$\Delta C = \Delta Y (MPC)$ 

# Change in Equilibrium GDP

# Change in Consumption

#### Change Deficit

 $\triangle$  Deficit =  $\triangle$ G -  $\triangle$ T

# The Spending Multiplier

### Tax Multiplier











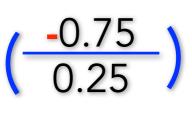




 $\Delta C = 280(0.75) = 210$ 









# Change in Equilibrium GDP

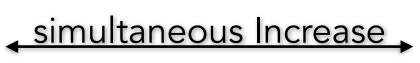




#### Change Deficit

 $\Delta$  Deficit = 0 - (70) = -70

MPC = 0.75





 $\Delta C = 0$ 



$$\Delta G = +70$$
  $\Rightarrow$  simultaneous Increase  $\Rightarrow \Delta T = +70$ 

Change in Equilibrium GDP 
$$\Delta Y = +70$$

$$\Delta Y = 70$$
 (4)  $\Delta Y = 280$   $\Delta Y = 70(-3)$   $\Delta Y = -210$  Change in Consumption  $\Delta C = 0$ 

$$\Delta C = 280(0.75) = 210$$
  $\Delta C = -210$  Change Deficit  $\Delta D$ eficit = 0

$$\Delta$$
 Deficit =  $\frac{70}{0} - \frac{0}{0} = 70$   $\Delta$  Deficit =  $\frac{0}{0} - \frac{70}{0} = 70$