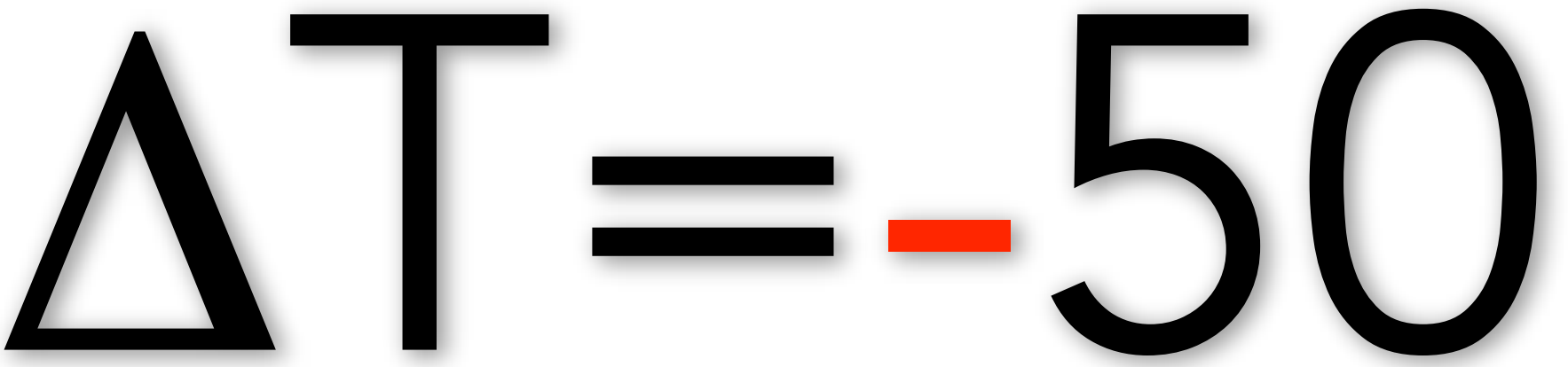

ΔT=-50

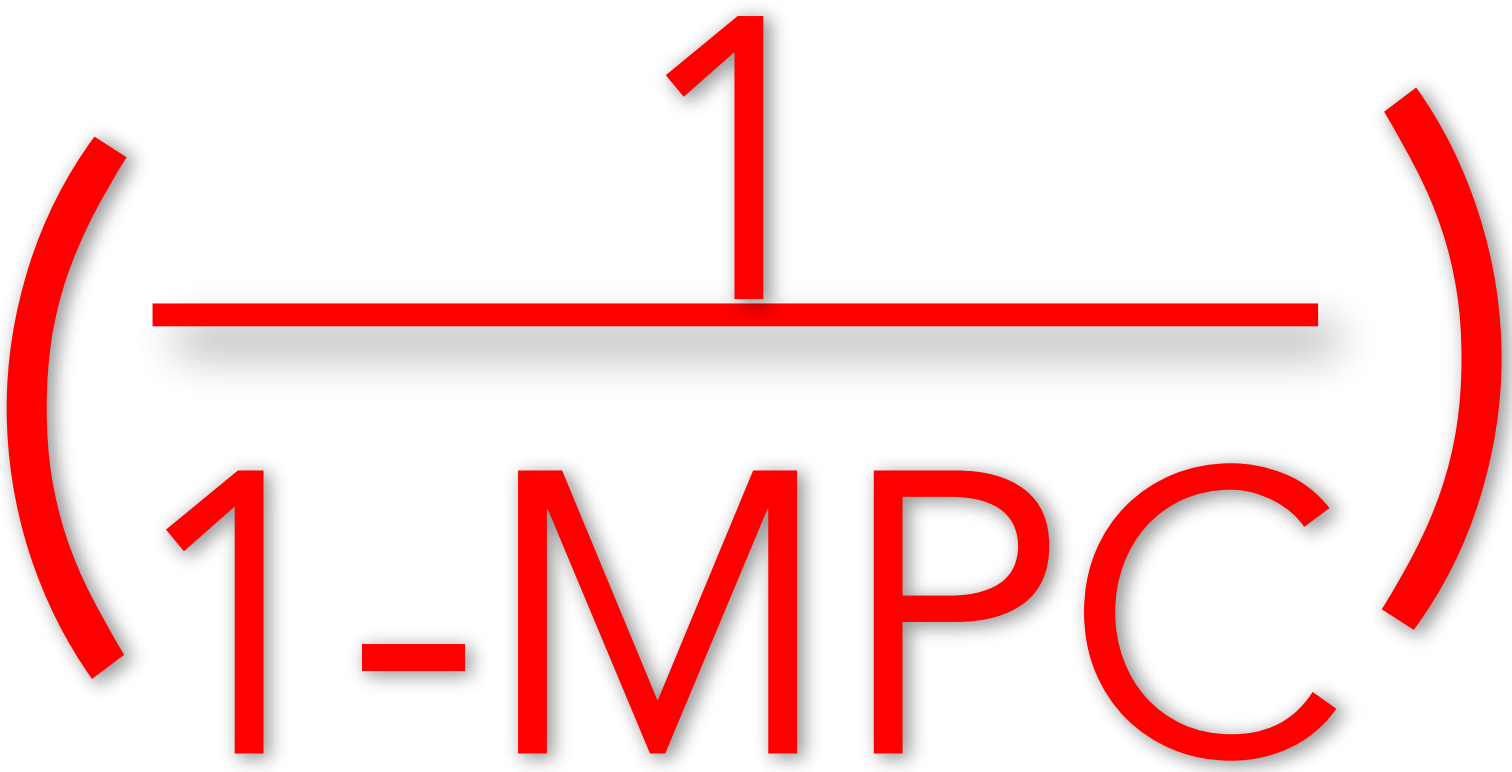
$$\Delta a = \Delta Y^d\,(MPC)$$

