

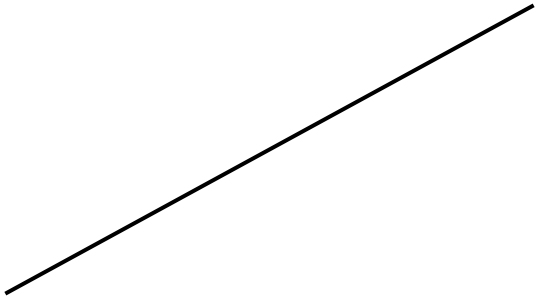


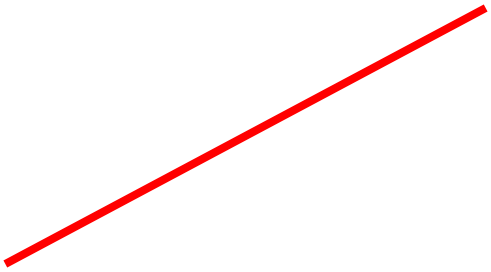
A 700 increase in government spending
generates a 7,000 increase in GDP

Example: $\Delta G \equiv 700$ MPC $\equiv 0.9$

















NY = 7,000,000

AE1

AEOL

Change in Equilibrium Y:

=



G

$$\left(\frac{1}{1 - \text{MPC}} \right)$$



= 700

1-0.9



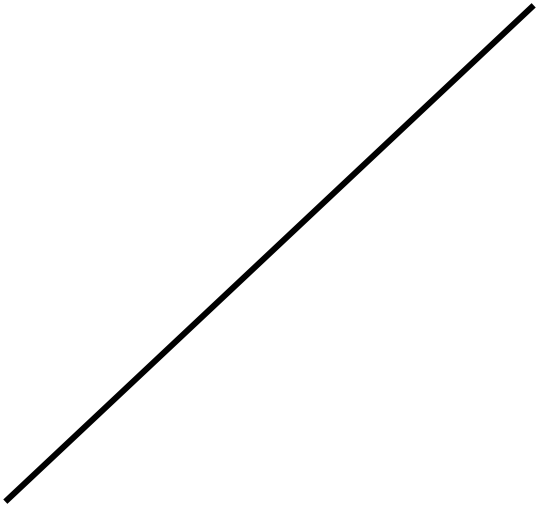
0.1



10









AAE = AG = 700

NY

=

7

,

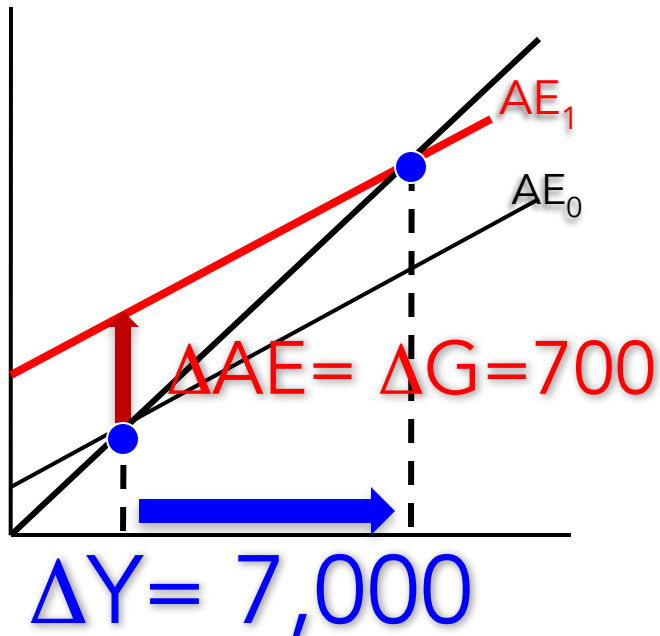
0

0

0

Example: $\Delta G = 700$ MPC = 0.9

Change in Equilibrium Y :



$$\Delta Y = \Delta G \left(\frac{1}{1 - \text{MPC}} \right)$$

$$\Delta Y = 700 \left(10 \right)$$

$$\Delta Y = 7,000$$

A **700** increase in government spending generates a **7,000** increase in GDP