



DRIVING QUESTION

The government spends \$10 billion. Why does the economy grow by way more than \$10 billion — and why does it sometimes grow by way less?

Gut instinct now. Answer it again at the end using the multiplier.

BEFORE THE GAME

"Congress passes a \$10 billion infrastructure bill. Economists predict it will boost GDP by \$40 billion." That's not a typo — a dollar of spending doesn't move just one dollar of GDP. Something re-spends it, over and over.

Your gut answer — where does the "extra" GDP come from if the government only spent \$10 billion?

Quick prediction — would a tax CUT of the same size create a bigger or smaller GDP effect than the spending?

☐ Bigger ☐ Smaller ☐ Same

DURING THE GAME — WORK THE BRIEFINGS

#	MULTIPLIER TYPE CHOSEN	MPC GIVEN	MULTIPLIER VALUE	TOTAL ΔGDP	FORMULA REF. USED?
1	☐ Spend ☐ Tax ☐ Money ☐ Bal.Bud.	_____	_____	_____	☐ Y ☐ N
2	☐ Spend ☐ Tax ☐ Money ☐ Bal.Bud.	_____	_____	_____	☐ Y ☐ N
3	☐ Spend ☐ Tax ☐ Money ☐ Bal.Bud.	_____	_____	_____	☐ Y ☐ N
4	☐ Spend ☐ Tax ☐ Money ☐ Bal.Bud.	_____	_____	_____	☐ Y ☐ N
5	☐ Spend ☐ Tax ☐ Money ☐ Bal.Bud.	_____	_____	_____	☐ Y ☐ N

Formulas: spending mult. = $1 \div \text{MPS}$ • tax mult. = $-\text{MPC} \div \text{MPS}$ • balanced-budget mult. = 1. Opening the Formula Reference costs 10 points per case.

AFTER THE GAME

Which briefing tried to trick you into using MPC in the denominator instead of MPS — or forgetting the negative sign on the tax multiplier? What was the correct move?

Now use the vocabulary: explain in one sentence why the **tax multiplier** is always smaller in magnitude than the **spending multiplier** for the same MPC.

TRANSFER — NOW APPLY IT

Breaking: "Congress Passes \$20 Billion Stimulus Package"

A new government spending bill injects \$20 billion directly into the economy. Economists estimate the nation's MPC at 0.75.

\$20B
INITIAL SPENDING

0.75
MPC

?
TOTAL Δ GDP

A. Calculate the spending multiplier from MPC = 0.75. Show the formula.

B. Calculate the total change in GDP from the \$20B injection.

C. If Congress had instead done a \$20B tax CUT with the same MPC, would total Δ GDP be bigger or smaller? Calculate it.

RETURN TO THE DRIVING QUESTION

The government spends \$10 billion. Why does the economy grow by way more than \$10 billion — and why does it sometimes grow by way less?

Use the multiplier and MPC/MPS in your final answer.
