

$$C = a + \text{MPC}(Y - Tx + Tr)$$

$$C = a + MPC_Y - MPC_{Tx} + MPC_{Tr}$$

$$C = a - MPC_T x + MPC_{Tr} + MPC_Y$$



New Intercept



Same Slope

With Government:

R

e

a



r

a

n

9

e



e

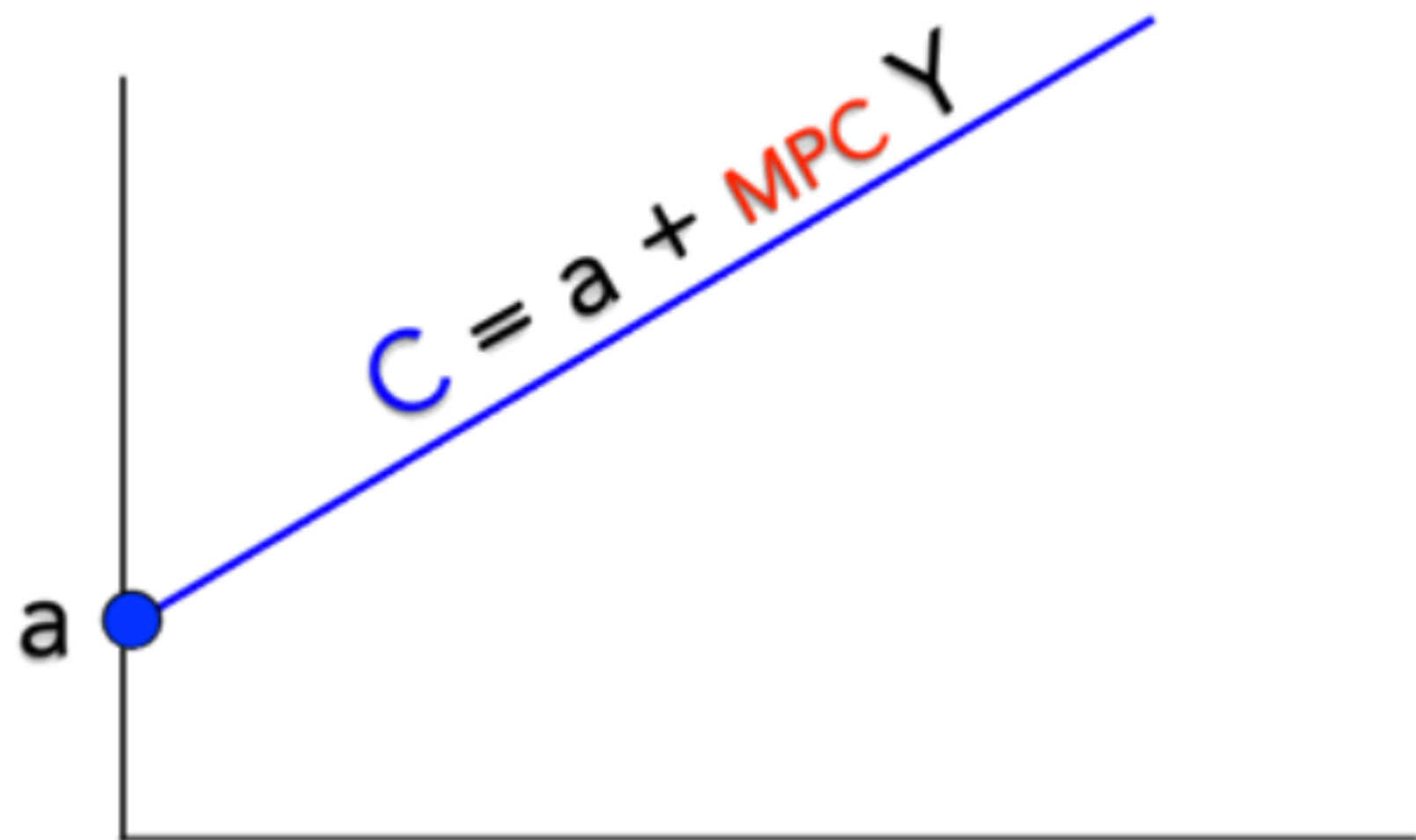
