

## **PRESERVATION OF ENVIRONMENTAL QUALITY AND TOURIST INVESTMENTS #**

Juan G. Brida <sup>a\*</sup>, Edgar J. Sanchez Carrera <sup>b</sup>, Elvio Accinelli <sup>c</sup>

<sup>a</sup> Free University of Bolzano, School of Economics and Management, Bolzano, Italy, e-mail: JuanGabriel.Brida@unibz.it

<sup>b</sup> Department of Economics, University of Siena, Italy, e-mail: sanchezcarre@unisi.it

<sup>c</sup> Universidad Autónoma de San Luis Potosi, San Luis Potosi, México, e-mail: elvio.accinelli@eco.uaslp.mx

\* Corresponding author

### **Abstract**

We develop a theoretical model to analyze the incentives for hotel chains to make environmentally friendly investments. We show that the level of investment of hotel chains to improve the environmental quality of a tourist destination depends positively on two factors: tourist demand and the level of aggregate income. The framework is based on a model of horizontal differentiation à la Hotelling. By introducing a demand function for tourist commodities, we show that an increase in total income encourages hotel chains in the regions with higher demand to invest on environmental quality.