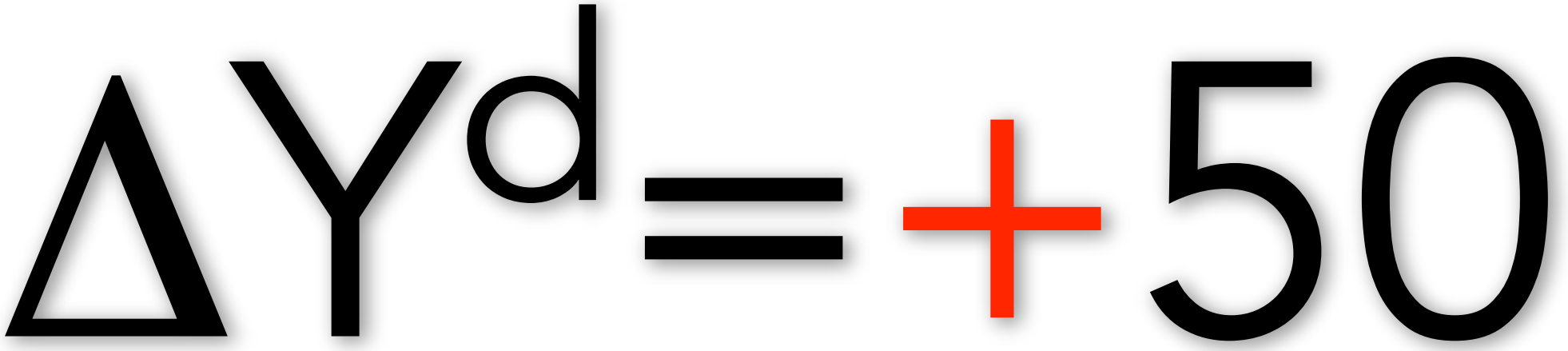
When Taxes drop, Disposable Income increase by the same amount

