$\Delta G = +70$


ΔY = ΔG

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

Calculate the change in Equilibrium GDP

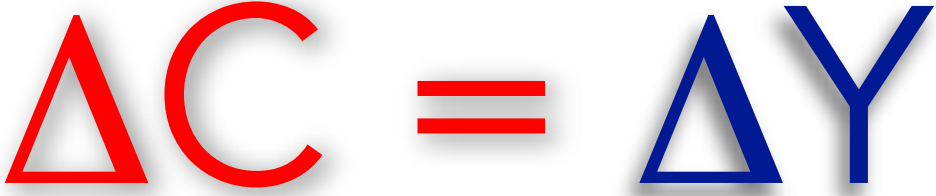
Calculate the change in Consumption

Calculate the change in Gvmt's Budget Deficit

$$\Delta \text{ Deficit} = \Delta G - \Delta T$$

$$\Delta T = -70$$


ΔY = ΔT


ΔC = ΔY

Calculate the Spending Multiplier

Calculate the Tax Multiplier

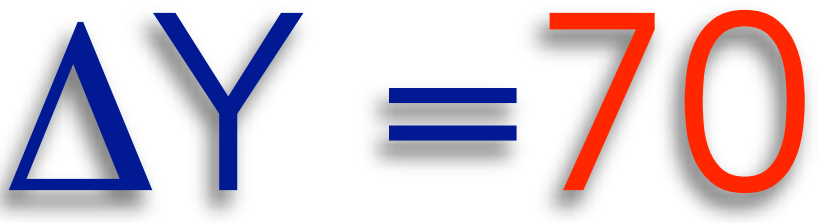

1
1-MPC


1
1-0.75


1
0.25


(4)


1
1-MPC

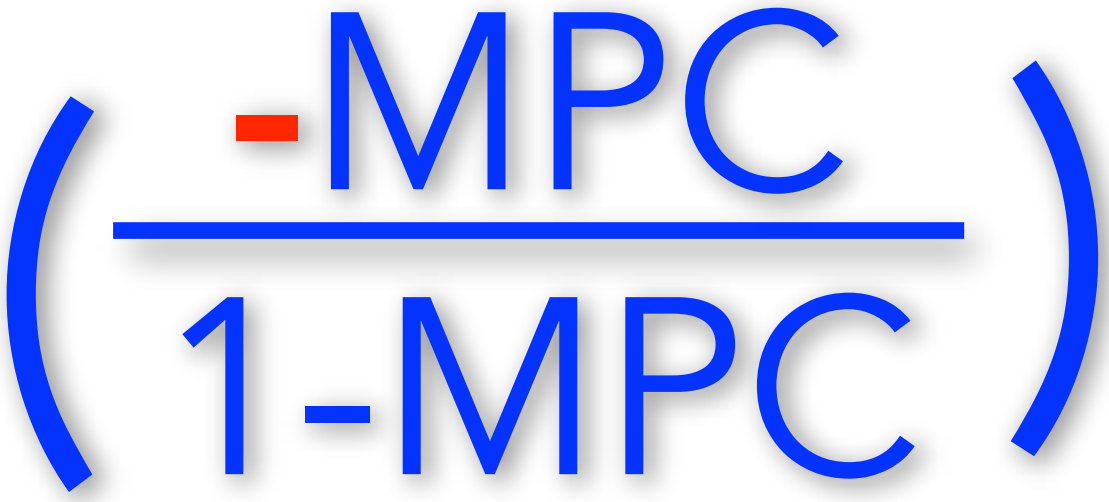

ΔY =70


(4)

