

Both multipliers become smaller

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

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

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


$$C = (a - MPC * T) + (MPC - MPC * t)Y$$

$$C = (a - MPC * T) + MPC * Y$$

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

Variable taxes $T = tY$

Lump Sum taxes T



$MPC = 0.8$

0.8

=5

0.8

0.8

= -4

0.8

0.8*0.2

0.8

0.8

0.8*0.2

= 2.8

= -2.2



$t = 0.2$

Lump Sum taxes T

$$C = (a - MPC * T) + MPC * Y$$

$$\Delta Y = \Delta G \left(\frac{1}{1 - 0.8} \right) = 5$$

$$\Delta Y = \Delta T \left(\frac{-0.8}{1 - 0.8} \right) = -4$$

$$MPC = 0.8$$

Variable taxes $T = tY$

$$C = (a - MPC * T) + (MPC - MPC * t)Y$$

Both multipliers become **smaller**

$$\Delta Y = \Delta G \left(\frac{1}{1 - 0.8 + 0.8 * 0.2} \right) = 2.8$$

$$\Delta Y = \Delta T \left(\frac{-0.8}{1 - 0.8 + 0.8 * 0.2} \right) = -2.2$$

$$t = 0.2$$

The G multiplier with variable taxes is smaller