



# Fiscal Policy Multipliers





A blue speech bubble with a white fill and a blue outline. The word "Smaller" is written inside in a blue, sans-serif font. The bubble has a tail pointing towards the bottom-left corner.

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