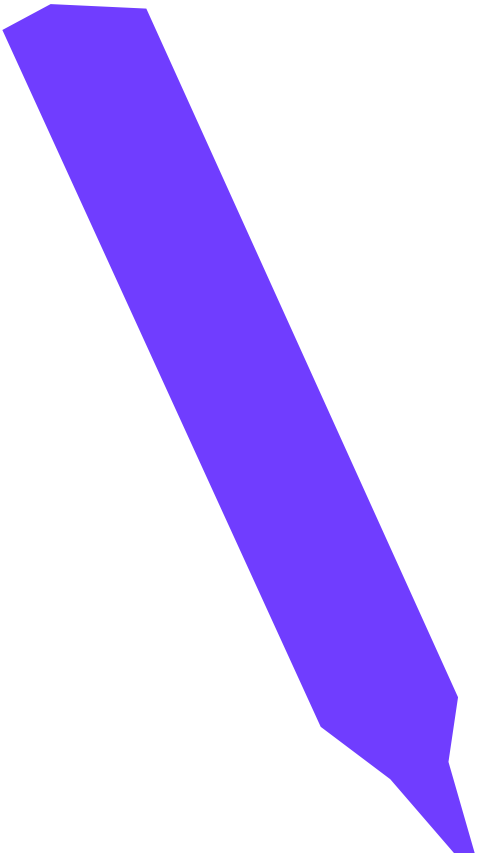
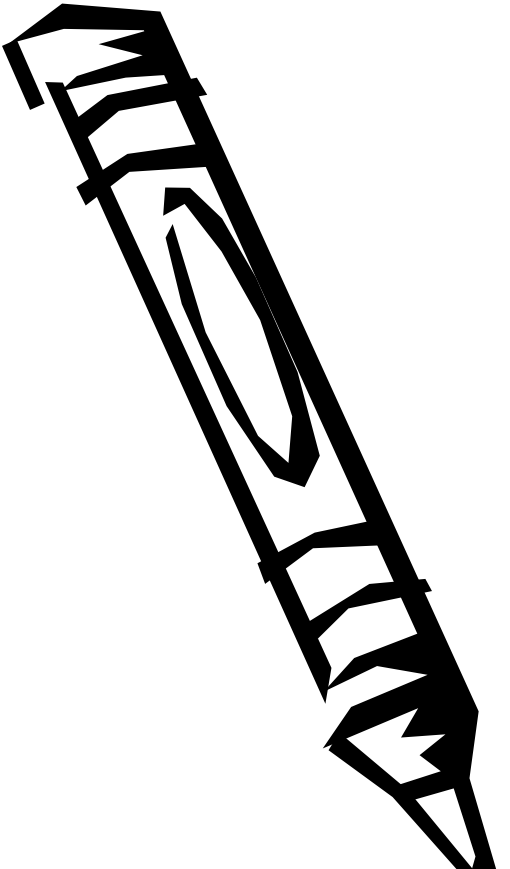
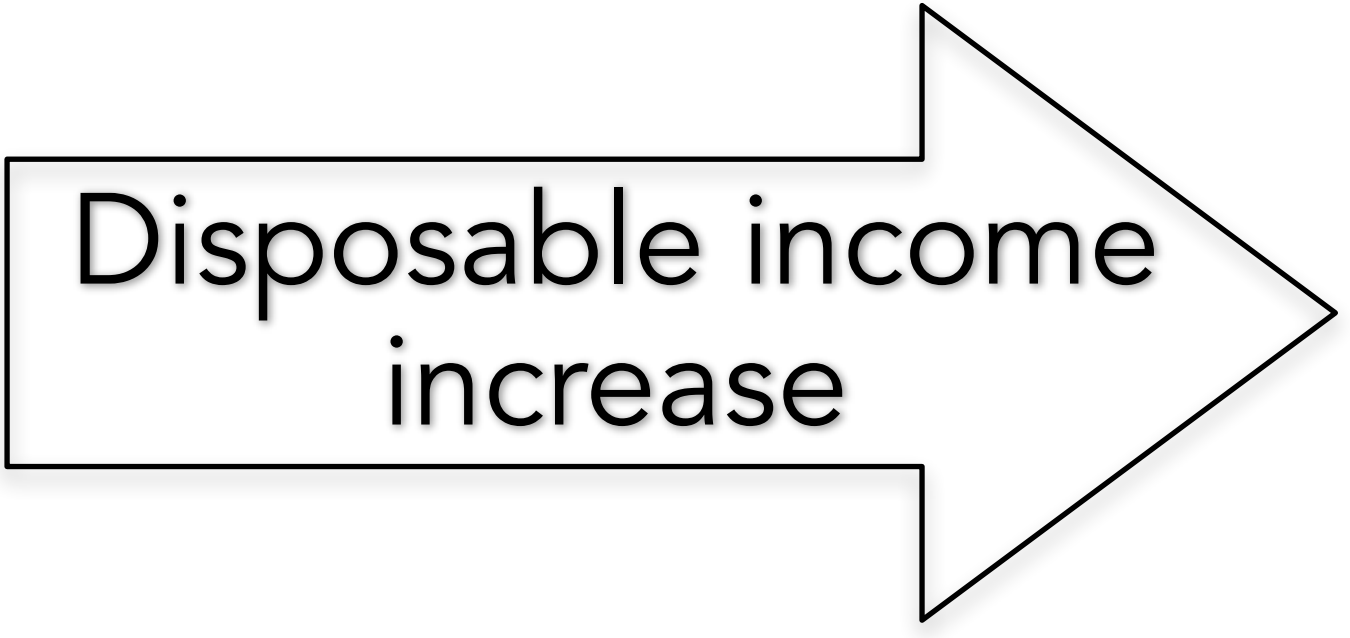




