

$\Delta G = \Delta T$ Simultaneous Change

$$\Delta Y = \Delta G = \Delta T$$

AC

=

zero

Change in Consumption

Change in Deficit

Δ Deficit = Zero

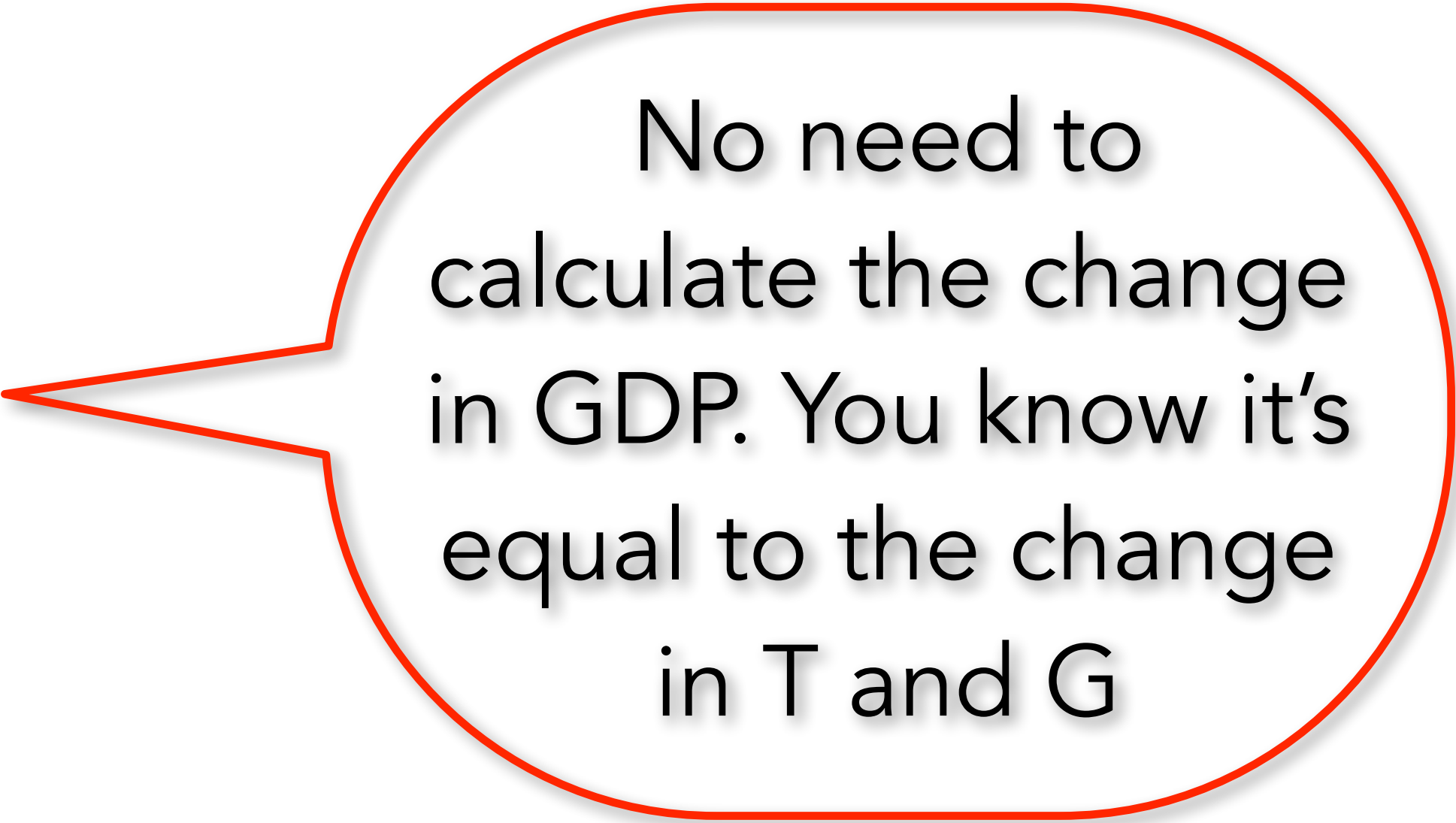
Balanced Budget Multiplier

Change in Equilibrium GDP

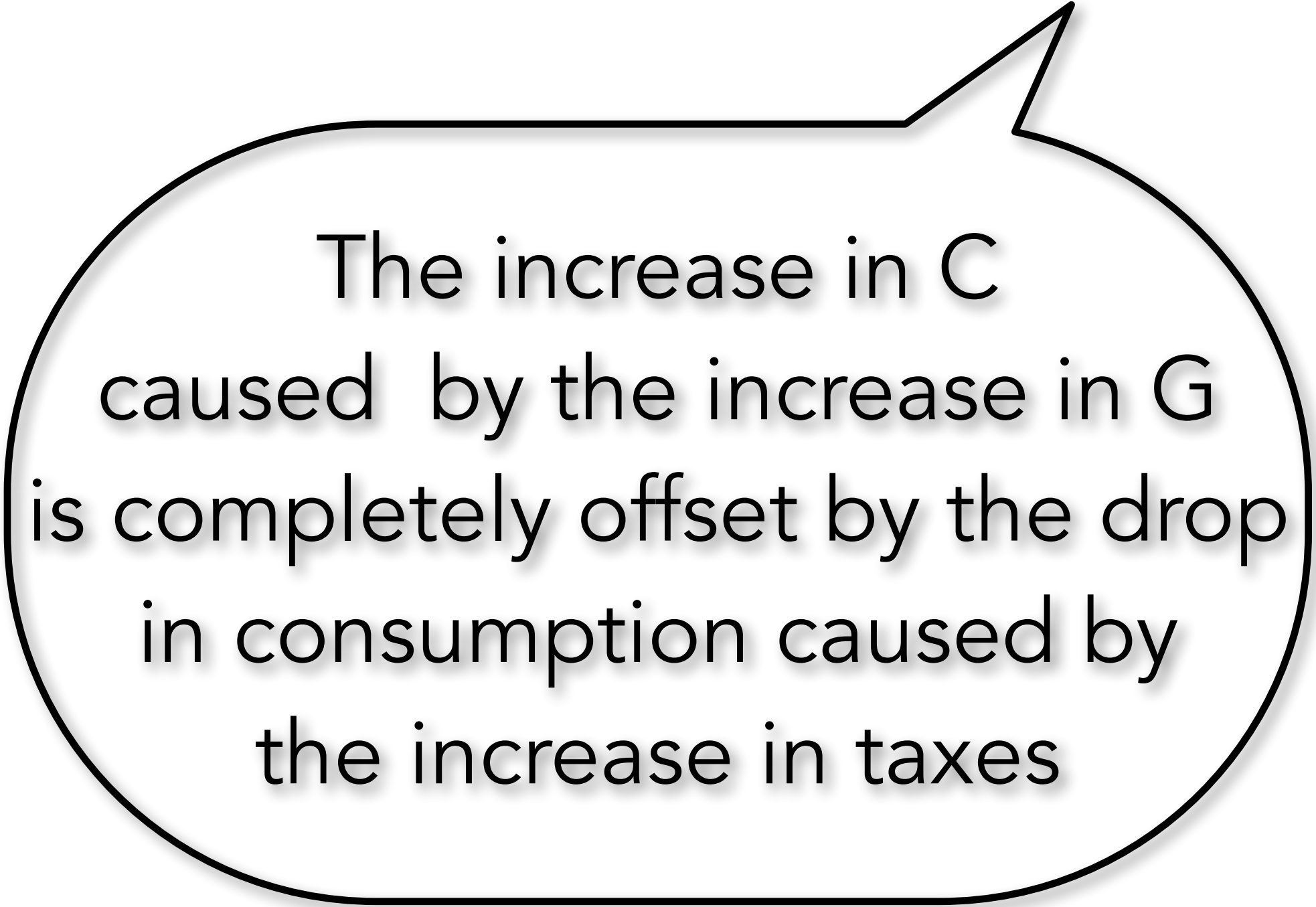
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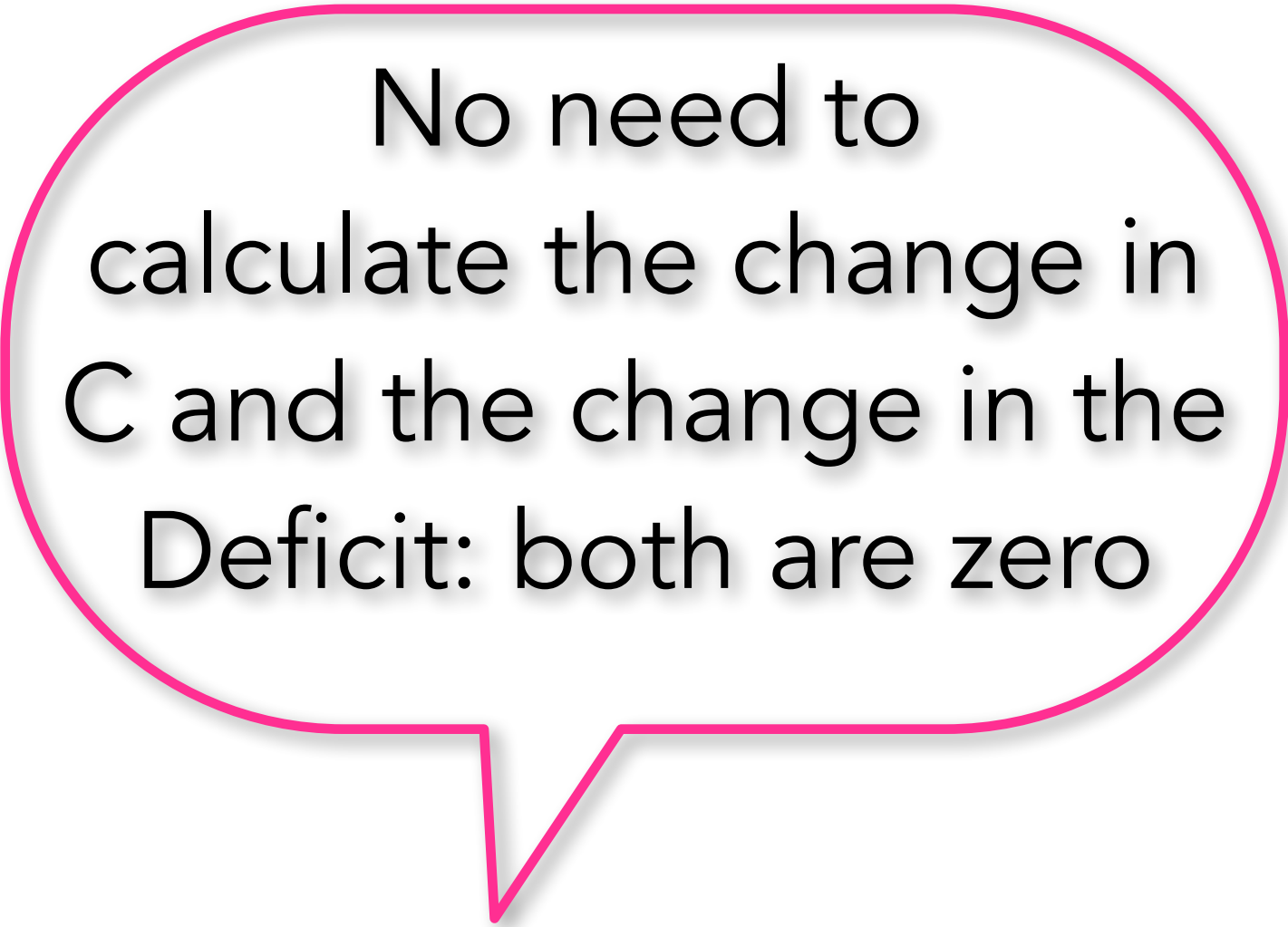
For any
simultaneous change
in Taxes and
Spending



No need to
calculate the change
in GDP. You know it's
equal to the change
in T and G



The increase in C
caused by the increase in G
is completely offset by the drop
in consumption caused by
the increase in taxes



No need to
calculate the change in
C and the change in the
Deficit: both are zero

No Multiplier

$\Delta G = \Delta T$ Simultaneous Change

Change in Equilibrium GDP

$$\Delta Y = \Delta G = \Delta T$$

Balance Budget Multiplier
 $= 1$

The increase in C caused by the increase in income is completely offset by the drop in consumption caused by the increase in taxes

No Multiplier

No need to calculate the change in C and the change in the Deficit: both are zero

Change in Consumption

$$\Delta C = \text{Zero}$$

Change in Deficit

$$\Delta \text{Deficit} = \text{Zero}$$