

Does grassroots judicial governance contribute to economic growth? A quasi-natural experiment based on the tourism circuit court

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ARTICLE INFO

Keywords:

Tourism circuit court
Economic growth
Judicial environment
Law enforcement

ABSTRACT

The tourism circuit court is a grassroots law enforcement tool for tourist destinations in China. This article constructs a multi-period difference-in-differences (DID) model to examine the impact of tourism circuit courts on tourism economic growth. Our findings reveal an 8.22% increase in economic growth within cities that have established a tourism circuit court. Furthermore, we develop a theoretical framework to explore the potential mechanisms originating from the judicial environment. This study confirms that judicial access, efficiency, and independence are key mechanisms by which tourism circuit courts affect economic growth. Our empirical results provide valuable insights into enhancing the quality of law enforcement within the tourism sector.

1. Introduction

The United Nations (UN) has designated “No poverty” as the primary goal among the 2030 Sustainable Development Goals. The sustainable growth of tourism holds significant importance for the economic development of certain emerging markets (Brau et al., 2011; Das & Dirienzo, 2010; Jamal & Camargo, 2018; Timakova & Maksimeniuk, 2023). The sustainability of the tourism industry relies on the presence of infrastructure and associated public goods, which may be jeopardized in the absence of a robust rule of law (Sharpley & Ussi, 2014). Nations offering stronger legal protections tend to exhibit elevated levels of economic and social development (La Porta et al., 1998; North, 1990). The rule of law, as a formal institution, significantly affects the tourism potential of a region (Altin et al., 2017; Buitrago & Caraballo, 2019; Dutta & Kar, 2018). Inefficient enforcement of tourism regulations presents a challenge that requires attention in several emerging markets (Coles & Hall, 2011). It is therefore concerning that insufficient emphasis is placed on enhancing law enforcement within the tourism sector (Timakova & Maksimeniuk, 2023).

China faces a series of problems in the tourism market, such as noncredit transactions and unethical conduct by tourism operators (Liu et al., 2021). The Chinese government has exerted considerable efforts to improve the legal framework supporting the tourism sector. For example, since its enactment in 2013, the Tourism Law of the People's Republic of China has undergone two amendments, in 2016 and 2018,

respectively. However, the effectiveness of a law hinges on its enforcement level, a crucial indicator of legal vitality and robustness (Zhao & Zhang, 2022). Effectively enforcing relevant laws has emerged as the foremost challenge in China (Peng, 2021). Urgent measures are needed to strengthen law enforcement in the tourism sector.

The tourism circuit court represents an innovative judicial instrument introduced in local courts to improve law enforcement implementation in China (Yin, 2021). Tourism circuit courts serve as trial institutions in tourist destinations, effectively bridging the “last mile” of judicial services. These specialized courts have emerged to address issues related to tourism-related conflicts and disputes. In 2002, China established its first tourism circuit court in Sanya City, Hainan Province. Subsequently, with the enactment and enforcement of the Tourism Law in 2013, additional tourism circuit courts were established in Jinggangshan, Jiangxi Province, Changzhou City, Jiangsu Province, and other locations. In recent years, the tourism circuit court, a grassroots law enforcement tool, has become increasingly prevalent in China's tourist destinations. Nevertheless, the effect and mechanisms of implementing the tourism circuit court remain unclear. To date, most previous studies have primarily focused on comparative analyses of legal systems across different countries (Glaeser & Shleifer, 2002). Some studies point out that flawed laws contribute to corruption, thus hindering tourism development (Lee, 2015; Poprawe, 2015). Other studies have examined the policy impacts of new laws (Dissanaike et al., 2021). Recent literature underscores the significance of the judicial system in

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<https://doi.org/10.1016/j.tmp.2024.101277>

Received 11 December 2023; Received in revised form 26 May 2024; Accepted 17 June 2024

Available online 24 June 2024

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shaping decision-making processes and fostering green innovations within companies (Huang et al., 2022; Li & Peng, 2023). However, there has been scant attention given to legislation and regulation within the tourism sector, particularly regarding law enforcement issues (Jamal & Camargo, 2018). The policy effects of tourism law enforcement remain largely unexplored (Timakova & Maksimeniuk, 2023). Our study aims to investigate the impact and mechanisms of strengthening grassroots judicial governance on the growth of the tourism sector.

This study utilizes the temporal variation resulting from the establishment of tourism circuit courts in intermediate courts of prefecture-level cities to construct a multi-period difference-in-differences (DID) model (Wang & Lu, 2022; Zhang & Zhang, 2021). Cities with tourism circuit courts are designated as a treatment group, while those without are classified as the control group. Our research dataset encompasses 236 prefecture-level cities spanning from 2006 to 2019. Our findings indicate that tourism circuit courts have a significant positive impact on the growth of the tourism economy. To ensure the robustness of our baseline regression results, we conduct the following robustness tests: parallel trend analysis, propensity score matching difference-in-differences (PSM-DID) estimation, alternative measures, sample size reduction, and instrumental variable methods.

Additionally, we establish a theoretical framework to explore the potential mechanisms through which the tourism circuit court influences economic growth in the tourism sector. A conducive judicial environment positively affects the level of law enforcement, which is key to ensuring the effective implementation of laws (Zhou & Poppo, 2010). Previous research has broken down the concept of the judicial environment into components such as independence, efficiency, and access (Cross & Donelson, 2010; Li & Peng, 2023). The implementation of tourism circuit courts provides an improved judicial environment, markedly distinct from traditional litigation approaches. These courts offer prompt and accessible legal services to tourists and tourism operators in scenic areas. Our study confirms that judicial access, efficiency, and independence constitute potential mechanisms through which the tourism circuit court influences economic growth.

The subsequent sections of this paper are structured as follows: Section 2 introduces the institutional background and presents a literature review; Section 3 elaborates on the details of the data; Section 4 outlines the research design; Section 5 provides the baseline results, along with robustness checks and discussions on the mechanisms; and Section 6 concludes the paper and offers pertinent policy implications.

