Institutional differences and threats to international tourists from the perspective of new institutional economics

Abstract

The main aim of this article is to demonstrate theoretical connections in the context of institutional differences for the international tourist, which may constitute a source of threats due to institutional differences between countries. The article highlights theoretical threats stemming from institutional differences for international tourists from the perspective of new institutional economics, the research methods of which provide the analytical framework for this analysis. The post-pandemic period could transform preferences among international tourists, who are increasingly drawn to countries with significant cultural diversity. This creates dangers arising from institutional differences that may affect their sense of security and, consequently, have implications for social costs significant to the industry, as demonstrated during the COVID-19 pandemic, underscoring its crucial role in global economic development.

Keywords

- new institutional economics
- institutional system
- tourism

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Introduction

According to UNWTO (2020) data, tourism declined by 60–80% on the global scale during the COVID-19 pandemic in comparison to 2019. It resulted in a loss of 1 billion international tourist arrivals and a loss in international receipts of 1.3 trillion USD, with an estimated loss in global GDP of over 2 trillion USD. Tourism reached the level of 1990 which is 30 years ago with a total of 338 million international arrivals in 2020 (Skryl & Gregoric, 2022). COVID-19 in the tourism sector has caused tourist visits to drop drastically, closing hotels, restaurants and other tourism businesses. This has an impact on the economy of tourism activists because many tourism industries had to be closed either temporarily or permanently (Rahmah & Muliawanti, 2023). The impact of the COVID-19 pandemic on the global tourism situation is obvious, and the recovery of tourism will need a different development approach.

Currently, the tourism industry has begun to rebuild, shifting focus towards sustainable development (Sharpley, 2022). This shift has led to changes in tourist destination preferences, with an increased interest in culturally diverse locations. For example, the Middle East led the recovery by regions in relative terms, being the only region to overcome pre-pandemic levels, with arrivals 22% above 2019. Several destinations enjoyed extraordinary results, among which are Qatar (+90%) and Saudi Arabia (+56%) (UNWTO, 2024a). Furthermore, Asia and the Pacific reached 65% of the pre-pandemic levels, with a gradual recovery since the start of 2023 (Figure 1). These changes necessitate a deeper examination of institutional

![Figure 1. International tourist arrivals, world and regions (in %)](source: (UNWTO, b.d.).)
differences and their implications for international tourists. This article seeks to clarify these implications, particularly in relation to the so-called demerit goods, and the resulting social and economic costs, which include direct and indirect impacts, as well as externalities, affecting even those not engaged in these activities.

As Lin et al. (2022) indicated, the post-pandemic era has witnessed shifts in tourist preferences. In the opinion of Wanchaem et al. (2023), travel destinations have changed, and the significance of economic factors in destination countries has been reevaluated. Tourists have become more interested in factors related to cultural diversity than the level of economic development in their chosen destinations (Figure 1). These changes pose challenges to international tourism as the move from commonly favoured destinations to those with unique cultural or natural features can lead to variances in numerous facets of social and economic life, thereby creating uncertainty for tourists (UNWTO, 2024b). An example of that could be Qatar and Saudi Arabia (UNWTO, 2024a). This shift should be analytically described and supported with empirical evidence to underscore its impact on global tourism trends. The primary objective of this article is to identify theoretical institutional differences that may be of significance to international tourists. This objective corresponds to the directions for shaping the reconstruction of the tourism industry, with a focus on sustainability (in line with the principles of sustainable development) and reducing uncertainty for tourists, who may face negative consequences due to their lack of awareness of institutional differences. On the other hand, the cognitive aim of this work is to highlight the threats arising from the institutional differences for international tourists.

This article focuses on three fundamental cognitive elements: institutions, tourists and demerit goods. In the studied economic context, these cognitive elements affect the subject of the study, as illustrated by the achievement of the cognitive objective of the article.

1. Cognitive elements and research subject

Before embarking on the actual discussion, it is crucial to provide explicit definitions of cognitive elements as well as the subject of the study. This is necessary because, in the broader field of social sciences, these concepts are understood in various ways (Godłów-Legiędź, 2010).

Following the widely accepted definition by North (1990), institutions can be defined as the rules of the game within a society, along with the means of their enforcement by the overseeing authorities. Institutions are generally categorised as formal and informal (North, 1991). Formal institutions primarily include the constitution,
legal norms, property rights and regulations, whereas informal institutions encompass sanctions, taboos, customs, traditions, religion, language and codes of conduct.

