

Political stability and tourism sector development in Mediterranean countries: a panel cointegration and causality analysis

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Abstract

Tourism sector has become an important source of domestic income for a great number of countries across the world with the contribution of diminishing and removing the barriers over the international mobility of people and considerable developments and cost reductions in transport sector. As a consequence, many countries have designed and implemented various policies to draw tourists and in turn raise their tourism receipts. In this regard, this study investigates the impact of political stability on the development of tourism sector in selected countries from Mediterranean region over the period 2002-2015 with Westerlund (2007) error-correction-based panel cointegration test and Dumitrescu and Hurlin (2012) panel causality test. The findings of the study revealed that political stability had a positive impact on the development of tourism sector in the long run. Furthermore, a two-way causality between tourism sector development and political stability was discovered.

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