

Measuring the Economic Impact of Cultural Heritage: Comparative Analysis of the Multiplier Approach and the Value Chain Approach

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Abstract : While the positive impacts of heritage on a broad societal spectrum have long been recognized and measured, the economic effects of the heritage sector are often less visible and frequently underestimated. At macro level, economic effects are usually studied based on one of the two mainstream approach, i.e. either the multiplier approach or the value chain approach. Consequently, there is limited comparability of the empirical results due to the use of different methodological approach in the literature. Furthermore, it is also not clear on which criteria the used approach was selected. Our aim is to bring the attention to the difference in the scope of effects that are encompassed by the two most frequent methodological approaches to valuation of economic effects of cultural heritage on macroeconomic level, i.e. the multiplier approach and the value chain approach. We show that while the multiplier approach provides a systematic, theory-based view of economic impacts but requires more data and analysis, the value chain approach has less solid theoretical foundations and depends on the availability of appropriate data to identify the contribution of cultural heritage to other sectors. We conclude that the multiplier approach underestimates the economic impact of cultural heritage, mainly due to the narrow definition of cultural heritage in the statistical classification and the inability to identify part of the contribution of cultural heritage that is hidden in other sectors. Yet it is not possible to clearly determine whether the value chain method overestimates or underestimates the actual economic impact of cultural heritage since there is a risk that the direct effects are overestimated and double counted, but not all indirect and induced effects are considered. Accordingly, these two approaches are not substitutes but rather complementary. Consequently, a direct comparison of the estimated impacts is not possible and should not be done due to the different scope. To illustrate the difference of the impact assessment of the cultural heritage, we apply both approaches to the case of Slovenia in the 2015-2022 period and measure the economic impact of cultural heritage sector in terms of turnover, gross value added and employment. The empirical results clearly show that the estimation of the economic impact of a sector using the multiplier approach is more conservative, while the estimates based on value added capture a much broader range of impacts. According to the multiplier approach, each euro in cultural heritage sector generates an additional 0.14 euros in indirect effects and an additional 0.44 euros in induced effects. Based on the value-added approach, the indirect economic effect of the "narrow" heritage sectors is amplified by the impact of cultural heritage activities on other sectors. Accordingly, every euro of sales and every euro of gross value added in the cultural heritage sector generates approximately 6 euros of sales and 4 to 5 euros of value added in other sectors. In addition, each employee in the cultural heritage sector is linked to 4 to 5 jobs in other sectors.

Keywords : economic value of cultural heritage, multiplier approach, value chain approach, indirect effects, slovenia

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