

Domestic Price, (Expected) Foreign Price, and Travel

Spending by Canadians in the United States*

by

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Abstract: This paper develops and tests a model to explain travel expenditures in the United States by Canadians. The model examines a consumer's choice problem where income is allocated between domestic and foreign consumption. Consumers do not know the foreign price level and base their spending in part on expected foreign price. In addition to expected foreign price, domestic price, exchange rates, income, and foreign price uncertainty influence travel spending. Empirically, each determinant is statistically significant. The contribution of each determinant, however, is not the same: expected U.S. price and exchange rates are the primary factors influencing Canadian travel spending.

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