

Blessing or Curse? The Rise of Tourism-Led Growth in Europe's Southern Periphery

RETO BÜRGISSER¹  and DONATO DI CARLO² 

¹Department of Political Science, University of Zurich, Zurich, Switzerland ²Max Planck Institute for the Study of Societies, Cologne, Germany

Abstract

Despite being one of the world's major internationally traded services, tourism remains neglected within debates on European integration and growth models. We highlight the rise of tourism-led growth in southern Europe and argue that the process of European integration has been a double-edged sword, simultaneously incentivizing and forcing southern European economies to reap their comparative advantage in tourism. While European integration has created the preconditions for the expansion of intra-European tourism, monetary integration pre-empts macroeconomic management. Since the eurozone crisis, internal devaluation and fiscal austerity have suppressed the domestic growth drivers, inducing these governments towards an export-led growth strategy. We document the emergence of unprecedented tourism-related current account surpluses in southern Europe, driven strongly by tourism imports from the EMU core countries and the UK. Thus, while different export-led growth strategies now coexist in the EMU, southern Europe's excessive reliance on international tourism for growth comes with severe pitfalls.

Keywords: European integration; growth models; varieties of capitalism; tourism; southern Europe

Introduction

Over the last half-century, tourism has grown from an elite pastime into the world's largest service sector industry in international trade (Lew, 2011). Today, tourism is the third-largest economic sector in Europe (European Parliament, 2015) and a significant contributor to economic growth and employment to many national and local economies worldwide (Scott and Gössling, 2015). Within this macro trend, southern Europe accounts for more than 20 per cent of the global tourism market (UNWTO, 2020). Yet, while there is awareness of the importance of the tourism industry among economists and policy-makers (Du et al., 2016), one can rarely find any mention of tourism in the comparative political economy (CPE) and European integration literature. This is remarkable considering Europe's leading role in the sector and, most importantly, tourism's potential for socio-economic integration and political co-operation within Europe (Lijphart, 1963; Russett, 1970).

While the varieties of capitalism (Hall and Soskice, 2001) and the growth models literature (Baccaro and Pontusson, 2016; Hassel and Palier, 2021) have identified different models of capitalism, scholars of European integration continue to debate whether these can co-exist within a hard-currency regime like the economic and monetary union (EMU). The debate is polarized around two contrasting views. Some scholars argue that countries' diversity may be beneficial in a monetary union, enabling mutual insurance mechanisms among its members (Schelkle, 2017). Others, instead, argue that the EMU

destroys the governance capabilities (that is, exchange rate and countercyclical fiscal policies) on which the domestic demand-led countries of southern Europe have historically relied. Thus, participation in the EMU rewards export-led growth strategies pursued by the EMU core countries while it precludes domestic demand-led growth strategies of the southern countries (Hall, 2014). This article contributes to the ongoing debate (Johnston and Regan, 2016, 2018) by highlighting the rise of tourism-led growth in southern Europe since the eurozone crisis.

Despite its richness, this debate has overlooked the growing economic importance of tourism in Europe. While EMU core countries have long relied on net exports from manufacturing goods (for example, Germany) or high-end services (for example, the Netherlands) as drivers of aggregate demand (Hassel and Palier, 2021), growth in southern Europe was mainly consumption-led and fuelled by financial integration and capital flows from EMU core countries (Fuller, 2018; Jones, 2016; Stockhammer, 2016). Once capital dried up during the eurozone crisis, fiscal austerity plus internal devaluations forced southern European countries into export-led growth (Afonso, 2019; Perez and Matsaganis, 2019; Scharpf, 2016). While this is well known, we complement this argument by documenting the emergence of a third variant of export-led growth strategy in the EMU based on internationally traded tourism services, which today account for a substantial and growing part of southern Europe's exports. By tracing the evolution of current account (CA) balances, we argue that, from 2010 onwards, CA surpluses from international tourism have grown to unprecedented levels, highlighting the increasing reliance of Southern Europe on tourism-related surpluses to export their way to growth within the EMU.

Moreover, through the analysis of bilateral CA balances, we also show that northern and southern Europe have become increasingly integrated through international tourism transactions. Since the crisis, southern Europe has substantially expanded its tourism CA surpluses vis-à-vis EMU core countries and the UK. Although we cannot provide conclusive evidence, we hypothesize that this process has likely been driven by a combination of internal devaluation and governments' industrial policies aimed at upgrading, diversifying, and promoting their domestic tourism industries in the ever-expanding international tourism markets. We posit that the Single European Aviation Market (SEAM) and travel and visa liberalizations have created the preconditions for an unprecedented expansion of intra-European travel. At the same time, EU state-aid prohibitions and a hard currency regime *cum* legal constraints on national budgets pre-empt southern European countries' previous capacity to pursue growth strategies centred on expansionary fiscal and wage policy-making as well as competitive devaluations. Thus, the process of European integration has created both incentives and constraints, forcing southern European countries to capitalize on their comparative advantages in international tourism. Tourism-led growth now provides these economies with an option for export-led growth compatible with the requirements of the EMU's hard currency regime and Europe's regulatory state.

This article contributes to European political economy scholarship both theoretically and empirically. First, we contribute to burgeoning debates on growth models by urging attention to international tourism as a full-fledged growth strategy. For peripheral economies with suitable pre-conditions (for example, warm climate, coastlines, cultural heritage), tourism represents a developmental strategy worth studying alongside other growth

strategies based on foreign direct investment (FDI) and tax dumping (Ban and Adascalitei, 2020; Bohle and Regan, 2021). Second, we contribute to political economy debates on European integration by highlighting the growing international interdependence of southern Europe's tourism-led growth strategies with northern Europe's strategies of export-led growth and privatized Keynesianism in the UK.

The article proceeds as follows. We first locate tourism within key debates on growth models and European integration. Then, we introduce international tourism as an export-led strategy and briefly discuss how European integration contributed to its expansion. After that, we trace the evolution of southern Europe's growth models and demonstrate the rise of tourism-led growth. We conclude by discussing the perils of an excessive reliance on tourism and sketching a future research agenda on the comparative political economy of tourism.

I. The Political Economy of European Economic and Monetary Integration

The process of European economic and monetary integration was premised on the idea that free trade within a European single market would benefit both producers and consumers thanks to firms' economies of scale and countries' greater specialization based on their respective comparative advantages (European Commission, 1985). A single currency was seen as complementary to enhance these gains from trade by reducing transaction costs and guaranteeing macroeconomic stability (European Commission, 1990). While the theory of optimal currency areas portrayed monetary integration as beneficial only for Member States with flexible labour markets or synchronized business cycles,¹ integration proceeded under the assumption that greater competition and economic/financial integration would induce governments to generate the institutional and economic convergence necessary for a common currency to work (Frankel and Rose, 1998).

Yet, three decades later, structural differences among European countries persist (Höpner and Schäfer, 2012). Within the EMU, mounting economic divergence between core countries and southern peripheral economies has instead ensued (Gambarotto and Solari, 2015). Against this backdrop, scholars of the political economy of European integration debate whether European integration can successfully accommodate different varieties of capitalism or growth models (Höpner and Schäfer, 2010; Johnston and Regan, 2018; Scharpf, 1999; Stockhammer, 2016) without a political union capable of supranational macroeconomic stabilization and social protection (McNamara et al., 2015; Scharpf, 2014).

Some scholars argue that the diversity of European political economies within the EMU allows for forms of monetary solidarity by providing diverse countries with mechanisms for mutual insurance for income and consumption smoothing (Schelkle, 2017). Others oppose this view on three grounds: (1) the very crisis of the EMU was in the first place due to its members' incompatible growth models joined together within a system of fixed exchange rates which penalizes the previously soft-currency regimes of southern Europe (Hancké, 2013; Höpner and Lutter, 2018; Johnston and Regan, 2016; Scharpf, 2011); (2) the euro can now only be saved at the cost of suppressing democracy

¹As noted by some prominent US economists, these conditions were hardly achieved in Europe at the time (Feldstein, 1997). For an extensive review on EMU and the theory of optimal currency areas, see Mongelli (2005).

in southern Europe (Crum, 2013); (3) since the crisis, the EMU's strengthened economic governance imposes a process of 'forced structural convergence' on southern economies (Regan, 2017; Scharpf, 2016). Scholars have highlighted how northern European countries dispose of the institutional complementarities necessary for an export-led growth strategy suitable for economic success within the EMU (Hall, 2014). On the contrary, lacking these institutional prerequisites, southern Europe's economies that have traditionally relied on domestic demand-led growth strategies find it hard to operate successfully in the EMU without currency devaluations and tools for aggregate demand management (Hassel, 2014; Iversen et al., 2016). Therefore, due to fiscal austerity, internal devaluations and market-enhancing structural reforms, the EMU suppresses domestic growth drivers and forces southern economies into export-led growth (Scharpf, 2016).

