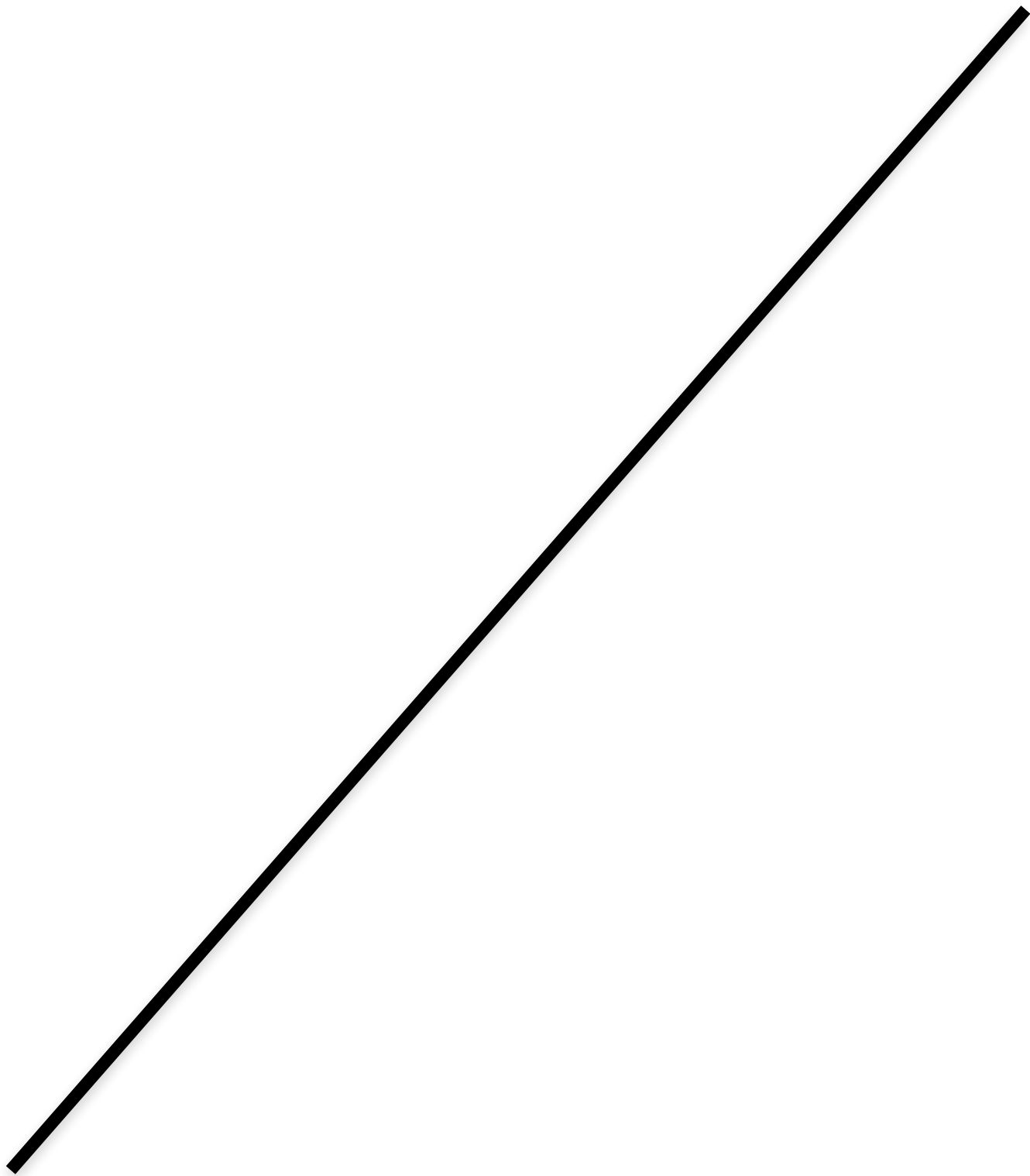


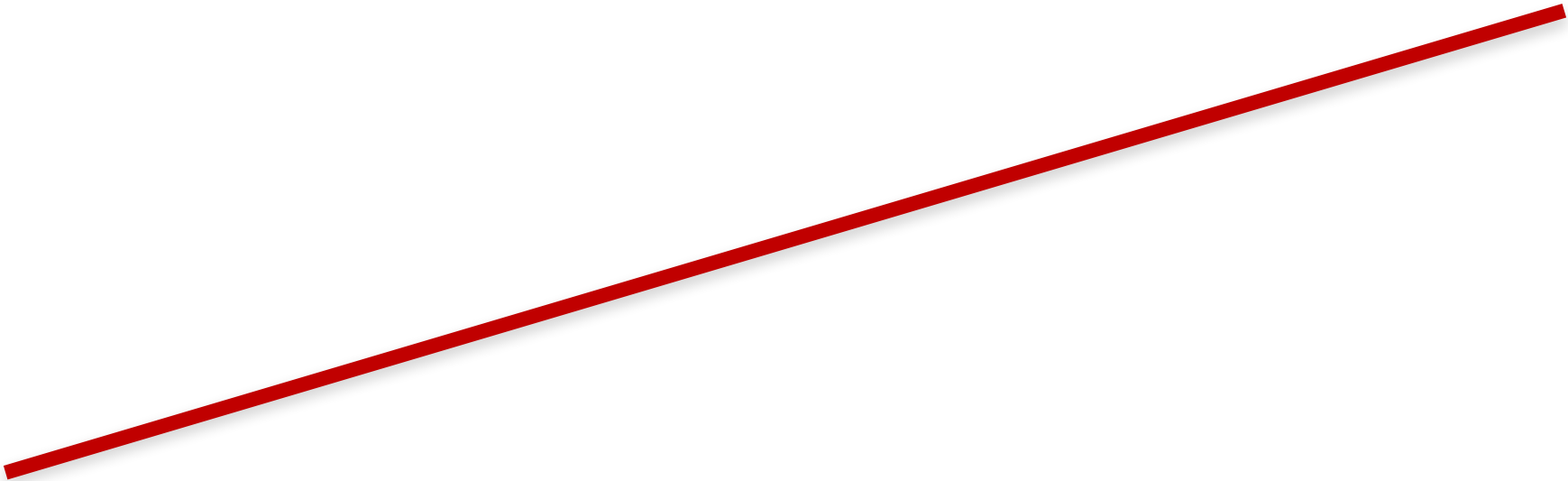


Variable Taxes make C and A E Flatter

















**NY = 100**

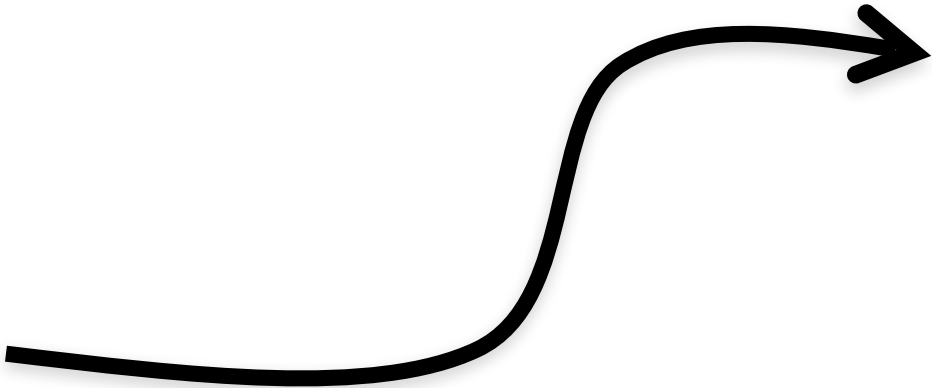


$$\Delta C \equiv 1000 * MPC \equiv 1000 * 0.9 \equiv 900$$



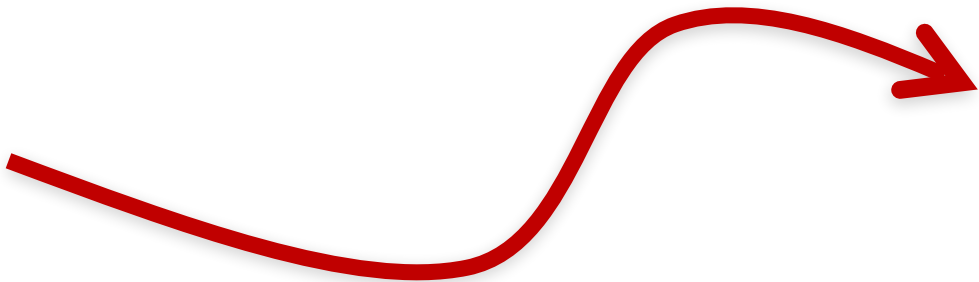
$$\Delta C = 1000 * (MPC - MPC * t) = 1000 * (0.9 - 0.9 * 0.25) = 67.5$$

Part of the increase in income goes to pay taxes so  
consumption does not increase as much.





