

On The Use and Misuse of Input-Output Based Impact Analysis in Evaluation

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Abstract

Estimates of economic activity generated and jobs created that are derived using input-output analysis are often presented in program evaluations and confused with the benefits resulting from the program. Two such cases are presented as examples. We argue that for two main reasons this type of analysis constitutes a misuse of input-output analysis. First, input-output estimates generated using the Keynesian closed versions of input-output models are biased upwards because they ignore the price and financial feedbacks that tend to reduce multipliers in macro-economic models. Second, and more important, it is inappropriate to consider induced effects resulting from a particular program in isolation, because such effects can only be properly considered in the aggregate at the level of overall stabilization policy. In this paper we contend that cost-benefit analysis, with its assumption of full employment, is the most appropriate tool for analyzing the benefits resulting from particular programs. Input-output analysis should be confined to providing estimates of the industrial or regional breakdown of the direct impact of a program or of the employment impacts of program spending. It should not be used to generate Keynesian multipliers.

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References:	<p>Harberger, A.C. (1981) <i>The social opportunity cost of labour: Problems of concept and measurement as seen from a Canadian perspective</i>. In Task Force on Labour Market Development. "Labour Market Developments in the 1980s" (Appendix A) (Ottawa: Employment and Immigration Canada).</p> <p>Kulshreshtha, S. N., Russell, K.D., Ayere, G., & Palmer, B.C. (1985) "Economic impacts of irrigation development in Alberta upon the provincial and Canadian economy." <i>Canadian Water Resources Journal</i>, 10, (2).1-10.</p> <p>Mishan, E. J. (1976) "Cost-benefit analysis" (New York: Praeger).</p> <p>Musgrave, R.A. (1959) "The theory of public finance" (New York: McGraw Hill).</p> <p>Office of the Comptroller General. (1981 a) "Guide on the Program Evaluation Function" (Ottawa: Supply and Services Canada).</p> <p>Office of the Comptroller General. (1981b) "Principles for the evaluation of programs by federal departments and agencies" (Ottawa: Supply and Services Canada).</p> <p>Ontario Ministry of Housing. (December 1985) "Assured housing for Ontario: A position paper" (Toronto: Ministry of Housing).</p> <p>O'Reilly, B., Paulin, G., & Smith, P. (July 1983) "Responses of various econometric models to selected policy shocks," Technical Report 38 (Ottawa: Bank of Canada).</p> <p>Statistics Canada, Structural Analysis Division. (February 1986) "Users' guide to Statistics Canada's structureconomic models" Ottawa: Statistics Canada.</p> <p>Treasury Board of Canada. (1976) "Benefit cost analysis guide" (Ottawa: Department of Supply and Services).</p>
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Key topics/tags: Activity, output, outcomes, impact, indicators, evaluations in fragile and conflict-affected settings Monitoring, Security, Justice, Logframes. Authors and their organizations: Jim Parsons, Caitlin Gokey, Monica Thornton - Vera Institute of Justice. Indicators are used in security and justice programming to monitor activities, describe the outputs of projects, track outcomes, and assess whether they are meeting their intended targets. Each of these 'levels' of measurement requires tailored indicators that address different facets of programming; from the building blocks of DFIDs work to the wider impacts on security and justice. For an example of input, activity, output, outcomes and impact measures for an SGD project, see Table 1 in Annex A. These philanthropists, using their experience with the tech industry, look for data-driven causes to back with their fortunes. This new fascination with linking philanthropy to measurable results has landed many organizations in the murky waters of program assessment and evaluation. Most nonprofit professionals are not experts in measurement. But they should, at least, be aware of the basic concepts. Impact consists of the results that are directly due to the outcomes of a program. Results are determined by evaluations that factor out other explanations for these results. Impacts are the long-term or indirect effects of your outcomes. Impacts are hard to measure since they may or may not happen. They are what one hopes to accomplish. Input-output analysis should be confined to providing estimates of the industrial or regional breakdown of the direct impact of a program or of the employment impacts of program spending. It should not be used to generate Keynesian multipliers. Abstract. Estimates of economic activity generated and jobs created that are derived using input-output analysis are often presented in program evaluations and confused with the benefits resulting from the program. Two such cases are presented as examples. We argue that for two main reasons this type of analysis constitutes a misuse of input-output analysis.