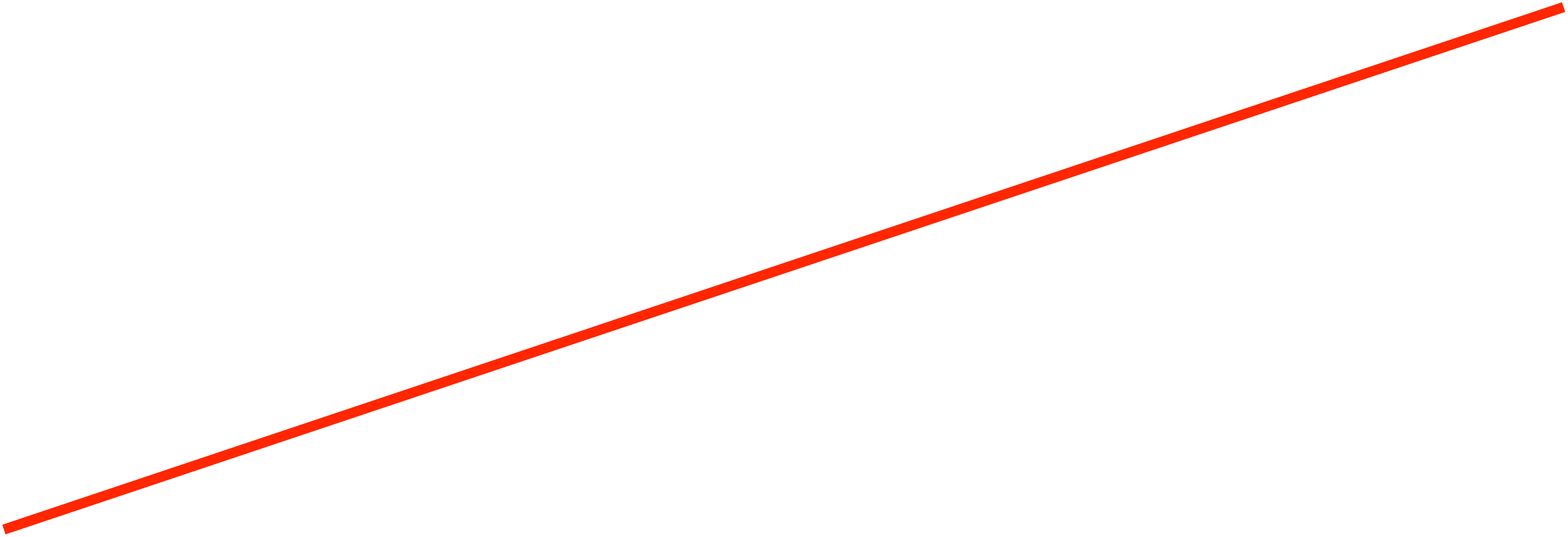
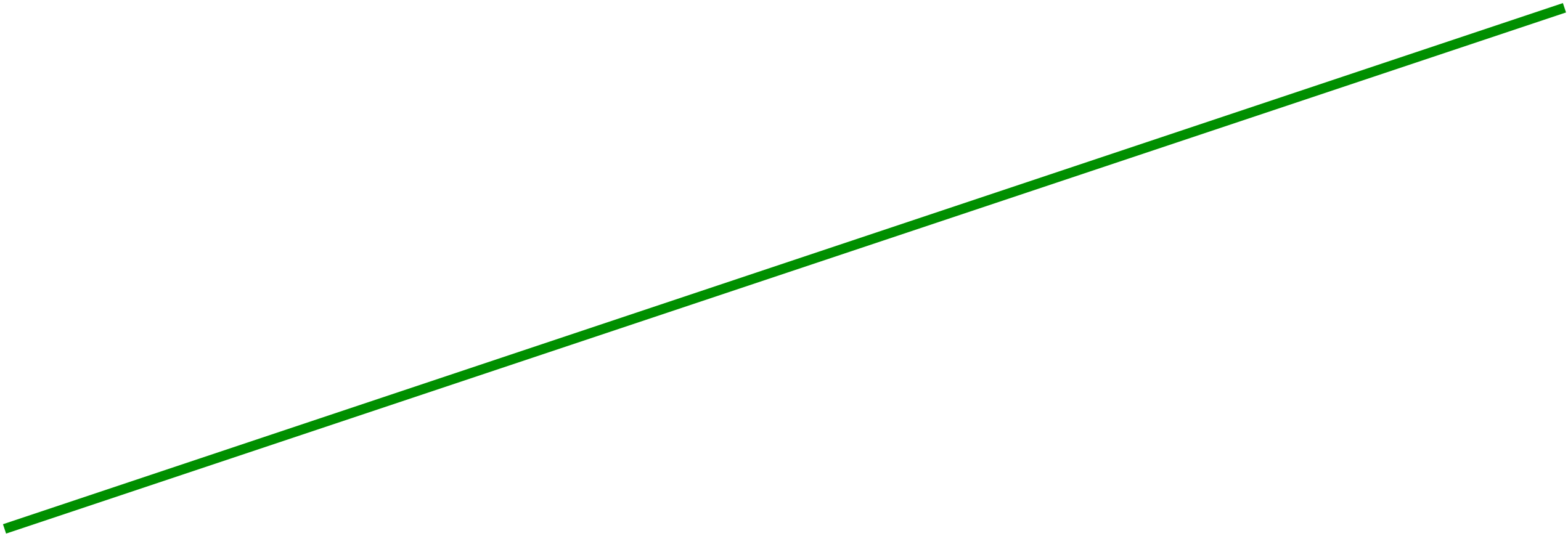
