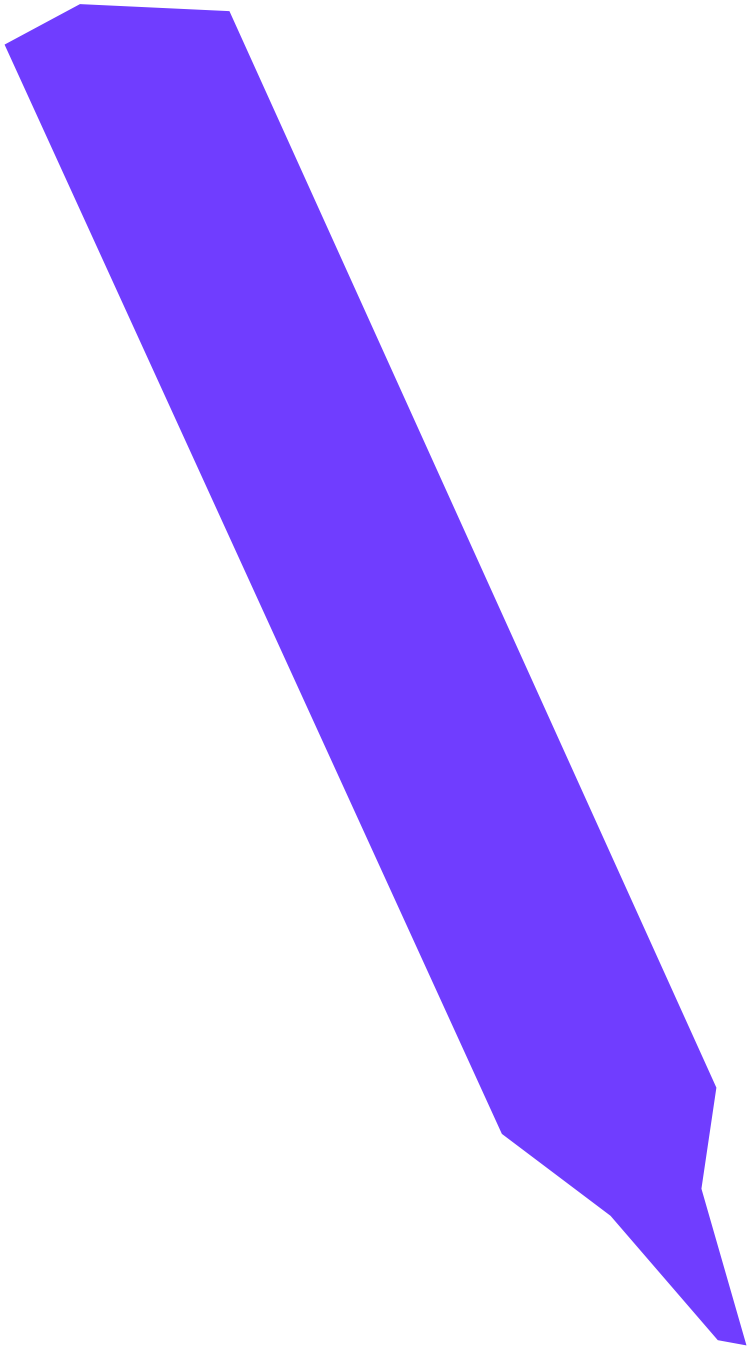