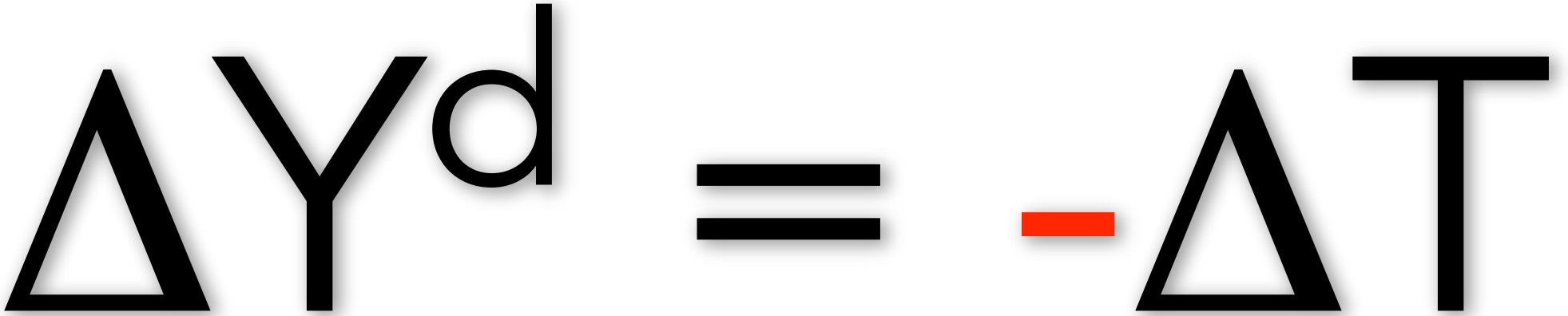
When Disposable Income changes (rise or fall), Consumption changes:

The change in consumption cause a change in Equilibrium GDP:

The change in Disposable Income is the opposite of the change in Taxes


1
1-MPC


ΔY^d=+50


ΔY^d = -ΔT

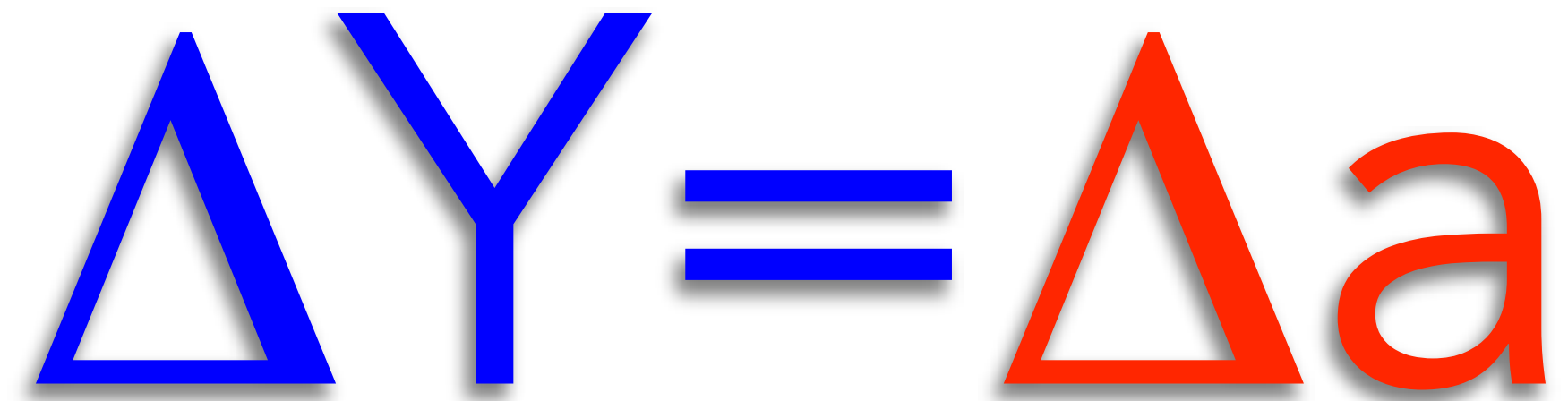
When Taxes rise, Disposable Income drop by the same amount