Despite their richness, current debates on the political economy of Europe have so far overlooked the implications of European integration for the steep rise of the international tourism industry and the consequences this development has had for the reconfiguration of southern Europe's growth models within the EMU. We contribute to these debates by highlighting how European integration has put in place the preconditions for expanding the international tourism industry. We demonstrate that southern European economies have increasingly exploited their comparative advantage in the tourism industry vis-à-vis northern Europe's countries to rekindle their export-led growth strategies within Europe's post-crisis constrained governance environment.

II. International Tourism as an Export-Led Growth Strategy

The classic varieties of capitalism literature had identified four different models of capitalism: coordinated market economies (CMEs), liberal market economies (LMEs), mixed market economies (MMEs) (Hall and Soskice, 2001; Molina and Rhodes, 2006) and economies dependent on FDI (Nölke and Vliegthart, 2009). Instead, the current growth models literature categorizes countries based on an economy's main drivers of aggregate demand formation (Baccaro and Pontusson, 2016). Northern Europe's CMEs consist of export-led growth models with subdued domestic demand and a specialization in manufacturing goods' exports (Austria, Belgium, Germany) and 'balanced growth models' with extensive exports of ICT-based services and high domestic demand (Nordic countries, the Netherlands). The United Kingdom is an LME that relies on consumption-led growth underpinned by deregulated access to credit and vibrant housing markets – also known as 'privatized Keynesianism' (Crouch, 2009). Central and eastern European economies and Ireland largely rely on lower labour costs and/or favourable tax schemes and incentives to attract FDI by multinational corporations to generate growth and jobs (Ban and Adascalitei, 2020; Bohle and Regan, 2021; Reurink and Garcia-Bernardo, 2020). Lastly, before the eurozone crisis, the MMEs of southern Europe relied on domestic private and public consumption underpinned by easy access to credit and/or generous wage and fiscal policies (Hassel and Palier, 2021).

Along these ideal types identified by the literature, we conceptualize and add a hitherto overlooked export-led growth strategy centred on exporting international tourism services. According to standard classifications, tourism consists of 'the activity of visitors taking a trip to a main destination outside the usual environment, for less than a year, for any main purpose, including business, leisure or other personal purposes, other than

to be employed by a resident entity in the place visited' (Eurostat, 2014). Three types of tourism activities can be distinguished. *Domestic tourism* consists of within-country tourism by residents. Travels by incoming foreign tourists are considered as *inbound tourism*, and vice versa *outbound tourism*. Even though domestic tourism is a hefty economic sector in many countries and constitutes an essential component of private consumption, to study the importance of tourism as an export-led growth strategy, we will focus only on international tourism, that is, inbound/outbound tourism.

Today, international tourism is one of the world's major internationally traded services. Its transactions are recorded in the 'travel' and 'passenger transport' items of the balance of payment's current account. To assess the economic contribution of tourism, we rely mainly on data provided by the World Tourism Organization (UNWTO), which has developed a harmonized system of tourism satellite accounts together with the Organisation for Economic Co-operation and Development (OECD) and Eurostat. Inbound tourism is an export component (X) because foreign visitors travel to the country and acquire locally produced tourism services spending their foreign currency earned in the country of residence. Vice versa, outbound tourism is an import component (M). Given the aggregate demand (AD) equation, where:

$$AD = C + I + G + (X - M),$$

international tourism's net contribution to aggregate demand² is positive when receipts from inbound tourism exceed those from outbound tourism, that is, when $(X - M) > 0$.

In multiple ways, international tourism surpluses contribute to economic growth, employment, foreign exchange earnings and tax income (Clancy, 1999; UNCTAD, 1998). Historically, tourism – in liaison with remittances – has played a vital role in fostering the industrialization of those developing countries that lacked the domestic factors of production (De Kadt, 1984). This is because importing capital goods or raw materials from abroad implies deficits in the current account, which must be financed through exports. Inbound tourism has an essential developmental function because it mitigates the balance of payment constraints by bringing foreign exchange into the country. Foreign currency's availability, in turn, could be exploited to import the capital goods and raw materials needed to kick-start industrialization (McKinnon, 1964). Furthermore, tourism can contribute to development by stimulating governments' investment in physical infrastructures and human capital, thereby increasing productivity and generating positive externalities (Blake et al., 2006). It is also an important driver of employment creation, providing income to households that underpins domestic consumption (Lee and Chang, 2008).

However, an excessive reliance on tourism-led growth comes with notable pitfalls. First, critical scholars link tourism to dependency theory and denounce a new form of colonialism whereby foreign multinationals invest in developing countries' touristic destinations and deprive the local population of the profits generated through the intensive

²Focusing only on the current account likely underestimates the actual contribution of tourism to domestic growth because it does not consider foreign tourists' consumption of goods and services other than travel and transport. Moreover, tourism does not sell just one product and decomposing each industry into tourism- and non-tourism-related components is challenging. Some scholars recommend the analysis of backward and forward linkages to fully assess the economic impact of tourism (Cai et al., 2006), which, however, goes beyond the scope of this article.

exploitation of local natural resources.³ Second, as a growth strategy dependent on foreign tourists' inflows, an excessive reliance on tourism makes the country highly vulnerable to exogenous shocks such as the recent outbreak of the Covid-19 pandemic (Financial Times, 2021) or terrorism (Fauzel and Seetana, 2021; Pizam and Smith, 2000). Third, excessive reliance on tourism leads to a restructuring of the economy around low productivity, low value-added sectors, characterized by seasonal jobs and precarious employment (Eurofound, 2012). Fourth, tourism can have severe adverse effects on the environment and on socio-cultural spaces; not only due to the expansion of the airline industry but also the erosion of public infrastructures due to extensive use by foreign tourists, the commodification and over-utilization of natural resources, vandalism and damage to over-crowded cultural sites (Tisdell, 1987).

At any rate, for lack of better alternatives, international tourism can become a full-fledged strategy for governments to generate growth and employment, particularly for less developed countries unable to compete with advanced economies in high-end manufacturing or the knowledge economy. Yet, for such a growth strategy to be successful, countries need a liberal travel visa regime to minimize transaction costs for foreign tourists and a cheap and competitive passenger transportation system to facilitate travels. By putting these conditions into place, European integration has been key to fostering the rise of the European tourism industry.

III. How European Integration Has Underpinned the Expansion of Tourism

Tourism is not mentioned in the EU treaties until 1992 when the Maastricht Treaty introduced the possibility for the EU to take 'measures in the spheres of energy, civil protection, and tourism'. The European Commission has long aimed at expanding its competencies in tourism policy, which it has used strategically to foster the completion of the EU single market (Estol and Font, 2016). However, a full-fledged EU tourism policy remains limited due to the lack of direct competencies and unanimity requirements in the European Council (European Parliament, 2015). Member States have thus jealously protected and advanced their national interests in tourism policy due to its strategic importance for achieving balance of payment parity (Estol and Font, 2016, p. 231). With the Lisbon Treaty, the EU eventually acquired competencies to encourage and promote co-operation between Member States in tourism policy. However, EU competencies remain anchored to the principle of subsidiarity and the EU can only 'support, coordinate or supplement' (art. 6, TFEU) Member States' actions. Any harmonization of Member States' laws and regulations related to tourism is explicitly excluded (art. 195, TFEU). Yet, tourism has indirectly benefited from the process of European integration in multiple ways (see Table 1).

First, a liberal visa regime and the right to free movement have facilitated travels within the EU. Thanks to the Schengen agreements (1985 and 1990), since the mid-1990s, tourists have benefited from a common visa policy for short stays and the gradual removal of internal barriers, enabling persons to cross borders freely irrespective of their nationality. Visa obligations considerably impact tourism since potential travellers may be deterred from traveling if visa procedures are too costly or burdensome. While European

³For a review of the dependency literature, see Bianchi (2018, pp. 90–91).

Table 1: Defining Moments of European Integration for the Expansion of the Tourism Industry

Agreements and regulations	Year	Relevant institutional changes	Effects on the tourism industry
Schengen Agreements	1985 & 1990	Common visa policy for short stays and removal of internal border controls	Persons' freedom to cross internal borders without border checks, irrespective of nationality
1 st legislative package on the liberalization of air transport markets (Council regulations, directives & decisions)	1988	European Commission enabled to apply antitrust regulation to airlines; airlines granted greater pricing freedom; partial liberalization of market access by airlines	First step in the creation of the SEAM
2 nd legislative package on the liberalization of air transport markets (Council regulations)	1990	Deregulation of air traffic limitations; elimination of governments' discrimination against airlines not substantially owned by a European state	Second step in the creation of the SEAM
Maastricht Treaty	1992	Introduction of EU citizenship	Institutionalization of individual right for every EU citizen to move and reside in EU Member States
3 rd legislative package on the liberalization of air transport markets (Council regulations)	1993	Removal of all significant barriers to market entry; regulation of common safety rules and financial requirements; removal of national restrictions on ticket prices; removal of restrictions on routes; deregulation of fares; permitted foreign ownership of airlines	Third and final step in the gradual establishment of the SEAM, leading to greater competition in air transport markets, lower ticket fares, increased frequency of flights, larger number of routes, emergence of the low-cost airlines

residents travel freely across the EU, more than 70 per cent of the world's population needed a visa to travel to Europe in 2012, making it one of the most restrictive regions regarding visa obligations for non-Europeans (Attström et al., 2013). The 1992 Maastricht Treaty then introduced the concept of EU citizenship and institutionalized the individual right for every EU citizen to move freely across the EU.