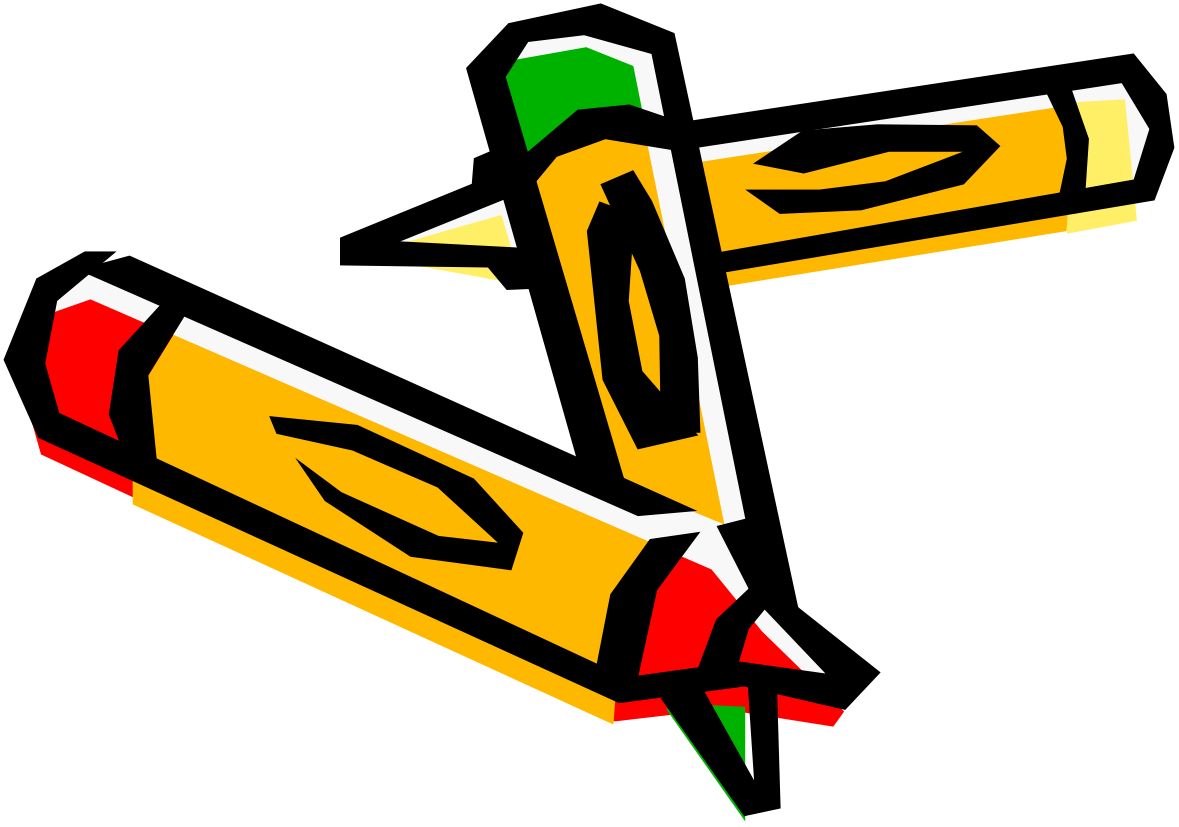
