## Government spends more to fix bridges, airports and highways



#### Construction supplies companies sell more, contractors and newly employed workers earn more income



## Contractors and workers spend their new income on goods and services

#### Income spent by contractors and workers on goods and services is income received by the seller of those goods and services

## These sellers spend a portion of their new income on goods and services

# One person's spending is someone else's income





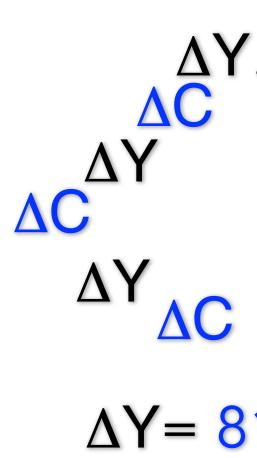






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### This chain of extra income and extra consumption continues for many rounds multiplying the original increase in Government spending



This chain of extra income and extra consumption continues for many rounds multiplying the original increase in Government spending

$$\Delta Y = 81$$

One person's spending is someone else's income

$$\Delta C = 90*0.9 = 81$$

 $\Delta C = 90*0.9=81$  These sellers spend a portion of their new income on goods and services

$$\Delta Y = 90$$

Income spent by contractors and workers on goods  $\Delta Y = 90$  and services is income received by the seller of those goods and services

$$\Delta C = 100*0.9 = 90$$

Contractors and workers spend their new income on goods and services

$$\Delta Y = 100$$

Construction supplies companies sell more, contractors and newly employed workers earn more income

$$\Delta G = 100$$

Government spends more to fix bridges, airports and highways