2. Institutional background and literature review

2.1. Institutional background on the tourism circuit court

China’s judicial system operates within a multi-tiered administrative structure, comprising the Supreme People’s Court, various levels of local people’s courts, and Special courts. Translating the law effectively from the Supreme People’s Court to local people’s courts presents inherent challenges, particularly in the context of law enforcement within the tourism sector. In the absence of effective enforcement tools, local courts struggle to address tourism disputes (Dutta & Kar, 2018). To enhance law enforcement, the Supreme People’s Courts has implemented the basic circuit court system in grassroots areas to strengthen law enforcement, a practice known as “sending law to the countryside,” since the late 20th century. Basic circuit courts have played a significant role in grassroots governance in China for the past two decades. In recent years, alongside basic circuit courts, specialized courts such as environmental courts, tourism circuit courts, and digital courts have emerged to address issues related to environmental governance, tourism development, and internet-related matters (Li & Peng, 2023; Zhao & Zhang, 2022). Since the enactment of the Tourism Law in 2013, an increasing number of cities have established tourism circuit courts. We summarise the responsibilities of tourism circuit courts (as shown in Table 1). The bottom-up responsibility of the tourism circuit court

Table 1
The responsibilities of tourism circuit courts.

Roles	Core content
Top-Down	1. Conduct outreach campaigns to promote legal awareness and distribute various legal education materials to tourists and travel agencies.
	2. Offer legal aid services to tourists, scenic spots, and travel agencies.
	3. Advise scenic spots and travel agencies on effective mediation practices.
	4. Mediate tourism-related conflicts in accordance with legal provisions.
	5. Provide guidance to community mediators in resolving tourism disputes in compliance with the law.
	6. Judicial validation of agreements reached through mediation by the People's Conciliation Committee.
Bottom-Up	1. Refer cases where no mediation agreement can be reached to the appropriate jurisdiction for trial.
	2. Offer judicial recommendations to the relevant tourism authorities regarding issues encountered during case proceedings.

Source: Authors’ summary derived from information on tourism circuit courts sourced from local government websites, legal system websites, municipal intermediate People’s courts, and the Culture and Tourism Bureau.

includes providing educational resources, consultation services, and dispute resolution assistance to tourists, scenic spots, and travel agencies. By facilitating on-site dispute resolution, tourism circuit courts enhance the accessibility of legal services. The term “bottom-up” signifies that tourism circuit courts serve as channels for transmitting information on travel disputes to district courts and tourism regulatory departments.

Building upon previous research (Cross & Donelson, 2010; Li & Peng, 2023), our study investigates whether the judicial environment can be enhanced by the tourism circuit court in the following three dimensions: accessibility, efficiency, and transparency (See Fig. 1).

According to Cross and Donelson (2010), an inaccessible court system lacks validity. For example, the persistent challenge of bridging the “last mile” gap between written law and practical application frustrates policymakers, scholars, and citizens alike (Gallagher, 2017). The tourism circuit court has addressed this issue by establishing circuit trial sites at scenic spots, effectively bridging the “last mile” of judicial

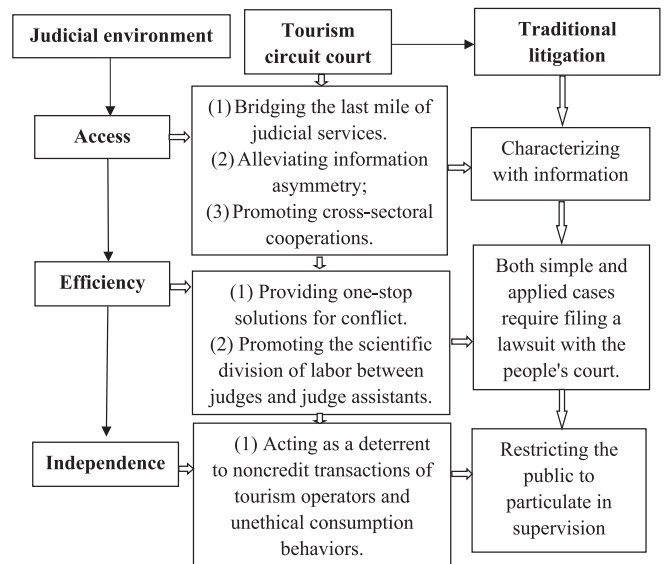


Fig. 1. The three-dimensional advantages of the tourism circuit court in the judicial environment: accessibility, efficiency, and transparency. Source: Authors’ summary derived from information on tourism circuit court and traditional litigation sourced from local government websites, legal system websites, municipal intermediate People’s courts, and the Culture and Tourism Bureau.

services. Tailored to the characteristics of scenic spots, tourism circuit courts often operate from fixed locations or utilize mobile vehicles as trial site workplaces. These trial sites promptly resolve travel disputes upon case receipt. Moreover, the tourism circuit court has established a 24-h tourism service public hotline to ensure easy accessibility to tourism justice services, facilitating the timely acceptance of cases and provision of legal advice.

Secondly, access to information is vital to judicial management (Jime'nez-Go'mez, 2014). Economic literature often employs the agency theory to examine information asymmetry between agents and principals (Bergh et al., 2019; Nestle et al., 2019). Agents may exhibit opportunistic behaviour, resorting to practices such as deception and treachery to serve their personal interests (Sakalaki et al., 2007). An underdeveloped judicial environment can exacerbate information asymmetry issues (Lin et al., 2023). In China's tourism market, an immature market environment and inadequate regulatory systems have led to information asymmetry problems (Mak et al., 2011), resulting in non-credit transactions by tourism operators, unethical business conduct, and numerous tourism disputes (Liu et al., 2021). As a supervision mechanism, judicial management assumes a significant role in curbing the opportunistic behaviour of agents (Houge et al., 2012). The tourism circuit court ensures that tourists and tourism operators have timely access to legal services, including legal information and dispute resolution options, thereby addressing the information asymmetry.

