

Economic Importance of the Arts in Glasgow

**PROPORTIONAL MULTIPLIER ANALYSIS:
A GENERAL MODEL**

Using the proportional multiplier method a general model for income generation, for example, can be defined as:

$$Y_r = Q Y_n \left[\frac{1}{1 - L \left(\sum_{i=1}^I X_i Z_i Y_i \right)} \right]$$

where:

Y_r = total income generation in region r.

Q = the money introduced into the economy through the purchase of goods and services. Y_n = the regional income generation coefficient (direct plus indirect) for the type of business in which the money introduced is spent.

L = the average propensity to consume

X_i = the proportion of local resident spending accounted for by the i^{th} type of business

Z_i = the proportion of local resident spending in the i^{th} type of business which is spent in the local area.

Y_i = the income generation coefficient (direct plus indirect) of the i^{th} type of business.

This general model of income creation, therefore, consists of three main parts:

- (a) Q which is the amount of money introduced initially into the economy.
- (b) Y_n which is the income generation coefficient for the type of business in which the injection of money occurs. This factor allows for the removal of leakages through, for example, the purchasing of goods and services and taxation, and the inclusion of the additional income resulting from inter-business transactions. The value taken by Y_n measures income (direct + indirect) as a proportion of the initial injection.
- (c) the remainder of the equation which represents a modified form of the traditional Keynesian multiplier of $1/1-c$, where c equals the marginal propensity to consume.

Neo-liberal governmentality is not Keynesian