

△G = 100

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

XY

=

1000

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

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

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

NY

=

90

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

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

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



One person's spending is someone else's income









AC



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

$\Delta Y \dots$
 ΔC
 ΔY
 ΔC
 ΔY
 ΔC

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

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