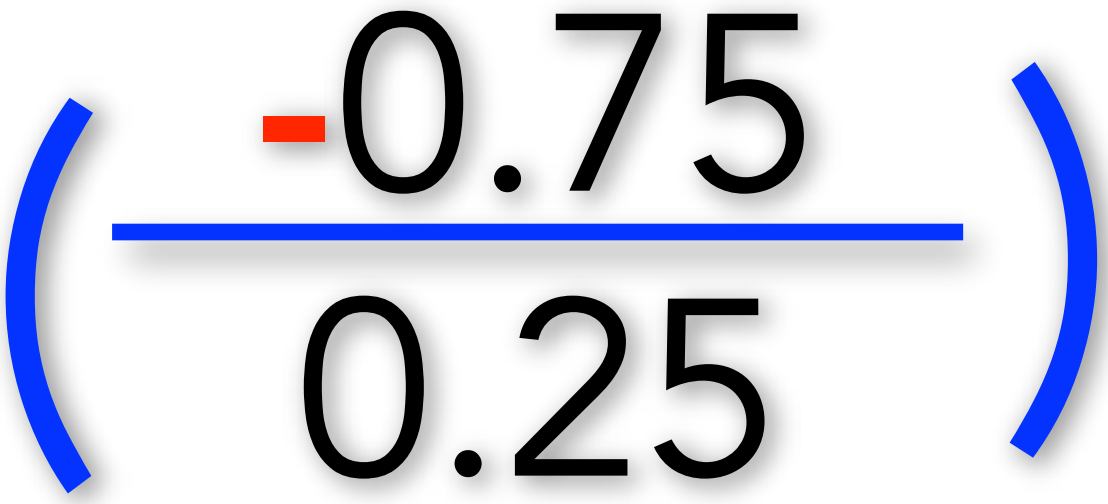
$$\Delta Y = 280$$

$$\Delta C = 280(0.75) = 210$$

$$\Delta \text{ Deficit} = 70 - 0 = 70$$

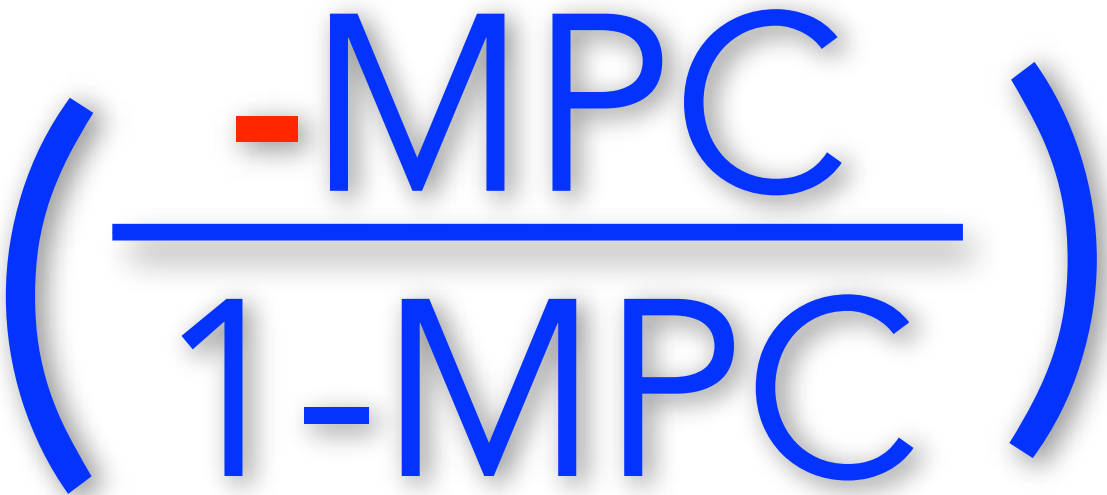

-MPC
1-MPC


-0.75
1-0.75


-0.75
0.25


-3

Calculate the change in Equilibrium GDP


-MPC
1-MPC

$$\Delta Y = -70$$

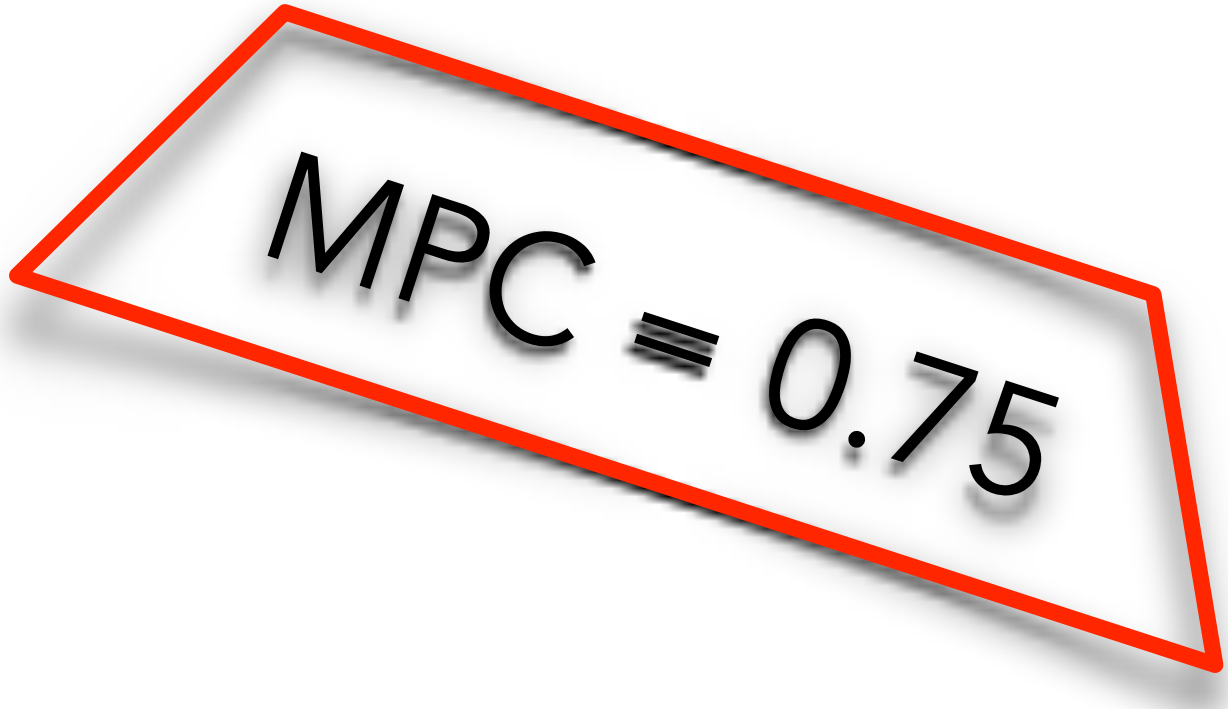

(-3)

$$\Delta Y = +210$$

Calculate the change in Consumption

$$\Delta C = 210$$

$$\Delta \text{ Deficit} = 0 - (-70) = +70$$


MPC = 0.75

$\Delta G = +70$

Calculate the Spending Multiplier

$\left(\frac{1}{1-MPC}\right)$ (4)

