

Pollution haven and tourism-led growth hypotheses in an R &D-based growth model with endogenous location choice*

Yoshihiro Hamaguchi[†]

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Abstract

Using an R&D-based model with endogenous location choices and endogenous movement of tourists, we investigate how effect a grandfathered permit and an airfare including alien tax have on an international tourism. We find that decreasing the grandfathered permit leads to tourism-led growth because improving environmental quality increases the number of tourists and growth rate, while decreasing the airfare including alien tax leads to pollution havens from North to South, not the tourism-led growth, because a deterioration of environmental quality decreases the number of tourists and growth rate. This implies pollution haven effect via tourism policy.

Keywords: foreign direct investment; agglomeration; innovation; emissions trading market; tourism-led growth hypothesis.

JEL Classifications: O41, Q52, Q56, R11, Z32.

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[†]Faculty of Management, Department of Management, Osaka Seikei University, 3-10-62, Aikawa, Higashiyodogawa-Ku, Osaka, TEL: +81-6-6829-2600, FAX: +81-6-6829-2597, 533-0007, Japan, E-mail address: hamaguchi-y@osaka-seikei.ac.jp; pres-tidigtateur@gmail.com