

Peer Review

Review of: "Testing Baumol's Cost Disease in Tourism: Productivity, Prices, and Labour Costs in Selected EU Countries Post-COVID"

Eva Psatha¹

1. Department of Planning and Regional Development, University of Thessaly, Greece

The article examines the application of Baumol's Cost Disease (BCD) in the tourism sector, linking it to issues of productivity, labor costs, and pricing in selected EU countries over the period 2011–2023. The research explores a relatively underexamined industry in this context (tourism) and connects the effects of the COVID-19 pandemic with broader macroeconomic dynamics.

The methodology employed is robust, as it relies on a Panel Difference-in-Differences (PDiD) approach to isolate causal relationships between productivity and costs, while applying multiple statistical checks to validate the results.

Potentially, the article could make a significant contribution to the literature on BCD and tourism, as it analyzes the structural challenges faced by tourism as a labor-intensive sector in terms of productivity and labor costs. However, several methodological and theoretical limitations need to be addressed to enhance the study's credibility and ensure its meaningful contribution to discussions on service sector dynamics and the implications of productivity in tourism.

Tourism is not a monolithic industry but an ecosystem comprising diverse activities (hospitality, food services, transportation, entertainment, digital services), each of which operates under distinct economic conditions. The article, however, treats tourism as a single, uniform sector, without acknowledging that the assumptions and implications of Baumol's theory do not apply equally across its various subsectors. A more granular analysis or a focus on a specific tourism segment (e.g., hospitality) would have provided greater clarity and empirical relevance.

A critical theoretical weakness—closely linked to the previous point—is the article's omission of technological advancements and their impact on productivity growth in tourism. The core assumption that tourism's productivity stagnates while industrial productivity grows is not entirely accurate. Several structural transformations driven by technology have significantly enhanced productivity across various tourism segments, including digital booking and customer management systems, automation in hotels and transport, and robotics and AI in infrastructure management. The rise of Airbnb-style accommodations, where human interaction is minimized and employment in traditional hospitality has been significantly reduced, further challenges Baumol's classical assumptions about tourism's labor dependency. These realities are overlooked in the article, giving the impression that tourism remains stagnant in terms of productivity, whereas in fact certain segments have undergone substantial technological evolution.

In tourism segments where Baumol's theory does apply, an interesting intersection arises with the Experience Economy framework proposed by Pine & Gilmore (1999). When productivity cannot increase, tourism services increasingly shift towards customized "experiences" to justify rising costs. Recognizing this intersection would have enhanced the theoretical discussion, as it directly relates to how value creation evolves in high-cost service industries.

One problematic aspect of the findings is the conclusion that the COVID-19 pandemic increased prices but had no effect on labor costs. This is counterintuitive, given that the tourism sector experienced extreme fluctuations in wages and working conditions during the pandemic (mass layoffs, reduced working hours, government wage subsidies). Many tourism businesses became less labor-intensive due to automation and digitalization post-pandemic. A crucial missing component is the role of government interventions (wage subsidies, stimulus programs, temporary layoffs), which likely influenced labor costs and should have been explicitly addressed. The absence of this discussion weakens the interpretation of the empirical results.

Finally, the most critical limitation of the article is its lack of transparency regarding the data sources and primary values used in the econometric model. While the appendix presents detailed statistical analysis, the raw data and their sources are not disclosed. Without clear documentation of how prices and labor cost data for each country were obtained, replicability and reliability become questionable. This constitutes a major methodological gap, as without verifiable data sources, the empirical validity of the findings cannot be fully assessed. To enhance transparency and replicability, the article should include a table presenting the raw data used in the model along with clear references to their sources,

as the absence of such information makes the analysis less comprehensible and creates an imbalance by presenting only the model's outputs without its inputs.

Overall, the article makes a valuable contribution to discussions on tourism and Baumol's Cost Disease. However, it suffers from fundamental methodological gaps, overgeneralizations, and outdated assumptions that do not fully consider technological and institutional developments. Addressing the identified weaknesses—particularly in terms of data transparency, sectoral differentiation, and theoretical depth—would significantly improve the article's credibility and relevance to both academic discourse and policy discussions on the development of the tourism sector.

Declarations

Potential competing interests: No potential competing interests to declare.