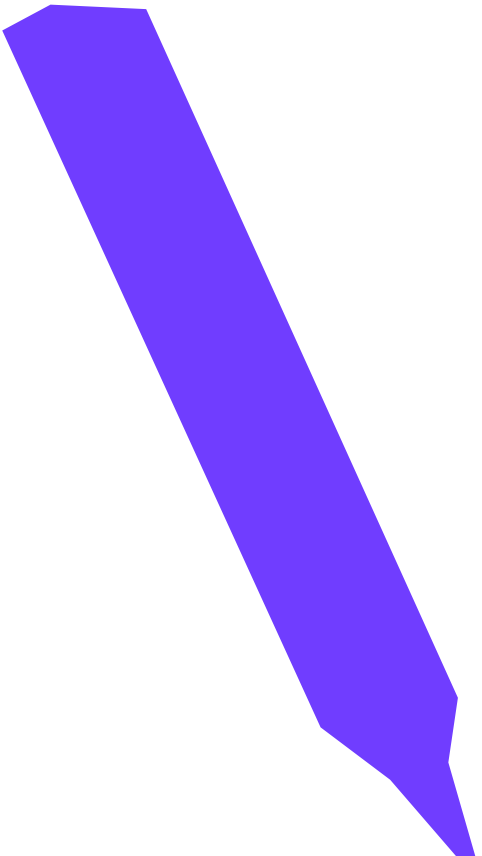
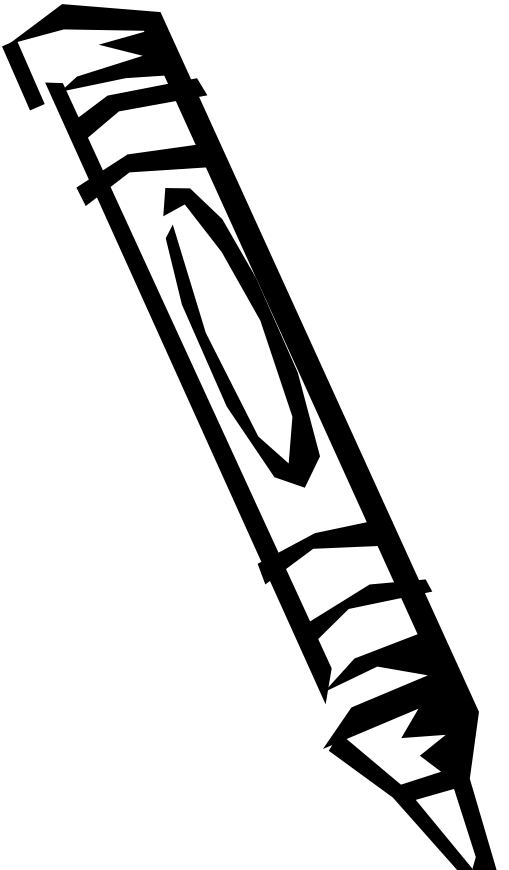