$$\Delta T = +70$$

$$\Delta Y^{d} = -70$$

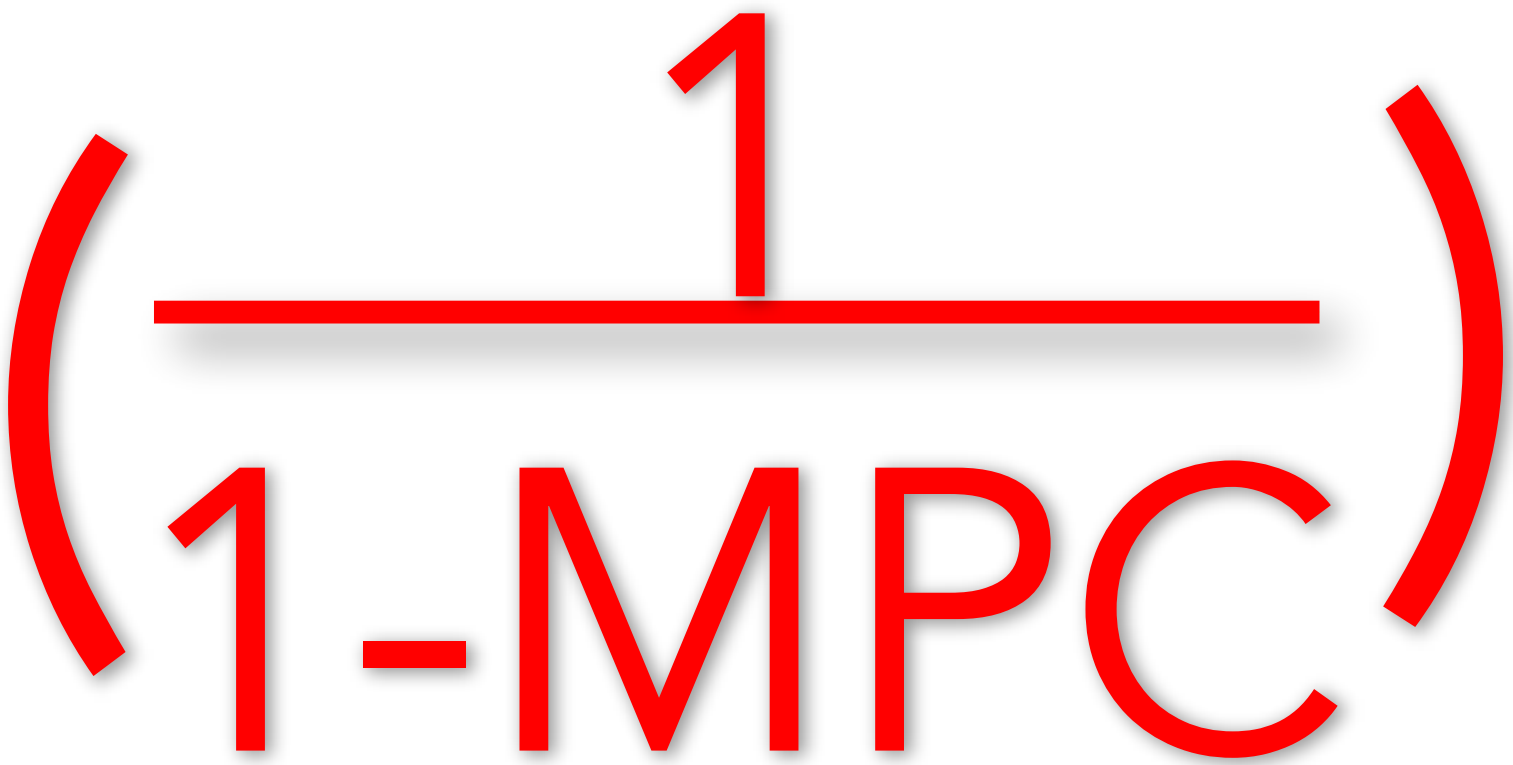
Replace $\Delta Y^d = -\Delta T$:

$$\Delta a = -\Delta T\,(MPC)$$


ΔY=Δa

Replace $\Delta a = -\Delta T$ (MPC)

$$\Delta Y = -\Delta T(MPC)$$


1
1-MPC

When Taxes rise, Disposable Income drop by the same amount

$\Delta T = +70 \rightarrow \Delta Y^d = -70$

The change in Disposable Income is the opposite of the change in Taxes

$\Delta Y^d = -\Delta T$

When Disposable Income changes (rise or fall), Consumption changes:

$\Delta a = \Delta Y^d (MPC)$

Replace $\Delta Y^d = -\Delta T$:

$\Delta a = -\Delta T (MPC)$

The change in consumption cause a change in Equilibrium GDP:

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

Replace $\Delta a = -\Delta T (MPC)$

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

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