

For *any* change in *G* and *any* MPC

ΔG

$$\left(\frac{1}{1-\text{MPC}} \right)$$

Δ Spending \equiv

100

$$\left(\frac{1}{1-0.9} \right)$$

Δ Spending \equiv

ΔY

$=$

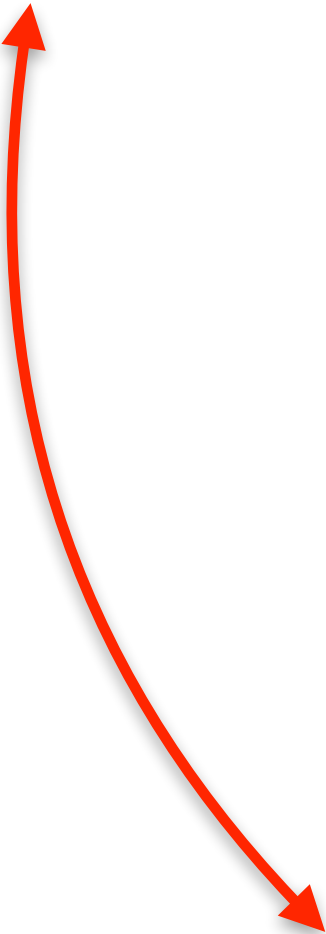
ΔG

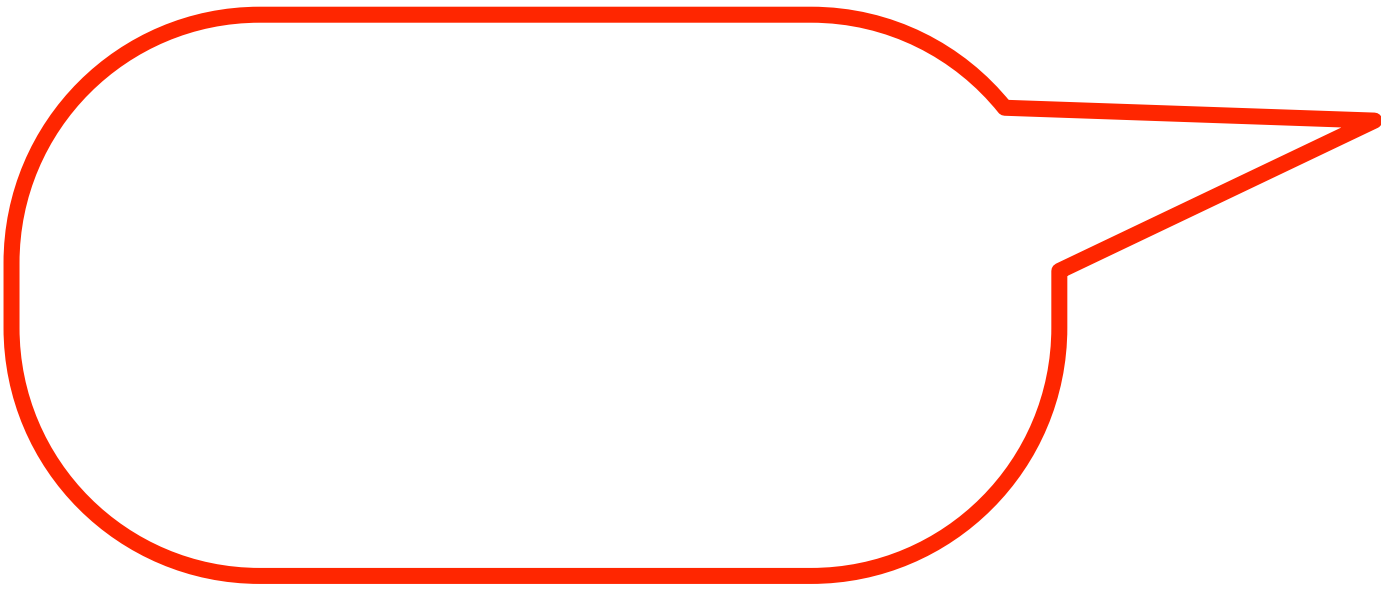
$$\left(\frac{1}{1-\text{MPC}} \right)$$

At equilibrium, total spending = Output

Δ Spending \equiv


Δ Output





The Multiplier

Change in
equilibrium output



$$\Delta \text{Spending} = 100 \left(\frac{1}{1-0.9} \right)$$

For *any* change in *G* and *any* MPC

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

At equilibrium, total spending = Output

$$\Delta \text{Spending} = \Delta \text{Output}$$

Change in
equilibrium output

ΔY

$= \Delta G$

$$\left(\frac{1}{1-\text{MPC}} \right)$$

The Multiplier