Second, tourism has benefited enormously from the deregulation and liberalization of the European air transport markets. The creation of the Single European Aviation Market (SEAM), the poster child of negative integration in Europe, was pushed forward by the strategic actions of the Commission in alignment with the Dutch and British governments (Dobson, 2010). National air transport markets have been liberalized through three legislative packages by the European Council, which were inspired by the requirements of market competition enshrined in the Treaty of Rome (1957) (Button, 2001). Before the 1990s, Europe's aviation market was regulated by bilateral agreements. Strict national regulations regulated routes, fares and market access.

Moreover, the market was monopolized by state-owned flag carriers, vigorously protected by state aid (Button and Swann, 1988). This regime was misaligned with EU principles of open markets and free competition. During the late 1980s and early 1990s, the European Council proceeded to deregulate and liberalize the European air markets, introducing the freedom for an EU carrier to operate any route within the EU, removing restrictions on their capacity and operations and empowering airlines to set prices by market principles rather than being dictated by government. The liberalization has led to an enormous expansion of the European aviation industry to the benefit of European travellers who have enjoyed more flights, lower fares, a greater number of routes and destinations, not least thanks to the mushrooming of low-cost airlines across Europe (Burghouwt et al., 2015). Thus, by the 2000s, the preconditions had been put in place, which would subsequently pave the way for southern European countries' growing reliance on international tourism for growth.

IV. The Rise of Tourism-Led Growth in Southern Europe after the Crisis

Southern Europe's Growing Peripheralization

Despite their national differences, Greece, Italy, Portugal and Spain share some key features that have induced scholars to speak of a distinct model of southern European capitalism. These countries had large agricultural sectors and developed into industrialized economies with a substantial lag. Late and disorganized industrialization led to idiosyncratic models of capitalism characterized by inconsistencies between the productive system and the institutional and regulatory setting (Fuà, 1980). These structural weaknesses pushed the state into adopting a direct role in the economic governance of markets to compensate for market failures, promote coordination among market actors and give coherence to the system of capitalist accumulation (Molina and Rhodes, 2006; Schmidt, 2002). Thus, in the aftermath of World War II, the interventionist state played a central role in shaping and directing markets through regulation and active forms of industrial policy such as direct ownership in strategic sectors (Vernon and Aharoni, 2014), active credit policy and various forms of fiscal subsidies (Shonfield, 1965; Thatcher, 2014).

In brief, by the 1980s, southern European economies developed into a model of capitalism featuring the following characteristics (Amable, 2003): dualized welfare states organized around the central role played by the family and the protection of labour market insiders (Ferrera, 1996); dual labour markets with a divide between highly protected insiders and unprotected outsiders; adversarial industrial relations and a fragmented system of interest representation conducive to inflationary wage-setting; the dominance of small and medium enterprises, often family-owned; a bank-based system of corporate governance, often under political control; rooted forms of political clientelism (Hopkin and Mastropaolo, 2001); little investment in research and development, low public expenditures in education, low enrolment rates in tertiary education and weak vocational training systems. Unsurprisingly, these countries pursued production strategies based on price rather than quality competition and were apt to currency devaluations to compensate for systematic expansionary fiscal and wage policies and structural deficiencies (Hancké, 2013; Scharpf, 2016).

Due to these characteristics, the deepening of European economic and monetary integration and economic globalization have hit southern European economies disproportionately hard. First, the rise of the European regulatory state has imposed a shift in national economic governance for which southern Europe's statist models were unfit. European competition policy and state aid regulations have severely reduced the capacity for statist forms of economic governance and have tilted the balance of power in favour of markets and regulatory governance (Majone, 1994). By privatizing state-owned assets and liberalizing core strategic sectors, southern European states have lost their grip on the economy and their pivotal role in domestic markets.

Second, the Maastricht Treaty and the adoption of the single currency have removed further governance capabilities that had historically been crucial for southern Europe's states. On the one hand, the loss of exchange rate policy prevents the pursuit of competitive currency devaluations to mitigate structural deficiencies. Conversely, the Stability and Growth Pact constrains countercyclical fiscal policy to pursue aggregate demand management. Finally, a one-size-fits-none supranational monetary policy fostered economic divergence between the high-inflation southern periphery and the northern low-inflation core (Enderlein, 2006; Scharpf, 2011).

Taken together, the EMU has forced a hard-currency regime into previously soft-currency countries, while the European regulatory state prevents governments from steering domestic markets. Having lost the crucial governance capabilities necessary to run a statist model, southern Europe's economies found themselves between a rock and a hard place by the turn of the century. On the one hand, their political economies were simultaneously too regulated and expensive to compete on price with the low-cost newly industrialized economies in the developing world and eastern Europe. On the other hand, their persisting structural weaknesses prevented them from competing upmarket with the high-skilled, high value-added production systems of northern Europe (Burroni et al., 2022; Simoni, 2020). In fact, China's entry into the World Trade Organization (WTO) in 2001 generated an asymmetric shock in the eurozone. Northern Europe's economies based on the export of high value-added production were well positioned to reap the benefits of the growing Chinese demand for capital and industrial goods. At the same time, however, southern European economies were hit hard by low-cost competition in key sectors of their economies by countries with low labour costs and weak labour rights (De Ville and Vermeiren, 2016). All these factors, some scholars have argued, contributed to the 'peripheralization' of southern European economies within the EMU (Celi et al., 2017; Rhodes et al., 2019) and their deindustrialization (Gamberotto et al., 2019).

Before the crisis, southern European economies within the EMU pursued a growth strategy based on domestic demand expansion and centred in their large, sheltered sectors. Conversely, EMU core countries relied on export-led growth strategies based on manufacturing goods (Austria, Belgium, and Germany) or high-end services (the Netherlands) (Hassel and Palier, 2021). These two complementary models were kept together in the EMU thanks to financial integration and capital flows from Germany, France and the UK to peripheral economies (Blyth, 2013; Jones, 2015; Stockhammer, 2016). However, this 'toxic complementarity' (Fuller, 2018) came to a halt when the global financial crisis disrupted financial markets and inter-bank lending froze. Panic and uncertainty generated a sudden stop crisis and the reversal of financial flows towards northern Europe (Merler and Pisani-Ferry, 2012).

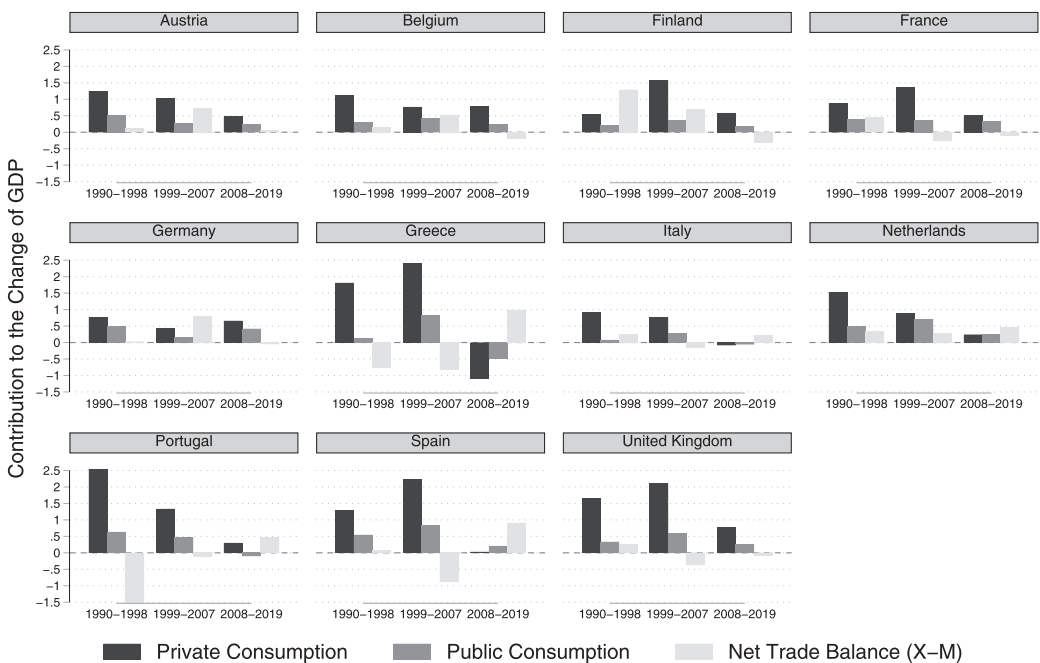
In the adjustment process, southern European countries were forced into fiscal austerity, internal devaluations and structural reforms through formal and informal conditionality imposed by European institutions (Braun et al., 2021; Bulfone and Tassinari, 2020; Hodson and Puetter, 2013). These measures have killed the domestic drivers of aggregate demand, imposing a ‘flight to exports’ (Scharpf, 2016). Since the financial crisis, southern European countries have been forced to export their way to economic growth or ‘perish’ (Perez and Matsaganis, 2019).

