



$$\Delta G = +70$$

NY

=

AG

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

Change in Equilibrium GDP

Change in Consumption

Change in Gvmt's Budget Deficit

$$\Delta \text{Deficit} = \Delta G - \Delta T$$



AT = 70



**ΔC**

**=**

**ΔY**

Spendding Multiplier

# Tax Multiplier



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

$$\left( \frac{1}{1-0.75} \right)$$



$$\left( \frac{1}{0.25} \right)$$

4

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

NY

=

70

(4)

**NY = 280**

$$\Delta C \equiv 280(0.75) \equiv 210$$

$$\Delta \text{Deficit} \equiv 70 - 0 \equiv +70$$



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

$$\left( \frac{-0.75}{1-0.75} \right)$$

$$\left( \frac{-0.75}{0.25} \right)$$

**-3**

Change in Equilibrium GDP

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

NY = 70

**(-3)**




$\Delta Y = +210$

Change in Consumption

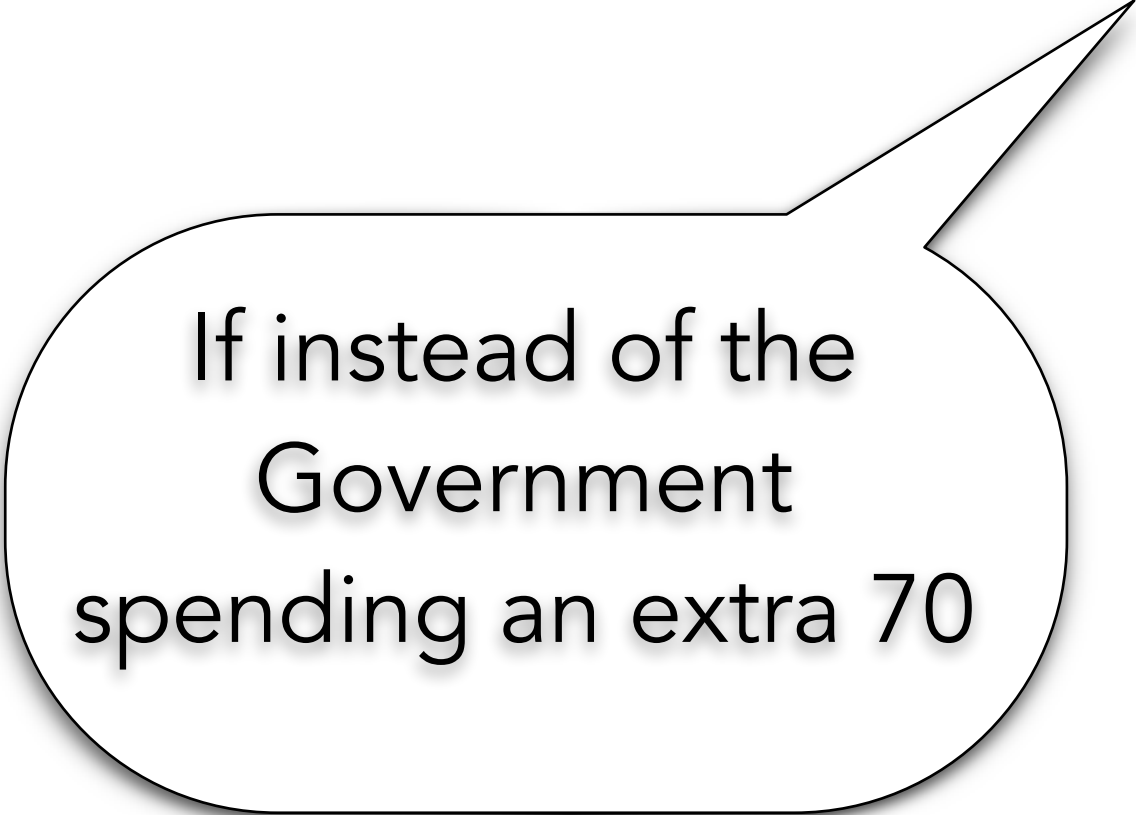
**ΔC = 210**

Change in Gvmt's Budget Deficit

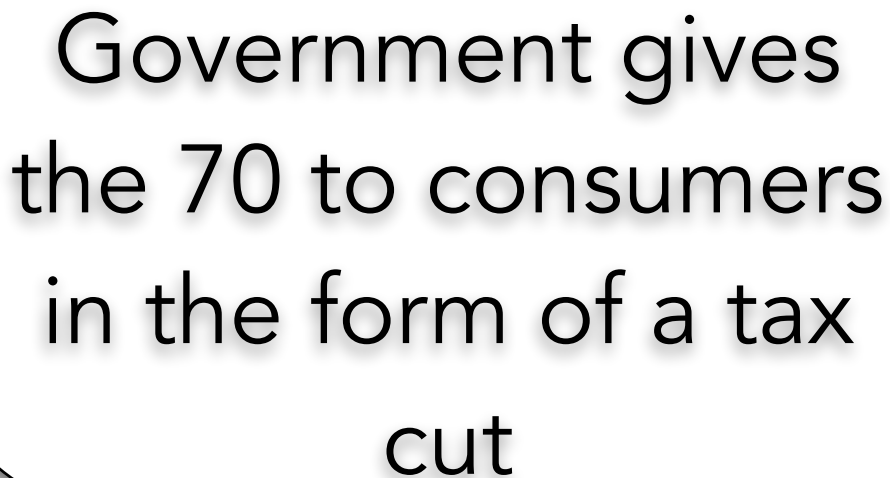
$$\Delta \text{Deficit} = 0 - (-70) = +70$$



$MPC = 0.75$

A black and white speech bubble with a tail pointing towards the top right. The bubble has a thin black outline and a subtle drop shadow. Inside the bubble, the text is centered and reads: "If instead of the Government spending an extra 70".

If instead of the  
Government  
spending an extra 70

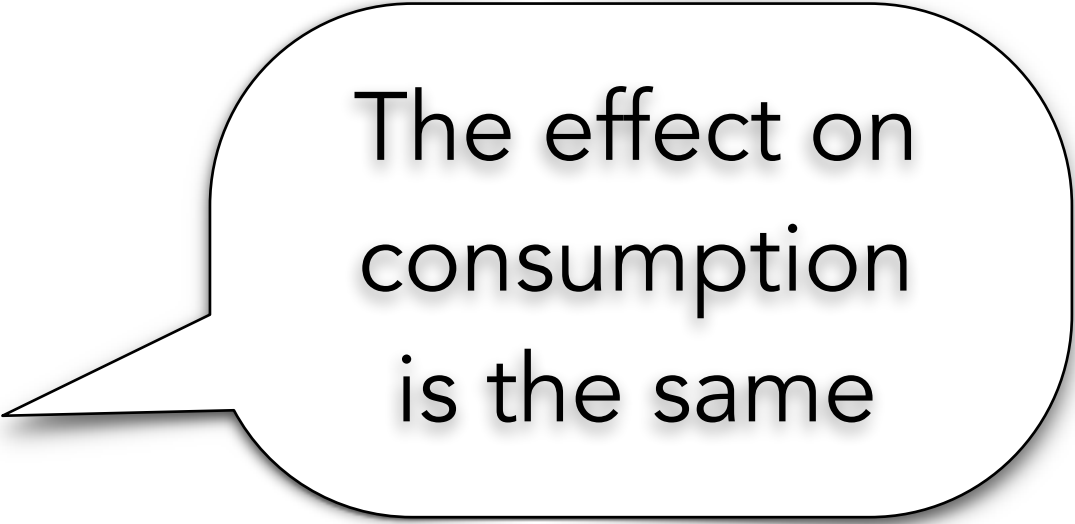
A speech bubble with a black outline and a white fill, featuring a small tail pointing towards the top-left. Inside the bubble, the text "Government gives the 70 to consumers in the form of a tax cut" is written in a black, sans-serif font, centered and arranged in four lines.