A tourist, on the other hand, is an individual who stays in a specific location for at least one night for various purposes, such as leisure, sightseeing, medical treatment, religious activities, business, family visits, entertainment, shopping, and so on (Cymańska-Garbowska & Steblik-Wlaźlak, 2013). Demerit goods, in turn, refer to goods and services whose consumption is detrimental to health, has a degrading effect on individuals, or otherwise creates unwanted consequences for society while negatively impacting the consumers themselves. Common examples of goods and services that generate significant social costs include alcohol, tobacco, narcotics, gambling, prostitution, etc. Social costs encompass direct and indirect losses resulting from the consumption, production and exchange of demerit goods incurred by entities not participating in these processes (Sukiennik, 2012).

2. Justification for the article topic

The chosen topic appears to be significant from a cognitive perspective for several reasons. Firstly, in today’s context, the economic dependence on tourism, including international tourism, is becoming increasingly evident. For example, estimates of tourism direct gross domestic product (TDGDP) point to USD 3.3 trillion in 2023, or 3% of global GDP, the same level as in 2019, driven by both domestic and international travel (UNWTO, 2024a). This became particularly apparent during the COVID-19 pandemic, which witnessed a sharp decline in tourism activity (OECD, 2020; UNWTO, 2024a). Consequently, the interdependence of institutions is crucial for both the business environment and the overall economic development, as appropriate institutional actions can lead to increased efficiency.

Secondly, there is a growing emphasis on individual rights and freedom of choice in various aspects of socio-economic life. This is particularly prominent in Western European economies.

Thirdly, within specific institutional frameworks such as the European Union, UNWTO (United Nations World Tourism Organization), WTO (World Trade Organization), etc., there is a push for harmonising regulations, which can increase institutional divergence both among its individual members as well as on a global scale. One example of this kind of harmonisation could be Proposal for a Regulation of the European Parliament and of the Council on data collection and sharing relating to short-term accommodation rental services (Council of the European Union, 2023). This proposal of formal act could be understood as an attempt to reduce differences in institutional constructs, including formal and informal institutions, both globally and at the country level.
It is worth noting that the same legal norms can have varying impacts depending on the degree of alignment (synchronisation) of regulations and informal institutions (North, 1990). Such a relationship was observed, for example, by Chang (2011), in the context of institutions contributing to economic growth in some countries but not in others. Other researchers also confirm this connection, suggesting that transplanting efficient institutions from one country to another may have a negative effect (Eggertsson, 2009). This phenomenon contributes to increased risks for international tourists and possible disharmony in the institutional system.

The basis for conducting this analysis concerning the relationship between institutions and threats to international tourists lies in the research methods of New Institutional Economics. Scholars in this field contend that understanding economic reality is only possible by considering the significance of the institutional environment in which a specific market operates. Economic performance is governed by institutional solutions constituting the existing order – legal, political, social, economic, etc. – that influences economic processes. It is worth noting that every society is characterised by a distinct institutional system. Therefore, our analysis aims to substantiate the claim that an effectively functioning institutional system promotes economic development, including development in international tourism, and contributes to reducing threats to international tourists.

3. The role of institutions in the institutional system

In the literature, there are various interpretations of the terms “institutions”, “norms” and “rules”, which are understood differently by various authors (Kingston & Caballero, 2009). Therefore, there is a need to specify some of these concepts for the purposes of this work. The most popular definition of institutions is presented by North (1990; 1991), who stated that institutions are human-made constraints that shape human actions. As a result, they construct the structure of incentives in the realm of interpersonal exchange, both political, social and economic. Institutional changes shape how societies evolve and are crucial to understanding historical transformations. Ultimately, institutions encompass not only formal and informal constraints but also the means of their enforcement.

Ostrom and Basurto (2010) represent a different perspective, which defines norms as people’s beliefs about actions or their outcomes, and are not focused on short-term individual gains. Violating norms does not entail sanctions. On the other hand, rules are similar to human expectations, but their violation can result in sanctions if observed and prohibited by a supervising entity, such as a governmental agency.
An institutional system is defined as a combination of diverse formal institutions that may change within one generation and informal institutions that evolve over many generations (Williamson, 2000). This system can also be understood as a network of interrelated streams of economic activities, including consumption, production and exchange. It should be noted that each society is characterised by a distinct institutional environment. Additionally, formal and informal institutions are crucial in predicting interactions between individuals and shaping their actions. It is also worth noting that if formal and informal institutions are inconsistent, it signifies the dysfunctionality of the institutional system. However, in some areas, changing formal institutions, which leads to increased dysfunctionality within the system, may benefit its individual segments. For example, the establishment of legal regulations can lead to the development of competitive advantages in certain areas of economic activity; for instance:

- establishing legal regulations that facilitate the provision and utilisation of sexual services,
- establishing legal regulations that facilitate the production, sale and consumption of narcotics,
- establishing legal regulations that facilitate the provision and utilisation of gambling services,
- establishing legal regulations that facilitate the production, sale and consumption of alcohol.

