

# **Economic Impact Analysis -- *Using the Right Tools***

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**Glen Weisbrod**

**Economic Development Research Group**

10 High Street, Suite 620, Boston, MA 02110  
Tel 617.338.6775 Fax 617.338.1174  
[www.edrgroup.com](http://www.edrgroup.com) ([gweisbrod@edrgroup.com](mailto:gweisbrod@edrgroup.com))

## ***Range of Econ Impact Studies***

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**Industrial Parks**

**Office Devel**

**Civic Center**

**Harbor Cleanup**

**Army Base**

**Highways**

**Airports**

**Rail Service**

**Sm Bus. Incubators**

**State Tax Policies**

**Downtown Revit.**

**Enterprise Zones**

**Building Moratorium**

**Utility Merger**

**Renewable Power**

**Energy Conservation**

## *Why the confusion?*

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Jobs are all  
that matters

Will taxes  
go up?

Business  
Sales will  
change

Its a Zero  
Sum Game

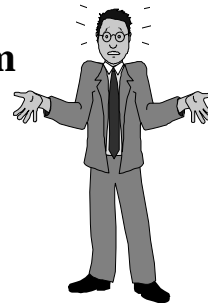


*Voodoo Science ?*

## *Different Perspectives*

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- ◆ **MEASURE** -> jobs, income, sales, prop value
- ◆ **AREA** -> local / region / state / US
- ◆ **TIMING** -> short / long term



*How Do you Decide?*

## ***Types of Projects / Policies***

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- ◆ **Attract New Economic Activity**
- ◆ **Meet Expected Demand**
- ◆ **Revitalize an Area**
- ◆ **Shift Costs / Incentives**
- ◆ **Expand Resource Capacity**



***Be Explicit - This affects the study area !***

## ***Different Interests***

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### **Regional**

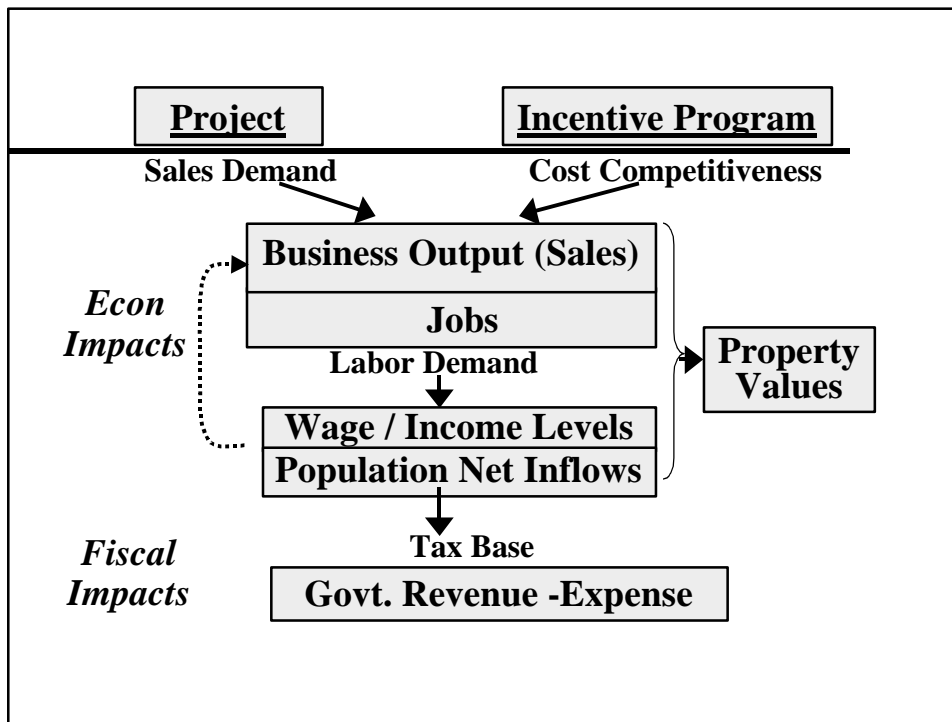
- ◆ **RESIDENTS** -> Income, Jobs
- ◆ **GOVERNMENT** -> Fiscal Impact
- ◆ **BUSINESS** -> Sales, Profits

### **Local**

- ◆ **NEIGHBORS** -> Prop. Values,  
Qual of Life



***Pick Measures - Don't Double Count !***



## *What are MULTIPLIERS?*



- ◆ **Direct Effect** - due to project or policy
- ◆ **Indirect Effects** - orders from suppliers, etc.
- ◆ **Induced Effects** - income re-spending
- ◆ **Dynamic Effects** - population & wage rates

*Multiplier effects depend on the study area.  
They occur insofar as additional labor &  
capital resources are available.*

## *Modeling Choices*

- ◆ **Simple Multipliers** -- e.g., RIMS-II
- ◆ **Multiplier Models** -- e.g., IMPLAN
- ◆ **Simulation Models** -- e.g., REMI



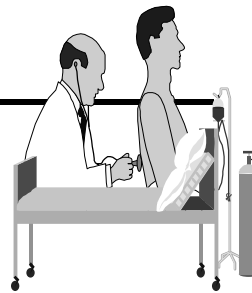
*All modeling choices address indirect & induced effects.*