Thirdly, addressing intricate public issues necessitates collaboration across sectors (Bryson et al., 2006). Theoretically, collaboration may occur during the problem-solving process within an organization (Crosby & Bryson, 2005). In the traditional litigation approach, tourism operators or tourists typically need to seek mediation from tourism complaint acceptance agencies, consumer associations, or relevant mediation organizations. However, with the establishment of the tourism circuit court, a multi-departmental litigation mediation network centred on the court is constructed by basic people's courts. These departments include consumer associations, market supervision and administration departments, and public security organs. When tourism disputes occur, street bureaucrats, police, professional mediators of industry associations, and judges collaborate to resolve these disputes. In this cross-sectoral cooperation mode, the tourism circuit court exhibits obvious advantages.

Courts are labour-intensive institutions (Marciano et al., 2019). Improving judicial efficiency can ensure that judicial resources provide more services to citizens and society as a whole (Li & Peng, 2023). When tourism disputes occur, the government needs to respond quickly to reduce the negative impact on tourist destinations (Liu et al., 2021). On one hand, depending on the type of dispute, the tourism courts deal with disputes flexibly and often adopt simplified trial procedures and mediation. Judges and judge assistants employ various mediation methods, such as face-to-face, telephone and internet mediation. To ensure quick and efficient resolution of small dispute cases, the court exempts case acceptance and execution fees. On the other hand, contingent upon the specifics of each case, the tourism circuit court facilitates a systematic division of responsibilities between judges and judge assistants. The tourism circuit court can effectively handle simple tourism dispute cases, thereby achieving separation of trial procedures for complex and uncomplicated cases. Complex cases are handled through the court litigation process. Therefore, the tourism circuit court significantly enhances the operational efficiency of the judicial system.

2.2. Judicial environment improvement and tourism economic growth

The extant literature, which integrates law and economics, highlights the significance of law as a formal institution in the capital market (Buitrago & Caraballo, 2019; La Porta et al., 1998). Improving legislation can protect the rights and interests of investors, thereby promoting economic development (Johnson et al., 1999). However, effective law enforcement is key to realising the value of legal frameworks (Zhou &

Poppo, 2010). The judicial system, as an important formal institution, ensures the effective implementation of laws (North, 1990) and is crucial to the successful development of a national economy. For example, studies have demonstrated that judicial reform can improve the efficiency of judges' work, thereby enhancing the judicial environment and local economic development (Chemin, 2012). Additionally, Chemin (2020) finds that enhancements to the judicial environment can improve the survival rate of enterprises. Furthermore, the transparency and effectiveness of courts have an influence on economic growth (Coviello et al., 2018). Research conducted in China confirms that mobile digital courts are important instruments for enhancing the judicial environment and effectively promoting sustainable corporate investments (Li & Peng, 2023). The tourism circuit court represents a significant institutional arrangement for tourism judicial governance.

The tourism economy occupies an important part of the national economy (Dutta & Kar, 2018). Previous researchers have extensively discussed the factors influencing the development of the tourism economy. Specifically, factors such as traffic accessibility have been shown to enhance economic activity and growth in the tourism sector (Wang & Lu, 2022; Zhou & Li, 2018). The implementation of emissions trading schemes (ETS) has also been found to promote tourism economic growth (Zhang & Zhang, 2021). Additionally, reforms in digital music and cultural systems impact the development of the tourism economy in China (Lv et al., 2022). However, non-credit transactions by tourism operators and unethical business conduct hinder the progress of the tourism market (Liu et al., 2021). Judicial governance ensures the order and legalization of the tourism market, thereby creating a favourable environment for its growth. Existing research confirms that a robust rule of law can promote economic growth in the tourism sector (Dutta & Kar, 2018). In the context of China, inefficient enforcement of regulatory institutions has been shown to result in unethical behaviours and tourism disputes within the tourism market (Liu, 2021). The implementation of the tourism circuit court is a crucial tool to enhance the judicial environment and regulatory institutions in tourism. However, previous studies have failed to confirm whether the implementation of the tourism circuit court affects the tourism economy and to explain its impact mechanism.

We consider the possible mechanism through which the tourism circuit court affects the tourism economy from three dimensions: conducting business, trial efficiency of tourism disputes, and tourist evaluation. The theoretical framework is shown in Fig. 2. First, we analyse the accessibility of the judicial environment through the lens of conducting business. The World Bank Group's Doing Business (DB) defines the business climate of a country (Besley, 2015). Doing business involves various aspects such as public services, the rule of law environment, regulatory systems, market environment, and financial services, which have been proven to affect economic growth (Lin et al., 2023). In many developing countries, unreliable judiciaries are perceived as significant barriers to doing business (Brunetti et al., 1997). Effective law enforcement and the accessibility of information are critical for

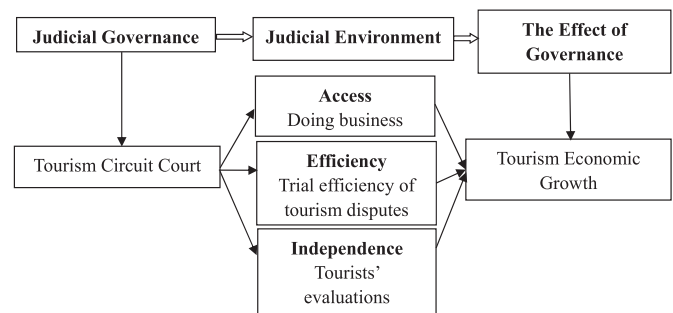


Fig. 2. Theoretical framework for the tourism circuit court, and tourism economic growth.

conducting business (Brunetti et al., 1997). The tourism circuit court is an important innovation in law enforcement and helps to alleviate issues of information asymmetry. The ease of doing business can reflect the accessibility of information in the target city. Moreover, existing research has confirmed a close link between the business environment and economic growth (Lin et al., 2023). Therefore, we consider doing business as one of the mechanisms.

Second, the trial efficiency of tourism disputes can serve as a reflection of judicial efficiency. In turn, judicial efficiency can influence the allocation of judicial resources (Marciano et al., 2019). The tourism circuit court encourages a systematic division of responsibilities between judge assistants and judges. On one hand, it offers one-stop solutions for simple tourist disputes. On the other hand, complex tourist dispute cases must undergo a formal judicial process. Once these cases are heard by the court, relevant information can be accessed from the website of Judgment Documents and the Law of Peking University in China. Some researchers have used dispute trial data to gauge the efficiency of regional justice (Zhao & Zhang, 2022). Therefore, the number of tourism dispute cases entering the judicial process can serve as an indicator of the efficiency of resolving tourism disputes.

Third, social media has significantly impacted tourist destinations and amplified the influence of tourists' experiences (Mehraliyev et al., 2021). Tourists frequently share and comment on social media platforms, directly shaping the word-of-mouth reputation of tourist destinations (Liu et al., 2021). Researchers often consider tourists' evaluations of social media as an important indicator when studying the image of tourist destinations (Li et al., 2023; Lu et al., 2015). The tourism circuit court contributes to reducing travel disputes and improving tourists' experiences, leading to positive comments from tourists on social media. Tourist evaluations on social media can thus reflect the fairness and effectiveness of handling tourism disputes.

3. Data

3.1. Tourism circuit court data

Our study focuses on the tourism circuit court in prefecture-level cities between 2006 and 2019. Some prefecture-level cities with a lack of statistical data and inconsistent administrative divisions were excluded from our sample. We selected 236 prefecture-level cities and 3304 observations as the overall research sample. Data from tourism circuit courts in various cities were manually gathered, relying on information available on local government websites, legal system websites, municipal intermediate People's courts, and the Culture and Tourism Bureau. The distribution depicting the number of cities

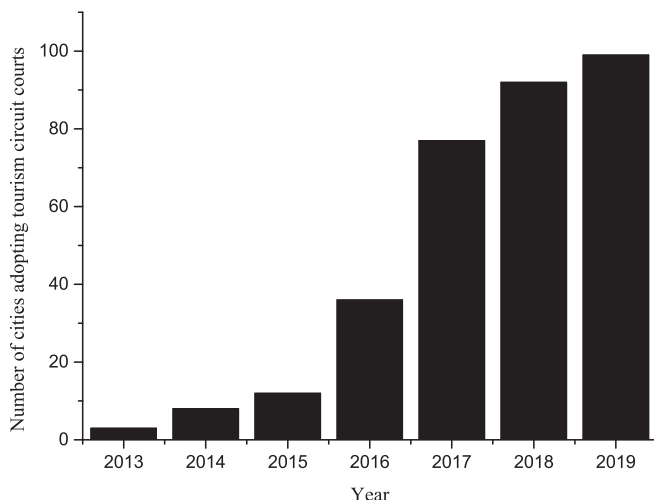


Fig. 3. Number of cities adopting tourism circuit courts.

adopting tourism circuit courts is illustrated in Fig. 3. Moreover, objective data can illuminate the positive impact of tourism circuit courts. The Message Board for Leaders (MBFL) is a public online platform that enables citizens to communicate with local officials. As internet usage in China has grown, the MBFL has become an important source for studying citizen behaviour (Hu et al., 2023). We collected tourists' online negative comments, which included their inquiries and complaints regarding tourism in cities. Following Wang and Zhang (2022), we compared tourists' online negative comments between cities with and without tourism circuit courts. Fig. 4 shows that before 2013, the trend of tourists' online negative comments in both groups exhibited similarity. However, a noticeable disparity emerged between cities with implemented and non-implemented tourism circuit courts beginning in 2013.

3.2. Tourism economic growth

This paper employs tourism receipts as a proxy for tourism economic growth (Feng, 2023; Wang & Lu, 2022; Yildirim et al., 2023; Zhang & Zhang, 2021; Zhou & Li, 2018). The tourism receipts comprise both domestic and international tourism receipts from the cities. Domestic tourism receipts serve as the core dependent variable in this paper. We divide the domestic tourism receipts by the total population at the year-end. Subsequently, we take the natural logarithm of the result as the dependent variable. Additionally, in the robustness test, we use international tourism receipts as the dependent variable. Tourism receipts are derived from China's Regional Economic Statistical Yearbook, the China City Statistical Yearbook and the Chinese tourism database in the EPS database.

3.3. Mechanism analysis and control variable

We study the mechanism of the tourism circuit court on the tourism economy through three aspects: accessibility, efficiency, and transparency of the judicial environment. Corresponding to the theoretical model (See Fig. 2), the test indices for the three dimensions are doing business, trial efficiency of tourism disputes, and tourist evaluation, respectively. Firstly, we use doing business as a variable to examine potential mechanisms. We construct an evaluation index system of doing business, which includes public services, the rule of law environment, regulatory system, market environment, and financial services (Lin et al., 2023). The entropy method is then used to determine index weights and calculate the doing business index of the 236 prefecture-level cities. Secondly, we examine the potential mechanism from the

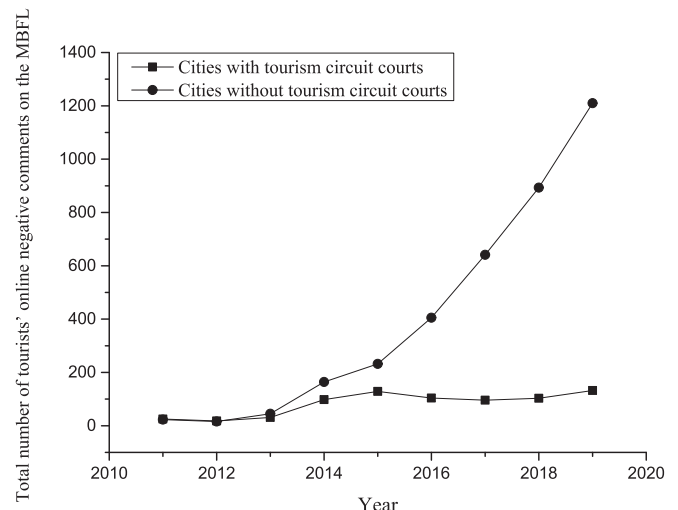


Fig. 4. The trend of tourists' online messages of different groups.

