

Multiplier effect

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I added a new glossary item this morning, on the multiplier effect. I add such entries whenever I can or when I need them for something else I am writing.

This entry says:

A multiplier effect is a measure of the amount by which income is increased or decreased as a result of additional spending within an economy. If a multiplier effect is greater than one then the additional spending produced an increase in income of greater than its own amount, and vice versa. The largest multiplier effects are usually associated with healthcare spending and capital investment, where returns that are several times the size of the sum initially expended can result. In contrast, defence spending has very low multiplier effects. Some multiplier effects e.g. those resulting from spending on education are hard to measure because of the extended time periods involved.

Thoughts?