

Larger increases in Output

Same increase in Consumption

Same increase in the Deficit

NC = 210

AY = 280

XY = 210


NC = 210

Δ Deficit = 70

Δ Deficit = 70



Government
buys an extra 70b



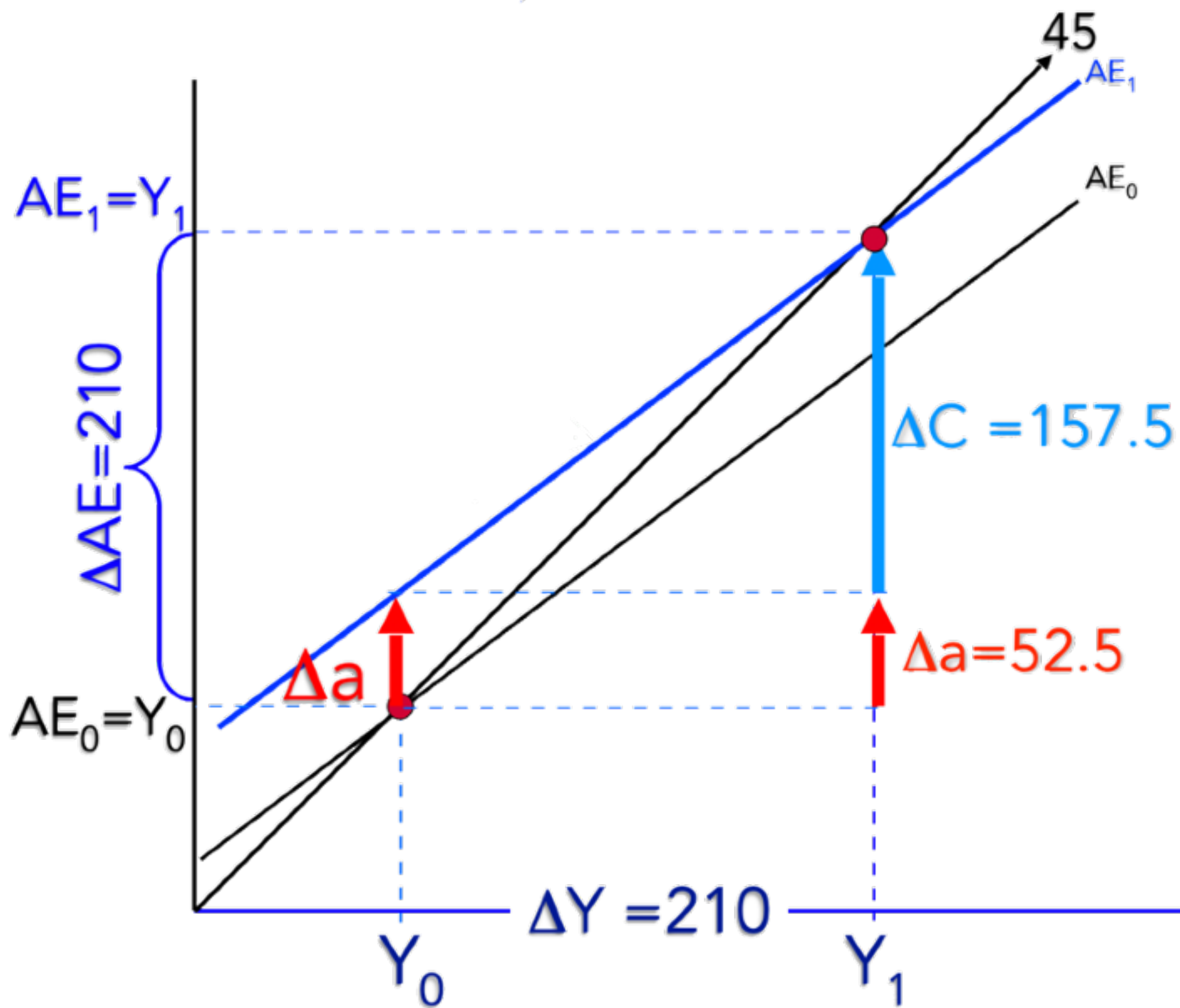
Government
"gives" us an extra
70b to spend