However, as we document below, southern European economies have increasingly capitalized on their comparative advantage in the tourism industry in their quest for export-led growth. In fact, these countries enjoy a comparative advantage in tourism exports thanks to their climate, geographical location, natural resources and historical/cultural heritage, as indicated by their high scores in the ‘Travel and Tourism Competitiveness Index’ of the World Economic Forum (Calderwood and Soshkin, 2019).

Export or Perish? Southern Europe’s Shift towards Tourism-Led Growth in the Aftermath of the Euro Crisis

As shown in Figure 1, fiscal austerity and internal devaluation during the last decade depressed domestic demand and forced southern European countries into a ‘flight to exports’ (Scharpf, 2016). The slow growth of the post-crisis period has been driven almost

Figure 1: Average Yearly Contribution to the Change of GDP by Aggregate Demand Component.



Source: AMECO.

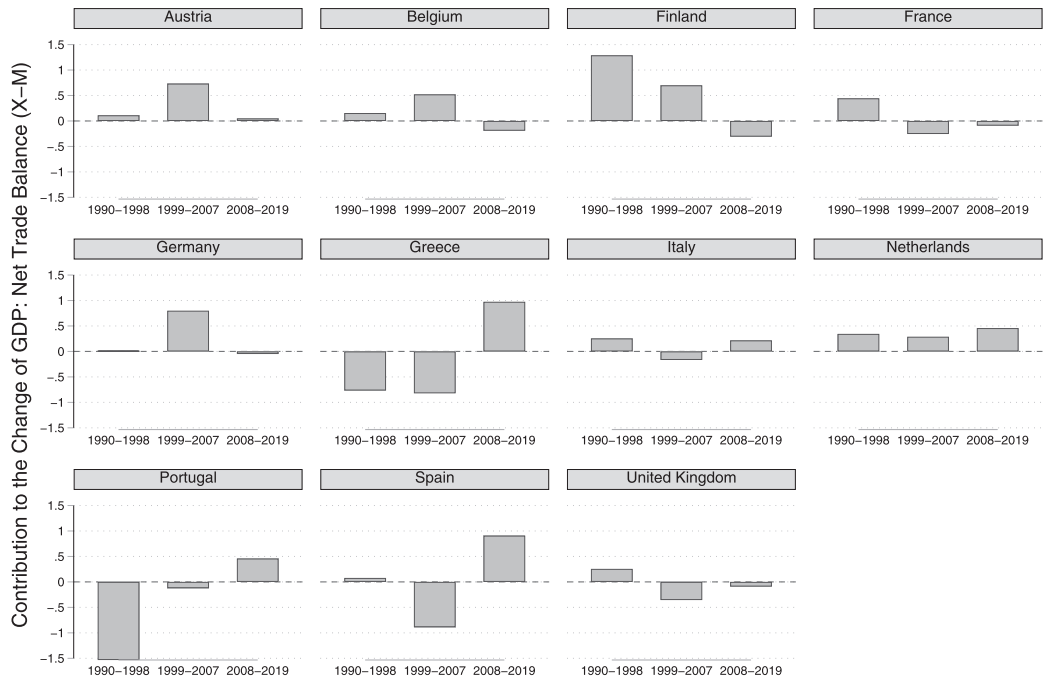
exclusively by net exports in Greece, Italy and Spain. In Portugal, next to net exports, private consumption has also been an important driver of GDP growth.

The contribution of net exports to GDP growth has diminished in northern Europe after the crisis – most notably in Germany but also in Austria, Belgium and Finland. Conversely, since the aftermath of the financial crisis, net exports have become the main drivers of GDP growth in southern Europe, reversing the pre-crisis trend (see Figure 2).

However, export-led growth in southern Europe was driven mainly by exporting tourism services. Figure 3 shows that receipts from international tourism account for around one-fourth of total exports in Greece and Portugal. Here, one should highlight an apparent ‘country-size effect’ regarding the incidence of tourism exports in total exports. Smaller countries with less diversified industrial systems like Portugal and Greece depend heavily on tourism receipts for their export-led growth. Spain is located somewhere between the smaller southern countries and Italy. Italy, instead, does not differ much from the other countries of the EMU core, with tourism exports accounting for only around 8 per cent of total exports. While surprising, Italy’s low share of tourism exports can be explained partly due to Italy’s incapacity to devise coherent developmental policies to keep up with the international competition in tourism markets (OECD, 2011) and due to Italy’s larger, more sophisticated, and resilient industrial sector.

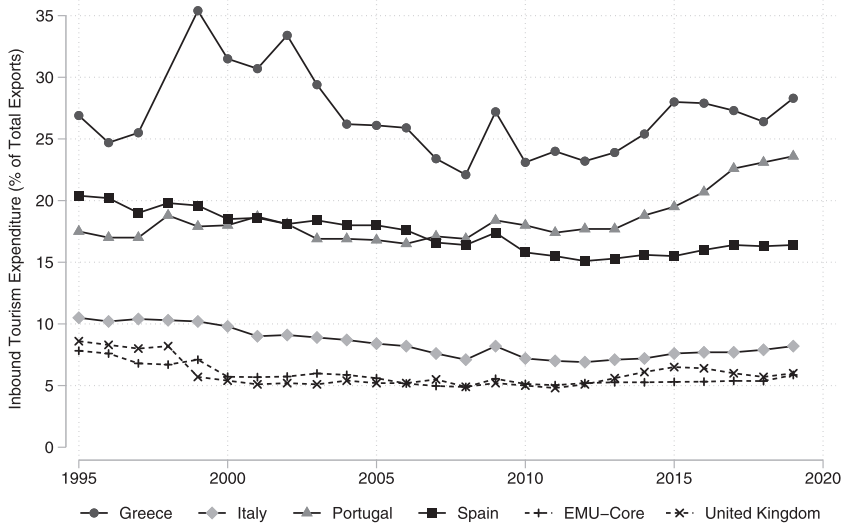
Southern Europe’s increased dependence on international tourism for growth can be gauged through a balance of payment analysis. Figure 4 shows current account balances

Figure 2: Average Yearly Contribution of Net Exports to the Change of GDP.



Source: AMECO.

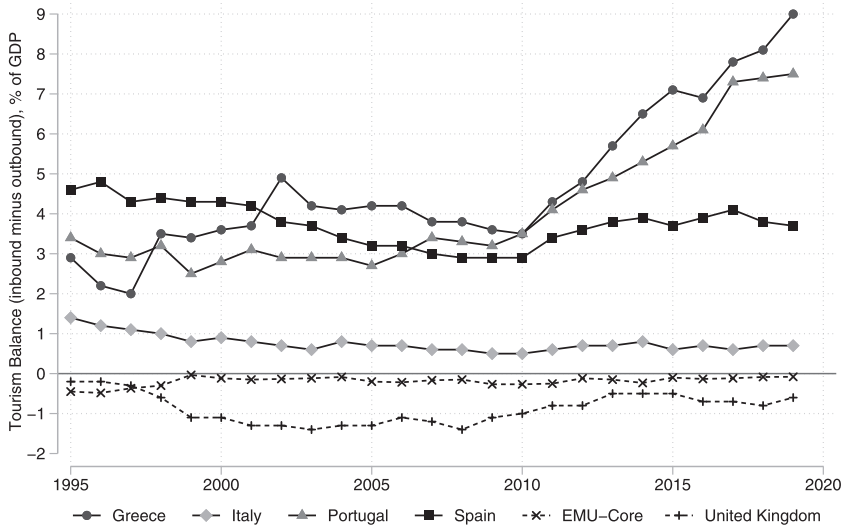
Figure 3: Incidence of Tourism Exports in Total Exports.



Notes: EMU core includes Austria, Belgium, France, Germany, Netherlands and Finland. Tourism includes the travel and passenger transport items.

Source: UNWTO

Figure 4: Current Account Balance for International Tourism Services, % of GDP.



