1. Income Taxes act as an automatic brake...



– We earn more income but pay more taxes

Thus...

- Consumption does not rise as much as it would if taxes did not increase with income.



– We earn less income but pay less taxes

Thus...

- Consumption does not fall as much as it would if taxes did not fall with income.

1. Income Taxes act as an automatic brake...

When GDP rise

– We earn more income but pay more taxes

Thus...

 Consumption does not rise as much as it would if taxes did not increase with income.

When GDP falls

– We earn less income but pay less taxes

Thus...

 Consumption does not fall as much as it would if taxes did not fall with income. 2. Transfers act as an automatic brake...