Both multipliers become smaller

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

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

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

C = (a - MPC*T) + (MPC - MPC*t)Y

C = (a - MPC*T) + MPC*Y

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

Variable taxes T= tY

Lump Sum taxes

MPC = 0.8

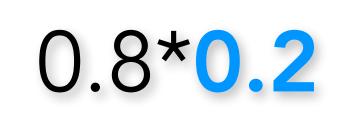






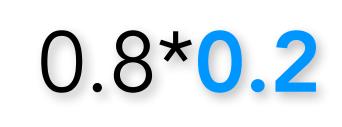


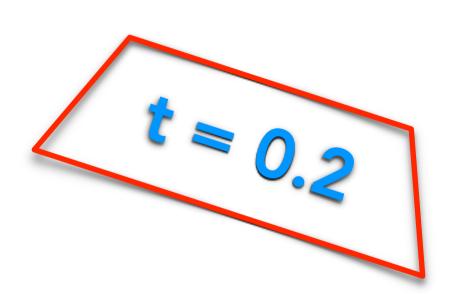










2. R 

Lump Sum taxes

Variable taxes T= tY

$$C = (a - MPC*T) + MPC*Y$$

$$C = (a - MPC*T) + (MPC - MPC*t)Y$$

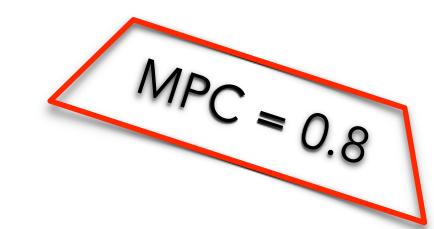
$$\Delta Y = \Delta G \left(\frac{1}{1-0.8} \right) = 5$$

$$\Delta Y = \Delta G \left(\frac{1}{1 - 0.8} \right) = 5$$

$$\Delta Y = \Delta G \left(\frac{1}{1 - 0.8 + 0.8 * 0.2} \right) = 2.8$$

$$\Delta Y = \Delta T \left(\frac{-0.8}{1-0.8} \right) = -4$$

$$\Delta Y = \Delta T \left(\frac{-0.8}{1-0.8 + 0.8 * 0.2} \right) = -2.2$$



The G multiplier with variable taxes is smaller