



NY

=

AG

G

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

Change in Equilibrium GDP

Change in Consumption

changeDeficit

Δ Deficit $\equiv \Delta G - \Delta T$





AC

=

AY

The Spending Multiplier

Tax Multiplier

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

$$\left(\frac{1}{1-0.75} \right)$$

$$\left(\frac{1}{0.25} \right)$$

(4)

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

NY

=

70

(4)

NY

=

280

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

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

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

$$\left(\frac{-0.75}{1-0.75} \right)$$

$$\left(\frac{-0.75}{0.25} \right)$$

(-3)

Change in Equilibrium GDP

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



(-3)

NY

=

2021

AC

=

-2210

Change Deficit

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



$MPC = 0.75$

simultaneous Increase



$$\Delta Y = +70$$



$$\Delta C = 0$$



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



$$\Delta G = +70 \quad \xleftrightarrow{\text{simultaneous Increase}} \quad \Delta T = +70$$

Change in Equilibrium GDP

$$\Delta Y = +70$$

$$\Delta Y = 70 (4) \quad \Delta Y = 280 \quad \Delta Y = 70 (-3) \quad \Delta Y = -210$$

Change in Consumption

$$\Delta C = 0$$

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

Change Deficit

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

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