This may be relevant from the perspective of tourism and international tourists interested in such services. However, it should be noted that the institutional system does not have a modular structure in which one module can be changed without considering how this change will affect other modules and the entire system (Leković, 2011). In other words, such activity would negatively impact the functioning of the institutional system. Therefore, frequent changes in formal institutions that may improve the functioning of the economy in a specific area are likely to lead to the dysfunctionality of the entire institutional system and, consequently, an increase in the threat to international tourists.

**4. Tourism**

Tourism is one of the most profitable sectors of the global economy (OECD, 2020; UNTWO, 2024). This phenomenon is characterised by immense dynamism, multi-aspect nature and interdisciplinary aspects, which is why tourism is defined in various ways. Therefore, for the purposes of this article, several selected definitions of
tourism should be mentioned. For example, tourism can be seen as a set of activities of people traveling and staying outside their everyday environment for leisure and business purposes for up to one year (WTO, 1995). Kruczek (2006) represents a slightly different perspective; according to this researcher, tourism is a set of phenomena related to people’s temporary and voluntary stay outside their everyday living environment. It has various consequences that result from the interaction between organisers and tourism service providers. Furthermore, modern concepts of tourism also consider the socio-economic dimension. For example, tourism can be seen as the totality of spatial mobility phenomena that result from voluntary changes in one’s place of residence and personal contact with the visited environment (Przeclawski, 1979): natural, cultural and socio-economic.

The tourism market is a process at the intersection of market entities such as the consumer and the seller (Stock, 2021). The object of the commercial transaction is the tourism product, sold at a specified price that determines its market value. In other words, all activities related to meeting the needs of participants in tourism constitute the subject of exchange in this market (Cymańska-Garbowska & Steblik-Włażłak, 2013).

In summary, tourism takes on various forms that change depending on consumer preferences and demand, defined as the tourist’s readiness to purchase specific tourism goods at a specified price (Gaworecki, 2007). Due to its complex nature, tourism has a variety of classification models. One of the criteria for classifying the modern tourism movement can be the primary purpose of travel and the motive for the trip. In this division, the following types of tourism are distinguished: leisure, sightseeing, business, educational, sports, recreational, cultural, religious, pilgrimage, health, etc.

5. Institutional threats to international tourists

In this context, tourist safety can be understood as a state of being free from danger, certainty that there are no threats, a state of security and tranquillity. Safety is considered one of the highest natural goods for humans. This is reflected, among other things, in Maslow’s hierarchy of human needs (1943, 1990), which places safety after physiological needs. According to the interpretation of Maslow’s hierarchy proposed by Kamiński (1982), the need for protection (along with social needs, the need for love and the need for respect) is classified as deficiency needs. On the other hand, the need for self-realisation (Maslow, 1986), located at the top of the hierarchy of needs is need for development. For a person to develop, they must have the opportunity to satisfy deficiency needs,
including the need for safety. It should be noted that Maslow pointed out that only continuous and persistent deprivation of the opportunity to meet lower-level needs affects the motivation to fulfil higher-level needs. Considering that tourist trips serve various functions, including personal development and not just consumerism (MacCannell, 2002), repeated insecurity during tourist trips will lead to the atrophy of the need for self-realisation and diminish the usefulness of the trips.

Moving on to the practical form of individual and collective safety in international tourism, it is expressed in various threats to one’s health, life and property. The level of safety is also a result of the development of a given country or tourist region. This safety can be considered as natural, political, religious and health-related. Similar conclusions can be drawn from the interpretation of the data presented by UNTWO (b.d.) (Figure 2).

Above all, it is safety of tourists’ health and life, followed by threats to their property. This variable (safety) is one of the most important criteria for choosing a travel destination and an element of the triad: attractiveness – safety – cost. Safety is, therefore, a state assessed from the point of view of foreseeable threats to human beings. Within the general concept of tourist safety, various threats can

![Figure 2. Main factors affecting the recovery of international tourism (January 2023 survey)](source: UNWTO, b.d.)
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be distinguished, such as (Bernaś & Pujer, 2014): natural, political, terrorist, religious; economic, social, criminal, disease-related, as well as physical harm, etc.

It appears that institutional threats, which can be understood as:

- institutional differences within formal institutions between the tourist’s home country and the destination country,
- institutional differences within informal institutions between the tourist’s home country and the destination country,
- institutional differences within formal and informal institutions in the destination country, etc.,
- can also be added to the category of international tourist dangers.