Taxes

When Taxes Decrease

$\Delta T = -100$


Disposable income
increase

$$\Delta Y^{d} = +100$$

When Disposable Income Increase

$\Delta Y^d = +100$

Autonomous Consumption Increase

$$\Delta a = 0.9*(100)$$

When Consumption Increase

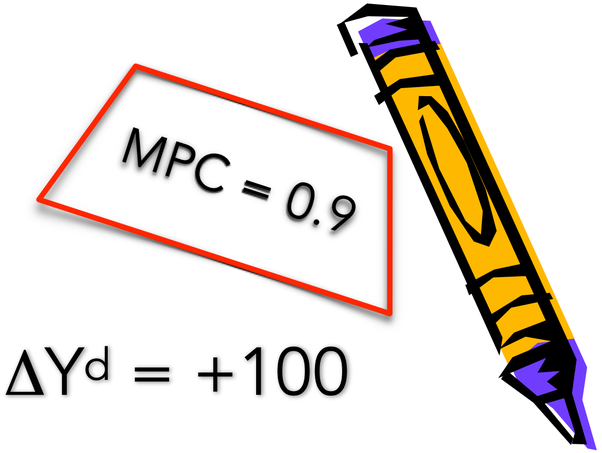
$\Delta a = +90$

AE shifts up (increase)

$$\Delta AE = \Delta a = +90$$

MPC = 0.9

Taxes



When Taxes Decrease

$\Delta T = -100$

Disposable income increase

$\Delta Y^d = +100$

When Disposable Income Increase

$\Delta Y^d = +100$

Autonomous Consumption Increase

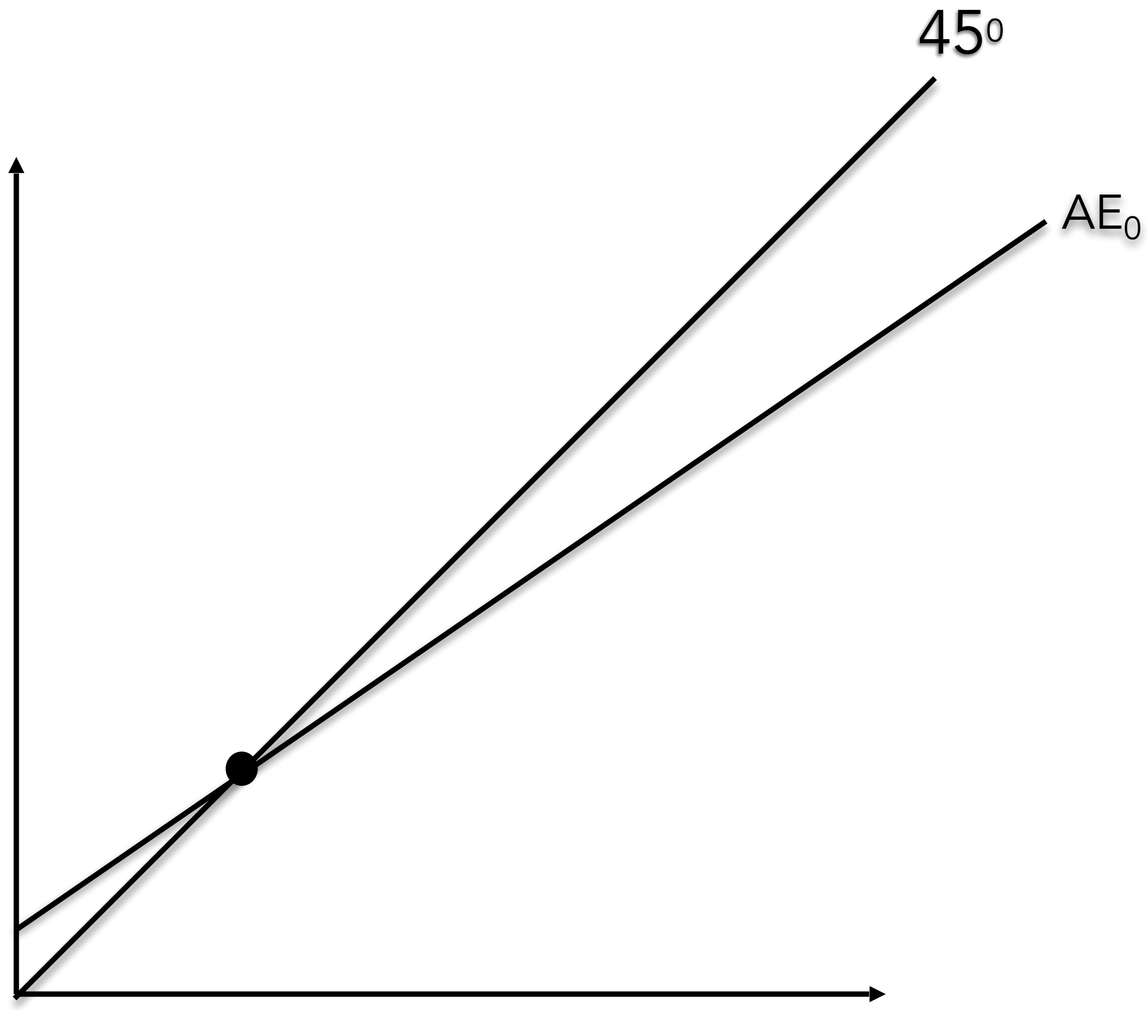
$\Delta a = 0.9*(100)$

When Consumption Increase

$\Delta a = +90$

AE shifts up (increase)

$\Delta AE = \Delta a = +90$


45⁰
AE0