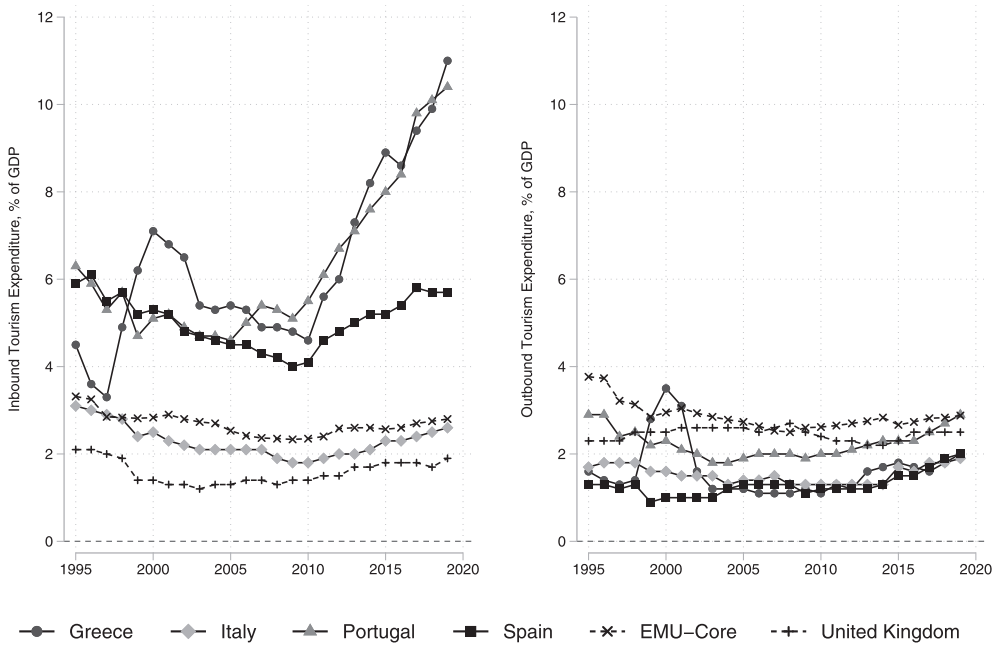
Notes: EMU core includes Austria, Belgium, France, Germany, Netherlands and Finland. Tourism balance includes the travel and passenger transport items.

Source: UNWTO

for international tourism services. While EMU core countries and the UK record stable deficits, southern European surpluses have skyrocketed between 2010 and 2019. Italy – the outlier – displays a small and constant surplus of around 1 per cent of GDP while Spain’s tourism surplus has increased from 3 to 4 per cent. However, it is in the small southern European economies that the most spectacular tourism-led growth can be observed. As of 2019, Greece runs a 9 per cent of GDP tourism surplus – a threefold increase compared with 2010. Over the same period, Portugal’s tourism surplus has more than doubled, standing at more than 7 per cent of GDP. Thus, while EMU core countries continue to run current account surpluses driven by exports of manufactured goods (for example, Germany) or high-end services (for example, Netherlands) (Hassel and Palier, 2021), these imbalances have now been mirrored by southern Europe’s mounting surpluses from international tourism.

Figure 5 further indicates that rising tourism surpluses are *not* the result of declining outbound tourism. Outbound tourism (imports) in southern Europe has remained flat over the last three decades and has even increased slightly since 2015. On the contrary, except for Italy, inbound tourism (exports) in southern Europe has skyrocketed after 2010. Moreover, the steep rise in inbound tourism in southern Europe is not mirrored by an equal increase in outbound tourism in EMU core countries and the UK. However, this does not imply that tourism-led growth in southern Europe relies increasingly on non-European

Figure 5: Inbound and Outbound Tourism Expenditure, % of GDP.



Notes: EMU core includes Austria, Belgium, France, Germany, Netherlands and Finland. Tourism balance includes the travel and passenger transport items.

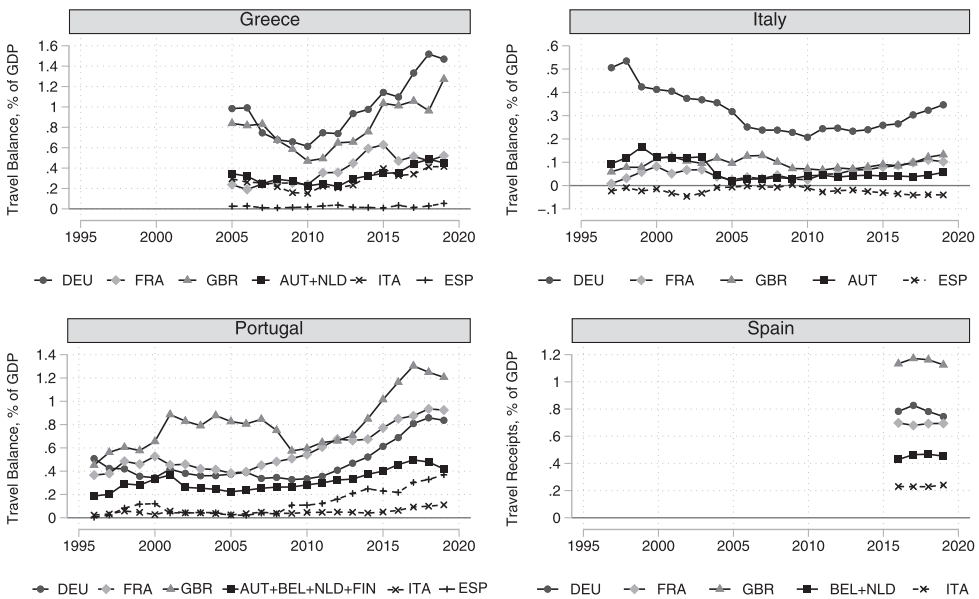
Source: UNWTO

tourists, but instead that northern Europeans are more often travelling to southern Europe than other world regions, pointing to a regional recomposition of tourism patterns.

This regional recomposition is evident in Figure 6, which shows countries' bilateral balances of the travel item of the services' current account. It unequivocally indicates that northern European and British citizens have substantially expanded their imports of tourism services from southern Europe after the eurozone crisis. Thus, southern Europe has become increasingly economically integrated with northern Europe and the UK thanks to international tourism. Greece runs surpluses of around 1.4 per cent of GDP vis-à-vis both Germany and the UK. These surpluses have more than doubled over the last decade. Greece also runs substantial and increasing surpluses vis-à-vis France, Austria and the Netherlands. Similarly, Portugal runs a 1.4 per cent of GDP travel surplus vis-à-vis the UK, surpluses of around 1 per cent of GDP vis-à-vis both Germany and France, and substantial and increasing surpluses vis-à-vis other EMU core countries. Data on Spain are scant and bilateral balances are unavailable. Yet, travel receipts as a per cent of GDP show inflows of 1.2 per cent of GDP from the UK and of 0.8 per cent of GDP from both Germany and France. Again, Italy is the outlier with 0.3 per cent of GDP travel surpluses from Germany.

In a nutshell, the analysis of tourism's contribution to economic growth yields unique insights. As highlighted in the literature, the engine of growth in southern Europe after the crisis has been net exports engineered via fiscal and wage devaluations (Perez and Matsaganis, 2019; Scharpf, 2016). However, what has been neglected is the central role

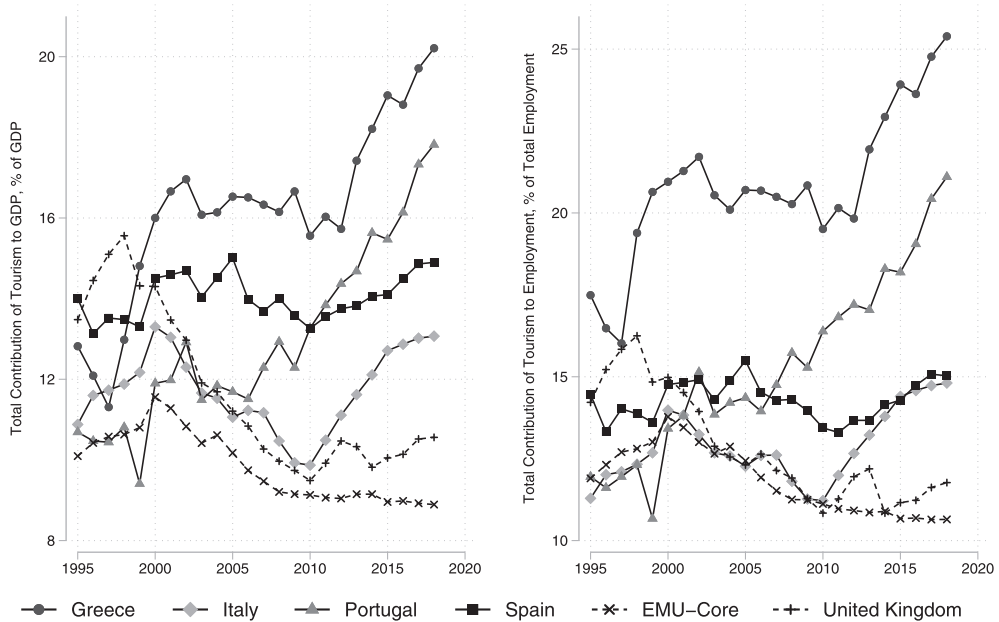
Figure 6: Bilateral Travel Balances or Inbound Receipts, as a percentage of GDP.



Notes: Data on bilateral balances for the travel item of the current account is not available in Spain and travel receipts only from 2016

Sources: Bank of Greece, Bank of Italy, Bank of Portugal, Bank of Spain

Figure 7: Total Contribution of Tourism to National GDP (Left Panel) and Employment (Right Panel)



Source: World Travel and Tourism Council (WTTC).

of international tourism in this adjustment process. Tourism is a substantial component of these countries' exports and a major engine of growth and employment creation. When considering the direct and indirect impact of tourism on national economies, tourism accounts for roughly 20 per cent of GDP in Greece, 17 per cent in Portugal, 15 per cent in Spain, and 13 per cent in Italy (Figure 7 left panel). In terms of employment, one-fourth in Greece and one-fifth in Portugal are employed in a business that directly or indirectly derives its income from tourism activities. In Spain and Italy, around 15 per cent work in a tourism-related undertaking (Figure 7 right panel). On the contrary, tourism services' contribution to GDP and employment in EMU core countries and the UK is low and declining steadily over time.

While we do not have the space to provide conclusive evidence, we hypothesize that the rise of tourism-led growth in the south has likely been driven by the combination of a *market-based* and an *agency-based* mechanism.⁴

On the one hand, the expansion of tourism exports has likely been boosted by internal devaluation in southern Europe after the crisis. Our calculations indicate that tourism exports are significantly price-sensitive in Italy, Greece and Spain, while Portugal's tourism

⁴This is only partially related to political turmoil in the Middle East and Northern Africa (MENA). Despite a fall in tourist arrivals in 2011, they returned to previous levels and experienced steady tourism growth above the world's average before the COVID-19 pandemic (Hopfinger and Scharfenort, 2020; UNWTO, 2019). However, it played a role in the restructuring of tourism flows, that is, northern Europeans travelling more often to southern Europe, while the MENA countries increasingly rely on non-European tourists.

competitiveness appears less price-sensitive (Tables A1–A4 and Figure A1 in the Online Appendix). This may be due to Portugal already being a much cheaper travel destination than Italy, Spain and Greece.⁵ Since 2008/09, Spain, Greece and Italy have experienced lower inflation of tourism services' prices relative to the EU average. Thus, southern Europe's tourism exports have seemingly benefited from the decline in the relative price of tourism-related services vis-à-vis the rest of the EU.

On the other hand, however, southern European governments have also developed coherent industrial policies to capitalize on their comparative advantage in tourism. Available assessments of industrial policies for tourism development suggest that governments succeed (i) when generous public budgets support comprehensive developmental strategies; (ii) when the governance of tourism policy is centralized or tightly coordinated at the national level to activate synergies and co-operation among the plethora of actors and economic sectors involved in the travel and tourism industry; and (iii) when governments support domestic markets by creating institutional complementarities on which tourism thrives – such as physical (for example, airports, highways) and digital (for example, marketing/advertising platforms) infrastructures, vocational training schools to upgrade tourism-specific skills, and the integration of small and medium-sized enterprises (SMEs) in the tourism value chains (Haxton, 2015).

In this respect, Greece (2007), Spain (2009) and Portugal (2007) have all successfully implemented 'National Strategic Plans' to rebrand, upgrade, diversify and promote their domestic tourism industries internationally. While Greece and Portugal feature a highly centralized governance of tourism, Spain tightly co-ordinates the autonomous regions' activities at the national level under the aegis of the Ministry of Industry, Tourism and Trade (OECD, 2012, 2014). By the early 2010s, all three countries devoted large budgets to the promotion of tourism; earmarking between 6 and 8 per cent of their total budgets to tourism policy (Blanke and Chiesa, 2013, p. 405). Italy – the outlier in our account – has so far not implemented a national developmental plan, let alone formed a coherent institutional setting for tourism governance. This is largely due to the regionally fragmented and unco-ordinated governance of tourism policy, which resulted from the broader disorganized decentralization to regional governments in the late 1990s (OECD, 2011). As a result, Italy's first strategic tourism plan developed by the government in 2013 has never been implemented. Initially developed to counteract Italy's loss of tourism market share, the plan failed because the government did not include the regional stakeholders, which continue to promote their regional destinations individually (Banca D'Italia, 2018, p. 102). Moreover, Italy spent approximately half (3.6 per cent of total budgets) compared to its southern European peers on tourism development and promotion (Blanke and Chiesa, 2013, p. 405).

Conclusion: Tourism-Led Growth in the European Political Economy

This article speaks to burgeoning European political economy debates by directing scholars' attention towards a novel and hitherto neglected strategy for export-led growth based on internationally traded tourism services. We aimed to analyse how the process of

⁵For instance, measured in terms of average hotel room rates, prices in Portugal were much lower than those in Spain, Greece, and Italy in the early 2010s (Blanke and Chiesa, 2013, p. 440).

European economic and monetary integration has provided both opportunities and constraints underpinning southern Europe's increasing reliance on tourism-centred growth. Through a balance of payment analysis, we have shown that southern European economies have substantially expanded their current account surpluses in the tourism services and that the main export markets reside in the EMU core countries and the UK. Especially after the financial crisis, tourism exports have thus been major drivers of growth and employment creation in southern Europe.

We argue that the process of European economic and monetary integration has been a double-edged sword, simultaneously incentivizing and forcing southern European governments to reap their comparative advantages in the tourism industry. On the one hand, European integration processes have created the preconditions for a boom of intra-European travel, paving the way for southern Europe's growing specialization as Europe's tourism destinations. On the other, EU state-aid prohibitions and a hard-currency regime *cum* legal constraints on national budgets pre-empt southern European countries' previous capacity to pursue growth strategies centred on expansionary fiscal and wage policy as well as competitive devaluations. International tourism now provides these economies with an option for export-led growth compatible with the requirements of the EMU's hard-currency regime and Europe's regulatory state. Although the EMU as a whole has moved towards a sizeable export-oriented bloc (Scharpf, 2016), different types of export-oriented growth strategies now co-exist in Europe. Over the last decade, the persistent surpluses of northern economies in manufacturing or high-end services have become the mirror image of structural tourism surpluses in southern Europe.

However, while growing tourism surpluses have partially compensated for the collapse of domestic demand in southern Europe after the eurozone crisis, an over-reliance on international tourism is highly problematic. First, tourism fosters a restructuring of economic activity centred on low-skilled, low-productivity activities. It leaves southern Europe structurally dependent on northern European tourists for growth and likely trapped in a bad equilibrium, while northern core countries increasingly move towards high-skilled, high value-added manufacturing and high-end services. Second, the unstoppable growth of global tourism comes with fierce competition from developing countries, which are easily reachable through affordable flights. These countries enjoy comparable natural and cultural resources but have lower prices and labour standards. Unless southern Europe upgrades its tourism offer, low-cost price competition for tourist destinations is likely to worsen even further employment and wage conditions in its tourism industry. Third, high CO₂ emissions of the aviation industry and the damage to local natural resources are orthogonal to climate change mitigation and environmental protection. Fourth, a tourism-led growth strategy is highly vulnerable to exogenous shocks. As the world has faced an unprecedented global pandemic, tourism activities have been among the most affected sectors and southern Europe has been hit disproportionately hard.

Therefore, it is crucial to gain a better understanding of the role of international tourism within today's globalized economies. The recent literature on the political economy of growth focused mainly on the (shrinking) manufacturing sector, high-end services, or FDI attraction. While this focus remains legitimate, neglecting the tourism industry is no longer possible. For better or worse, tourism has emerged as one of the world's fastest-growing industries and internationally traded services. Too little, if anything, is

known in comparative political economy about the determinants of these secular socio-economic transformations and their social, economic, environmental and political consequences.

We aimed to provide a macro-level analysis of longitudinal and cross-country developments of tourism-led growth in Europe. Building on our findings, future research should investigate the comparative political economy of tourism and uncover the characteristics and the socio-economic drivers of different *varieties* of tourism-led growth strategies in Europe. In fact, the tourism industry has become highly diversified over time with countries specializing in different types of tourism activities (for example, educational, medical, cultural or business tourism). Such specializations differ substantially in terms of the sophistication and the value added of the services provided as well as the *institutional complementarities* and physical infrastructures required to sustain such growth strategies. Hence, future research should analyse the different policy pillars of various tourism-centred strategies: investment in transport infrastructure, systems of skills formation, attraction of tourism FDI, destination management organizations, and professional services in support of the tourism industry (for example, insurance, marketing, advertisement). Lastly, future research should investigate the *politics* of tourism-led growth in different countries to uncover the social coalitions underpinning governments' developmental strategies.

Acknowledgements

We would like to thank Odysseas Konstantinakos for excellent research assistance. Previous versions of this article were presented at the Annual Conference of the Council of European Studies 2021, the Workshop on the Political Economy of Growth in Peripheral Economies, and at seminars at the European University Institute, University of Zurich, and the Max Planck Institute for the Study of Societies. We are very grateful for insightful comments and feedback from Björn Bremer, Fabio Bulfone, Loriana Crâșnic, Lukas Haffert, Anke Hassel, Martin Höpner, Philipp Kerler, Maximilian Kiecker, Camilla Locatelli, Giorgio Malet, Valentina Petrović, Vera Šćepanović, Marco Simoni, Wolfgang Streeck, Arianna Tassinari, Elisa Volpi, Visnja Vukov and the anonymous reviewers of the JCMS. Open access funding provided by Universitat Zurich.

Correspondence:

Reto Bürgisser, Department of Political Science, University of Zurich, Affolternstrasse 56, CH-8050 Zurich, Switzerland.
email: buergisser@ipz.uzh.ch

References

- Afonso, A. (2019) 'State-led Wage Devaluation in Southern Europe in the Wake of the Eurozone Crisis'. *European Journal of Political Research*, Vol. 58, No. 3, pp. 938–59.
- Amable, B. (2003) *The Diversity of Modern Capitalism* (Oxford: Oxford University Press).
- Attström, K., Bausager, M., Nielsen, I., Leonardsen, J., Hansen, T. and Mercer, A. (2013) *Study on the Economic Impact of Short Stay Visa Facilitation on the Tourism Industry and on the Overall Economies of EU Member States Being Part of the Schengen Area* (Luxembourg: Publications Office of the European Union).
- Baccaro, L. and Pontusson, H.J. (2016) 'Rethinking Comparative Political Economy: The Growth Model Perspective'. *Politics and Society*, Vol. 44, No. 2, pp. 175–207.

- Ban, C. and Adascalitei, D. (2020). 'The FDI-Led Growth Regimes of the East-Central and the South-East European Periphery'. CBDS Working Paper No. 2020/2.
- Banca D'Italia. (2018). 'Turismo in Italia. Numeri e potenziale di sviluppo'. Bank of Italy Occasional Paper No. 505.
- Bianchi, R. (2018) 'The Political Economy of Tourism Development: A Critical Review'. *Annals of Tourism Research*, Vol. 70, pp. 88–102.
- Blake, A., Sinclair, M.T. and Soria, J.A.C. (2006) 'Tourism Productivity: Evidence from the United Kingdom'. *Annals of Tourism Research*, Vol. 33, No. 4, pp. 1099–120.
- Blanke, J. and Chiesa, T. (2013). The Travel and Tourism Competitiveness Report 2013. Available at: <https://reports.weforum.org/travel-and-tourism-competitiveness-report-2013>
- Blyth, M. (2013) *Austerity: The History of a Dangerous Idea* (Oxford: Oxford University Press).
- Bohle, D. and Regan, A. (2021) 'The Comparative Political Economy of Growth Models: Explaining the Continuity of FDI-Led Growth in Ireland and Hungary'. *Politics and Society*, Vol. 49, No. 1, pp. 75–106.
- Braun, B., Di Carlo, D., Diessner, S. and Dusterhöft, M. (2021) 'Between Governability and Legitimacy: The ECB and Structural Reforms'. *SocArXiv*. <https://doi.org/10.31235/osf.io/dp3nv>
- Bulfone, F. and Tassinari, A. (2020) 'Under Pressure. Economic Constraints, Electoral Politics and Labour Market Reforms in Southern Europe in the Decade of the Great Recession'. *European Journal of Political Research*, Vol. 60, No. 3, pp. 509–38.
- Burghouwt, G., De Leon, P.M. and De Wit, J. (2015) 'EU Air Transport Liberalisation Process, Impacts and Future Considerations'. *International Transport Forum Discussion Paper No. 2015-04*.
- Burroni, L., Pavolini, E. and Regini, M. (2022) *Mediterranean Capitalism Revisited* (Ithaca, NY: Cornell University Press).
- Button, K. (2001) 'Deregulation and Liberalization of European Air Transport Markets'. *Innovation: The European Journal of Social Science Research*, Vol. 14, No. 3, pp. 255–75.
- Button, K. and Swann, D. (1988) 'European Community Airlines – Deregulation and its Problems'. *JCMS*, Vol. 27, No. 4, pp. 259–82.
- Cai, J., Leung, P. and Mak, J. (2006) 'Tourism's Forward and Backward Linkages'. *Journal of Travel Research*, Vol. 45, No. 1, pp. 36–52.
- Calderwood, L. and Soshkin, M. (2019) The Travel & Tourism Competitiveness Report 2019. Available at: <https://reports.weforum.org/travel-and-tourism-competitiveness-report-2019/>
- Celi, G., Ginzburg, A., Guarascio, D. and Simonazzi, A. (2017) *Crisis in the European Monetary Union: A Core-Periphery Perspective* (London: Routledge).
- Clancy, M.J. (1999) 'Tourism and Development. Evidence from Mexico'. *Annals of Tourism Research*, Vol. 26, No. 1, pp. 1–20.
- Crouch, C. (2009) 'Privatised Keynesianism: An Unacknowledged Policy Regime'. *The British Journal of Politics & International Relations*, Vol. 11, No. 3, pp. 382–99.
- Crum, B. (2013) 'Saving the Euro at the Cost of Democracy?' *JCMS*, Vol. 51, No. 4, pp. 614–630.
- De Kadt, E.J. (1984) *Tourism: Passport to Development? Perspectives on the Social and Cultural Effects of Tourism in Developing Countries* (Oxford: Oxford University Press).
- De Ville, F. and Vermeiren, M. (2016) 'The Eurozone Crisis and the Rise of China in the Global Monetary and Trading System: The Political Economy of an Asymmetric Shock'. *Comparative European Politics*, Vol. 14, No. 5, pp. 572–603.
- Dobson, A. (2010) 'Civil Aviation and European Integration: Creating the Seemingly Impossible SEAM'. *JCMS*, Vol. 48, No. 4, pp. 1127–47.
- Du, D., Lew, A.A. and Ng, P.T. (2016) 'Tourism and Economic Growth'. *Journal of Travel Research*, Vol. 55, No. 4, pp. 454–64.

- Enderlein, H. (2006) 'Adjusting to EMU: The Impact of Supranational Monetary Policy on Domestic Fiscal and Wage-Setting Institutions'. *European Union Politics*, Vol. 7, No. 1, pp. 113–40.
- Estol, J. and Font, X. (2016) 'European Tourism Policy: Its Evolution and Structure'. *Tourism Management*, Vol. 52, pp. 230–41.
- Eurofound. (2012) 'Employment and Industrial Relations in the Hotels and Restaurants Sector'. Available at: https://www.eurofound.europa.eu/sites/default/files/ef_files/docs/eiro/tm1109011s/tm1109011s.pdf. Accessed 9 June 2022.
- European Commission. (1985) 'Completing the Internal Market'. White Paper from the Commission to the European Council. Available at: <https://op.europa.eu/s/whdI>. Accessed 9 June 2022.
- European Commission (1990) 'One market, one money'. *European Economy*, Vol. 44.
- European Parliament. (2015) 'Tourism and the European Union'. Available at: [https://www.europarl.europa.eu/thinktank/en/document/EPRS_IDA\(2015\)568343](https://www.europarl.europa.eu/thinktank/en/document/EPRS_IDA(2015)568343). Accessed 9 June 2022.
- Eurostat. (2014). 'Methodological Manual for Tourism Statistics'. Available at: <https://ec.europa.eu/eurostat/documents/3859598/6454997/KS-GQ-14-013-EN-N.pdf/166605aa-c990-40c4-b9f7-59c297154277>. Accessed 9 June 2022.
- Fauzel, S. and Seetanah, B. (2021) 'Assessing the Impact of Terrorism on African Tourism Demand'. *Tourism Analysis*, Online First.
- Feldstein, M. (1997) 'The Political Economy of the European Economic and Monetary Union'. *Journal of Economic Perspectives*, Vol. 11, No. 4, pp. 23–42.
- Ferrera, M. (1996) 'The "Southern model" of Welfare in Social Europe'. *Journal of European Social Policy*, Vol. 6, No. 1, pp. 17–37.
- Financial Times. (2021). 'European Tourism: "With Another Lost Summer, Many Businesses Will Disappear"'. Available at: <https://www.ft.com/content/8b0f0347-d715-4bab-bc55-a07ad4bcac49>. Accessed 9 June 2022.
- Frankel, J.A. and Rose, A.K. (1998) 'The Endogeneity of the Optimum Currency Area Criteria'. *The Economic Journal*, Vol. 108, No. 449, pp. 1009–25.
- Fuà, G. (1980) *Problems of Lagged Development in OECD Europe: A Study of Six Countries* (Paris: OECD).
- Fuller, G.W. (2018) 'Exporting Assets: EMU and the Financial Drivers of European Macroeconomic Imbalances'. *New Political Economy*, Vol. 23, No. 2, pp. 174–91.
- Gambarotto, F., Rangone, M. and Solari, S. (2019) 'Financialization and Deindustrialization in the Southern European Periphery'. *Athens Journal of Mediterranean Studies*, Vol. 5, No. 3, pp. 151–72.
- Gambarotto, F. and Solari, S. (2015) 'The Peripheralization of Southern European Capitalism within the EMU'. *Review of International Political Economy*, Vol. 22, No. 4, pp. 788–812.
- Hall, P. (2014) 'Varieties of Capitalism and the Euro Crisis'. *West European Politics*, Vol. 37, No. 6, pp. 1223–43.
- Hall, P. and Soskice, D. (2001) *Varieties of Capitalism* (Cambridge: Cambridge University Press).
- Hancké, B. (2013) *Unions, Central Banks, and EMU: Labour Market Institutions and Monetary Integration in Europe* (Oxford: Oxford University Press).
- Hassel, A. (2014). 'Adjustments in the Eurozone: Varieties of Capitalism and the Crisis in Southern Europe'. LEQS Paper 76.
- Hassel, A. and Palier, B. (2021) *Growth and Welfare in Advanced Capitalist Economies: How Have Growth Regimes Evolved?* (Oxford: Oxford University Press).
- Haxton, P. (2015) 'A Review of Effective Policies for Tourism Growth'. OECD Tourism Papers, 2015/01.

