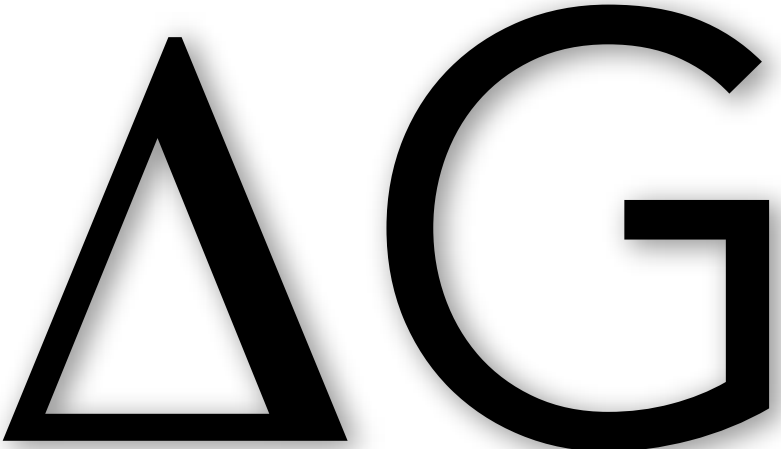


$$\Delta Y = \Delta G$$

$$\Delta C = \Delta Y \text{ (MPC)}$$

Change in Consumption

Change in Deficit

Δ Government's Deficit = $\Delta G - \Delta T$

Spending Multiplier

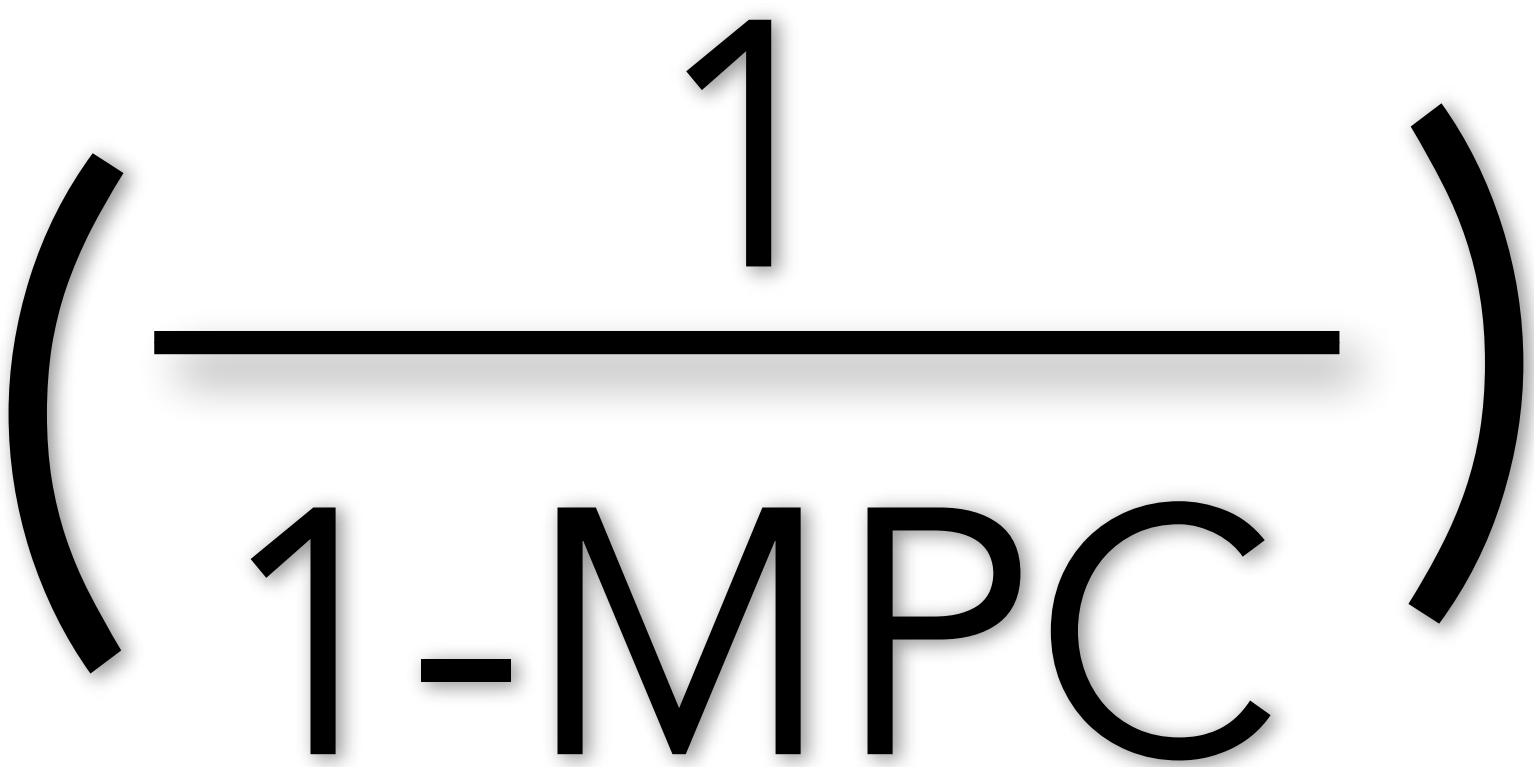
Change in Equilibrium GDP

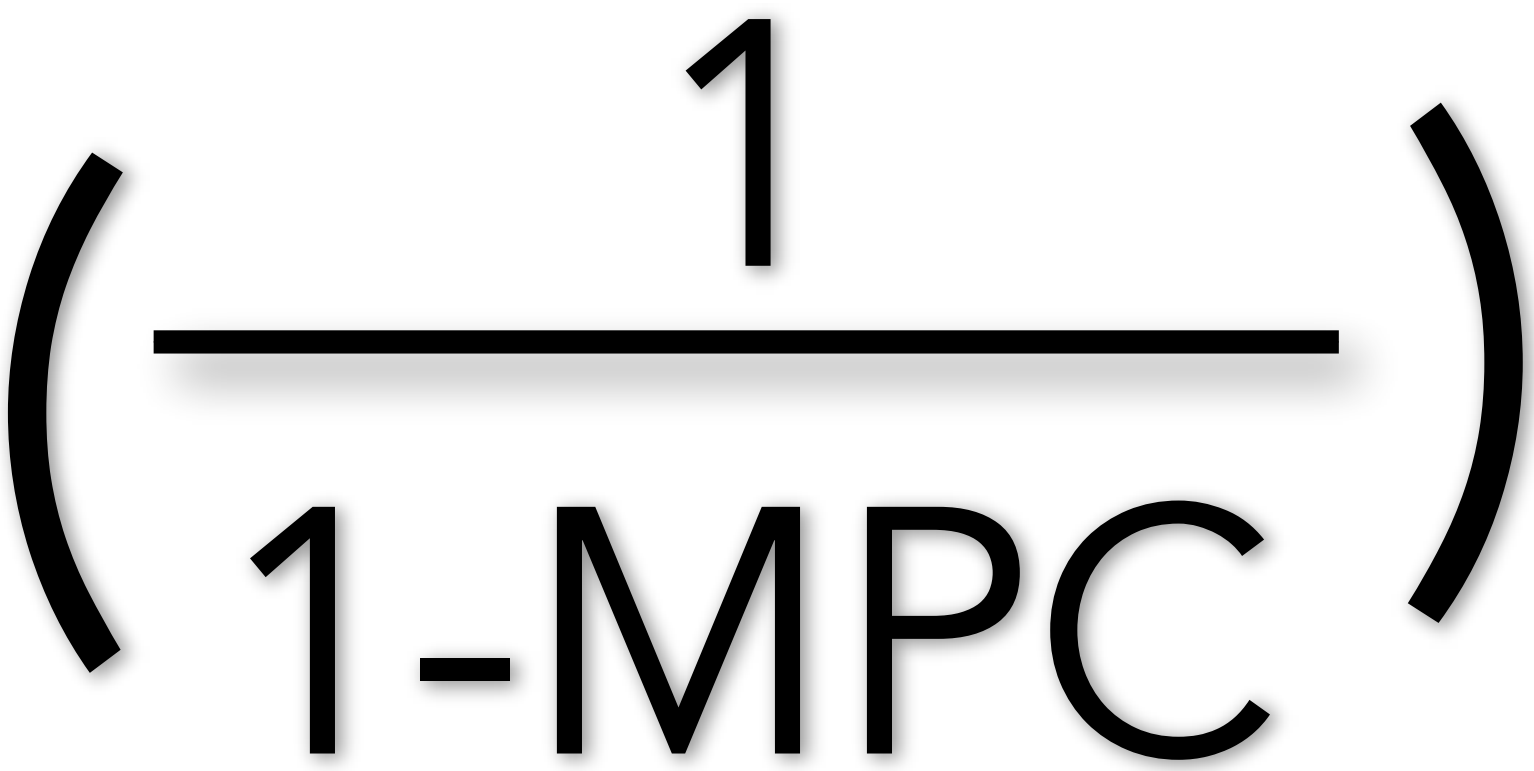
$$\Delta Y = 100$$

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

