

## **Use of Economic Multipliers in Regional Areas & Government Services**

The following note may be of interest to readers of the newsletter, who are involved in using multipliers at regional level. It identifies an important limitation of multipliers in relation to state and federal government service provision.

Government services can be a very important part of the economy of, and employment in, rural centres. Typically, the local school, the hospital, the police station, court house, agricultural advisers, etc. form a significant part of employment in these centres.

The size of many of these services often closely relates to the area's population and if population expands strongly, the size of these services could be expected to expand strongly also.

However, it is important to recognize that the way multipliers are structured; they tend to "follow a money trail". In the case of government services, payment for these tends to go out of the area in taxes and the fact that it might come back in the form of expenditure on the school, the hospital, etc. may not be recognized in the multipliers.

My advice to anyone using regional multipliers, in a situation where government employment is important, is to check with who ever constructed the multipliers about how taxation and government service delivery was treated.

With local government services (as opposed to state and federal), where the rates are paid locally and the money stays in the region, there is probably not the same problem.

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