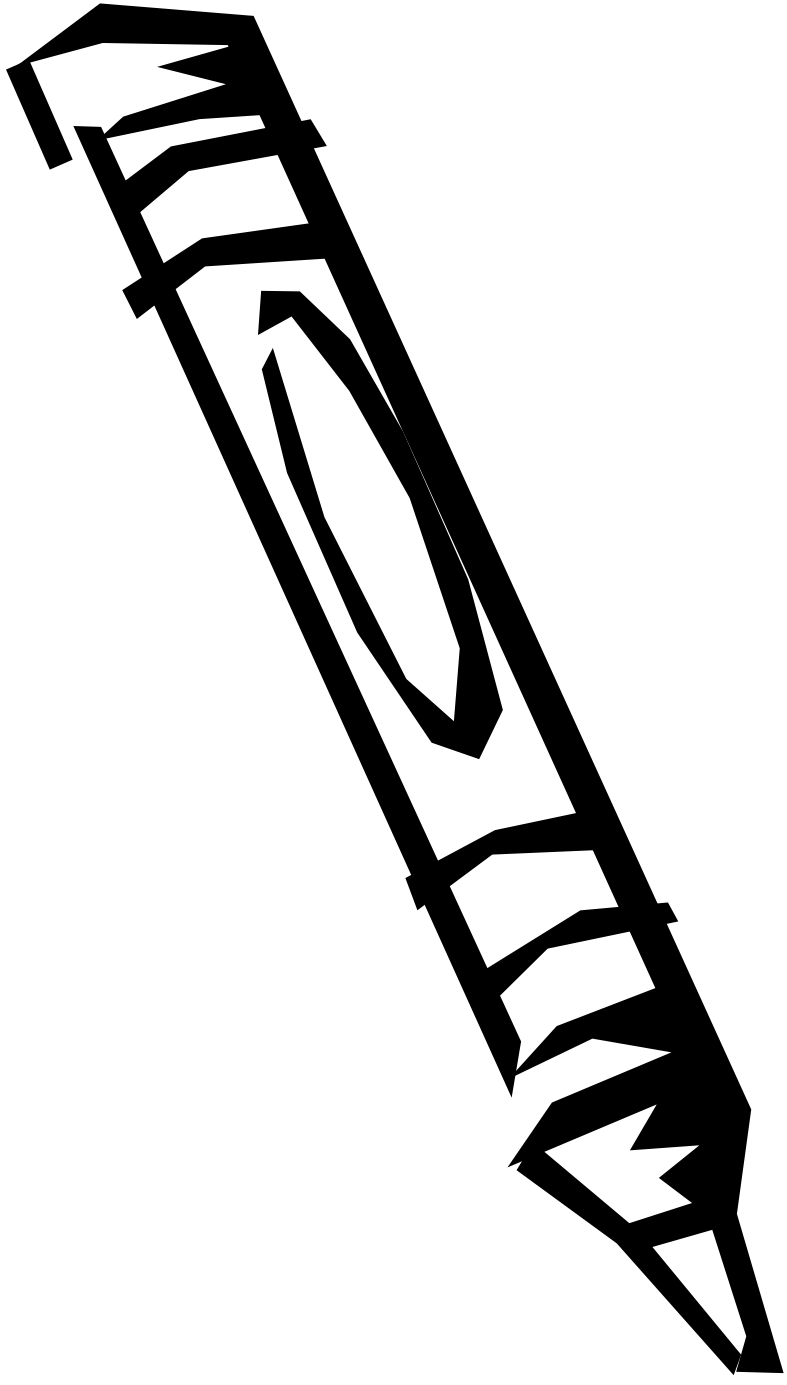