trial efficiency of tourism disputes. We compile trial data of tourism disputes in 236 prefecture-level cities from the website of Judgment Documents and the Law of Peking University in China. These data serve as the measurement index of the trial efficiency of tourism disputes in prefecture-level cities. Thirdly, we gather information from the tourist evaluations available on China's primary tourism distribution platform, Ctrip (www.ctrip.com). This platform provides one-stop travel services for tourists (Li et al., 2023). Referring to Ctrip, we capture the tourists' evaluation scores of the most popular tourist attractions in 236 prefecture-level cities in 2019.

We have selected the following control variables to mitigate the impact of a city's heterogeneity (See Table 2). GDP per capita reflects the economic resources available for developing the tourism economy in a region (Lee, 2015; Wang & Lu, 2022; Yildirim et al., 2023; Zhang & Zhang, 2021; Zhou & Li, 2018). It is calculated as the proportion of the total GDP of prefecture-level cities to the total population. Moreover, high-quality human capital is crucial for tourism development (Baum, 2018). Therefore, we include the level of education (Edu), representing the number of college students per 10,000 (Zhang & Zhang, 2021). Financial development, defined as the proportion of total loans of financial institutions to GDP (Yildirim et al., 2023), is another control variable. The level of openness (Openness) reflects the export-oriented economic characteristics of tourism (Buitrago & Caraballo, 2019; Feridouni & Almulali, 2014). It equals the proportion of foreign investment in actual use to GDP. Government intervention indicates the capacity of local governments to provide public infrastructure for tourism (Lee, 2015; Wang & Lu, 2022). It is calculated as the proportion of public expenditure to GDP. The Internet plays a crucial role in enabling consumers to access tourism information and enhancing tourism consumption demand (Jiang et al., 2022). Therefore, we include the number of Internet users (per 100 people). We select these control variables from the China City Statistical Yearbook and China Statistical Yearbook for Regional Economy.

4. Empirical methodology

4.1. DID method

In order to explore the connection between tourism circuit courts and tourism economic growth, we treat the establishment of tourism circuit courts as a quasi-natural experiment. Following methodologies from Bertrand and Mullainathan (2003), Zhang and Zhang (2021), Huang et al., (2022), Wang and Lu (2022), Zhao and Zhang (2022), and Li and

Peng (2023), we utilize the temporal variation when intermediate courts in prefecture-level cities established the tourism circuit court to create a multi-period DID model. The sample used in our research comprises 236 prefecture-level cities, and the data spans from 2006 to 2019. Our treatment group consists of cities that introduced tourism circuit courts, while other cities serve as the control group. Table 3 provides our research design using four cities as an example (Heese et al., 2022). As an example, Changzhou set up a tourism circuit court in 2013, and thus belongs to the treatment group with treatment dates from 2013 to 2019, denoted by 1. Suzhou, Jiangsu province, implemented the court in 2014, making it part of the control group from 2006 to 2013, denoted by 0, and part of the treatment group from 2014 to 2019. Based on regional and temporal disparities in the establishment of tourism circuit courts in prefecture-level cities, we use the following model to assess the influence of tourism circuit courts on tourism economic growth:

$$Tourism_{it} = \mu_i + \lambda_t + \alpha Court_{it} + \sum_q \beta_q \times Control + \eta_{it} \quad (1)$$

The dependent variable is the tourism economic growth ($Tourism_{it}$). We employ the natural logarithm of domestic tourism receipts as a proxy for tourism economic growth. The key independent variable, denoted as $Court_{it}$, takes the value of one if tourism circuit courts were established in the city in year t , and thereafter.

We are particularly interested in α , as it captures the actual impact of tourism circuit courts on tourism economic growth. If $\alpha > 0$ and is statistically significant, it indicates that, in comparison to cities lacking tourism circuit courts, cities with tourism circuit courts experienced accelerated tourism economic growth after the establishment of these courts. λ_t and μ_i represent year-fixed effects and city-fixed effects, respectively (Zhang & Zhang, 2021). We introduce a set of dummy variables to capture the fixed effect of years in the data. Our data spans 14 years. Therefore, we introduce 13 dummy variables for years, with one year as the base year. The μ_i controls the characteristics at the city level. We introduce a set of dummy variables to capture the city-fixed effect in the data. We involve 236 prefecture-level cities and introduce 235 city dummy variables. $Control$ is a vector of control variables encompassing factors.

4.2. The PSM technique

Following the approach outlined by Zhang and Zhang (2021), we adopt the nearest neighbour matching method to perform Propensity Score Matching (PSM) to replicate our baseline regression. First, we select the following matching variables: GDP/person, edu, financial development, openness, government intervention, and internet usage. Second, we use logistic regression to evaluate the propensity scores of the treatment and control groups.

$$Logistic(Court_i) = \mu_i + \lambda_t + \beta_0 + \beta_1 GDP + \beta_2 Edu + \beta_3 Finance + \beta_4 Openness + \beta_5 Intervention + \beta_6 Internet + \eta_{it} \quad (2)$$

5. Empirical results

5.1. The influence of tourism circuit courts on the economic growth in the tourism sector

This paper examines whether tourism circuit courts effectively enhance economic growth in the tourism sector. Table 4 shows the baseline results, with the estimated coefficient for the tourism circuit court being of primary interest. The dependent variable, economic growth in the tourism sector (measured by the natural logarithm of domestic tourism receipts), is displayed in Columns (1)–(2). In Column (1), we present the fundamental effect of the tourism circuit court on the tourism sector's economic growth without accounting for control variables. The tourism circuit court's coefficient is 0.187, which is statistically significant at the 1% level. This suggests that the tourism circuit

Table 2
Descriptive statistics of variables.

