



Does personal freedom influence outbound tourism?



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HIGHLIGHTS

- We examine the impact of personal freedom in a country on outbound tourism.
- The economic theory of scarcity is used as a theoretical foundation for this study.
- Panel data regression models are applied to test the research hypothesis.
- A lower level of personal freedom in a country increases outbound tourism.

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ABSTRACT

The purpose of this study is to examine the impact of personal freedom in a country on outbound tourism after controlling for other relevant outbound tourism determinants. Using a panel of 80 countries over a period of 13 years (1999–2011) and applying panel fixed-effects and generalized method of moments (GMM) techniques, our results reveal that a lower level of personal freedom in a country increases outbound tourism. These results are more robust for developing countries.

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1. Introduction

This research focuses on the impact that personal freedom in a country has on outbound tourism. We hypothesize that those countries which have a lower level of personal freedom will have more outbound tourism. This argument can be understood in terms of the basic economic principle of scarcity: if people feel that something is scarce, they appreciate it more. It means that if personal freedom is scarce in a country, people will value it more, which results in a higher level of demand for personal freedom. Therefore, if people's personal freedom is suppressed, either by strict regulations or by social and cultural barriers in a country, people may search for their own personal freedom in other countries through traveling.

To make our argument more concrete we note two examples. For instance, the lack of domestic entertainment and tourism outlets in Saudi Arabia is a main factor driving Saudi residents to travel abroad, to Dubai in particular, for holiday purposes (Euromonitor

International, 2012a). More specifically, Saudis travel to search for entertainment that they cannot find at home, as many forms of entertainment are banned in Saudi Arabia, including cinemas and theaters. Saudis are attracted to destinations where they can enjoy more freedom than they do back home and where women can dress more casually without having to be covered at all times (Euromonitor International, 2012a). It should also be noted that leisure travel made up the majority of outbound Saudi travels in 2011, a total of 92%. Likewise, a large number of tourists (especially from European countries) who travel to Amsterdam (the capital of the Netherlands) intend to enjoy the liberal features of this city including the regulated tolerance of soft drugs and sexual freedom (e.g. Boztas, 2011; Reed, 2009).

The relationship between personal freedom and outbound tourism has received relatively little research attention in the contemporary tourism literature. While there have been a number of articles such as Lim (2004), Song, Romilly, and Liu (2000), Cortés-Jiménez, Durbarry, and Pulina (2009), Seo, Park, and Yu (2009), Kim, Park, Lee, and Jang (2012) and Seetaram (2012) investigating the economic determinants of outbound tourism (e.g. income level, consumer prices, travel costs and the exchange rate), very few empirical studies have examined the relationship between personal freedom and outbound tourism (with the notable exception

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of Karwacki, Deng, & Chapdelaine, 1997; King & Tang, 2009). Moreover, although there has been many survey and time series studies published on the economic determinants of outbound tourism, few empirical works have examined the determinants of outbound tourism by using data from a large sample of countries over time. Existing studies often focus on single-country case studies. For instance, Song et al. (2000), Cortés-Jiménez et al. (2009), Durbarry and Sinclair (2003) and Han, Durbarry, and Sinclair (2006) have studied British, Italian, French and United States tourist behavior respectively. To our knowledge very few formal cross-sectional time-series (panel data) studies of the determinants of outbound tourism exist. Another contribution of this study is, for the first time, to introduce the economic concept of scarcity to the tourism literature and use it to explain the traveling behavior of tourists around the world.

To address the knowledge gap, this study applies the panel data method, using data from 80 countries over 13 years (1999–2011). The empirical results show that a lower level of personal freedom in a country increases outbound tourism. Therefore, personal freedom is an important determinant in explaining the variation in outbound tourism across countries. The present study makes a significant contribution by introducing a new explanatory variable (personal freedom) and applying an economic theory (scarcity) to tourism demand modeling. Policy implications and suggestions are offered along with the findings of this research.

The paper proceeds as follows: Section 2 provides a theoretical explanation for the relationship between personal freedom and outbound tourism; Section 3 describes the variables, data and data sources; Section 4 explains the methodology and estimation procedures; Section 5 presents the empirical results; and Section 6 concludes this paper.