r

m

S

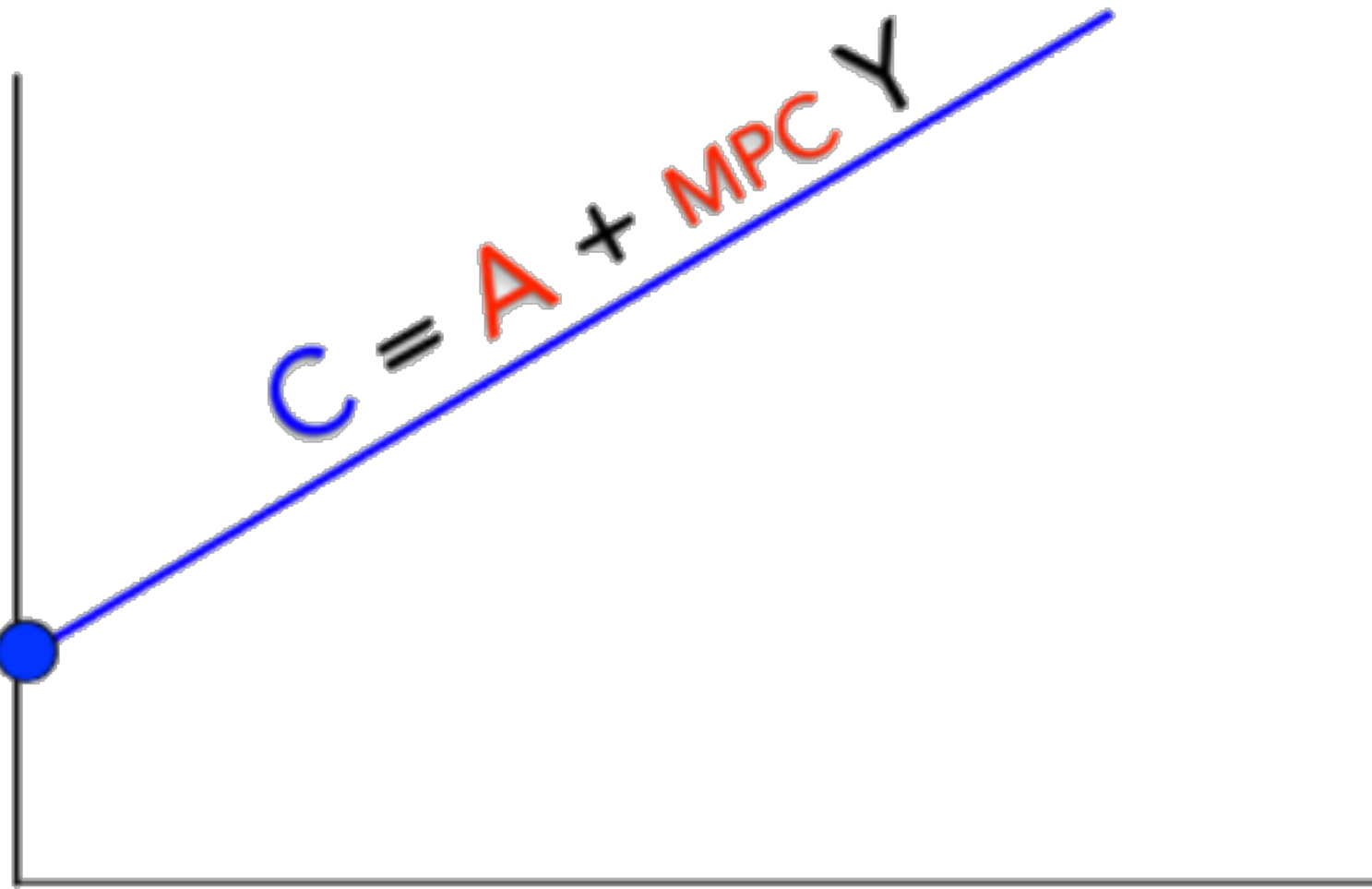


Without Government



With Government

$$A = a - MPC T_x + MPC T_r$$


$$C = A + MPC Y$$

$$A = a - \text{MPC}_T x + \text{MPC}_T r$$

Rearrange terms:

With Government:

$$C = a + MPC(Y - T_x + T_r)$$

$$C = a + MPCY - MPCT_x + MPCT_r$$

Rearrange terms:

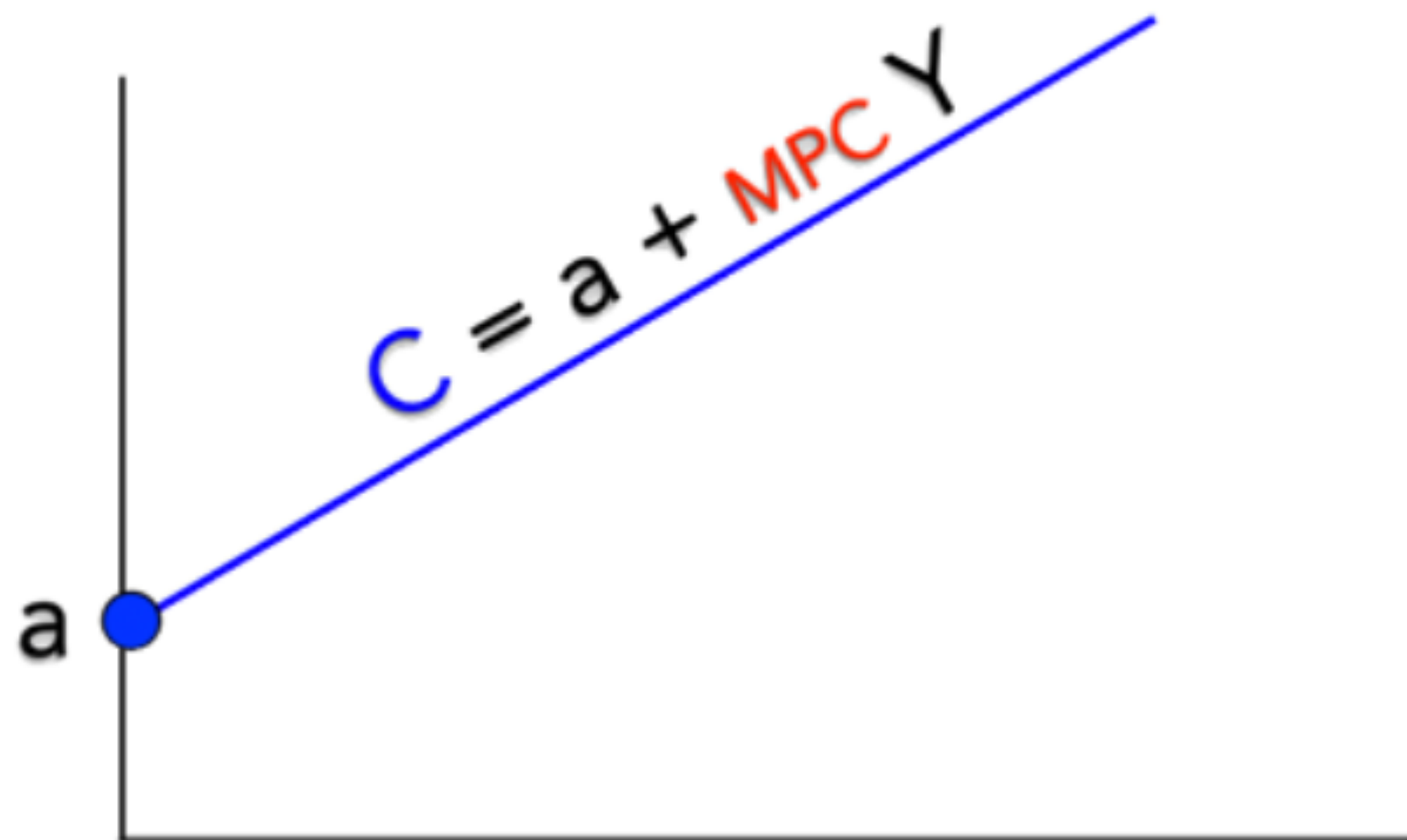
$$C = a - \underbrace{MPCT_x + MPCT_r}_{\text{New Intercept}} + \underbrace{MPCY}_{\text{Same Slope}}$$

New Intercept

Same Slope

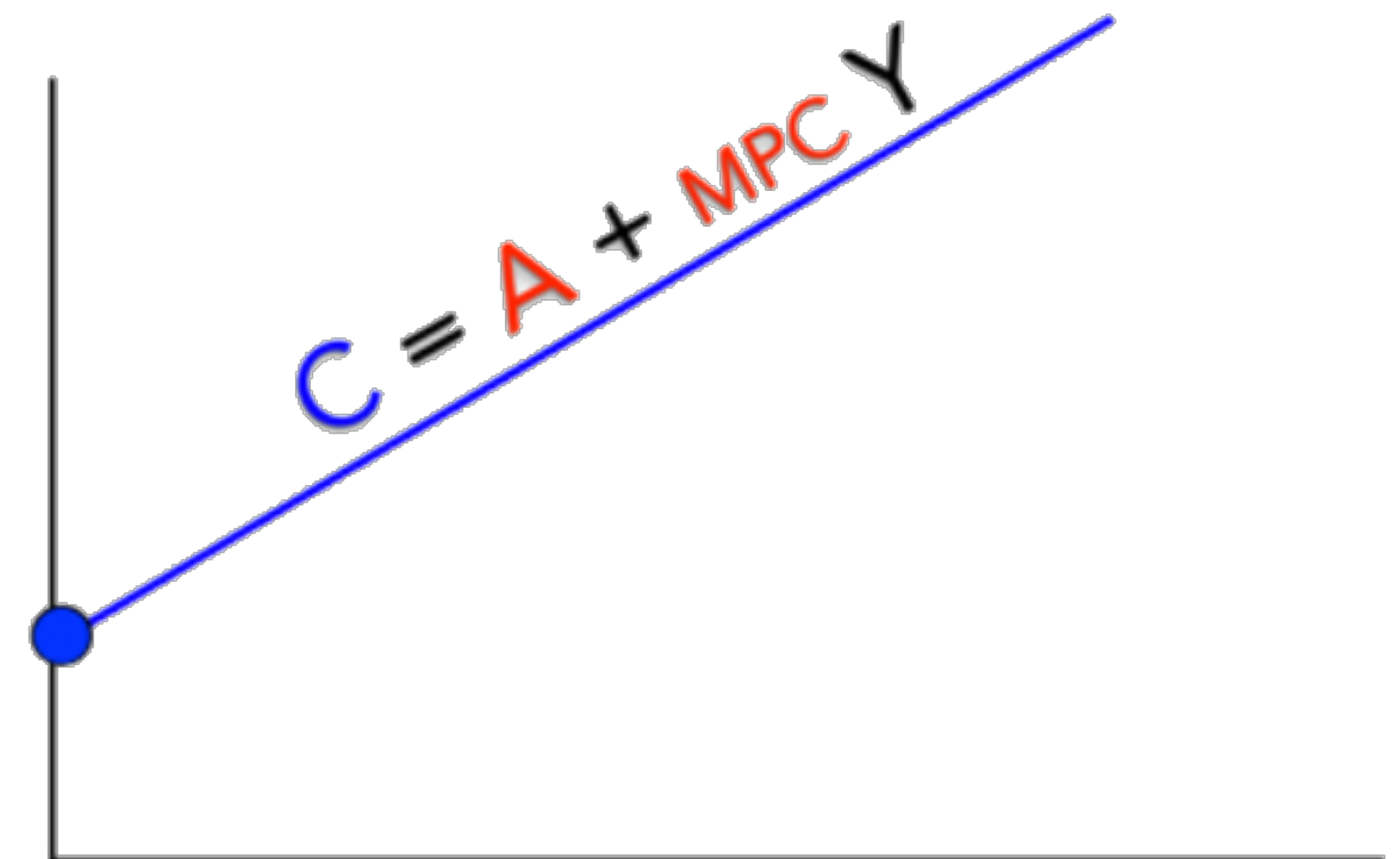
$$A = a - MPCT_x + MPCT_r$$

Without Government



With Government

$$A = a - MPCT_x + MPCT_r$$



Without Government

