

Unemployment Multiplier

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<https://www.pascalmichailat.org/t5.html>



Sufficient statistic # 2: unemployment multiplier, m

Definition:

$$m = - \frac{dy}{dg}$$

- m is decrease in unemployment rate (in pp) when share of labor force devoted to public production increases by 1 pp.
- changing \rightarrow change in $AD \rightarrow$ change in θ
 \rightarrow change in c
- $m = 0$: unemployment rate doesn't respond to public spending
- $m > 0$: unemployment rate \downarrow when public spending \uparrow (realistic case in US)