





$$\Delta Y = \Delta G$$

$$\Delta C = \Delta Y (MPC)$$

Change in Consumption

Changing in Deficit

$$\Delta \text{Government's Deficit} = \Delta G - \Delta T$$

Spendings Multiplier



Change in Equilibrium GDP

$$\Delta Y = 100$$

$\Delta C = 1,000(0.9)$

$\Delta$  Deficit  $\equiv 1000 - 0$

△G = 1000

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

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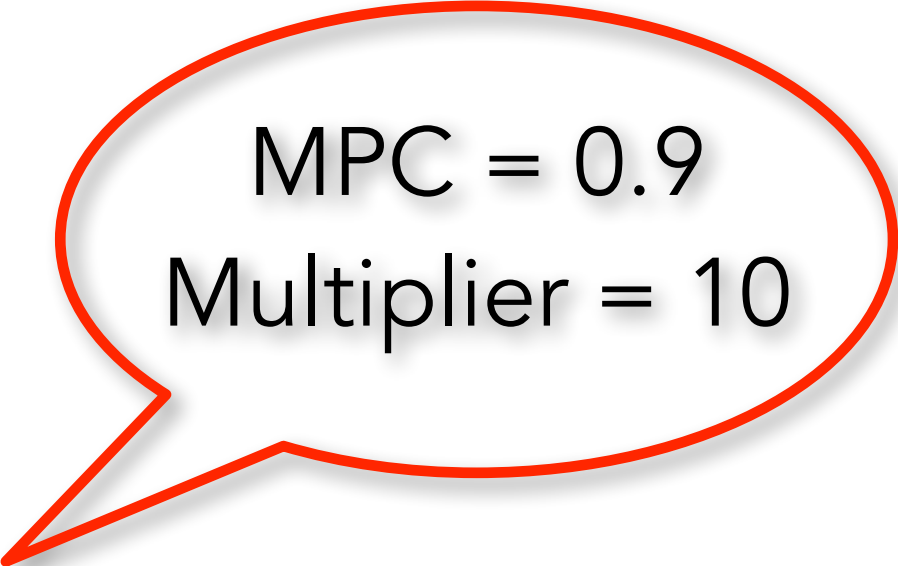
$$\left( \frac{1}{1-0.9} \right)$$



( 10 )

Formula:

Example:

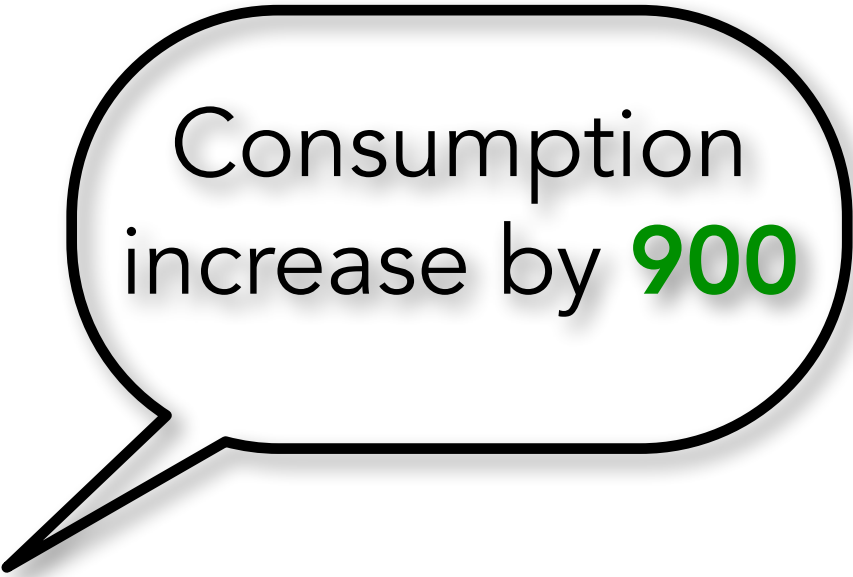


$MPC = 0.9$

$Multiplier = 10$



GDP  
increase by  
**1000**



Consumption  
increase by 900



Deficit  
increase by  
**100**

An orange speech bubble with a white background and a subtle drop shadow. The bubble has a rounded rectangular body and a pointed tail on the right side.

Government  
Spending increase by  
100



Changing in AEE

$$\Delta A E \equiv \Delta G + \Delta C$$

$$\Delta A E = 100 + 900$$



AE

increase by

1,000

Formula:

$\Delta G$

Government  
Spending increase by  
100

Example:

$\Delta G = 100$

MPC = 0.9  
Multiplier = 10

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

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

GDP  
increase by  
1000

Change in Equilibrium GDP

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

$\Delta Y = 100 (10)$

Consumption  
increase by 900

Change in Consumption  $\Delta C = \Delta Y (MPC)$   $\Delta C = 1,000 (0.9)$

AE  
increase by  
1,000

Change in AE  $\Delta AE = \Delta G + \Delta C$

$\Delta AE = 100 + 900$

Change in Deficit

Deficit  
increase by  
100

$\Delta \text{Government's Deficit} = \Delta G - \Delta T$   $\Delta \text{Deficit} = 100 - 0$

Formula:

Example: