# Impact of Fiscal Infusion on GDP in a Post-Pandemic Economic Slowdown

In response to the post-pandemic economic slowdown, the federal government decided to stimulate the economy by injecting $400,000 into the market. This type of fiscal policy aims to boost aggregate demand and output through what is known as the multiplier effect, a concept derived from Keynesian economic theory. The effectiveness of such a fiscal injection depends on the marginal propensity to consume (MPC), which reflects how much additional income households are likely to spend rather than save.

The spending multiplier is calculated using the formula:

Multiplier = 1 / (1 - MPC)

Given that the MPC is 0.6, the multiplier becomes:

1 / (1 - 0.6) = 1 / 0.4 = 2.5

This indicates that every dollar spent by the government will generate $2.50 in total economic activity.

By applying the multiplier to the initial government spending, we can determine the total change in real Gross Domestic Product (GDP). The calculation is as follows:

Real GDP Change = Multiplier × Government Spending = 2.5 × 400,000 = 1,000,000

Thus, the real GDP is projected to increase by $1,000,000 as a result of the $400,000 fiscal stimulus. This demonstrates the powerful role government spending can play in reviving economic growth during periods of downturn, provided that consumer confidence and spending behaviors align with theoretical expectations.