





$\Delta a = \Delta y^d$  (MPC)

When Taxes **drop**, Disposable Income  
**increase** by the same amount

When Disposable Income changes  
(rise or fall), Consumption changes:

The change in consumption cause  
a change in Equilibrium GDP:

The change in Disposable Income is  
the opposite of the change in Taxes

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



**Added = +50**

Yod

=

-

Yod



When Taxes **rise**, Disposable Income  
**drop** by the same amount



xyd

=

-

70

Replace  $\Delta Y_d \equiv -\Delta T:$

$$\Delta a = -\Delta T(\text{MPC})$$



NY

=

na

$$\text{Replace } \Delta a \equiv -\Delta_T(\text{MPC})$$

$$\Delta Y = -\Delta T(\text{MPC})$$

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

When Taxes **rise**, Disposable Income **drop** by the same amount  $\Delta T = +70 \rightarrow \Delta Y^d = -70$

The change in Disposable Income is the **opposite** of the change in Taxes  $\Delta Y^d = -\Delta T$

When Disposable Income changes (rise or fall), Consumption changes:  $\Delta a = \Delta Y^d (\text{MPC})$

Replace  $\Delta Y^d = -\Delta T$ :

$$\Delta a = -\Delta T (\text{MPC})$$

The change in consumption cause a change in **Equilibrium GDP**:  $\Delta Y = \Delta a \left( \frac{1}{1-\text{MPC}} \right)$

Replace  $\Delta a = -\Delta T (\text{MPC})$

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

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

