2010); Katircoglu (2010); Cortes-Jimenez & Pulina (2010); Schubert et al. (2011); Li et al. (2013); Ridderstaat et al. (2014); Kumar (2014); Tang & Tan (2015); Oh (2005); Katircioglu (2009); Jackman & Lorde (2010); Kasimati (2011); Ghosh (2011) and Kumar & Kumar (2012) rejected the TLGH because they found that economic expansion affects tourism growth in some countries.
None of the study included in the literature review do not provide any evidences of how the causal relations among these variables are subject to change at different frequencies. Thus, the study is the first study providing empirical evidences of nature of the causal relations among variables: whether they are transitory of permanent. In other words, the article is a good example of explaining the short, medium and long-run co-movements between tourism and economic activity by using frequency domain causality analysis which is a quite new approach in this type of study.

DISCUSSION

According to the findings of study, the real GDP Granger causes real tourism income both in the short-and long-run. These results support the predictions of economic-driven tourism growth hypothesis-EDTG. On the other hand, the real tourism income only Granger causes real GDP in the short run, which supports the tourism-led economic growth hypothesis-TLEG. When we combine both results, unlike the expectations, the effect of real GDP on real tourism income is permanent; but, the effect of real tourism income on real GDP is transitory. Thus, it is hard to argue that real tourism incomes are permanent source of growth in Turkey. One of the interesting results of the study is that there is no Granger causality neither between real tourism income and real exchange rate nor between real GDP and real exchange rate. Therefore, the role of real exchange rate stimulating the international tourism demand seems to be not important. Based on the results of study, it seems that there is an urgent need to develop and implement new tourism policies so that the sector's contribution to economic growth can be extended to long-run. Also, the role of real exchange rate should be questioned along these new policies.

CONCLUSION

First of all, the employing the novel approach of frequency domain causality test, the study contributes to our understanding of causal relations among real GDP, real tourism income and real exchange rate. The study does this in two respects. The first and most importantly, based on the results of study, now we will have an evidences of nature of the causal relations: whether they are transitory or permanent. Secondly, by providing these evidences, the study solves the one of the major problems of previous studies which uses time domain causality test, which provides one shot of the relations. The study is also making a contribution to our understanding of relations among the variables, by providing evidences that the contribution of the tourism sector to the economy of Turkey is not deniable. But, the study also provides evidences that this contribution is short-lived. This is one of the most important results of the study that the policy makers, sector representatives and academic should focus on.

The study can be extended searching the reasons of poor relations between real exchange rate and real tourism income. Also, I think we have enough evidences to question the importance of tourism sector in Turkey's development by comparing its contribution and its costs.

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