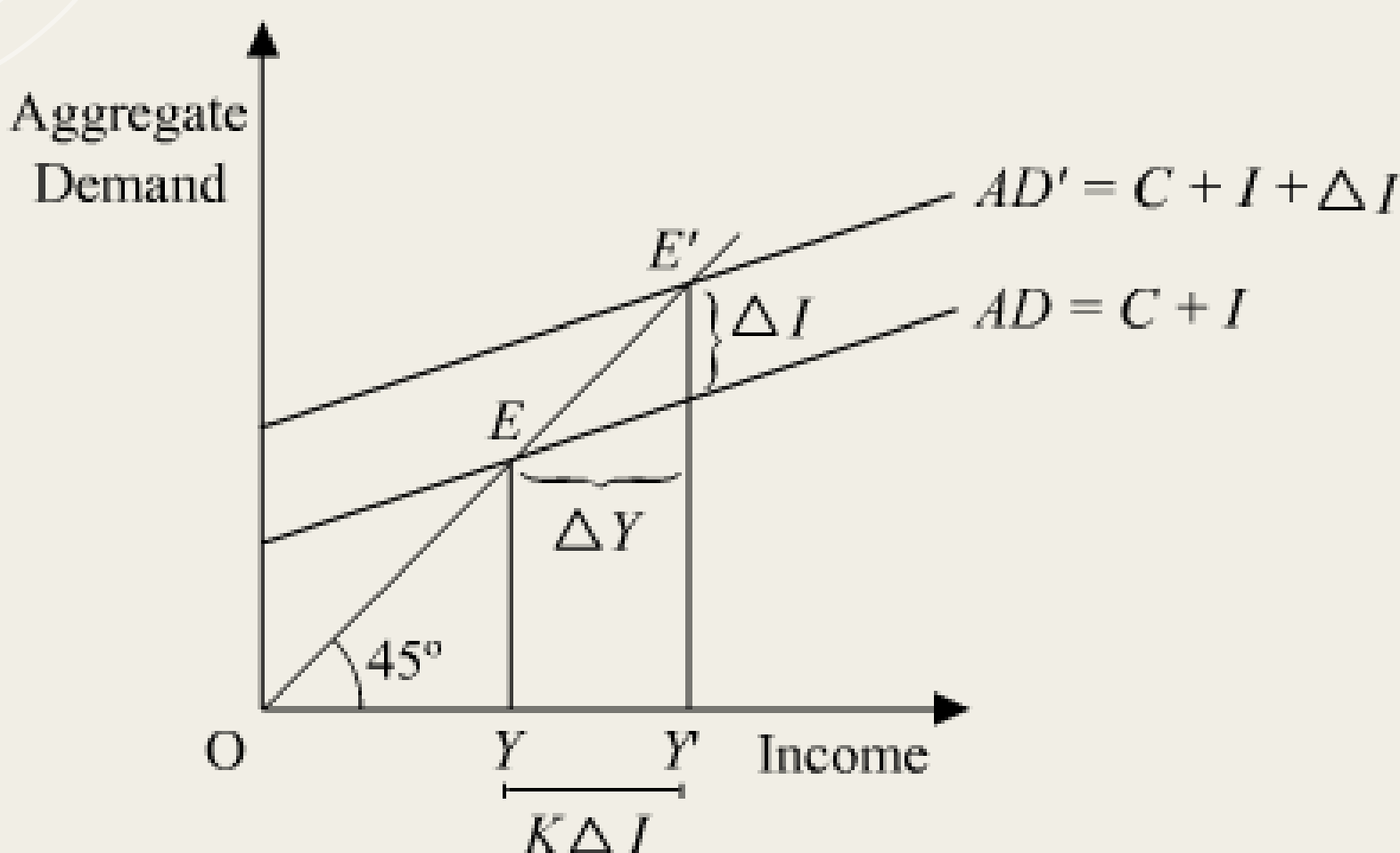


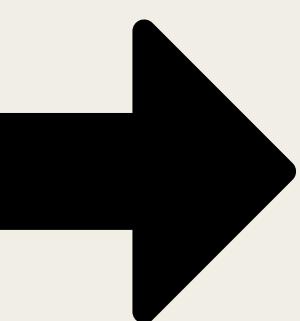


ECOHOLICS

INVESTMENT MULTIPLIER



Investment multiplier (k) is how much income (Y) grows for a given increase in investment (I). It is **calculated as $k = \Delta Y / \Delta I$** . For example, if aggregate demand (E) rises from E to E' due to more investment, then income also rises from Y to Y'.



Working of Investment multiplier

The government spends to boost economy

Employment will be created

they will save some income and spend the rest

this spending will generate demand, in turn increase income & employment

J.M. Keynes developed this investment multiplier