



$\Delta G = \Delta T$  Simultaneous Change

$$\Delta Y = \Delta G = \Delta T$$

AC

=

zero

change in consumption

change in Deficit

$\Delta$  Deficit  $\equiv$  Zero

Balance Budget Multiplier



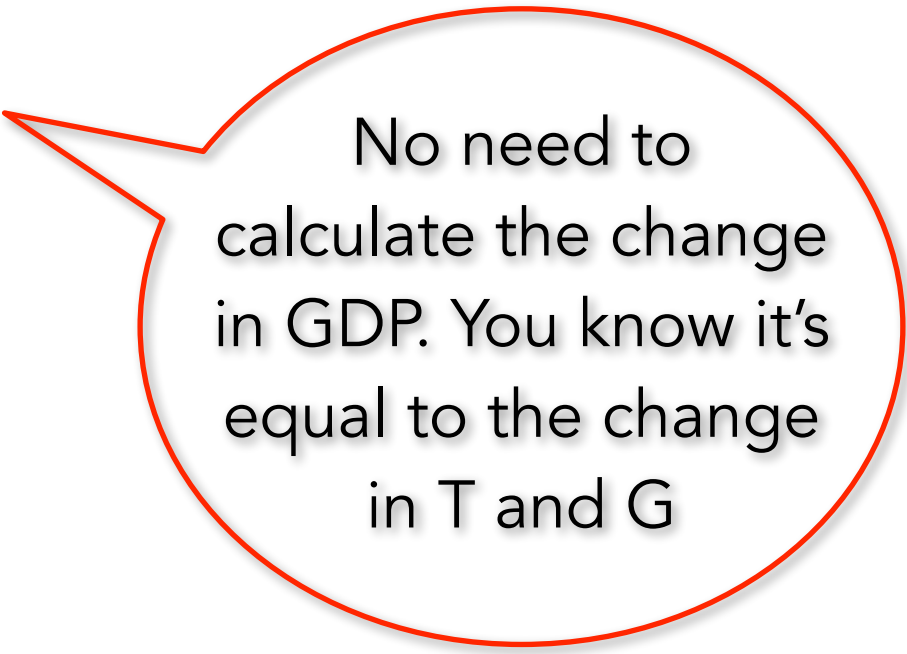
Change in Equilibrium GDP

=

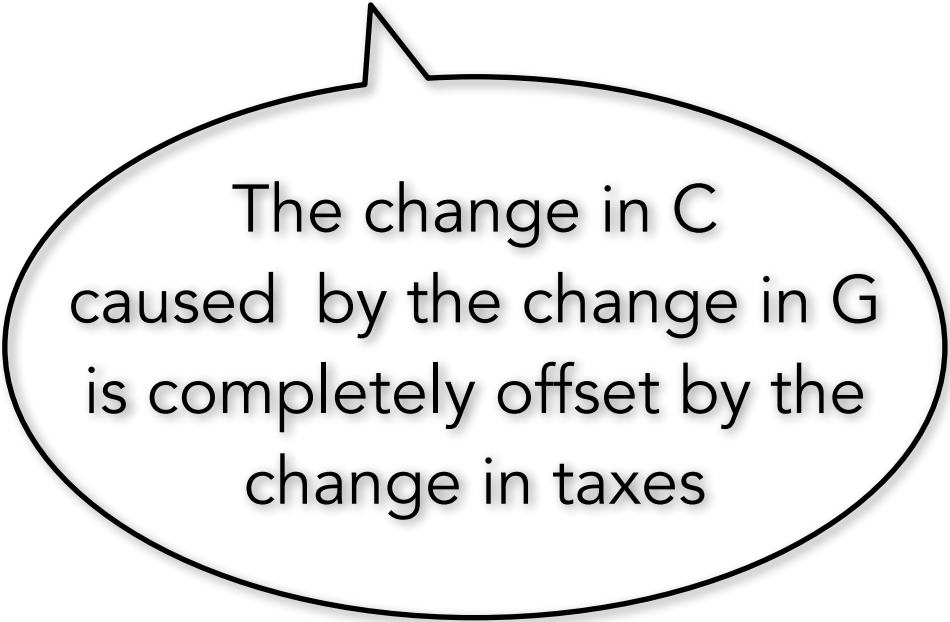
1



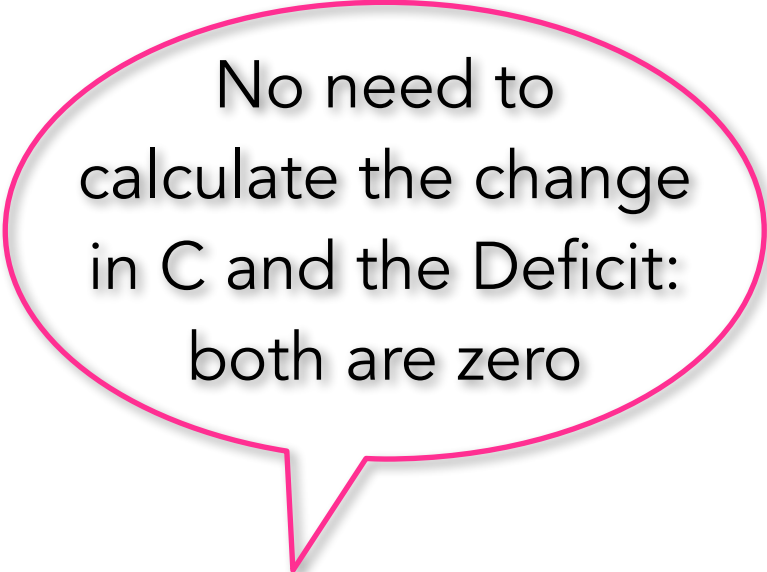
For any  
simultaneous change  
in Taxes and  
Spending



No need to  
calculate the change  
in GDP. You know it's  
equal to the change  
in T and G

A black-outlined speech bubble with a tail pointing towards the top center. Inside the bubble is a text block.

The change in  $C$   
caused by the change in  $G$   
is completely offset by the  
change in taxes



No need to  
calculate the change  
in  $C$  and the Deficit:  
both are zero

No Multiplier

# $\Delta G = \Delta T$ Simultaneous Change

Change in Equilibrium GDP

$$\Delta Y = \Delta G = \Delta T$$

Balance Budget Multiplier  
 $= 1$

The change in C  
caused by a change in G  
is completely offset by the  
change in taxes

**No Multiplier**

No need to  
calculate the change  
in C and the Deficit:  
both are zero

Change in Consumption

$$\Delta C = \text{Zero}$$

Change in Deficit

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