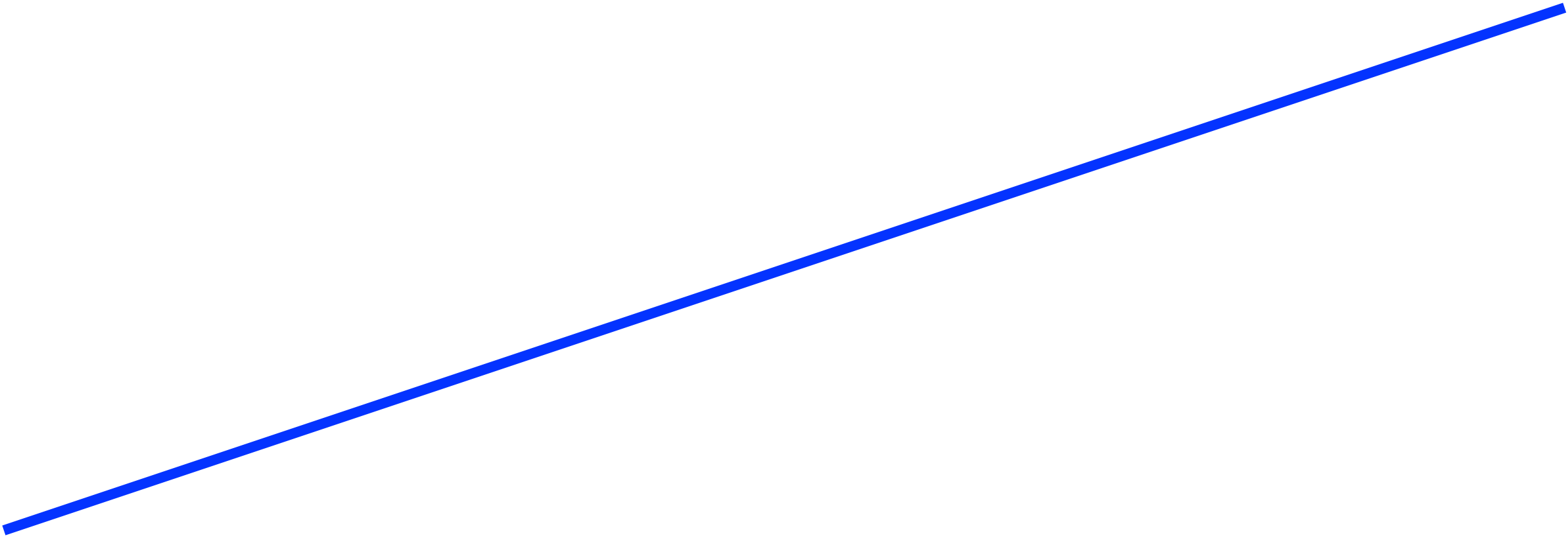
Real Income

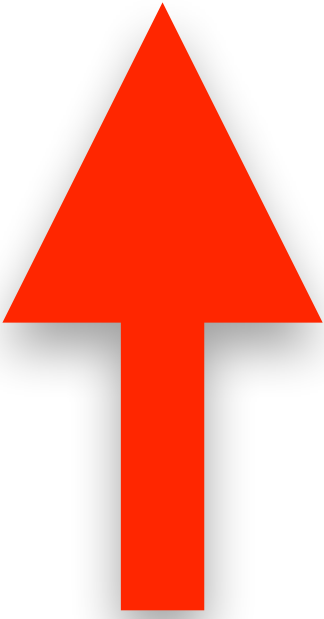
10000

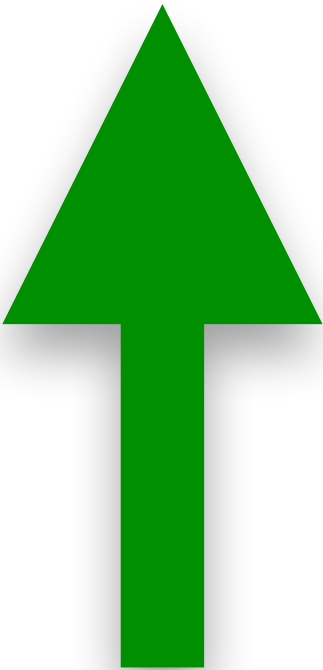
11000

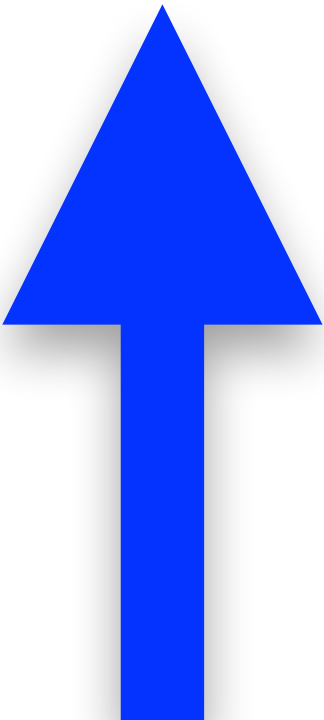


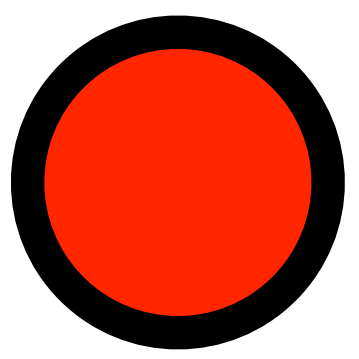


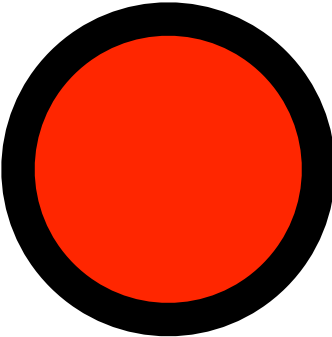


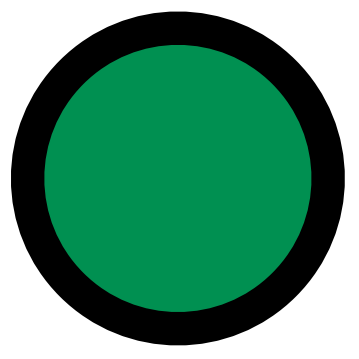


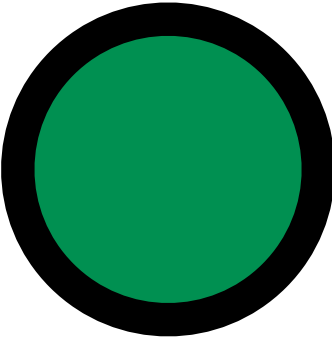


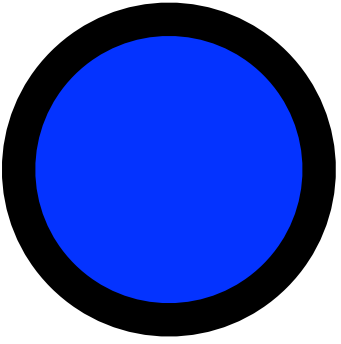













7,500


8,000


8,500


C c


CM


C
B


700


700


700

1000

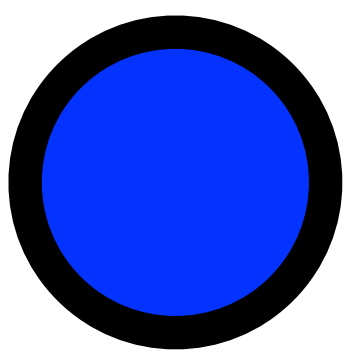
1000

1000


70%


70%


70%



For all, the MPC = 70%

