C = a + b(Y-T)

C = a + bY - bT

C = (a - bT) + bY

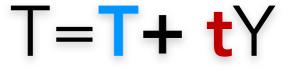
Example: T = 700

$$C = 1000 + 0.9(Y-700)$$

C = 1000 + 0.9*Y - 0.9*700

C = (1000 - 0.9*700) + 0.9*Y

$$C = (1000 - 630) + 0.9Y$$



$$C = a + b(Y-(T+tY))$$

C = a + bY-b(T+tY)

C = a + bY-bT-btY

$$C = (a - bT) + (b-bt)Y$$

Example: T = 700 + 0.25Y

C = 1000 + 0.9(Y-700 - 0.25Y)

C = (1000 - 630) + (0.9-0.9*0.25)Y

$$C = (1000 - 630) + Y(0.9 - 0.225)$$

$$C = (1000 - 630) + 0.675Y$$

Slope C and AE = b

Slope C and AE = b-bt





Variable taxes T=T+tY

Lump Sum taxes

ntercept same, smaller slope

Lump Sum taxes

$$C = a + b(Y-T)$$
 Slope

$$C = a + bY - bT$$
 C and AE

$$C = (a - bT) + bY \longrightarrow = b$$

Example:
$$T = 700$$

$$C = 1000 + 0.9(Y-700)$$

$$C = 1000 + 0.9*Y - 0.9*700$$

$$C = (1000 - 0.9*700) + 0.9*Y$$

$$C = (1000 - 630) + 0.9Y$$

Variable taxes T=T+tY

$$T=T+tY$$

$$C = a + b(Y - (T+tY))$$

$$C = a + bY-b(T+tY)$$
 Slope

$$C = a + bY-bT-btY$$
 C and AE

$$C = (a -bT) + (b-bt)Y \longrightarrow = b-bt$$

Example:
$$T = 700 + 0.25Y$$

$$C = 1000 + 0.9(Y-700 - 0.25Y)$$

$$C = (1000 - 630) + (0.9-0.9*0.25)Y$$

$$C = (1000 - 630) + Y(0.9 - 0.225)$$

$$C = (1000 - 630) + 0.675Y$$

Intercept same, smaller slope