

Answer on Question #37988 – Economics – Macroeconomics

The Nottinghamshire Research Observatory in England calculated that students who attend Nottingham Technical University spend about £2,760 each in the local economy for a total of £50.45 million. In total, the impact of their spending on the local economy is £63 million. Calculate the size of the student spending multiplier.

Solution

If £50.45 million are spent in a local economy and £63 million are spent owing to the effect of students' impact, then the size of the student spending multiplier is $\frac{63}{50.45} \approx 1.25$.