

A

E

O



AE₁

NAME

==

Address

==

9900





NY

=

90

Equilibrium Income
increase



Δa = 90

$$\Delta C = \Delta Y * MPC$$

$$\Delta C = 9000 * 0.9$$

NC = 810



$$\Delta C = 90 + 810$$

$$\Delta Y = 90(10)$$







NY

=

9000

xyd = +1000

NT

=

-

1000

$\Delta a = 90$























2









b



2





U

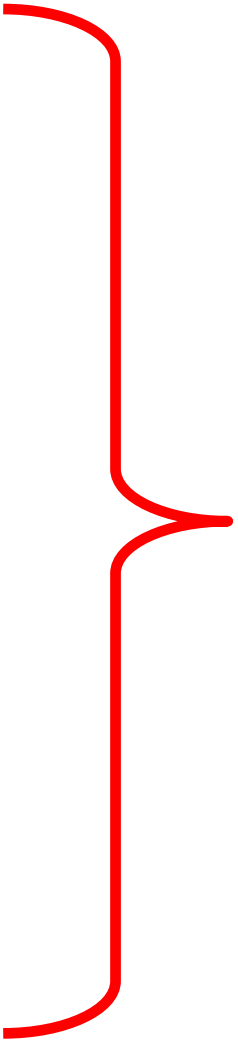


Increase in Induced
consumption due to
the resulting increase
in income

$\Delta Y = \Delta a$ (Multiplier)

All the increase in AE
caused by the
change in taxes is
due to a change in
Consumption

Increase in
Consumption
due to tax cut



$$\left(\frac{1}{1\text{-MPC}} \right)$$

$$\left(\frac{1}{1-0.9} \right)$$





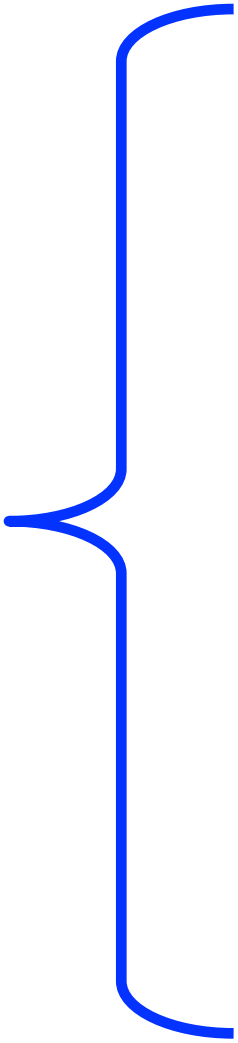
NAE = 9000

450



1a = 0.9 * 1000





ΔC = 9000

The effect of a \$100b tax cut

The effect of a \$100b tax cut

$$\Delta T = -100$$

$$\Delta Y^d = +100$$

$$\Delta a = 0.9 * 100$$

