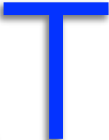


Fiscal Policy Multipliers







Smaller

A blue speech bubble with a white fill and a blue outline. The word "Negative" is written inside in a blue, sans-serif font. The bubble has a tail pointing towards the bottom right.

Negative

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

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

Government Spending Multiplier

Tax Multiplier

Since $MPS = 1 - MPC$
we can also write
these multipliers as

$$\Delta Y = \Delta G \left(\frac{1}{MPS} \right)$$

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

Fiscal Policy Multipliers

Government Spending Multiplier

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

Tax Multiplier

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

Since $MPS = 1-MPC$
we can also write
these multipliers as