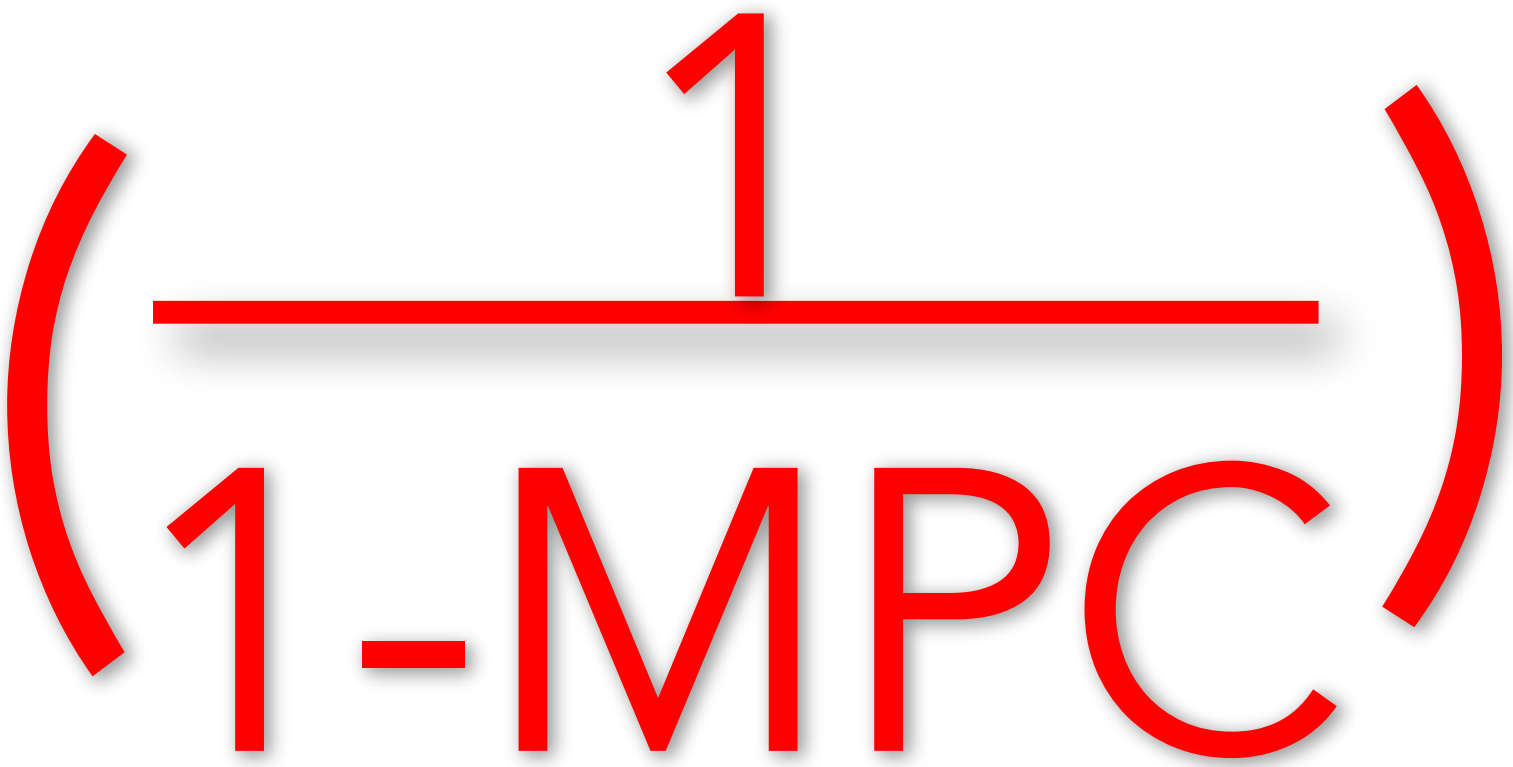


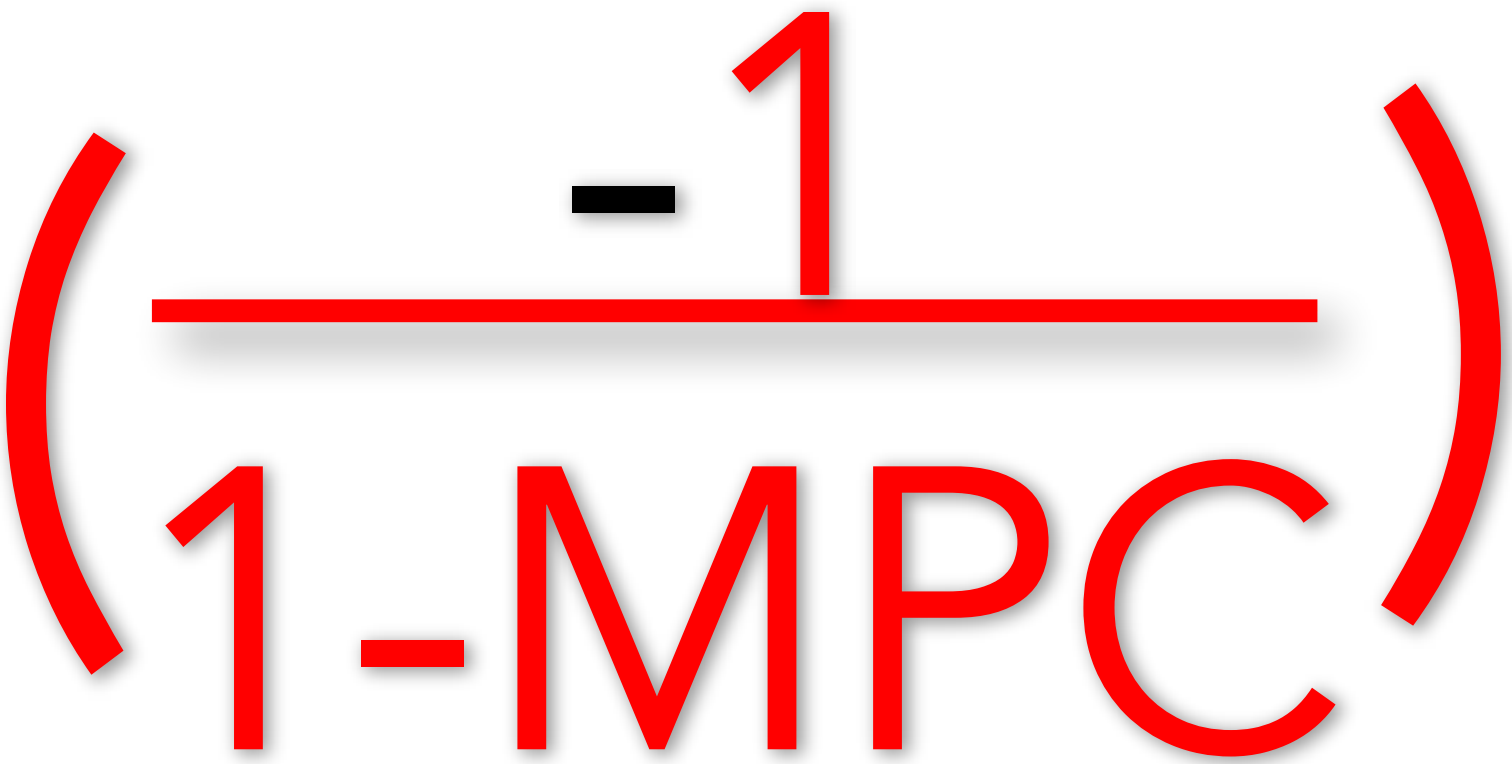


$$\Delta Y = -\Delta T(MPC)$$

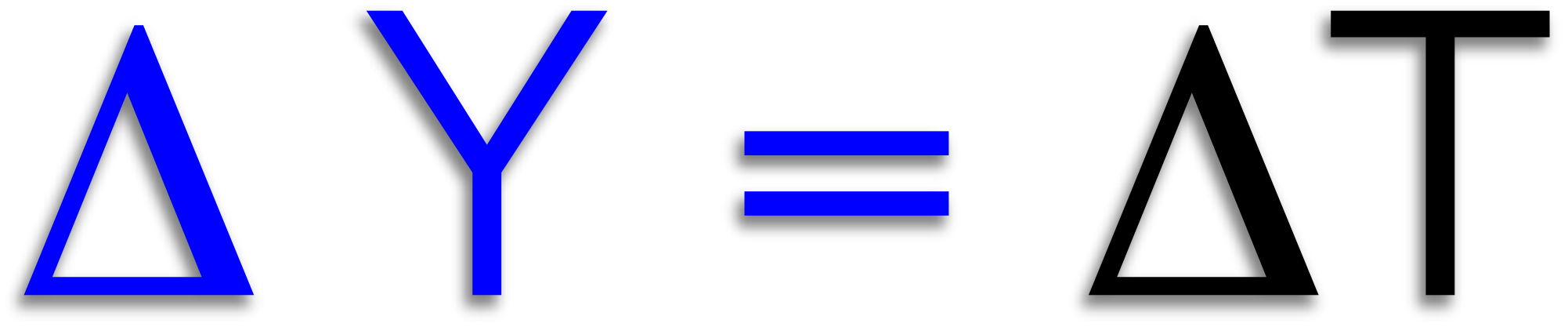

1
1-MPC

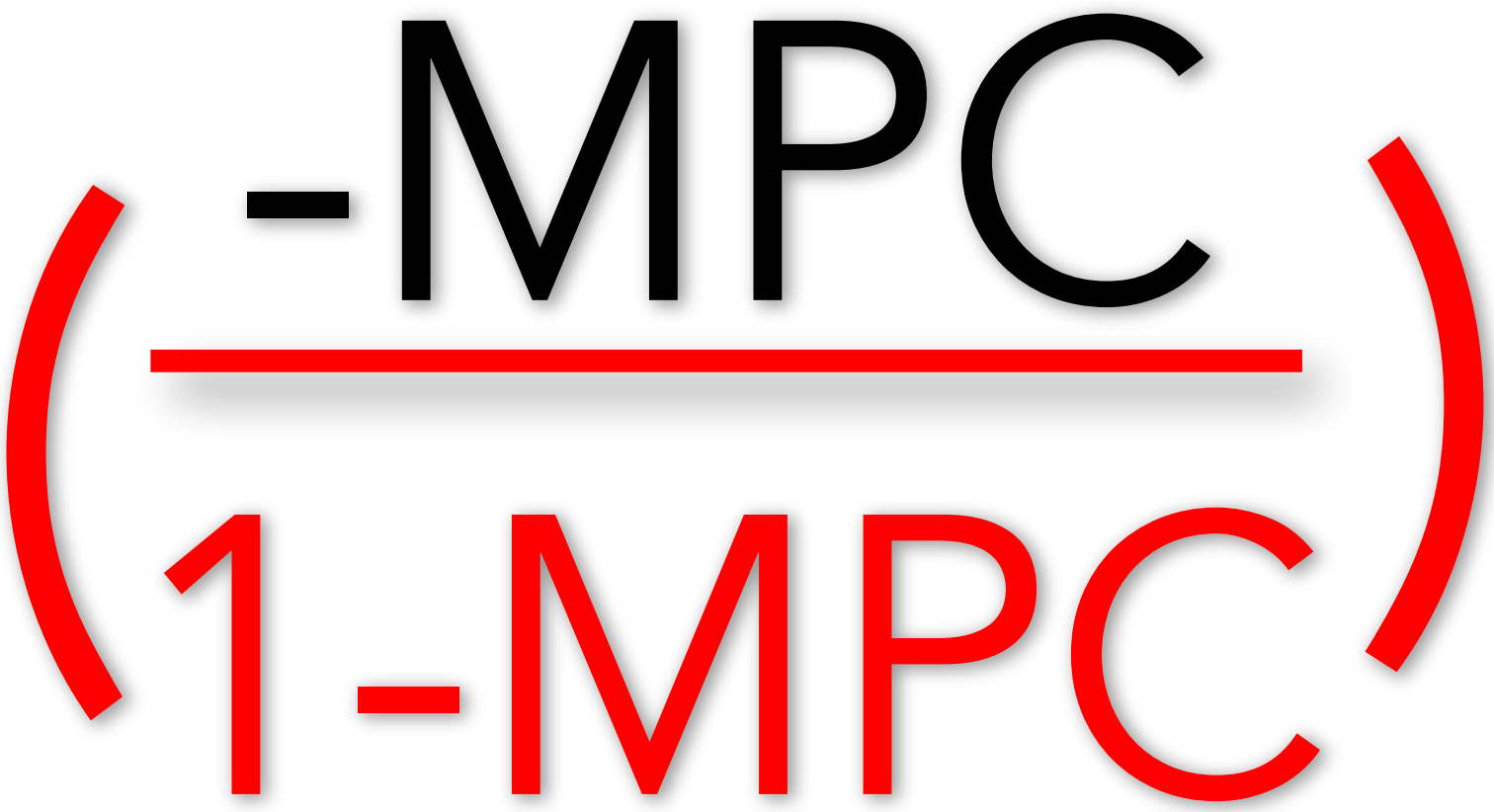
Put the negative sign inside parenthesis:

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


-1
1-MPC

Put the MPC inside parenthesis:


Δ Y = ΔT


-MPC
1-MPC

To calculate the change in Equilibrium GDP caused by a change in taxes (ΔT) use the Tax Multiplier:

Tax Multiplier

Put the negative sign inside parenthesis:

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

Put the MPC inside parenthesis:

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

To calculate the change in Equilibrium GDP caused by a change in taxes (ΔT) use the Tax Multiplier:

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

Fiscal Policy Multipliers