$$\Delta \text{ Deficit} = 100 - 0$$

$\Delta G == 100$


1
1-MPC

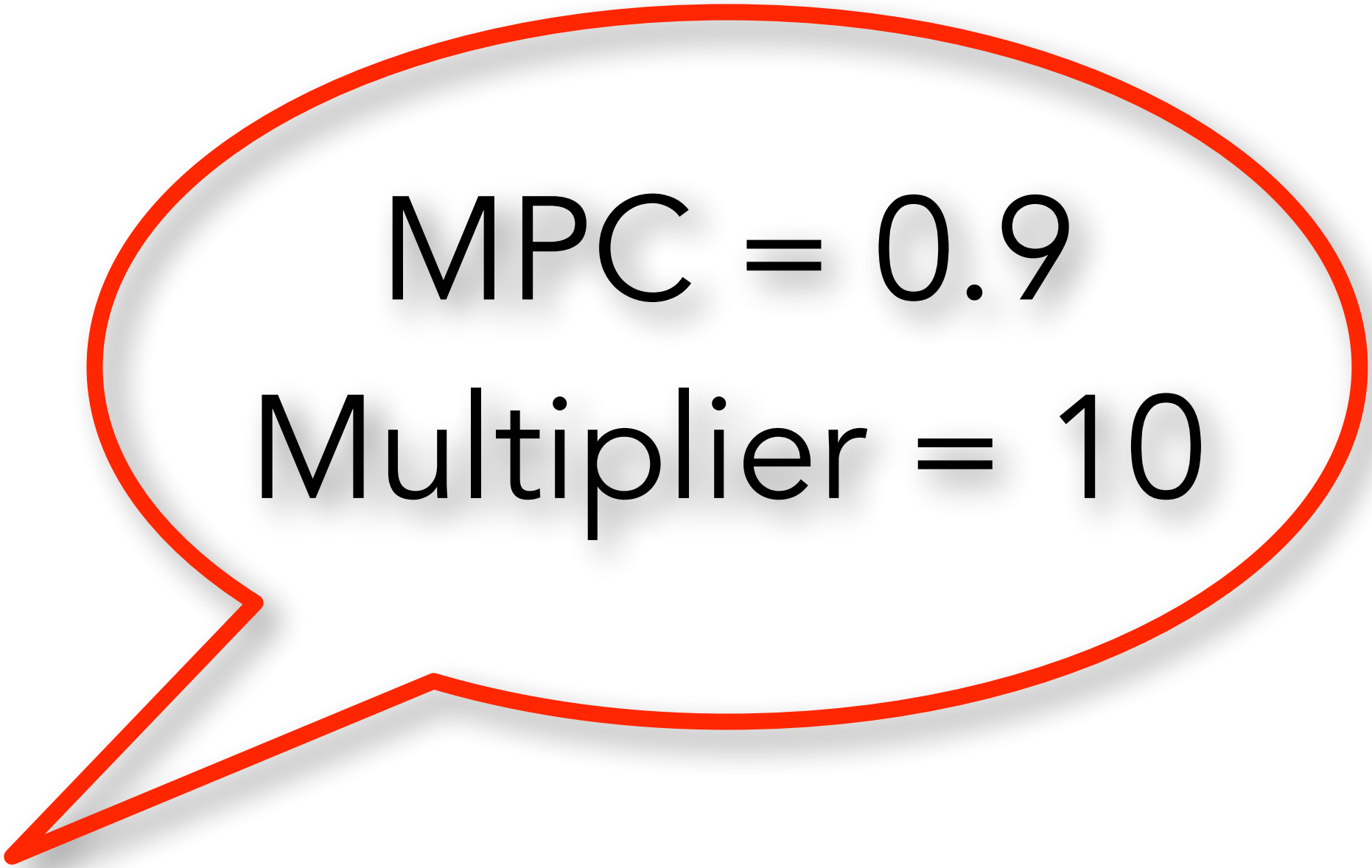

1
1-MPC


1
1-0.9

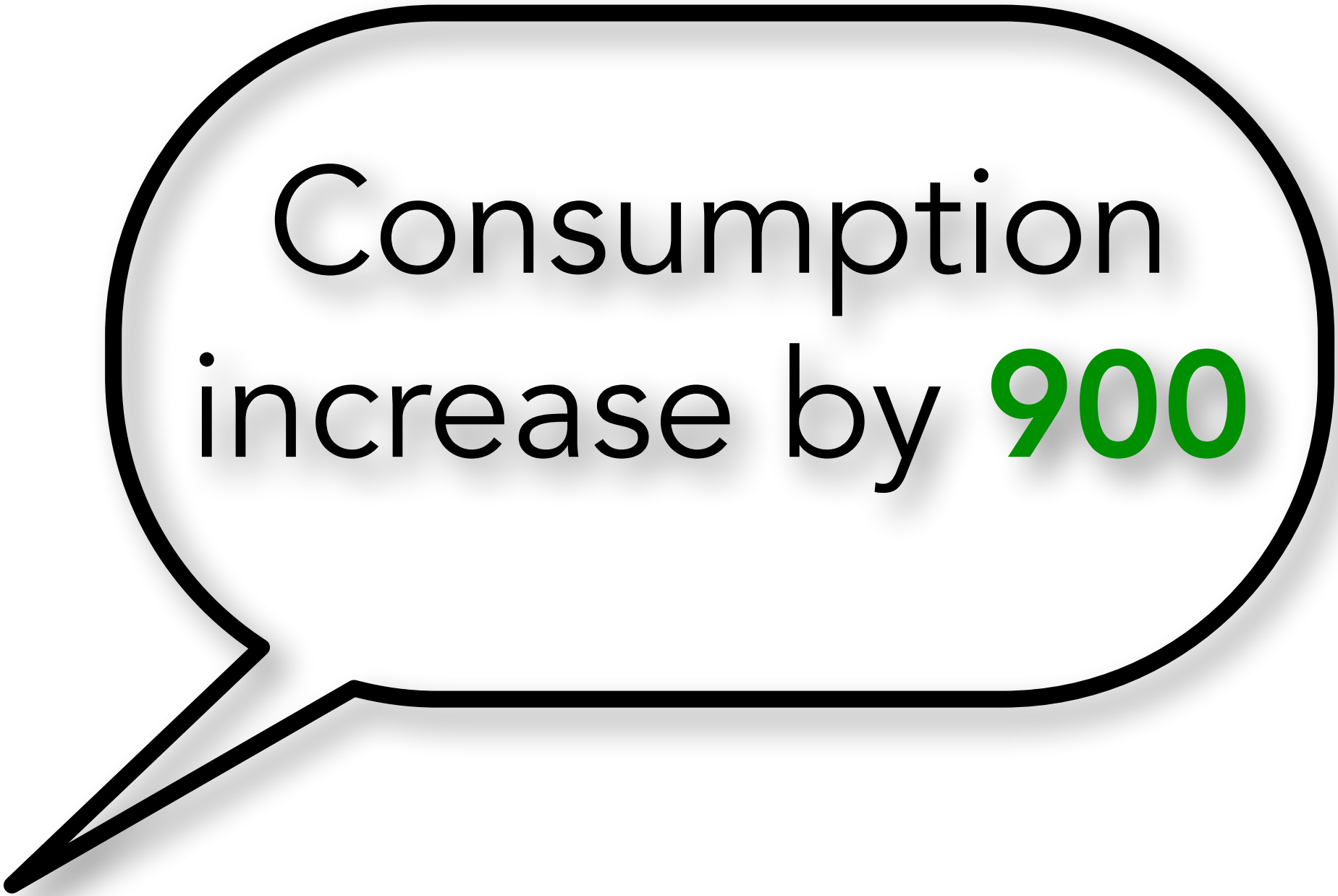
（10）

Formula:

Example:


MPC = 0.9
Multiplier = 10


GDP
increase by
1000


Consumption
increase by 900


Deficit
increase by
100


Government
Spending increase by
100

Change in AE

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

$$\Delta AE = 100 + 900$$


AE
increase by
1,000

Formula:

ΔG

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

Change in Equilibrium GDP

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

Change in Consumption $\Delta C = \Delta Y\ (MPC)$

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

Change in Deficit

Δ Government's Deficit $= \Delta G - \Delta T$

Example:

$\Delta G = 100$

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

$\Delta Y = 100(10)$

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

$\Delta AE = 100 + 900$

Δ Deficit $= 100 - 0$

Government Spending increase by 100

MPC = 0.9
Multiplier = 10

GDP increase by **1000**

Consumption increase by **900**

AE increase by **1,000**

Deficit increase by **100**

Formula:

Example: