



1. Income Taxes act as automatic brake...

- When GDP rise

– We earn more income but pay more taxes

Thus...

– Disposable Income and Consumption **do not rise as much** as it would if taxes did not increase with income.

- When GDP falls

– We earn less income but pay less taxes



Thus...

– Disposable Income and Consumption **do not fall as much** as it would if taxes did not fall with income.

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- We earn less income but **pay less taxes**

Thus...

- Disposable Income and Consumption **do not fall as much** as it would if taxes did not fall with income.

2. Transfers act as an automatic brake...