- Hodson, D. and Puetter, U. (2013) 'The European Union and the Economic Crisis'. In Cini, M. and Perez-Solorzano, N. (eds) *European Union Politics* (Oxford: Oxford University Press).
- Hopfinger, H. and Scharfenort, N. (2020) 'Tourism Geography of the MENA Region: Potential, Challenges and Risks: Editorial'. *Zeitschrift für Tourismuswissenschaft*, Vol. 12, No. 2, pp. 131–57.
- Hopkin, J. and Mastropaolo, A. (2001) 'From Patronage to Clientelism: Comparing the Italian and Spanish Experiences'. In Piattoni, S. (ed.) *Clientelism, Interests, and Democratic Representation* (Cambridge: Cambridge University Press), pp. 152–71.
- Höpner, M. and Lutter, M. (2018) 'The Diversity of Wage Regimes: Why the Eurozone is too Heterogeneous for the Euro'. *European Political Science Review*, Vol. 10, No. 1, pp. 71–96.
- Höpner, M. and Schäfer, A. (2010) 'A New Phase of European Integration: Organized Capitalisms in post-Ricardian Europe'. *West European Politics*, Vol. 33, No. 2, pp. 344–68.
- Höpner, M., & Schäfer, A. (2012). 'Integration among Unequals: How the Heterogeneity of European Varieties of Capitalism Shapes the Social and Democratic Potential of the EU'. MPIfG Discussion Paper No. 12/5.
- Iversen, T., Soskice, D. and Hope, D. (2016) 'The Eurozone and Political Economic Institutions'. *Annual Review of Political Science*, Vol. 19, pp. 163–85.
- Johnston, A. and Regan, A. (2016) 'European Integration and the Incompatibility of National Varieties of Capitalism'. *JCMS*, Vol. 54, No. 2, pp. 318–36.
- Johnston, A. and Regan, A. (2018) 'Introduction: Is the European Union Capable of Integrating Diverse Models of Capitalism?' *New Political Economy*, Vol. 23, No. 2, pp. 145–59.
- Jones, E. (2015) 'Getting the Story Right: How You Should Choose between Different Interpretations of the European Crisis (and Why You Should Care)'. *Journal of European Integration*, Vol. 37, No. 7, pp. 817–32.
- Jones, E. (2016) 'Competitiveness and the European Financial Crisis'. In Caporaso, J.A. and Rhodes, M. (eds) *The Political and Economic Dynamics of the Eurozone Crisis* (Oxford: Oxford University Press), pp. 79–99.
- Lee, C.C. and Chang, C.P. (2008) 'Tourism Development and Economic Growth: A Closer Look at Panels'. *Tourism Management*, Vol. 29, pp. 180–92.
- Lew, A.A. (2011) 'Tourism's Role in the Global Economy'. *Tourism Geographies*, Vol. 13, No. 1, pp. 148–51.
- Lijphart, A. (1963) 'Tourist Traffic and Integration Potential'. *JCMS*, Vol. 2, No. 3, pp. 251–62.
- Majone, G. (1994) 'The Rise of the Regulatory State in Europe'. *West European Politics*, Vol. 17, No. 3, pp. 77–101.
- McKinnon, R.I. (1964) 'Foreign Exchange Constraints in Economic Development and Efficient Aid Allocation'. *The Economic Journal*, Vol. 74, No. 294, pp. 388–409.
- McNamara, K.R., Matthijs, M. and Blyth, M. (2015) 'The Forgotten Problem of Embeddedness'. In Matthijs, M. and Blyth, M. (eds) *The Future of the Euro* (Oxford: Oxford University Press), pp. 21–43.
- Merler, S. and Pisani-Ferry, J. (2012) 'Sudden Stops in the Euro Area'. *Bruegel Policy Contribution*, Vol. 6, No. 12, pp. 1–13.
- Molina, O. and Rhodes, M. (2006) 'Mixed Market Economies'. *Newsletter of the European Politics & Society Section of the American Political Science Association*, Vol. 5, No. 1.
- Mongelli, F.P. (2005) 'What is European Economic and Monetary Union Telling Us about the Properties of Optimum Currency Areas?' *JCMS*, Vol. 43, No. 3, pp. 607–35.

- Nölke, A. and Vliegenthart, A. (2009) 'Enlarging the Varieties of Capitalism'. *World Politics*, Vol. 61, No. 4, pp. 670–702.
- OECD (2011) *OECD Studies on Tourism: Italy: Review of Issues and Policies* (Paris: OECD).
- OECD (2012) *OECD Tourism Trends and Policies* (Paris: OECD).
- OECD (2014) *OECD Tourism Trends and Policies* (Paris: OECD).
- Perez, S. and Matsaganis, M. (2019) 'Export or Perish: Can Internal Devaluation Create Enough Good Jobs in Southern Europe?' *South European Society and Politics*, Vol. 24, No. 2, pp. 259–85.
- Pizam, A. and Smith, G. (2000) 'Tourism and Terrorism'. *Tourism Economics*, Vol. 6, No. 2, pp. 123–38.
- Regan, A. (2017) 'The Imbalance of Capitalisms in the Eurozone: Can the North and South of Europe Converge?' *Comparative European Politics*, Vol. 15, No. 6, pp. 969–90.
- Reurink, A. and Garcia-Bernardo, J. (2020) 'Competing for Capitals: The Great Fragmentation of the Firm and Varieties of FDI Attraction Profiles in the European Union'. *Review of International Political Economy*, Vol. 28, No. 5, pp. 1274–307.
- Rhodes, M.J., Epstein, R. and Börzel, T.A. (2019) 'Introduction: Peripheries in Competition? Political and Economic Development in the EU'. *West European Politics*, Vol. 42, No. 5, pp. 927–40.
- Russett, B.M. (1970) 'Interdependence and Capabilities for European Cooperation'. *JCMS*, Vol. 9, No. 2, pp. 143–50.
- Scharpf, F.W. (1999) *Governing in Europe* (Oxford: Oxford University Press).
- Scharpf, F.W. (2011) 'Monetary Union, Fiscal Crisis and the Pre-emption of Democracy'. *Journal for Comparative Government and European Policy*, Vol. 9, No. 2, pp. 163–98.
- Scharpf, F.W. (2014) 'Political Legitimacy in a Non-optimal Currency Area'. In Cramme, O. and Hobolt, S.B. (eds) *Democratic Politics in a European Union under Stress* (Oxford: Oxford University Press), pp. 19–47.
- Scharpf, F.W. (2016). 'Forced Structural Convergence in the Eurozone – Or a Differentiated European Monetary Community'. MPIfG Discussion Paper No. 16/15.
- Schelkle, W. (2017) *The Political Economy of Monetary Solidarity: Understanding the Euro Experiment* (Oxford: Oxford University Press).
- Schmidt, V.A. (2002) *The Futures of European Capitalism* (Oxford: Oxford University Press).
- Scott, D. and Gössling, S. (2015) 'What Could the Next 40 Years Hold for Global Tourism?' *Tourism Recreation Research*, Vol. 40, No. 3, pp. 269–85.
- Shonfield, A. (1965) *Modern Capitalism: The Changing Balance of Public and Private Power* (Oxford: Oxford University Press).
- Simoni, M. (2020) 'Institutional Roots of Economic Decline: Lessons from Italy'. *Italian Political Science Review/Rivista Italiana di Scienza Politica*, Vol. 50, No. 3, pp. 382–97.
- Stockhammer, E. (2016) 'Neoliberal Growth Models, Monetary Union and the Euro Crisis. A Post-Keynesian Perspective'. *New Political Economy*, Vol. 21, No. 4, pp. 365–79.
- Thatcher, M. (2014) 'From Old to New Industrial Policy via Economic Regulation'. *Rivista della regolazione dei mercati*, Vol. 2, pp. 6–22.
- Tisdell, C. (1987) 'Tourism, the Environment and Profit'. *Economic Analysis and Policy*, Vol. 17, No. 1, pp. 13–30.
- UNCTAD (1998) *International Trade in Tourism-Related Services: Issues and Options for Developing Countries* (Geneva: UNCTAD).
- UNWTO. (2019). Tourism in the MENA Region. Available at: <https://www.e-unwto.org/doi/epdf/10.18111/9789284420896>. Accessed 9 June 2022.

UNWTO. (2020). World Tourism Barometer. Available at: https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2020-01/UNWTO_Barom20_01_January_excerpt.pdf. Accessed 9 June 2022.

Vernon, R. and Aharoni, Y. (2014) *State-Owned Enterprise in the Western Economies* (London: Routledge).

Supporting Information

Additional supporting information may be found online in the Supporting Information section at the end of the article.

Data S1. Supporting information.