

 $\Delta Y = \Delta G$

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

Change in Consumption

Change in Deficit

Δ Government's Deficit = Δ G – Δ T

Spending Multiplier

Change in Equilibrium GDP

$\Delta Y = 100$

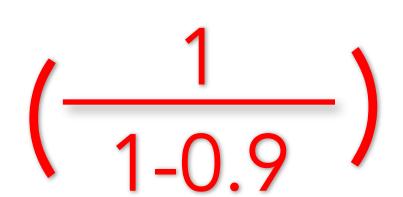
 $\Delta C = 1,000 (0.9) = 900$

 Δ Deficit = 100 - 0

 $\Delta G = 100$

1-MPC

1-MPC



(10)

Formula:

Example:

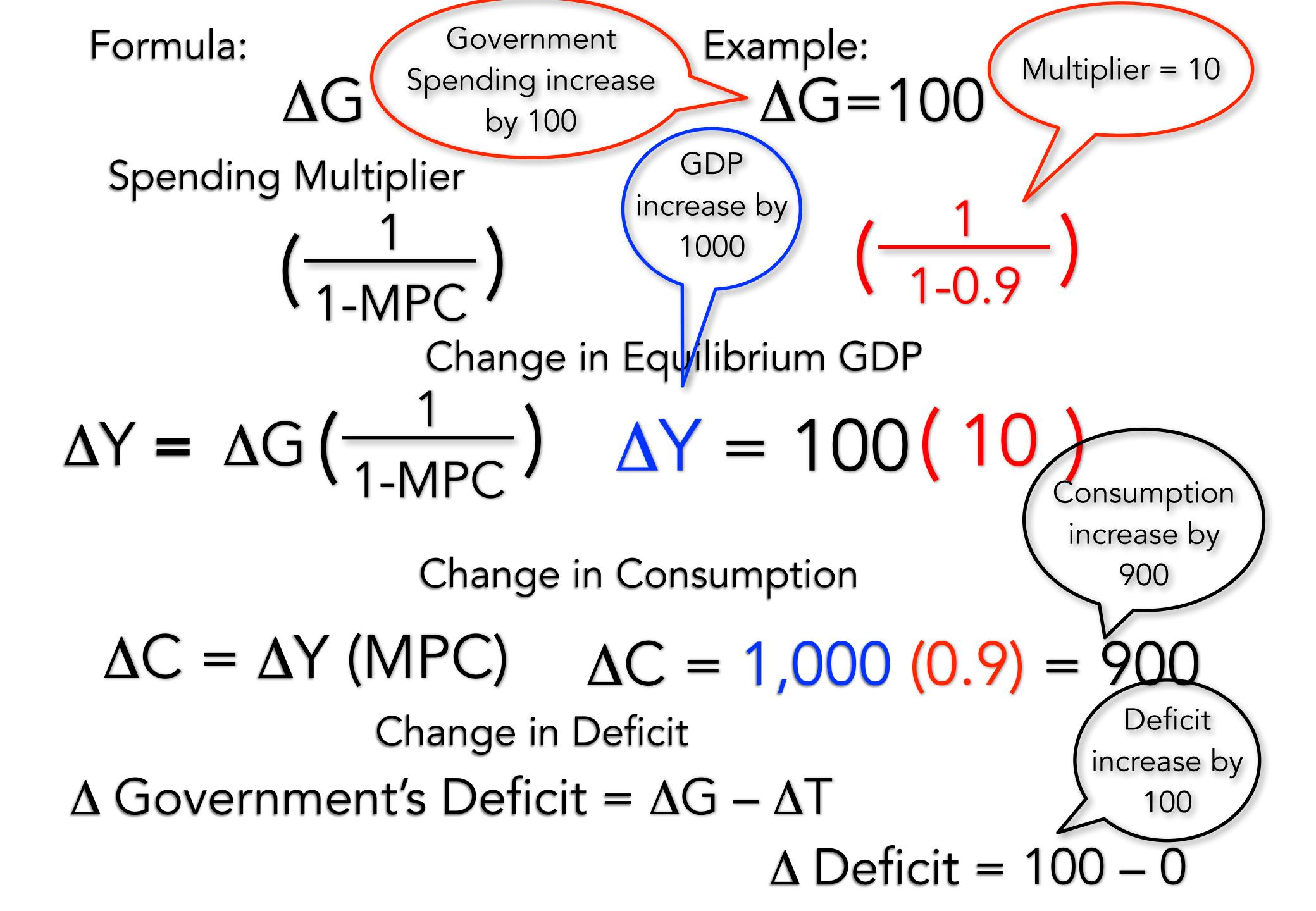








Government Spending increase by 100



The effect of a tax cut