*Simulation models also address cost competitiveness and population changes.*

## *Example -- Hospital*

### Hospital Role in Economy

- ◆ Provides Jobs, Income
- ◆ Supplier & Responding Effects

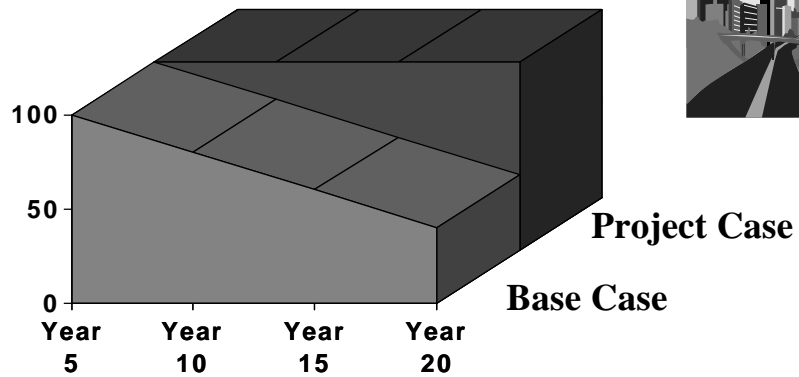


### Hospital Impact (compared to No Hospital)

- ◆ People Seek Alternatives for Medical Care
- ◆ Net Job Effect

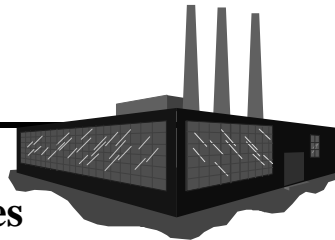
*Gross and Net effects should not be confused.*

## *Example -- City Infrastructure*

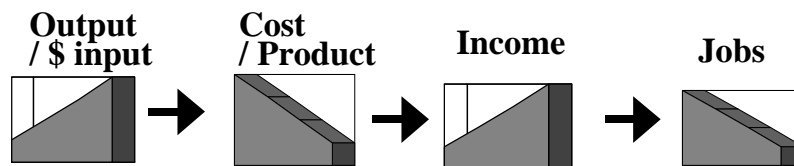


*Project is Needed to Avoid Business Loss*

## *Example -- Technology*

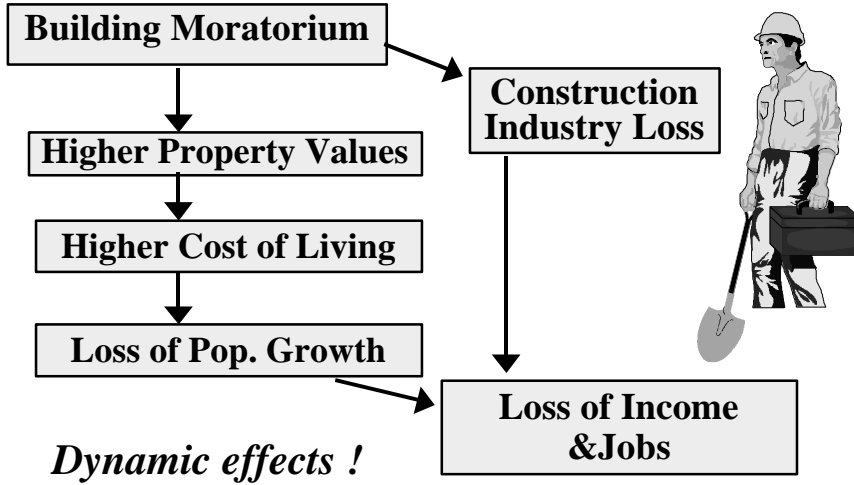


◆ **New Technology improves productivity**

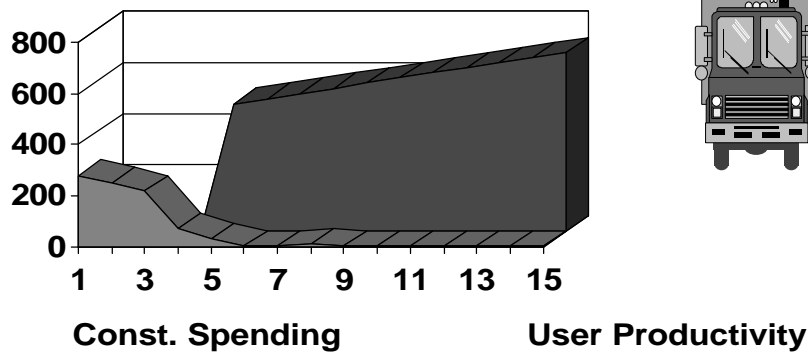


*Job and Income Effects can be very different !*

## *Example -- Building Moratorium*



## *Example -- Rural Access Project*



*Business Cost Savings lead to growth over time*

## **7 Sins of Economic Impact Studies**

- 1. Confusing econ. role & net impact on economy**
- 2. Adding multiple measures (sales & income)**
- 3. Confusing study areas (local & national effects)**
- 4. Confusing time periods (short, long-term)**
- 5. Equating activity level with facility capacity**
- 6. Applying multipliers where they don't apply**
- 7. Ignoring market cost & competitiveness factors**