



Fiscal Policy Multipliers







Smaller



Negative

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

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



# Government Spending Multiplier

Tax Multiplier

# Fiscal Policy Multipliers

## Government Spending Multiplier

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

## Tax Multiplier

Negative

Smaller

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

An example using both:  
the **spending** multiplier  
and the **tax** multiplier