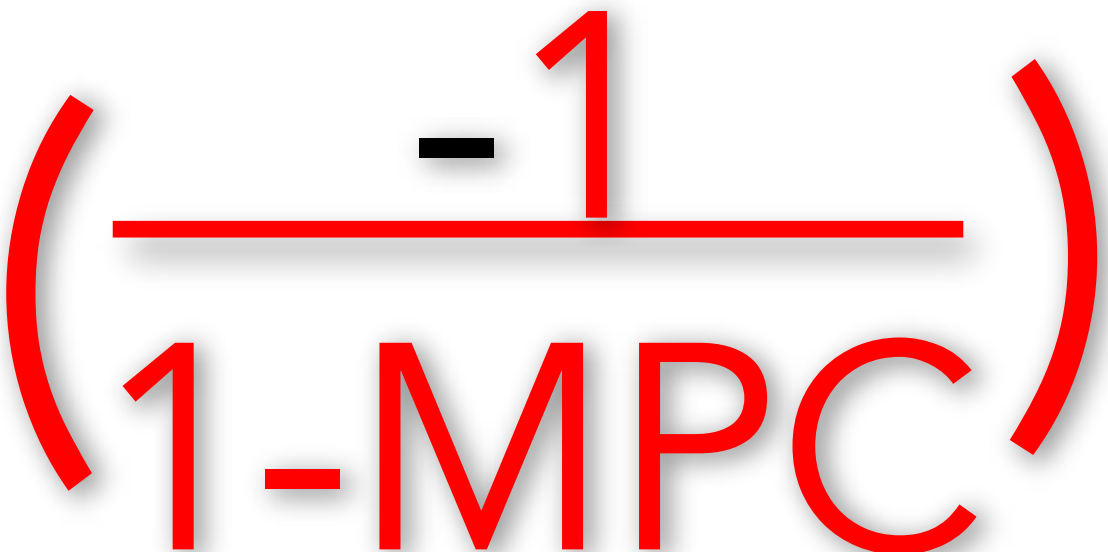
24

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

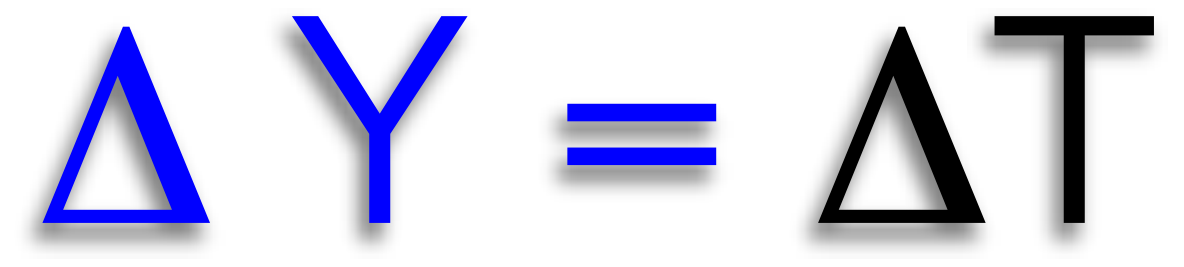

1
1-MPC

Put the negative sign inside parenthesis:

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


-1
1-MPC

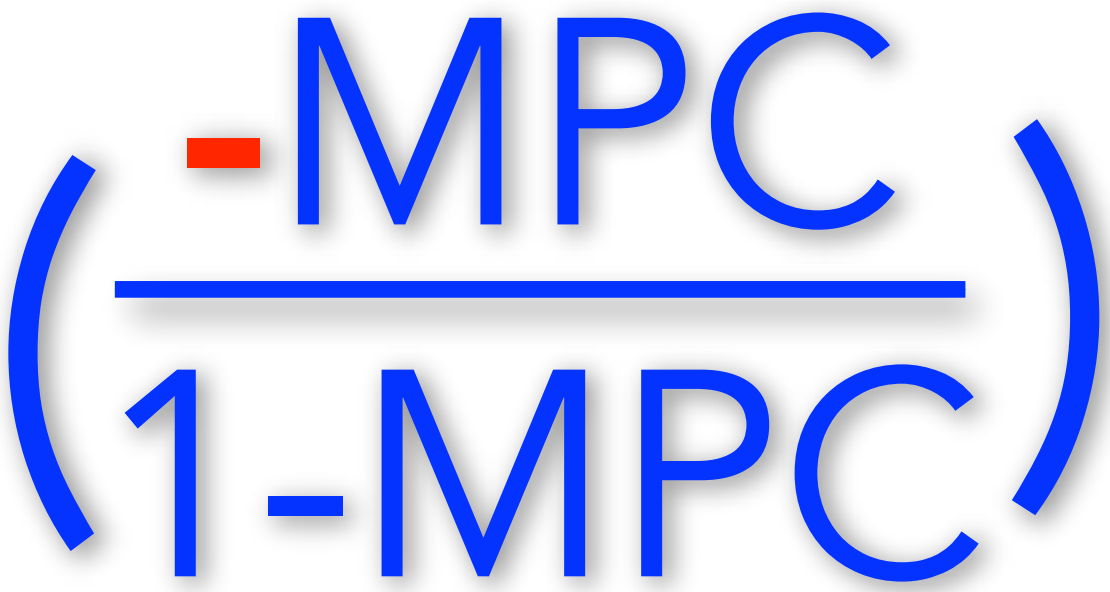
Put the MPC inside parenthesis:


Δ Y = Δ T


-MPC
1-MPC

To calculate the change in Equilibrium GDP caused by a change in taxes (ΔT) use the Tax Multiplier:

Tax Multiplier:


-MPC
1-MPC

Put the negative sign inside parenthesis:

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

Put the MPC inside parenthesis:

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

To calculate the change in Equilibrium GDP caused by a change in taxes (ΔT) use the Tax Multiplier:

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

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

Fiscal Policy Multipliers