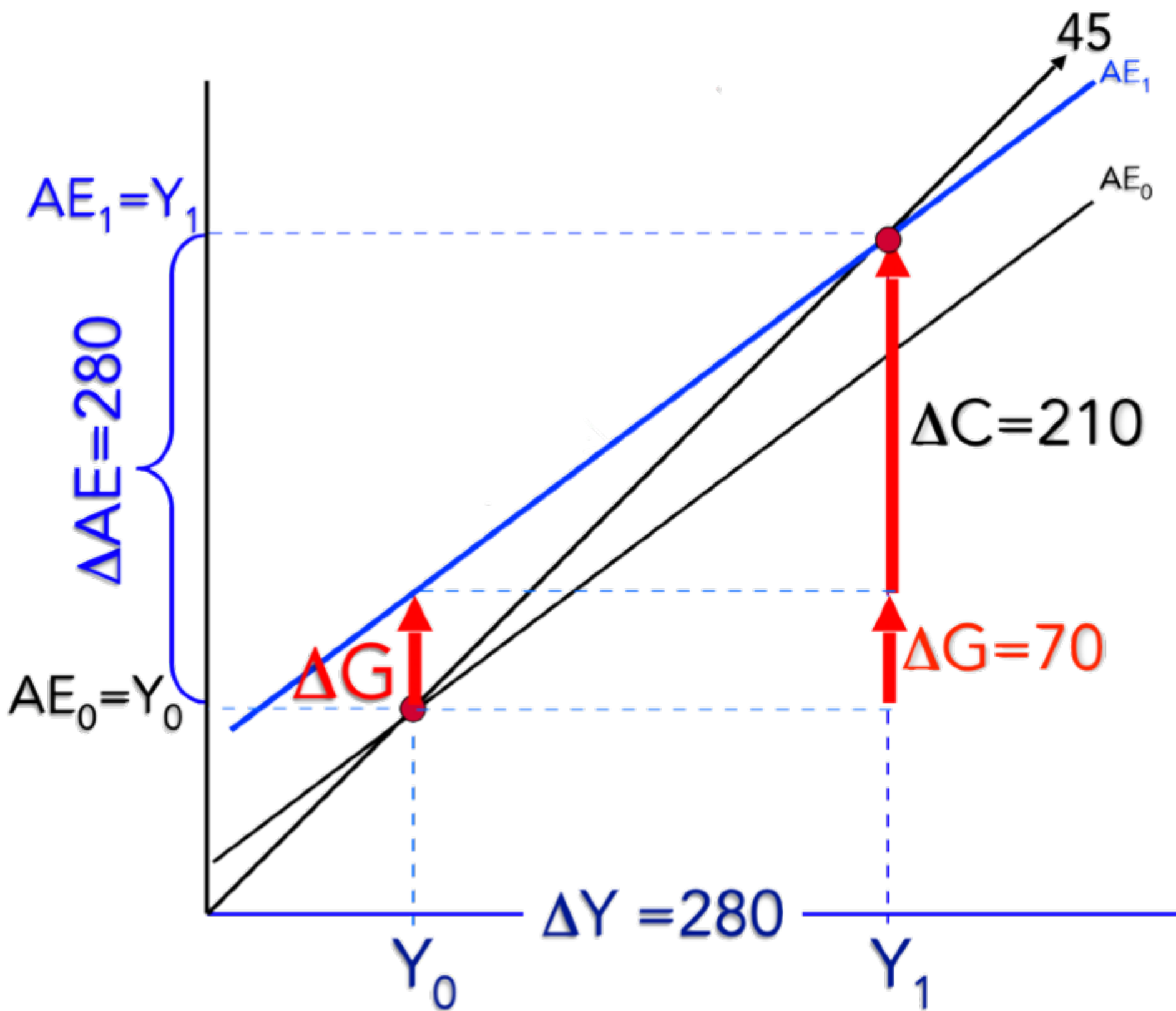


Increasing
Spending is more
effective than a tax
cut

AG = 70


NT = 70



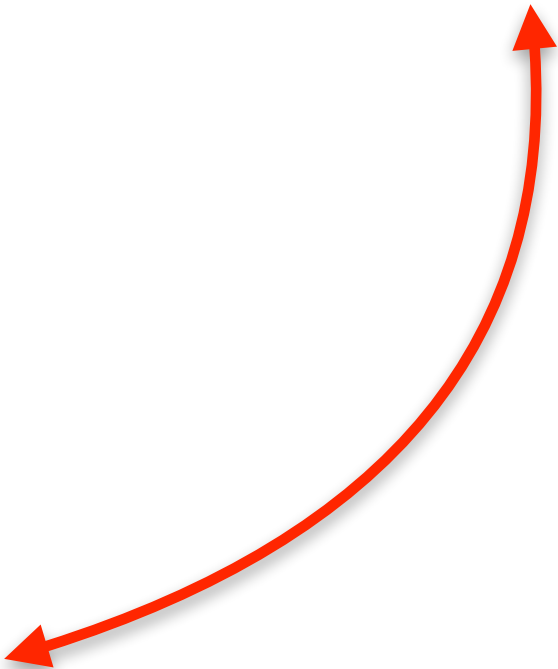


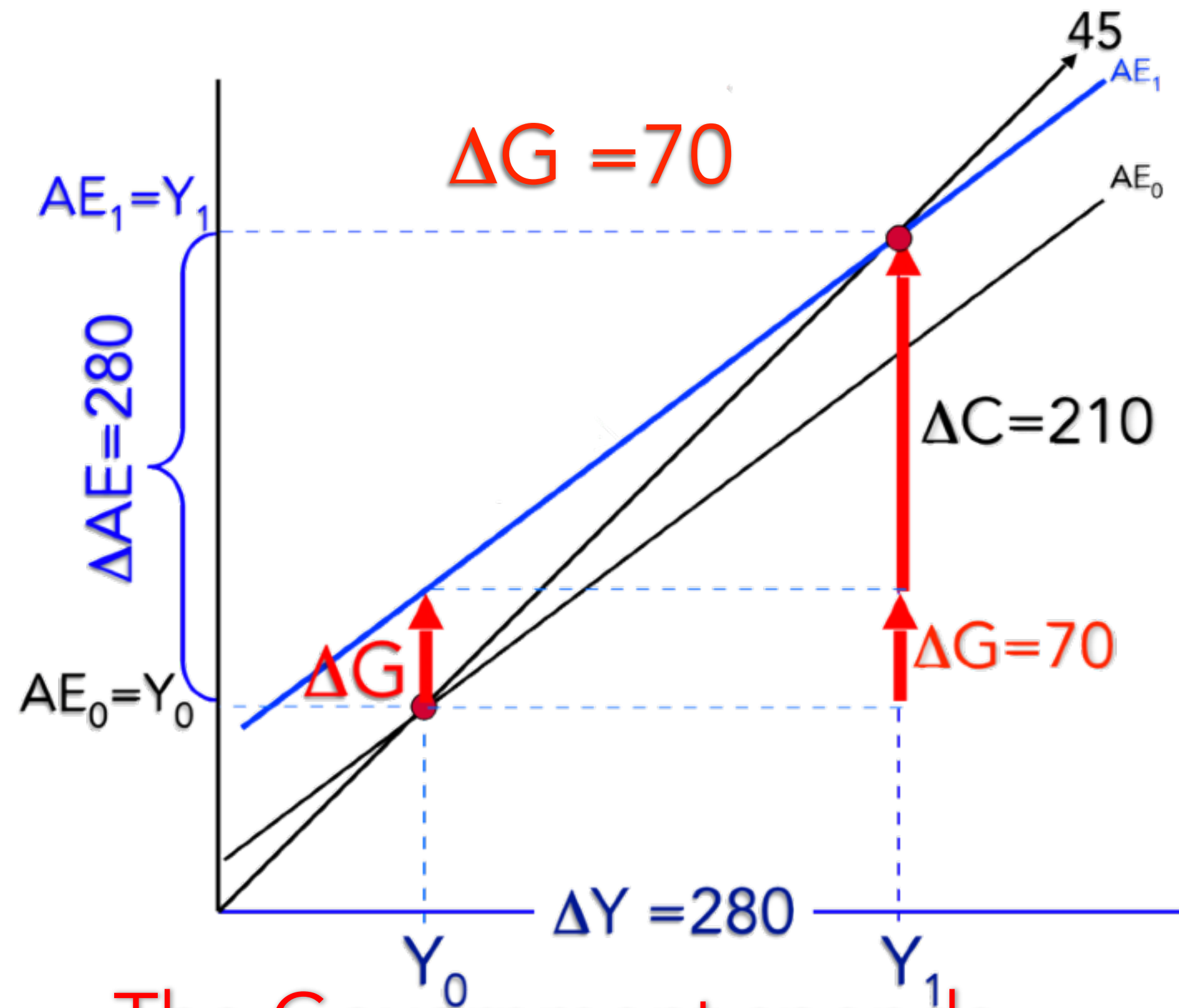