Government gives  
the 70 to consumers  
in the form of a tax  
cut

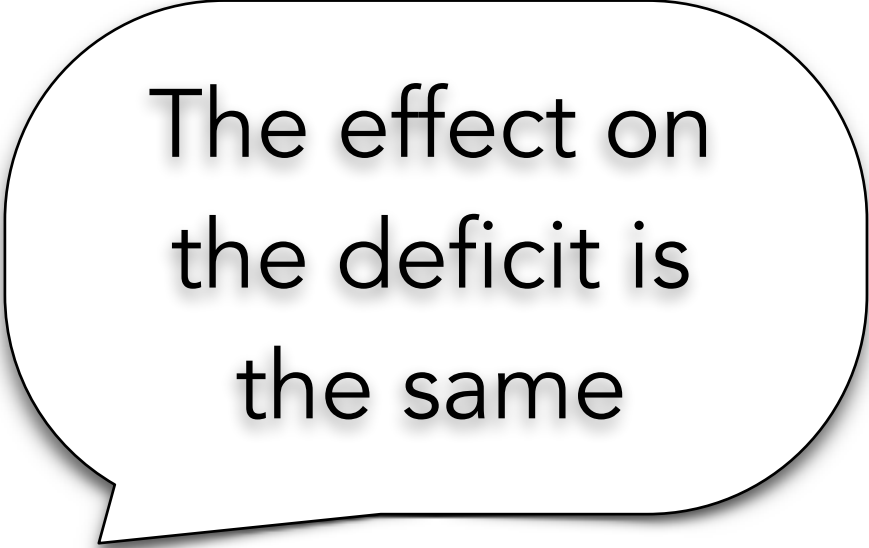


A white speech bubble with a black outline and a small tail pointing towards the bottom-left. It contains the text "The effect on GDP is smaller" in a black, sans-serif font.

The effect on  
GDP is  
smaller

A white speech bubble with a black outline and a drop shadow, pointing towards the left. It contains the text "The effect on consumption is the same" in a black, sans-serif font.

The effect on  
consumption  
is the same

A white speech bubble with a black outline and a small tail pointing towards the bottom-left. It contains the text "The effect on the deficit is the same" in a black, sans-serif font, centered within the bubble.

The effect on  
the deficit is  
the same

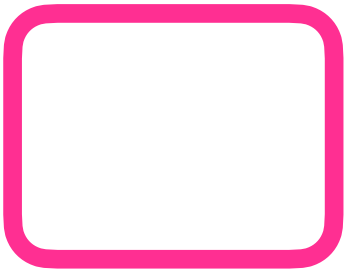
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

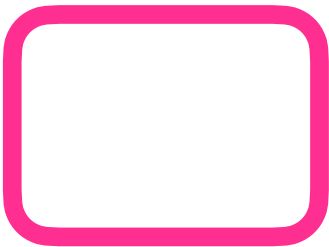














$$\Delta G = +70$$

Spending Multiplier

If instead of the Government spending an extra 70

$$\left( \frac{1}{1-MPC} \right) = 4$$

$$MPC = 0.75$$

$$\Delta T = -70$$

Tax Multiplier

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

Government gives the 70 to consumers in the form of a tax cut

Change in Equilibrium GDP

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

$$\Delta Y = 70 (4)$$

$$\Delta Y = 280$$

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

$$\Delta Y = -70(-3) \quad \Delta Y = +210$$

The effect on GDP is smaller

Change in Consumption

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

$$\Delta C = 280(0.75) = 210$$

$$\Delta C = \Delta Y$$

$$\Delta C = 210$$

The effect on consumption is the same

The effect on the deficit is the same

Change in Gvmt's Budget Deficit

$$\Delta \text{Deficit} = \Delta G - \Delta T$$

$$\Delta \text{Deficit} = 70 - 0 = +70$$

$$\Delta \text{Deficit} = 0 - (-70) = +70$$

