For *any* change in G and *any* MPC


1
1-MPC


ΔSpending=

100


1
1-0.9


ΔSpending=

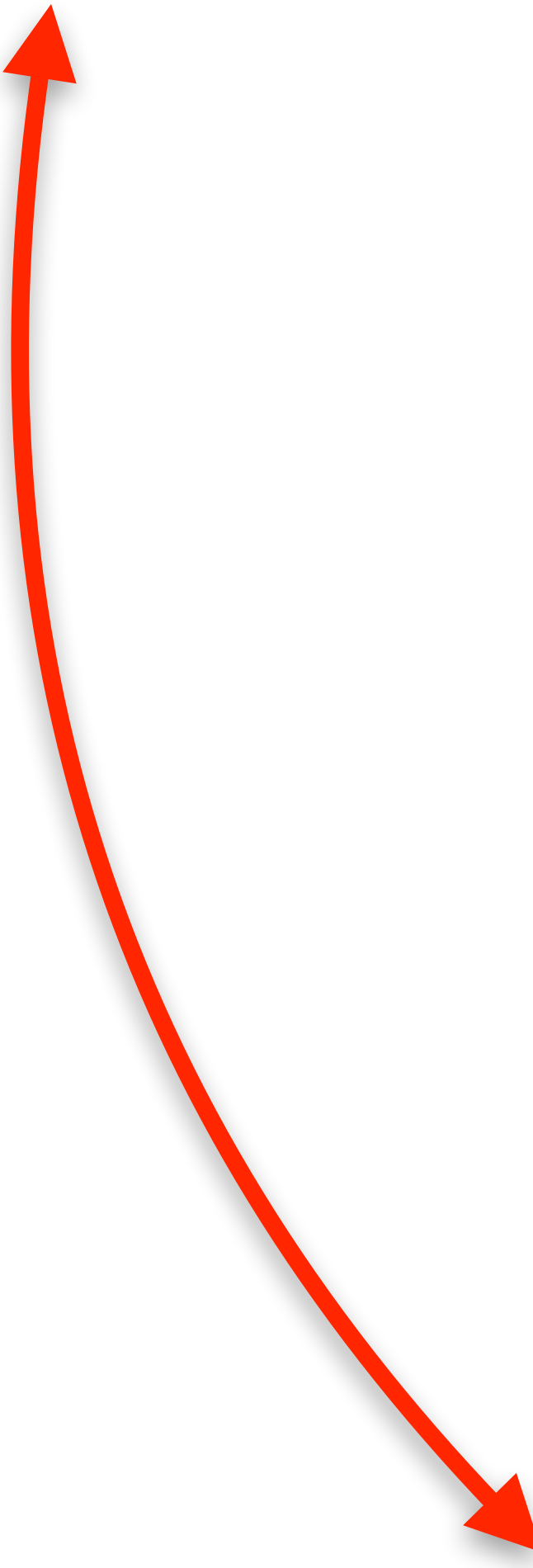
$$\Delta Y = \Delta G$$


1
1-MPC

Someone's spending is someone else's income


ΔSpending=


ΔIncome



$$\Delta \text{Spending} = 100\left(\frac{1}{1-0.9}\right)$$

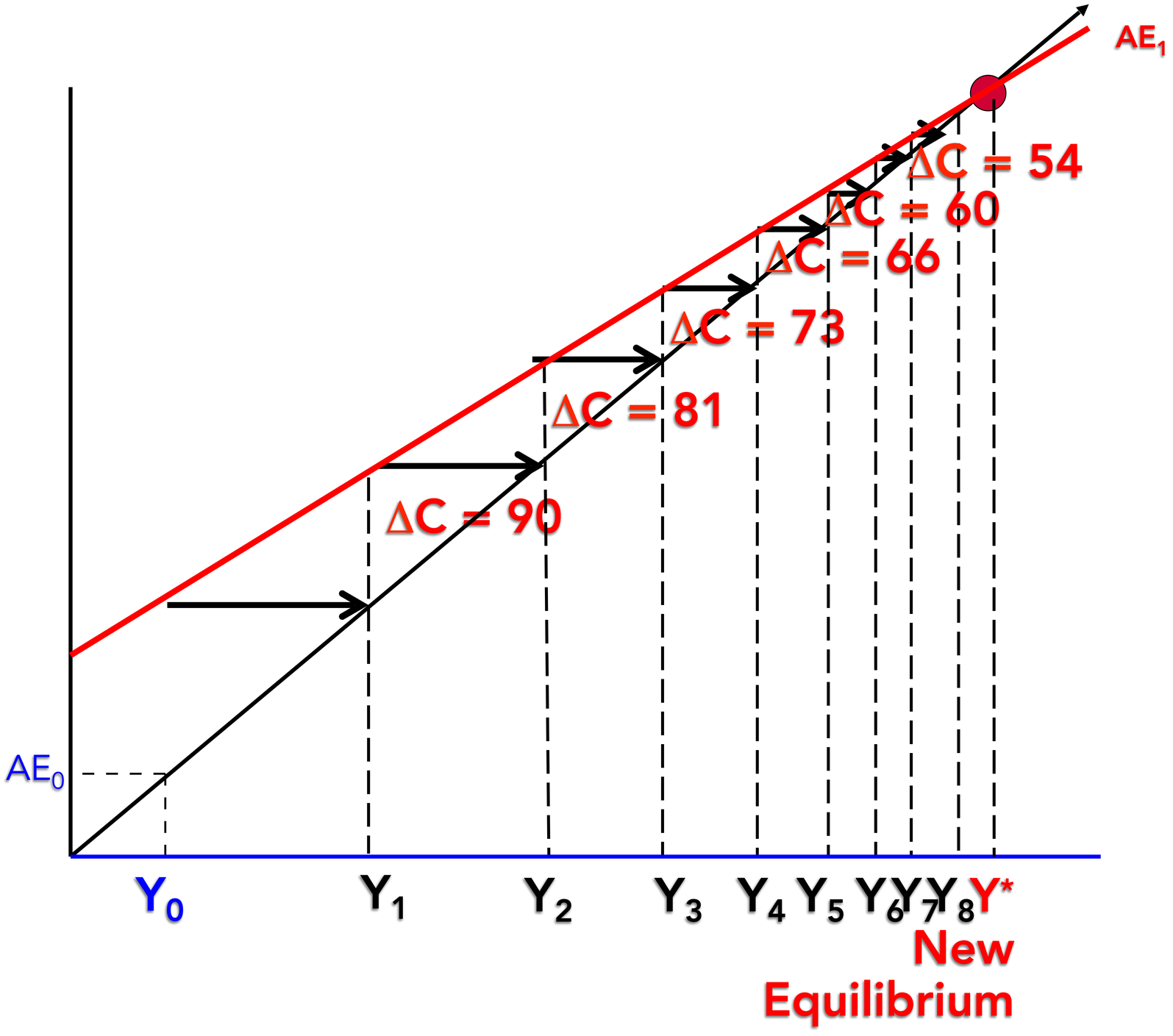
For *any* change in G and *any* MPC

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

Someone's spending is someone else's income

$$\Delta \text{Spending} = \Delta \text{Income}$$

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


AE1
ΔC = 54
ΔC = 60
ΔC = 66
ΔC = 73
ΔC = 81
ΔC = 90
AE0
Y0
Y1
Y2
Y3
Y4
Y5
Y6
Y7
Y8
Y*
New
Equilibrium