

Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Kemal Berk Fidanboy
Advisor:	doc. Ing. Tomáš Cahlík CSc.
Title of the thesis:	Demand for Turkey as Tourist Destination

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

Contribution

The thesis has three main contributions:

- The author gathered an interesting gravity dataset on demand for tourism services in Turkey
- He also performed a fairly fine descriptive analysis of the development of the tourism sector in Turkey.
- The author updated older estimates of gravity models applied on tourism services and most importantly extended them by including specific political variables.

At the same time, some potential contributions have not been realized, such as:

- Preparing a really critical review of attempts at implementation of gravity model in this kind of analysis (there seems to be a clear gap between micro-founded application on trade data and empirical attempts with often relatively ad hoc specification typical for application on other type of flows).
- Applying a gravity model that would respect most of the newer (and fairly strict) theoretical requirements, or least finding an explanation for why it perhaps is not necessary to do so in this case.

What I was also a bit missing was a clear explanation of the author's preferences and expectations with respect to the gravity model. Did the author mainly want to get a model for future forecasts, or did he want to test whether the gravity model fits Turkish data, or did he want to test his hypotheses on the role of democratic institutions and terror threats? Having a clearer idea about the preferences might have helped him to set additional criteria for selection of the estimated and presented specifications.

Methods

The paper is largely based on the application of a gravity model; this is a fairly common and accepted strategy for similar situations. Specification of the model was based on a survey by Lim (1997). This is a plausible and acceptable explanation, although the survey predates the dramatic change in the attitude to gravity equations (esp. in the case of its application on trade data).

I have some doubts about the author's use of distance. He correctly describes that gravity models use distance as a proxy variable for transportation costs, but

1. He argues that citizens of different countries use different means of transportation and therefore mixes two different approaches to measuring distance in one variable. The variable includes the traditional great-circle distance for some countries, but road distance was used e.g. for Bulgaria, Greece (p.25). This seems a bit unusual.
2. The author also claims that "in order to use the FE model, weighted distance variable must be introduced" (p. 19). Weighted distance (or rather "remoteness") is indeed used in the literature, but the motivation is different. FE specification can be used even without this redefinition of distance; the fact that distance (as a time-invariant variable) drops out does not have to be an issue for many uses of gravity models. Interestingly enough – the author (perhaps inadvertently or at least without declaring so explicitly) used distance in a way similar as in

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some attempts to reconcile the econometrics of gravity equations with our current understanding of the underlying micro-foundations.

On the other hand, I appreciate that the author used another interesting innovation in the use of distance – the author analyzed the actual distance between the largest city in the country of origin and a typical destination of the country's tourists from the particular country in Turkey (p. 25).

The author had reasons to believe that he was estimating a model which might have been influenced by heteroskedasticity. It might have been useful to use clustered standard errors. Some additional factors might have been dealt with by using time fixed effects – these might have clarified the role of the terrorism and democracy variables which in the current version had a bit unexpected coefficients.

I also do not quite agree with the author's simplified claim that random effects are always biased (p. 11). This may be true for many practical attempts to estimate gravity equations, but it is not necessarily a universally valid conclusion.

Literature

The author provides a fairly extensive overview of literature (chapter 3) focused on the analysis of demand for tourism-related services. He also adds an short introduction to the literature on gravity models. The latter literature review is less detailed and it seems that the author a bit struggled with getting familiar with important details of gravity models. For instance, the rather crucial issues of microeconomic foundations and of related implications for the correct specifications of gravity models are receiving only very limited attention in the text. Even more importantly, the author does not attempt to use the possible insight from the latest gravity literature in his attempts to evaluate existing literature on his topic, even though reliability of some of the contributions by previous authors can be doubtful due to specification issues.

Manuscript form

The thesis has a logical structure and a relatively standard form. The author uses a bit unusual or ambiguous formulations occasionally (as many non-native speakers do) – e.g. p. 40, the role of Istanbul as “a threat to terrorism”.

The text is also a bit cluttered because of many tables included in it – some of them might have been replaced with charts or perhaps simplified (or moved to the appendix).

What is quite unusual is the author's decision to add to the appendix tables which describe pretty much the whole dataset. While such transparency is appreciated, there are probably more efficient way of sharing the data with potential readers and future researchers.

Summary and suggested questions for the discussion during the defense

All in all, the thesis can be described as a standard example of an empirical approach to the application of gravity models on tourism data. The methodology, its implementation and the resulting form of the thesis are perhaps a bit closer to a level typical for bachelor theses than to more ambitious master theses typical for the IES.

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Proposed question:

1. You have used a rather specific modification of your distance variable which caused that the distance was no longer time-invariant and therefore it was possible to estimate it even with the fixed effects estimator. Theoretical literature refers to this kind of variables as measures of "remoteness". What is the main reason why some economists have been adding something similar to their specifications?
2. Your literature review also mentions possible alternative approaches to the measurement of transportation costs. According to what you write (p. 12), some papers use the price of air travel, while you describe it as "not the effective way to measure transportation costs". Can you explain the statement and the reasons why you consider the distance to be a better proxy variable?

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Contribution (max. 30 points)</i>	24
<i>Methods (max. 30 points)</i>	21
<i>Literature (max. 20 points)</i>	17
<i>Manuscript Form (max. 20 points)</i>	18
TOTAL POINTS (max. 100 points)	80
GRADE (A – B – C – D – E – F)	C

NAME OF THE REFEREE: *Vilém Semerák*

DATE OF EVALUATION: *June 14th, 2018*

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F