**CONCEPT OF MULTIPLIER**

1. KEYNES PROPOUNDED THE CONCEPT OF MULTIPLIER WITH REFERENCE TO INCREASE IN TOTAL INCOME, DIRECT AS WELL AS INDIRECT, AS A RESULT OF INITIAL INCREASE IN INVESTMENT AND INCOME.

2. THE MULTIPLIER IS THEREFORE THE RATIO OF INCREMENTAL INCOME TO INCREMENTED INVESTMENT

3. MULTIPLIER = CHANGE INCOME / CHANGE IN INVESTMENT

GIVEN THAT MPC(MARGINAL PROPENSITY TO CONSUMPTION)= 4/5 = 1.8

AFTER THE DELTA Y FORMULA

4. BUT THE ABOVE SERIES IS 1 OF GEOMETRIC PROGRESSION. THEREFORE INCREASE IN INCOME (DELTA Y)=

5. IF DELTA Y STANDS FOR INCREASE IN INCOME , DELTA I STANDS FOR INCREASE IN INVESTMENT WE WRITE THE EQUATION AS FOLLOWS

6. THEREFORE MULTIPLIER = 1/(1-MPC) = 1/MPS

ALGEBRAIC DERIVATION

IN KEYNESIAN CONSUMPTION FUNCTION

C = B + AY

 WHERE A IS CONSTANT TERM , B IS MPC WHICH IS ALSO ASSUMED TO BE CONSTANT THEREFORE CHANGE IN CONSUMPTION OCCUR ONLY IF THERE IS CHANGE IN INCOME THUS