Variable	Measurement	Mean	SD
Tourism economic growth	Domestic tourism receipts	31,850	54,954
	International tourism receipts	236	731
Tourism circuit court	Cities implementing the tourism circuit court = 1, others = 0	0.099	0.299
GDP/person	GDP per capital	65,296	54,837
Edu	The number of college students per 10,000	486	424
Financial development	Total loans of financial institutions/GDP*100	3.002	1.762
Openness	Foreign investment in actual use/GDP	571,129	1,355,893
Government intervention	Public expenditure/GDP*100	15.711	8.093
Internet	Internet users (per 100 people)	17.451	17.437
Doing business	The doing business index	0.119	0.062
Trial efficiency of tourism disputes	Trial number of tourism disputes	3.508	14.125
Tourists' evaluations	The tourists' evaluations scores (Highest score = 5; Lowest score = 0)	4.493	0.218

Table 3
Research design.

Cities	2006–2012	2013	2014	2015	2016	2017	2018	2019
The cities introduced tourism circuit court from 2013, 2014, 2015, respectively.	0	1	1	1	1	1	1	1
	0	0	1	1	1	1	1	1
	0	0	0	1	1	1	1	1
The city without tourism circuit courts.	0	0	0	0	0	0	0	0

Table 4
The impact of tourism circuit courts on the tourism economic growth.

Variables	(1) Tourism economic growth	(2) Tourism economic growth
Tourism circuit court	0.187*** (0.053)	0.079** (0.039)
Ln (GDP/person)		0.323*** (0.028)
Ln (edu)		0.087*** (0.012)
Financial development		0.031*** (0.007)
Ln (Openness)		0.023*** (0.008)
Ln (Government intervention)		0.229*** (0.028)
Ln (Internet)		0.571*** (0.024)
Year FE	Yes	Yes
City FE	Yes	Yes
adj. R^2	0.638	0.806
Observations	3304	3304

Note: *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

court positively influences economic growth in tourism. In Column (2), all control variables are included. The coefficient for the tourism circuit court is 0.079, statistically significant at the 5% level. This suggests an 8.22%¹ increase in economic growth in tourism in a city that has established a tourism circuit court.

5.2. Robustness analysis

5.2.1. Parallel trend analysis

To affirm the reliability of the baseline results, we conducted a

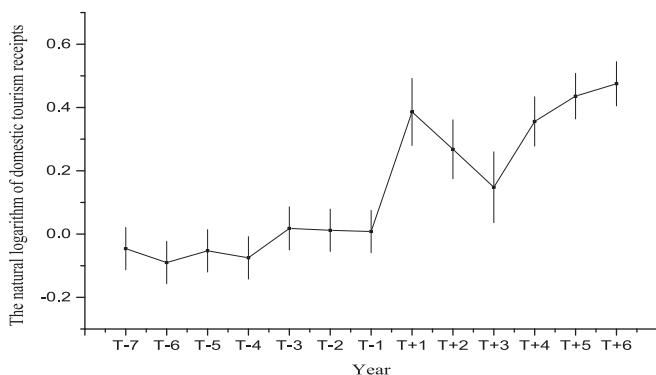


Fig. 5. Parallel trends tests: influence of tourism circuit court on tourism economic growth.

¹ The percentage is calculated by $e^{0.079} - 1$ (Huang et al., 2022).

parallel trend analysis (Beck et al., 2010). Fig.5 illustrates the outcomes of the parallel trend tests. The coefficients of Before1 to Before 7 are found to be statistically insignificant, suggesting no discernible effect on tourism economic growth before the introduction of tourism circuit courts. This supports the assumption of pretreatment parallel trends. Moreover, the estimated coefficients of dummy variables After4, After5, and After6 are positive and statistically significant at the 1% levels, respectively. This verifies that tourism circuit courts enhance tourism economic growth.

5.2.2. PSM-DID estimation

To address the endogeneity stemming from selection bias, we established a comparable control group using the PSM method. We used the PSM sample to replicate our baseline regression. The nearest neighbour matching method was employed with a proportion of 1:2 to find the areas with similar scores. Table 5 shows that after matching, the data of the treatment and control groups are balanced to a considerable extent. In Table 6, Column 1 shows the outcomes of the PSM-DID method. The regression was performed using frequency weights. The regression results suggest that tourism circuit courts do increase tourism economic growth.

5.2.3. Alternative measures

Following existing studies (Li & Peng, 2023), we proceed to employ alternative measures of tourism economic growth to rerun the baseline regression. International tourism receipts were used as the second measurement of tourism economic growth, calculated as the natural logarithm of international tourism receipts. Column 2 in Table 7 reports the results. It is evident that the coefficient of the tourism circuit court is

Table 5
Balance test.

Variables	Sample	Mean		Standard Deviation (%)
		Experimental group	Control group	
Ln (GDP/person)	Before matching	11.316	10.749	81.2
	After matching	11.237	11.279	-6.0
Ln (edu)	Before matching	6.0568	5.7302	33.9
	After matching	6.0198	6.088	-7.1
Ln (Internet)	Before matching	3.312	2.3603	123.9
	After matching	3.211	3.2355	-3.2
Ln (Government intervention)	Before matching	2.7696	2.6331	31.5
	After matching	2.7647	2.7329	7.3
Ln (Openness)	Before matching	12.264	11.571	32.6
	After matching	12.038	12.362	-15.2
Financial development	Before matching	3.5125	2.9456	35.5
	After matching	3.4366	3.4351	0.1

Table 6

The results of the PSM-DID strategy, alternative measures, and narrowing down the study sample.

	(1)	(2)	(3)
	PSM-DID	Alternative measures	Narrowing down the study sample
Variables	Tourism economic growth	Ln (International tourism receipts)	Ln (International tourism receipts)
Tourism circuit court	0.147*** (0.055)	0.189** (0.093)	0.232*** (0.040)
Control variables	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
City FE	Yes	Yes	Yes
adj. R ²	0.566	0.684	0.777
Observations	866	3304	2982

Table 7

The results of IV estimates.

Variables	(1) First Stage	(2) Second Stage
ivEcourt	0.749*** (0.025)	
Tourism circuit court		2.516*** (0.182)
Control variables	Yes	Yes
Year FE	Yes	Yes
City FE	Yes	Yes
adj. R ²	0.214	0.320
F-test	89.50	90.17
Observations	3304	3304

0.189 and statistically significant at the 5% level, implying that tourism circuit courts do increase international tourism receipts.

5.2.4. Narrowing down the study sample

In this paper, municipalities immediately governed by provincial capitals and the Central government are excluded to eliminate the bias in policy effect evaluation caused by economic development differences (Xie, 2023). The results are illustrated in Column 3 of Table 7. Compared with the baseline regression, the establishment of tourism circuit courts has a stronger role in improving tourism economic growth after excluding municipalities and provincial capitals.

5.2.5. Instrumental variable method

One concern regarding the baseline results is the potential endogeneity of the location and timing of the tourism circuit court establishment. As a result, we implement an instrument variable (IV) strategy to solve the endogeneity problem. The constructed instrument variable IV exhibits a strong correlation with the tourism circuit court but has no impact on the unobserved factors influencing a city's tourism economic growth. We use the number of employed lawyers (ivEcourt) as an IV for the establishment of the tourism circuit court. On one hand, the establishment of a tourism circuit court may be related to the number of employed lawyers. Cities with more employed lawyers are more inclined to establish a tourism circuit court, suggesting that the correlation condition is met. Furthermore, in a city, the number of employed lawyers is an exogenous variable, thereby satisfying the exogeneity condition as well.

Table 7 presents the results of the instrumental variable (IV) estimates using a two-stage least square (2SLS) strategy. In Column 1, we observe the results of the first stage, which indicate that the IV strongly and positively predicts the establishment of a tourism circuit court, with F-values exceeding 10, affirming that the correlation condition is met.

Column 2 presents the results of the second stage, showing a significantly positive impact of the establishment of tourism circuit courts on tourism economic growth. This suggests that there is a degree of endogenous interference in the baseline results concerning tourism economic growth. However, by using two IVs to address concerns stemming from the endogeneity, we find that establishing a tourism circuit court has a favourable effect on the growth of the tourism economy.

5.3. Potential mechanisms: why tourism circuit court affect tourism economic growth?

We have developed a theoretical framework, as depicted in Fig. 2, to examine the potential mechanisms through which the tourism circuit court influences economic growth within the tourism sector across three dimensions: doing business, trial efficiency of tourism disputes, and tourist evaluation.

To delve into how the tourism circuit court influences economic growth in the tourism sector, we investigate the mediating effect of trial efficiency in handling tourism disputes (Zhang & Zhang, 2021). According to Baron and Kenny (1986), a mediating effect must satisfy specific conditions: (1) a significant direct effect of the predictor on the mediator; (2) upon introducing the mediator, the direct effect from the predictor to the outcome variable should either diminish (i.e., partial mediation) or become negligible (i.e., full mediation) (Lu et al., 2015).

5.3.1. Improving judicial access in tourism

Previous research shows a correlation between doing business and economic growth within the tourism sector, suggesting that enhanced judicial services can effectively improve business practices in the tourism market (Yin, 2021). Table 8 presents the results of the mediating effects. The tourism circuit court demonstrates a significant direct effect on doing business, as depicted in Column (2). Upon introducing doing business as a mediator, the effect between the tourism circuit court and economic growth becomes significant at the 10% level, as shown in Column (3). Notably, the effect of the tourism circuit court on economic growth, as shown in Column (3), is weaker than in Column (1). Therefore, improvements in doing business contribute significantly to the tourism circuit court's role in fostering economic development within the tourism sector.

5.3.2. Improving judicial efficiency in trial efficiency of tourism disputes

Table 9 shows the outcomes of the mediating effect. In Column (2), the effect between the tourism circuit court and trial efficiency of tourism disputes is significant at the 5% level. Notably, in Column (3), the impact of the tourism circuit court on economic growth within the tourism sector appears weaker compared to the effect in Column (1) (Baron & Kenny, 1986). Therefore, the trial efficiency of tourism

Table 8

Mechanisms through which the tourism circuit court affects the tourism economic growth from the dimensions of judicial access.

	(1)	(2)	(3)
Variables	Tourism economic growth	Ln (Doing business)	Tourism economic growth
Tourism circuit court	0.079** (0.039)	0.040*** (0.007)	0.067* (0.039)
Ln (Doing business)			0.315*** (0.104)
Control variables	Yes	Yes	Yes
Year FE and City FE	Yes	Yes	Yes
adj. R ²	0.806	0.959	0.807
Observations	3304	3304	3304

Table 9

Mechanisms through which the tourism circuit court affects the tourism economic growth from the dimensions of judicial efficiency.

	(1)	(2)	(3)
Variables	Tourism economic growth	Ln (Trial efficiency of tourism disputes)	Tourism economic growth
Tourism circuit court	0.079** (0.039)	0.120** (0.047)	0.077** (0.039)
Ln (Trial efficiency of tourism disputes)			0.023* (0.015)
Control variables	Yes	Yes	Yes
Year FE and City FE	Yes	Yes	Yes
adj. R2	0.806	0.401	0.806
Observations	3304	3304	3304

disputes exhibits a partial mediating effect between the tourism circuit court and the growth of the economy within the tourism sector.

