9 The multiplier – Part 1 — Answers

Answers

Work through these after trying the questions yourself.

9.1 Money passing between households and firms.
9.2 Investment, government spending or exports (any one).
9.3 Saving, tax or imports (any one).
9.4 An injection raises income by more than the first amount (it is spent again and again).
9.5 Large.

9.6 Multiplier $= \dfrac{1}{1 - 0.75} = 4.$ So the final rise in income = \$20m × 4 = \$80m.