

On the Misuse and Miscalculation of Multipliers, the Inconsistency of Gross Output, and Other Matters That Perplex the Conscientious Regional Economic Impact Assessor

Topic: Special session on regional impact analysis

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“What is the multiplier for ...?” We get such requests all of the time, and the truth is that no one should be able to give a quick answer, at least without some geographic and industrial specificity: But someone must be. More irritating is that we are able to observe developers who claim multipliers for a new shopping mall on the order of 5 and government agencies that claim returns on their investments on the order of 1,000 times their budgeted allotments. But more problematic are decisions we make ourselves, like failing to discount impacts by opportunity costs of the investment, permitting our sponsor to report job-years” as “jobs,” and releasing information on “the big number”—gross output—without concern that it severely double-counts economic activity.

This paper is an attempt to identify the main pitfalls that befall even the most ardent specialists of regional economic impact analysis. In so doing, I will attempt to provide arguments that persuade others to avoid the dark side of our practice.