These three individuals react the same to a $1,000 increase in income

Wealthier/optimistic individuals, spend a larger portion of their income

(7,500/10,000)*100 = 75%

Claudia spends 75% of the $10,000

(8,000/10,000)*100 = 80%

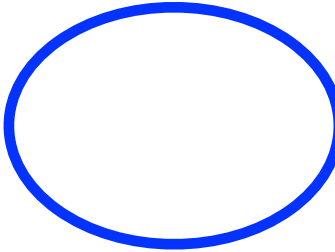
Mary spends 80% of the $10,000

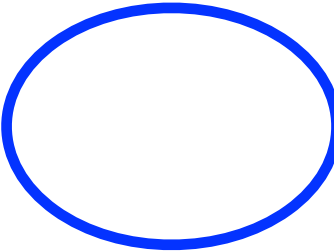
(8,500/10,000)*100 = 85%

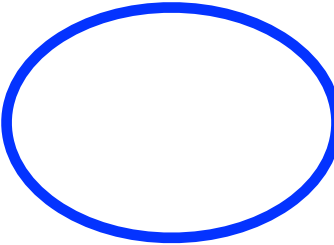
Bob spends 85% of the $10,000

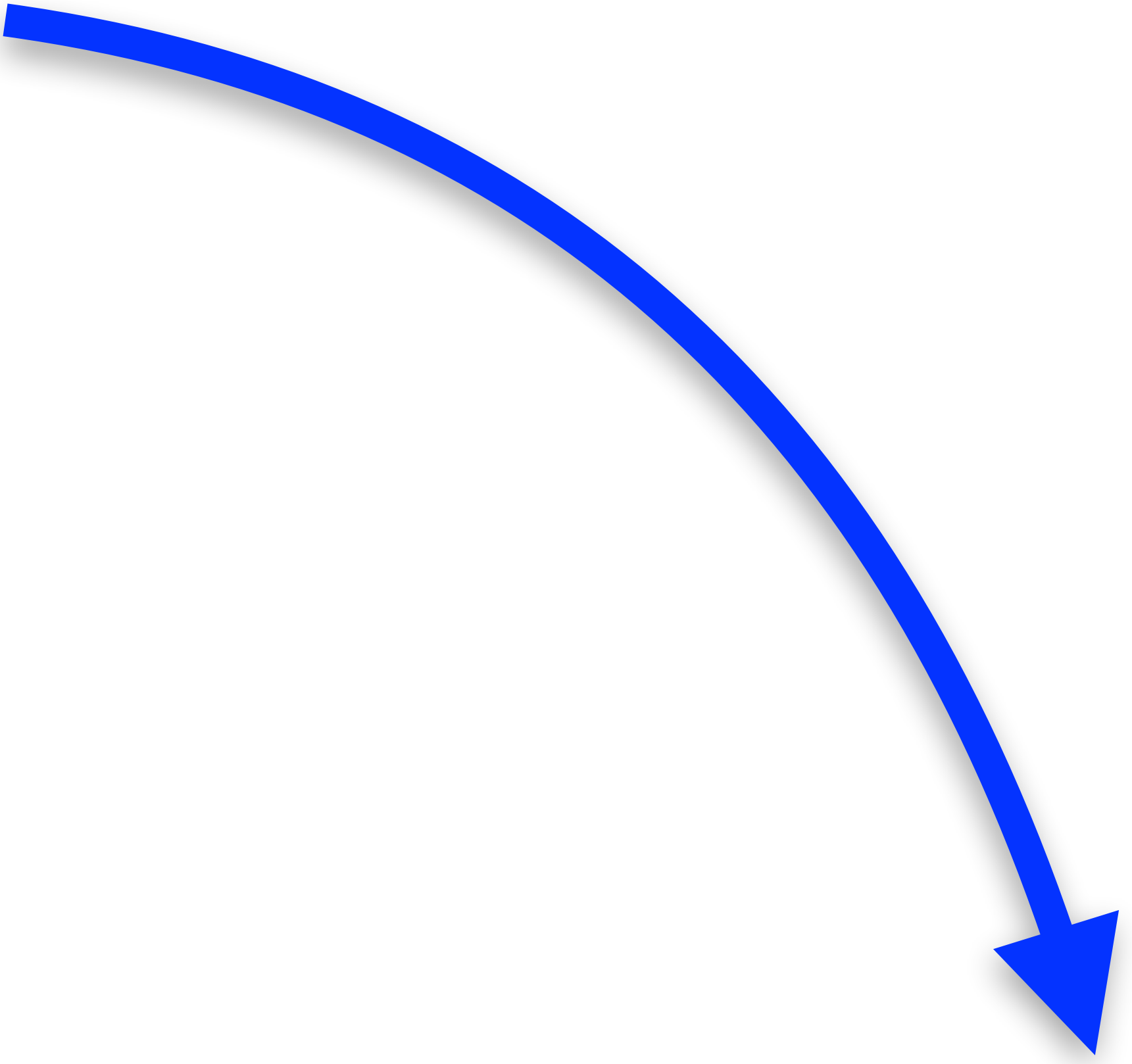
The portion of the income spent is called the Average Propensity to Consume: APC

