



T

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$$\Delta a = \Delta Y_d(\text{MPC})$$

When Taxes **drop**, Disposable Income
increase by the same amount

When Disposable Income changes
(rise or fall), **autonomous**
consumption changes:

This change in autonomous
consumption cause a change in
Equilibrium GDP:

The change in Disposable Income is
the opposite of the change in Taxes

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

ΔYd = +50

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When Taxes **rise**, Disposable Income
drop by the same amount



NYd = -70

Replace $\Delta Y^d \equiv -\Delta T$:

$$\Delta a = -\Delta T(\text{MPC})$$

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Replace $\Delta a \equiv -\Delta_T$ (MPC)

$$\Delta Y = - \Delta T(\text{MPC})$$

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

When Taxes **rise**, Disposable Income **drop** by the same amount

$$\Delta T = +70 \rightarrow \Delta Y^d = -70$$

The change in Disposable Income is the **opposite** of the change in Taxes

$$\Delta Y^d = -\Delta T$$

When Disposable Income changes (rise or fall), **autonomous consumption** changes:

$$\Delta a = \Delta Y^d (\text{MPC})$$

Replace $\Delta Y^d = -\Delta T$:

$$\Delta a = -\Delta T (\text{MPC})$$

This change in autonomous consumption cause a change in **Equilibrium GDP**:

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

Replace $\Delta a = -\Delta T (\text{MPC})$

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

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