Steeper: increase  
in  $C$  is larger

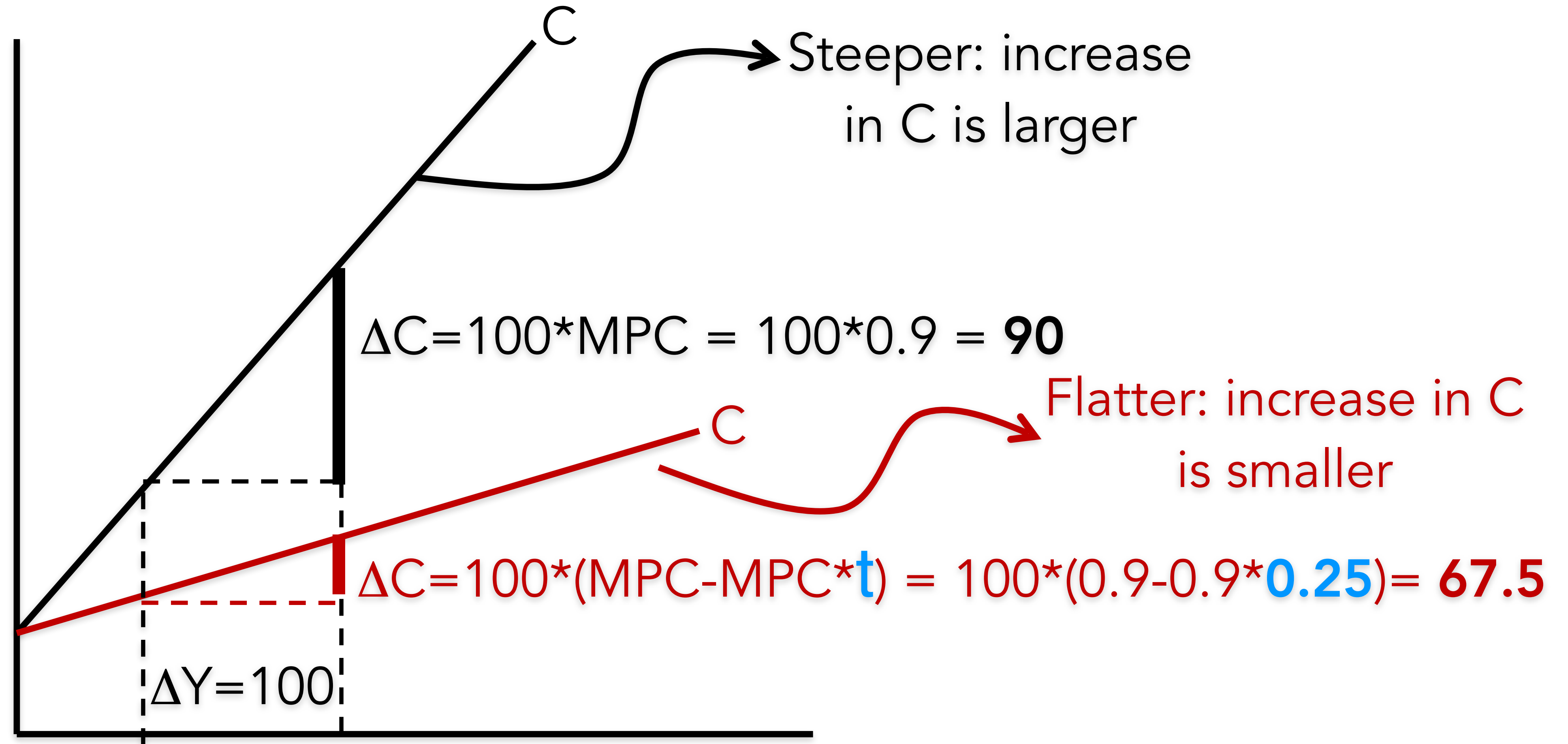


Flatter: increase in  $C$   
is smaller





# Variable Taxes make C and AE **Flatter**



Part of the increase in income goes to pay taxes so consumption does not increase as much.

# Lump Sum taxes $T$

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