5.3.3. Improving judicial independence in tourism

We explore the mediating effect of tourist evaluation to understand the potential mechanism underlying the impact of tourism circuit courts on economic growth in tourism. Due to a significant lack of data before 2019 when collecting tourist evaluation scores for the most popular tourist attractions, we focus our analysis on the 2019 samples for this part of the study to ensure data accessibility and authenticity. Table 10 shows the results of the mediating effect. In Column (2), the effect between the tourism circuit court and the tourist evaluation is significant at the 10% level. Furthermore, in Column (3), the effect of the tourism circuit court on economic growth appears weaker compared to the effect in Column (1). Therefore, the tourist evaluation demonstrates a partial mediating effect between the tourism circuit court and the growth of the economy within the tourism sector.

6. Conclusions and implications

In developing countries, nurturing the tourism economy emerges as a vital strategy for poverty alleviation (Brau et al., 2011). Improving the effectiveness of law enforcement opens up new opportunities for fostering tourism development in these countries (Coles & Hall, 2011; Li & Peng, 2023). However, the lack of efficient law enforcement mechanisms hampers progress in enforcement efficiency (Jamal & Camargo, 2018). Despite representing a significant innovation in grassroots judicial governance in China, the tourism circuit court has not garnered adequate attention from researchers. Our study delves into the tourism circuit court and its impact on tourism economic growth. Furthermore, we establish a theoretical framework to explore the potential mechanisms through which the tourism circuit court affects economic growth

Table 10

Mechanisms through which the tourism circuit court affects the tourism economic growth from the dimensions of judicial independence.

	(1)	(2)	(3)
Variables	Tourism economic growth	Tourists' evaluations	Tourism economic growth
Tourism circuit court	0.260*** (0.093)	0.050* (0.028)	0.248*** (0.093)
Tourists' evaluations			0.255* (0.216)
Control variables	Yes	Yes	Yes
Year FE and City FE	Yes	Yes	Yes
adj. R2	0.291	0.067	0.292
Observations	236	236	236

in the tourism sector.

We arrive at two main findings. Firstly, our results show that cities with established tourism circuit courts experience an 8.22% higher economic growth in tourism. Secondly, we find that doing business, trial efficiency of tourism disputes, and tourist evaluation exert a partial mediating effect between the tourism circuit court and tourism economic growth.

This study contributes to the current body of research in several ways. Firstly, political turnover has long been utilized by the Chinese government as a development policy tool (Acemoglu & Robinson, 2012; Li & Zhou, 2005). However, it has also resulted in a series of problems such as environmental pollution. Our research shows that the tourism circuit court serves as an effective institutional mechanism for fostering tourism development, indicating the government's efforts to overcome the challenges posed by political turnover. Secondly, while factors such as transportation, environmental governance, and digital technology have been identified as drivers of tourism economic growth (Jiang et al., 2022; Yildirim et al., 2023; Zhang & Zhang, 2021; Zhou & Li, 2018), the impact of judicial governance on the tourism economy remains under-explored. Our study shows that tourism circuit courts exhibit a significant favourable impact on tourism economic growth, suggesting that improving law enforcement efficiency can greatly boost tourism economic growth, particularly in developing countries. Moreover, we confirm that an improved judicial environment markedly enhances tourism law enforcement, thereby positively affecting economic growth in the tourism sector. This paper establishes that the tourism circuit court can improve accessibility, efficiency, and transparency within the judicial environment, thus improving the growth of the tourism economy. Specifically, the tourism circuit court ensures accessible tourism justice services, information dissemination, and cross-sector collaboration. Moreover, by providing on-the-spot solutions for disputes in the tourism industry, the tourism circuit court optimizes the allocation of judicial resources, benefiting both citizens and society as a whole. Additionally, the tourism circuit court enhances public supervision and transparency in judicial proceedings, serving as a deterrent against noncredit transactions by tourism operators and unethical business conduct.

This study offers policy implications aimed at enhancing the quality of law enforcement and fostering sustainable tourism. The public sector's role in ensuring effective tourism governance, particularly in developing countries, has yet to be fully realized due to the lack of adequate policy tools (Jamal & Camargo, 2018). China's tourism circuit court, serving as an innovative law enforcement tool, can provide valuable policy references for other developing countries seeking efficient enforcement mechanisms. We underline that governments can promote economic growth in tourism by improving the level of law enforcement at the grassroots level. Firstly, the public sector should play a proactive role in tourism enforcement, employing appropriate enforcement tools and fostering cross-sectoral collaboration. Additionally, enforcement mechanisms should extend to tourist destinations to ensure easy access to public services for both tourists and operators. Secondly, transparency in tourism law enforcement information is crucial to ensuring fairness. Open access to such information encourages tourists to share positive travel experiences on social media platforms, thereby improving the reputation of tourist destinations. Thirdly, law enforcement tools should enhance judicial efficiency through the rational division of labour. By establishing tourism circuit courts or similar law enforcement methods, simple tourism disputes can be swiftly resolved on-site, thus alleviating the burden of judicial trials.

This article acknowledges several limitations that provide opportunities for future improvements. Firstly, the research data in this paper only extends up to 2019, thus failing to capture recent developments. Moving forward, we intend to broaden the study period to encompass more recent data by incorporating newly released tourism revenue data to provide a more comprehensive analysis of the tourism circuit court's impact on economic growth. Secondly, while we have identified partial

mediating effects in the mechanism analysis, further research is needed to strengthen these findings. Additional data collected in the future may offer insights that can strengthen the results of the mechanism analysis.

CRedit authorship contribution statement

Min Wang: Writing – original draft, Resources, Methodology, Funding acquisition, Formal analysis, Data curation. **Liang Wang:** Writing – review & editing, Visualization, Supervision, Methodology, Conceptualization.

Declaration of competing interest

The authors declare no potential conflict of interest.

Acknowledgment

Financial support for the research was provided by Shanghai Philosophy and Social Science Planning Project (2023EGL003).

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