MPC = 0.75

$\Delta T = -70$

Calculate the Tax Multiplier

(-3) $\left(\frac{-MPC}{1-MPC}\right)$

Calculate the change in Equilibrium GDP

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

$\Delta Y = 70\,(4)$ $\Delta Y = 280$

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

$\Delta Y = -70(-3)$ $\Delta Y = +210$

Calculate the change in Consumption

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

$\Delta C = 280(0.75) = 210$

$\Delta C = \Delta Y$

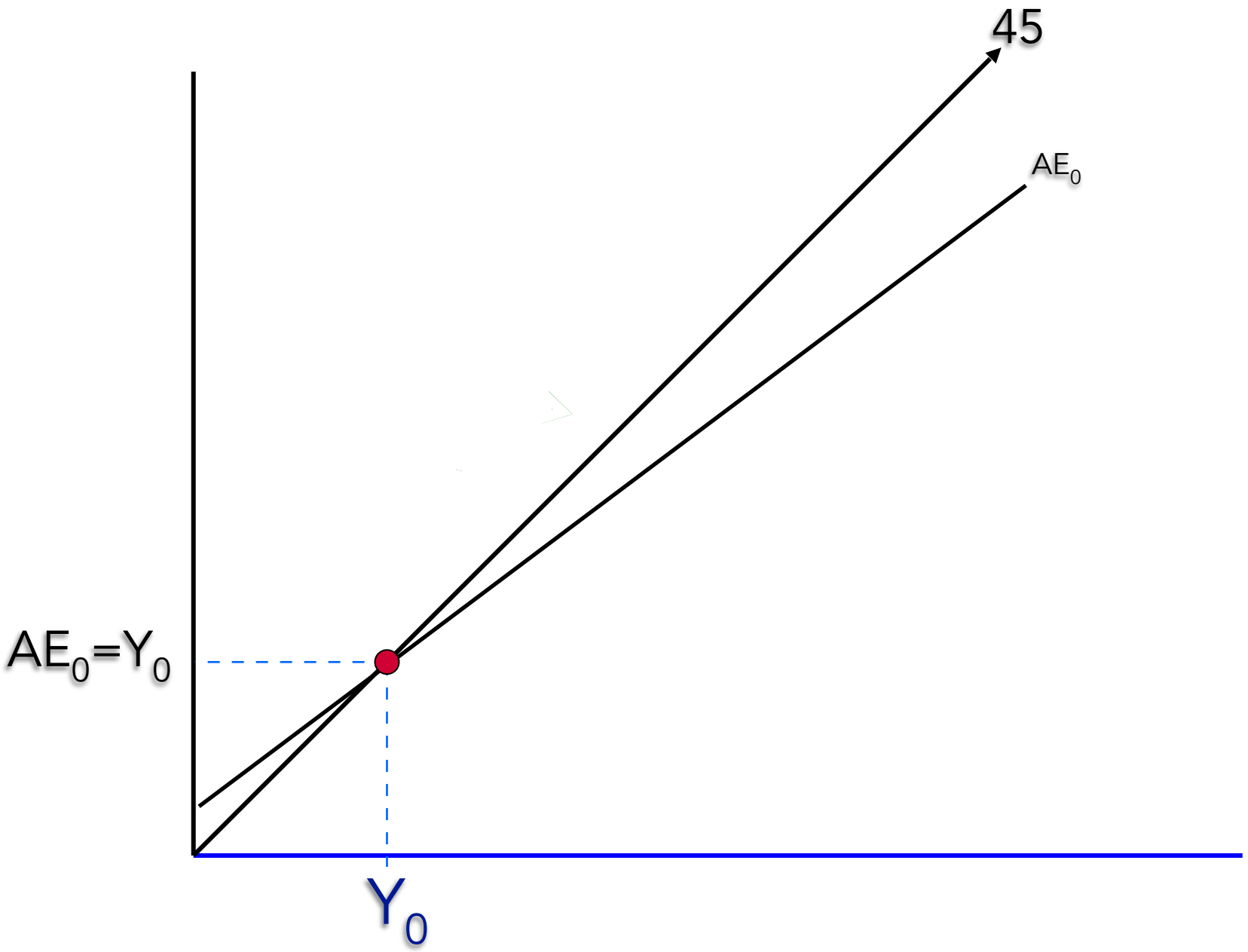
$\Delta C = 210$

Calculate the change in Gvmt's Budget Deficit

Δ Deficit $= \Delta G - \Delta T$

Δ Deficit $= 70 - 0 = 70$

Δ Deficit $= 0 - (-70) = +70$


45
AE_0
$AE_0=Y_0$
Y_0