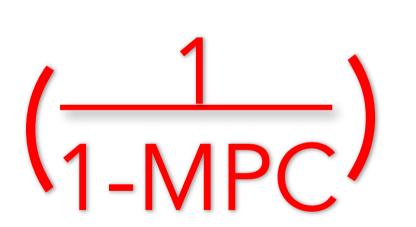
$\Delta a = \Delta Y^d (MPC)$

When Taxes drop, Disposable Income increase by the same amount

When Disposable Income changes (rise or fall), autonomous consumption changes:

This change in autonomous consumption cause a change in Equilibrium GDP:

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



 $\Delta Y^d =$ -50

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



When Taxes rise, Disposable Income drop by the same amount

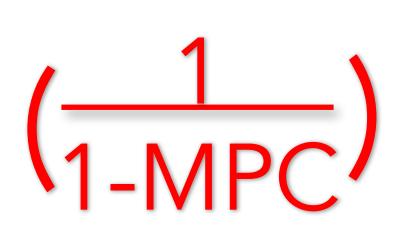
Replace $\Delta Y^d = -\Delta T$:

 $\Delta a = -\Delta T (MPC)$



Replace $\Delta a = -\Delta T$ (MPC)

$$\Delta Y = -\Delta T(MPC)$$



When Taxes rise, Disposable Income drop by the same amount

$$\Delta T = +70 \longrightarrow \Delta Y^d = -70$$

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), autonomous

consumption changes:

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

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

$$\Delta a = -\Delta T (MPC)$$

This change in autonomous consumption cause a change in

Equilibrium GDP:

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

Replace $\Delta a = -\Delta T$ (MPC)

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

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