The APC is different for these individuals









The APC is different for these individuals

(8,500/10,000)*100 = 85%

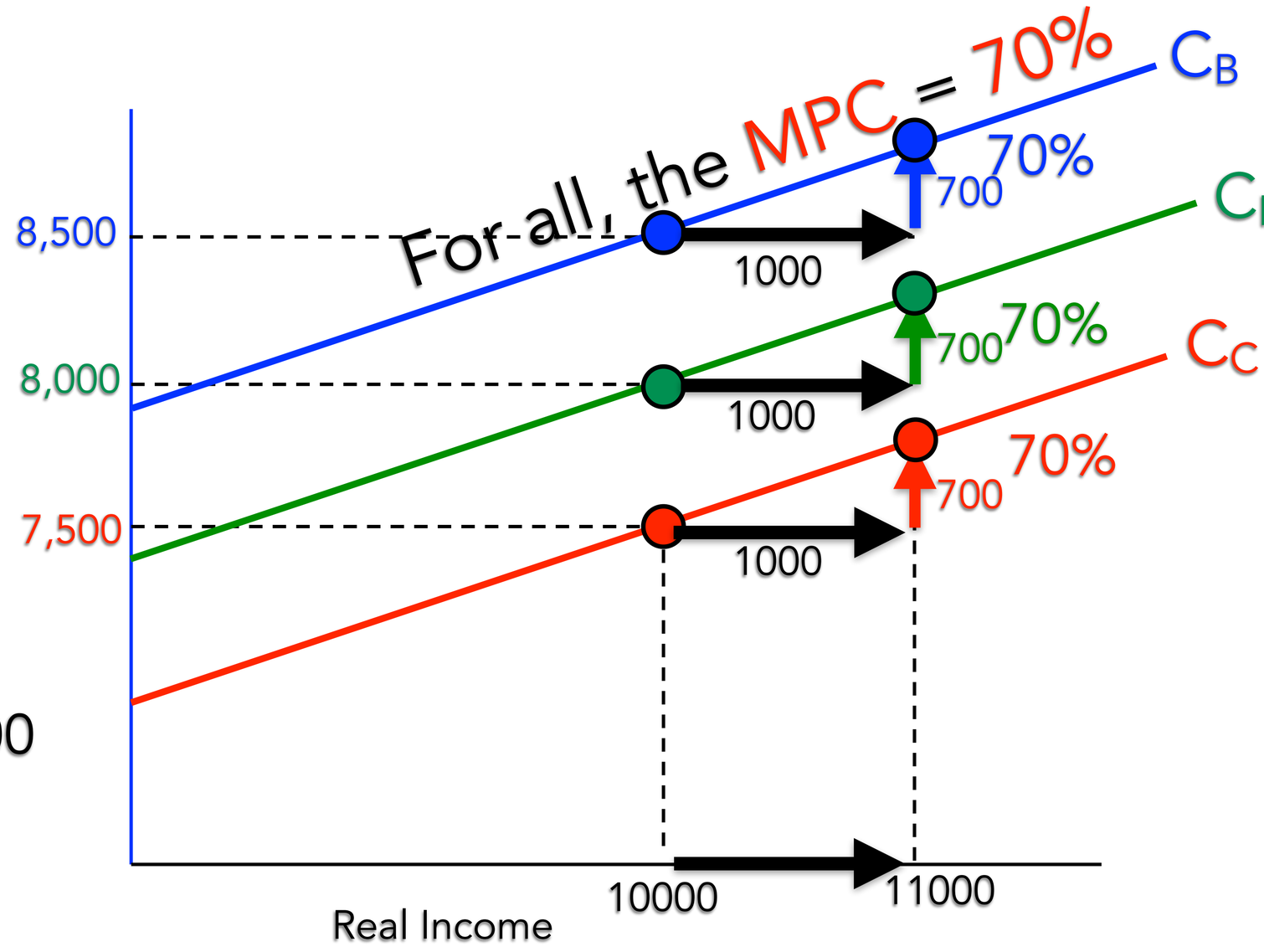
Bob spends 85% of the $10,000

(8,000/10,000)*100 = 80%

Mary spends 80% of the $10,000

(7,500/10,000)*100 = 75%

Claudia spends 75% of the $10,000



The portion of the income spent is called the Average Propensity to Consume: APC