The Government spends
the full 70B

Consumers spend
only 75% of the 70B



$MPC = 0.75$



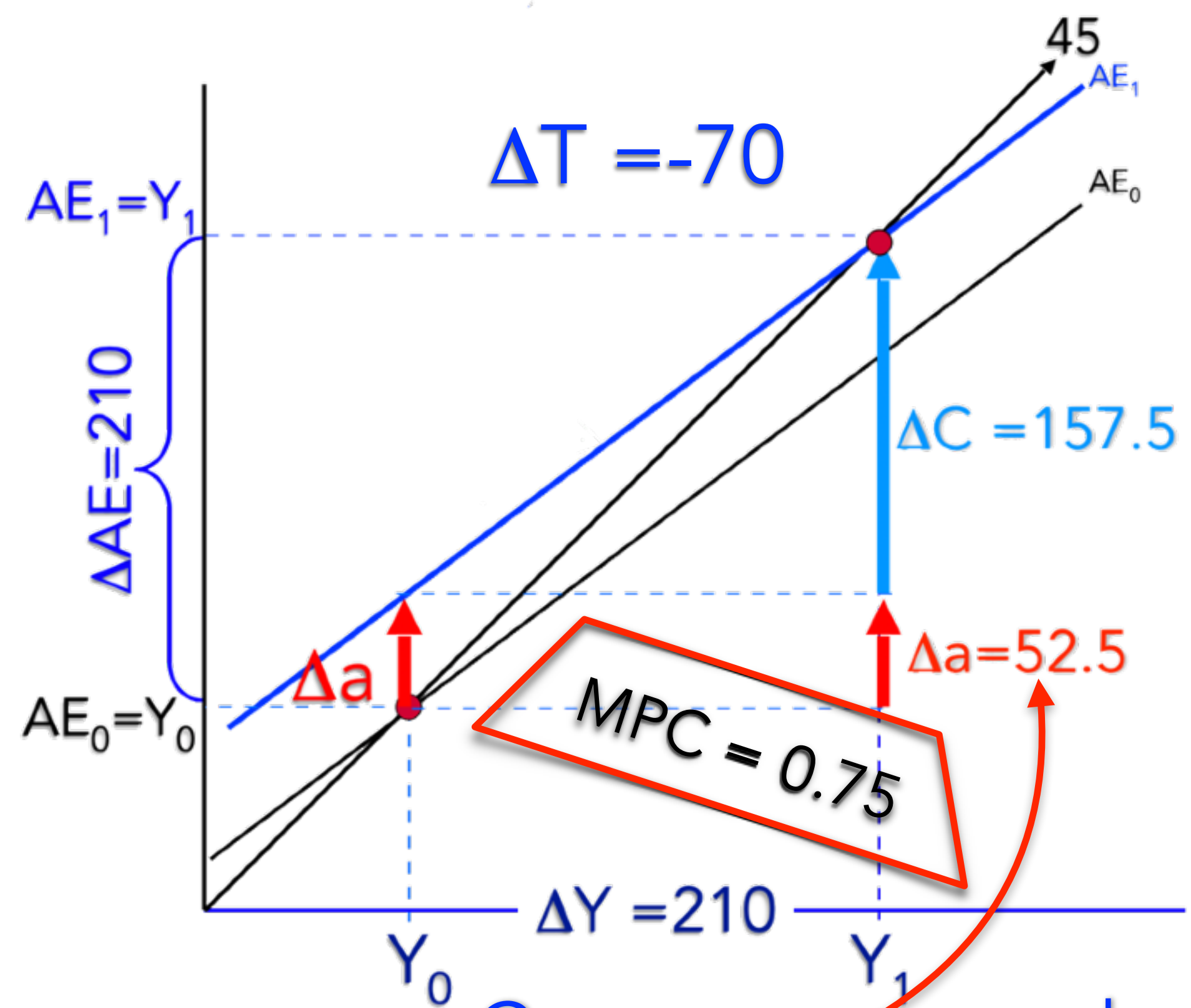


The Government spends
the full 70B
Larger increase in Output
 $\Delta Y = 280$

$$\Delta C = 210$$

$$\Delta \text{Deficit} = 70$$

Increasing
Spending is more
effective than a tax
cut



Consumers spend
only 75% of the 70B

$$\Delta Y = 210$$

$$\Delta C = 210$$

$$\Delta \text{Deficit} = 70$$