2. Theoretical background

Some studies have attempted to explain the sociological behaviors of people by applying economic theories. For example, Inglehart (1997) explains that it is possible to predict the process of value change for different societies when they undergo the same path of development, from preindustrial to modern and post-modern. He states that economic development yields diminishing marginal gains in materials and wealth the richer a society becomes, the less importance people attach to growing richer. Maseland and Van Hoorn (2011) claim that the phenomenon of Muslim majority countries tending to be less democratic, while individuals in these countries value democracy more than other people do, can be explained by applying the economic principle of diminishing marginal utility. That is, as Muslim majority countries are mostly undemocratic, their inhabitants have a stronger desire for more democracy.

We apply the economic theory of scarcity, for the first time in tourism literature, as a theoretical foundation of this study. Scarcity, which is a fundamental concept in economics, states that a limited supply of a good drives a high subjective value for that good. This concept later led to the commodity theory (Brock, 1968), which states that any commodity will be valued to the extent that it is unavailable. The psychological effects of scarcity have long been used in different business fields. For example, Gajewski (1992) explains consumer reactions to shortages of products, which may be due to monetary or legal-administrative barriers. Increased distrust of money's purchasing power intensifies the "propensity to consume." Consumers' herding behavior leads to extensive purchase of goods that they believe may disappear from the market soon. This condition also strengthens the habit of buying goods and storing them with the justification that "they may be needed in the future". Worchel (1992) investigates the link between the scarcity of

freedom and the importance of freedom for individuals. He argues that when freedom is threatened or eliminated it becomes more attractive because individuals experience the psychological state of "reactance" that motivates them to restore the threatened freedom. Worchel presents case studies that show people value and desire commodities (in this case freedom to communicate) more when they face unavailability of those commodities (in this case through censorship). Moreover, abundant freedom gains more value when individuals perceive that scarcity is imposed specifically on them.

In addition, the concept of scarcity has been widely studied in the literature on preference and consumer choice behavior as well as social psychology (Effron & Miller, 2011; Mittone & Savadori, 2009; Verhallen, 1982; Verhallen & Robben, 1994). Lewis and Weigert (1981) show the managerial applications of scarcity theory in the context of time insufficiency, commitment and satisfaction of employees in a system. Warren (1992) states that the position and status of goods which have high social values are the result of their widely acknowledged scarcity. In an analysis of the involvement of television companies in the English football supply chain network, Lonsdale (2004) shows that members of the Premiership League enjoy a commercial advantage over the television companies because those clubs are the only providers of the scarce product that is at the center of sports television companies' sport content strategies.

In the present study, we hypothesize that the traveling behavior of people from different countries can be explained, to some extent, by the theory of scarcity. That is, the lower the level of personal freedom in a country, the higher the number of tourism departures from that country will be. Since the residents in countries with a low level of personal freedom cannot easily enjoy a variety of entertainment and diversions, they value those activities, and some of them will travel to other countries to seek those inaccessible experiences. Our hypothesis is also motivated by findings of Karwacki et al. (1997) and King and Tang (2009). In their survey study on international travelers' behavior in Canada, Karwacki et al. (1997) find that Singaporeans are attracted by the freedom and lifestyle aspects of Canada's society. Similarly, King and Tang (2009) show that socio-political conditions in the source market influence departure travel in the case of tourists from China.

3. Variables and data

The main purpose of this study is to explore the relationship between personal freedom and outbound tourism in a panel data setting. We used annual data from 1999 to 2011 for 80 countries. The country sample can be found in Appendix A. Our sample covers all those countries for which data on all variables is obtainable.

The annual data for outbound tourism was obtained from Euromonitor International (2012b). According to Euromonitor International, "outbound tourism" or "departures" refer to the number of residents who travel abroad from their country of residence to another destination country for leisure or business purposes. Travel for leisure purposes accounted for around 80% of all outbound trips in the countries under study in 2011. We corrected for country size by dividing outbound tourism departures by population, so that measures from different countries could be compared.

The last decade has witnessed a strong growth in international tourist departures around the world. For example, international tourist departures significantly increased from around 590 million trips in 1999 to over 858 million trips in 2011 (Euromonitor International, 2012b). Fig. 1 illustrates the evolution of international tourist departures for the different regions in the world. The growth is more apparent in Australasia, Asia Pacific and the Middle East and Africa regions. The annual average growth rates over the

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