In this context, shaping legal regulations can lead to the establishment of competitive advantages or incentives in the area of choosing international travel destinations among tourists. It should be noted that the phenomenon of international tourism can be explained, among other things, by the fact that tourists are attracted to countries that offer some of the following: specific climate, natural conditions, unique cultural products, better medical care, supply of various goods that are lacking in the tourist’s home country or are illegal there, supply of services that are lacking in the tourist’s home country or are illegal there, etc.

An example of such actions can be the establishment of appropriate legal regulations in individual countries related to markets of demerit goods, which can lead to the flourishing of such phenomena as drug and/or alcohol tourism, tourism focused on gambling, sex tourism, etc. For example, trips known as drug tourism began in the 1960s by North American and Western European hippies searching for narcotic experiences in regions abundant with the desired substances (Hoffmann, 2014). Amsterdam gained the reputation of being the drug capital of the hippie generation, famous for its liberal drug policy, where people from all over the world flocked to experiment with marijuana, LSD and other psychoactive substances available in the Netherlands (Motyka, 2016). The drug itself would present a significant role as a motivation for travelling. Drug tourism could be seen as the journeys undertaken with the purpose of obtaining or using drugs, which are not available or are illegal in the tourists’ origin places. As mentioned above, one of the most popular examples of drug tourism is cannabis tourism in Amsterdam, Netherlands (derived from literature searches and questionnaires in field research). Within the drug tourism, perhaps the most famous case is related to the Dutch coffee shops. According to Pereira and Paula (2016), 4.5 million tourists spending a night on the town and 26% of it visit at least one coffee shop and 10%.

It can be assumed, therefore, that institutions play a fundamental role in economic development and deriving benefits from it, even in areas that may raise normative doubts. In this context, an increase in danger, for example, related to the operation of the market for sexual services, the market for illegal drugs, etc.,
can be a stimulus for tourism. This means that specific formal solutions can be an incentive to travel to selected regions and contribute to an increase in the number of tourists. Nevertheless, the growth in this type of tourism has limited potential. Additionally, a significant institutional gap between countries or frequent changes in formal institutions in a given country may decrease tourism attractiveness for a particular region.

This implies that the level of danger will increase, which is one of the determinants of tourist movement in a given area. An increase in the level of threat will result in a decrease in tourist arrivals in the long run. In other words, the danger will act as a deterrent, leading to tourists avoiding dangerous destinations for various reasons (Stasiak & Śledzińska, 2017).

Conclusion

An important aspect for economies and international tourists is the functioning of states and markets, where entities, often pursuing their individual goals, need to pay attention to common interests. However, there is an increasing incentive for socially responsible action (Whittaker, 2011). Recognising the lack of spatial homogeneity is essential in understanding institutional differences in international tourism. This emphasis on spatial homogeneity aligns with findings in the literature (Canestrino et al, 2015) which examines the geographical and geopolitical context in tourism development. This is evident in guidelines based on sustainable development, which have been recognised as crucial for reconstructing the tourism industry after the COVID-19 pandemic in the UE (OECD, 2020). Hence, it is necessary to consciously shape institutions from a long-term perspective to contribute to the balance between economic growth, security and human health (Kuosmanen & Kuosmanen, 2009). From an economic perspective, this will have an impact on social costs. Specific forms of regulation are introduced in response to their emergence, both for individual countries and regions as well as institutional alliances, such as the European Union. The introduced regulations (mainly formal institutions) lead to changes in social costs, which creates a recurrence between the need to introduce new institutional solutions and the impetus to modify them. Regulations introduced in the area examined in this article involve such aspect as cognitive elements, namely institutions themselves, tourists and demerit goods.

Due to the fact that we currently live in a dynamically changing world, the likelihood of its destabilisation and unpredictability is gradually increasing. The world is full of various conflicts and tensions, and changes in the institutional nature are common, and sometimes even highly dynamic. All of these create conditions
for a decrease in individual and collective security, to some extent mitigated by institutional solutions. The period of the COVID-19 pandemic and the Ukrainian-Russian conflict demonstrate a particular need to pay attention to the possibilities of reducing the level of danger through the institutional system. It should be noted that the institutional system needs to be modular. Therefore, in the process of designing legal regulations – by the government, citizens or other individuals with legislative initiative – it is necessary to assess how a given change will affect not only individual parts of the institutional system but also the entire system.

To sum up, safety in tourism is a multidimensional problem that can and should be analysed on numerous fronts by specialists from various fields. Safety and threats in tourism are undoubtedly highly interesting for research, and reliable knowledge about them is advantageous for practical activities. This knowledge is sought after by the tourism industry, which must operate in an increasingly unstable socioeconomic reality.

References


