Comparative Assessment of Application of Gross and Net Multipliers for the Determination of Iranian Economy

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Measuring the importance of an industry for an economy is very important. Knowing key sectors helps policy makers to better allocate their scarce resources efficiently. Traditional or what is called Gross Multipliers by emphasizing on output helps selection of those sectors which have higher forward and backward linkages disregarding the fact that this way of selecting important sectors may not only be uni-directional, i. e showing dependence of other sectors on the chosen sectors and double accounting of output, but it also ignores the possibility and sensitivity of the sectors chosen to the outside shocks and thereby disregarding the vulnerability of the chosen sectors. In other words it does not take into account the possibility that the sectors chosen may highly be dependent on the other sectors to avoid this problem, a new net multiplier has been introduced which is bi-directional in the sense that not only shows the dependence of other sectors to the sectors chosen but it also shows how the chosen sectors themselves depend on other sectors and emphasizing on final demand. We have tested these two concepts to Iranian economy. The result show that net multiplier provide a better picture of Iranian economy. Out of eight sectors chosen six sectors belong to services. This finding is matching the structure of Iranian economy which is dominated by service sectors.