



NY

=

AG

G

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

Calculate the change in Equilibrium GDP

Calculate the change in Consumption

Calculate the change in Govt's Budget Deficit

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





AC

=

AY

Calculate the Spending
Multiplier

Calculate the 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)

Calculate the change in Equilibrium GDP

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



(-3)

NY = + 210


Calculate the change in Consumption

AC

=

210

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



$MPC \equiv 0.75$

$$\Delta G = +70$$

Calculate the **Spending**
Multiplier

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

$$MPC = 0.75$$

$$\Delta T = -70$$

Calculate the **Tax**
Multiplier

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

Calculate the change in **Equilibrium GDP**

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

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

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

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

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

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

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

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

