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

With Government

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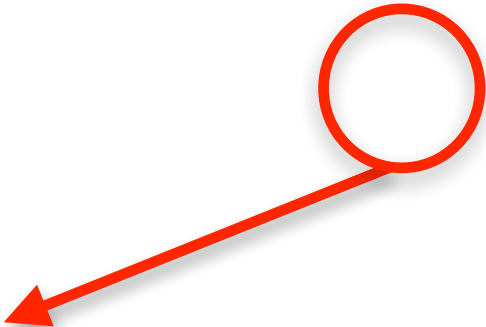




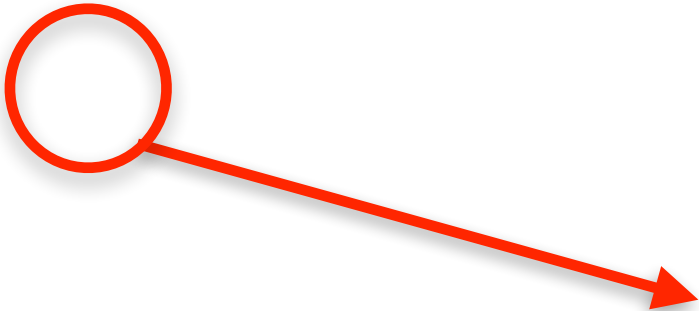


Y









When taxes increase by ΔTx , the change in Consumption is negative

$$\Delta C = -MPC(\Delta Tx)$$

When Transfers increase
by ΔTr , the change in
Consumption is positive

$$\Delta C = +MPC(\Delta Tr)$$

When Income **increase** by
 ΔY , the change in
Consumption is **positive**

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

When taxes decrease by ΔT_x (a negative number), the change in Consumption is positive

$$\Delta C = -MPC(-\Delta T_x)$$

When Transfers decrease
by ΔTr (a negative number), the
change in Consumption is
negative

$$\Delta C = +MPC(-\Delta Tr)$$

With Government

$$C = a \ominus \text{MPC} T_x \oplus \text{MPC} T_r \oplus \text{MPC} Y$$


When **taxes increase** by ΔT_x , the change in Consumption is **negative**
 $\Delta C = -\text{MPC}(\Delta T_x)$

When **Transfers increase** by ΔT_r , the change in Consumption is **positive**
 $\Delta C = +\text{MPC}(\Delta T_r)$

When Income **increase** by ΔY , the change in Consumption is **positive**
 $\Delta C = +\text{MPC}(\Delta Y)$

When **taxes decrease** by ΔT_x (a negative number), the change in Consumption is **positive**
 $\Delta C = -\text{MPC}(-\Delta T_x)$

When **Transfers decrease** by ΔT_r (a negative number), the change in Consumption is **negative**
 $\Delta C = +\text{MPC}(-\Delta T_r)$

When Income **decrease** by ΔY (a negative number), the change in Consumption is **negative**
 $\Delta C = +\text{MPC}(-\Delta Y)$

With Government