

SPENDING MULTIPLIER WORKSHEET

Only taxes and spending.

The tax rate is _____ .

1. The government spends _____. Some person or persons (group 1) earn _____ .

These people pay _____ in taxes.

2. Group 1 spends _____. This is income for some other person or persons (group 2).

At this point, how much has been added to aggregate demand (and to GDP)? _____

Group 2's income is _____, and they pay _____ in taxes.

3. Group 2 spends _____ which is income for some other person or persons (group 3).

At this point, how much has been added to aggregate demand (and to GDP)? _____

Group 3's income is _____, and they pay _____ in taxes.

4. Group 3 spends _____ which is income for some other person or persons (group 4).

At this point, how much has been added to aggregate demand (and to GDP)? _____

This process will go on for many rounds as the money cycles through the economy.

What is the formula for calculating the spending multiplier when money is only being removed through taxes?

What is the multiplier, and, when this process is complete, AD (and GDP) will have increased by how much?

Taxes, saving, and spending.

The tax rate is _____. The MPS is _____.

1. The government spends _____. Some person or persons (group 1) earn _____.

Group 1 pays _____ in taxes. After paying taxes, they have _____.

They save _____. (taxes + savings = _____).

2. Group 1 spends _____. This is income for some other person or persons (group 2).

At this point, how much has been added to aggregate demand (and to GDP)? _____

Group 2's income is _____, and they pay _____ in taxes.

After paying taxes, they have _____. They save _____. (taxes + savings = _____).

3. Group 2 spends _____ which is income for some other person or persons (group 3).

At this point, how much has been added to aggregate demand (and to GDP)? _____

This process will go on for many rounds as the money cycles through the economy.

What is the formula for calculating the spending multiplier when money is being removed through taxes and savings?

What is the multiplier, and, when this process is complete, AD (and GDP) will have increased by how much?
