





$$\Delta C = -1000 * 0.9$$

AE



AE 1



**Firms Decrease  
Output: fire  
workers**

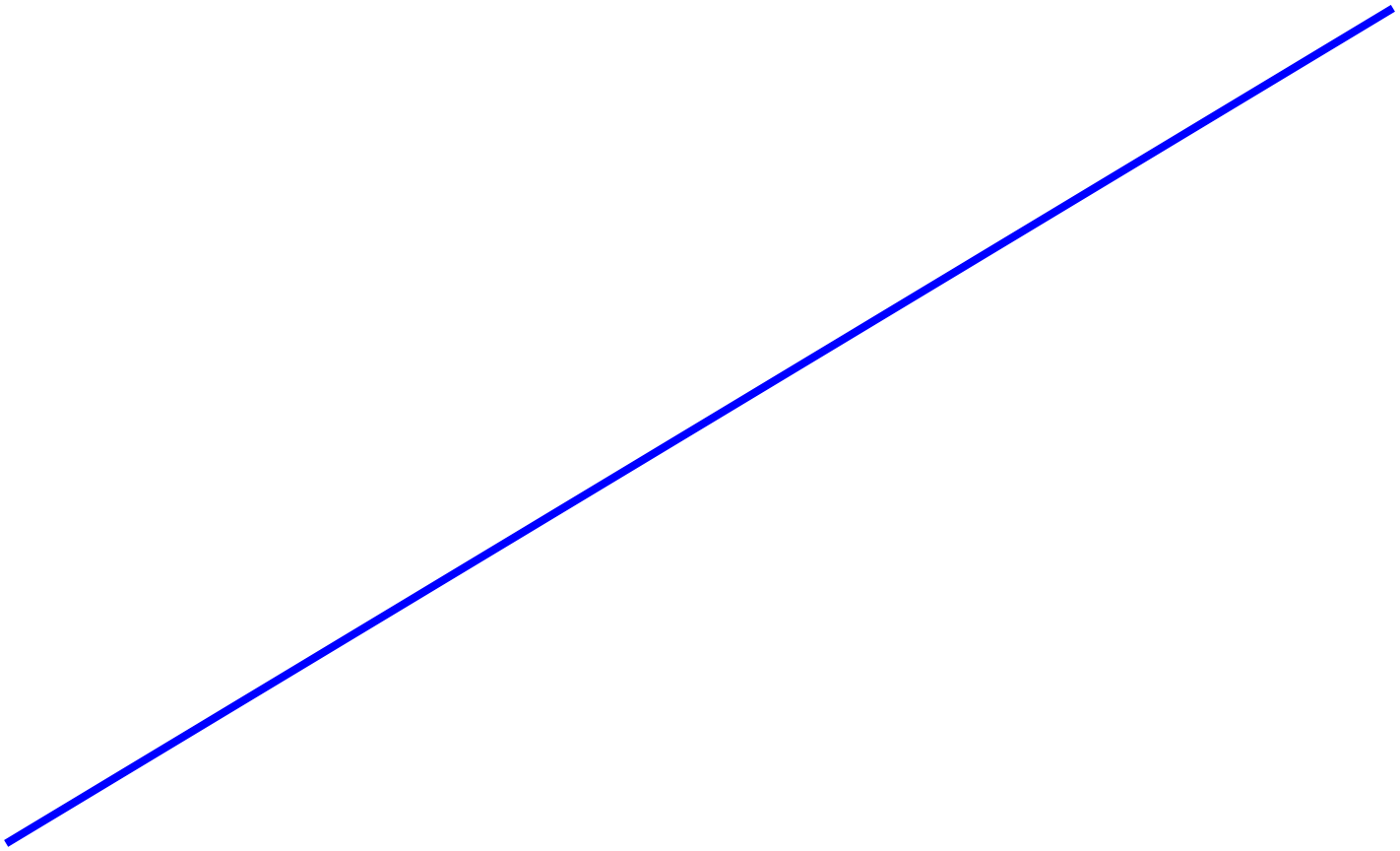


Y


O










$$\Delta C = \Delta Y^* MPC$$







AC

=

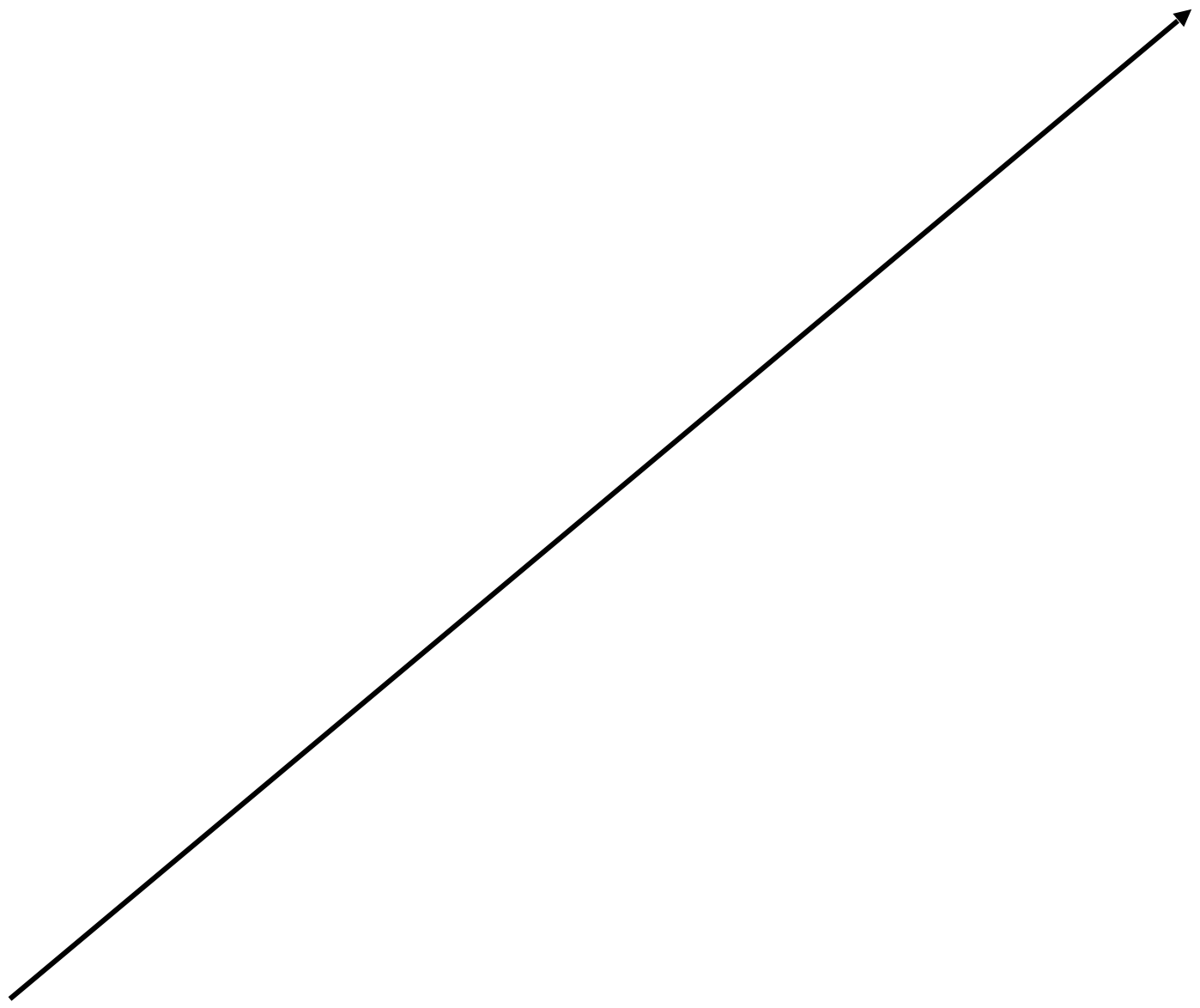
90

Lower Incomes, Lower  
Consumption





$$\Delta Y = -100$$





$$\Delta a = -100$$



AE = YO

# Inventories

## Rise











**Firms Decrease Output:  
fire workers**

Y

2






AC

=

=

81


$$\Delta C = -90 * 0.9$$



Firms Decrease Output: fire more  
workers



Y

3













Y

4



Y

5



Y

6

Y

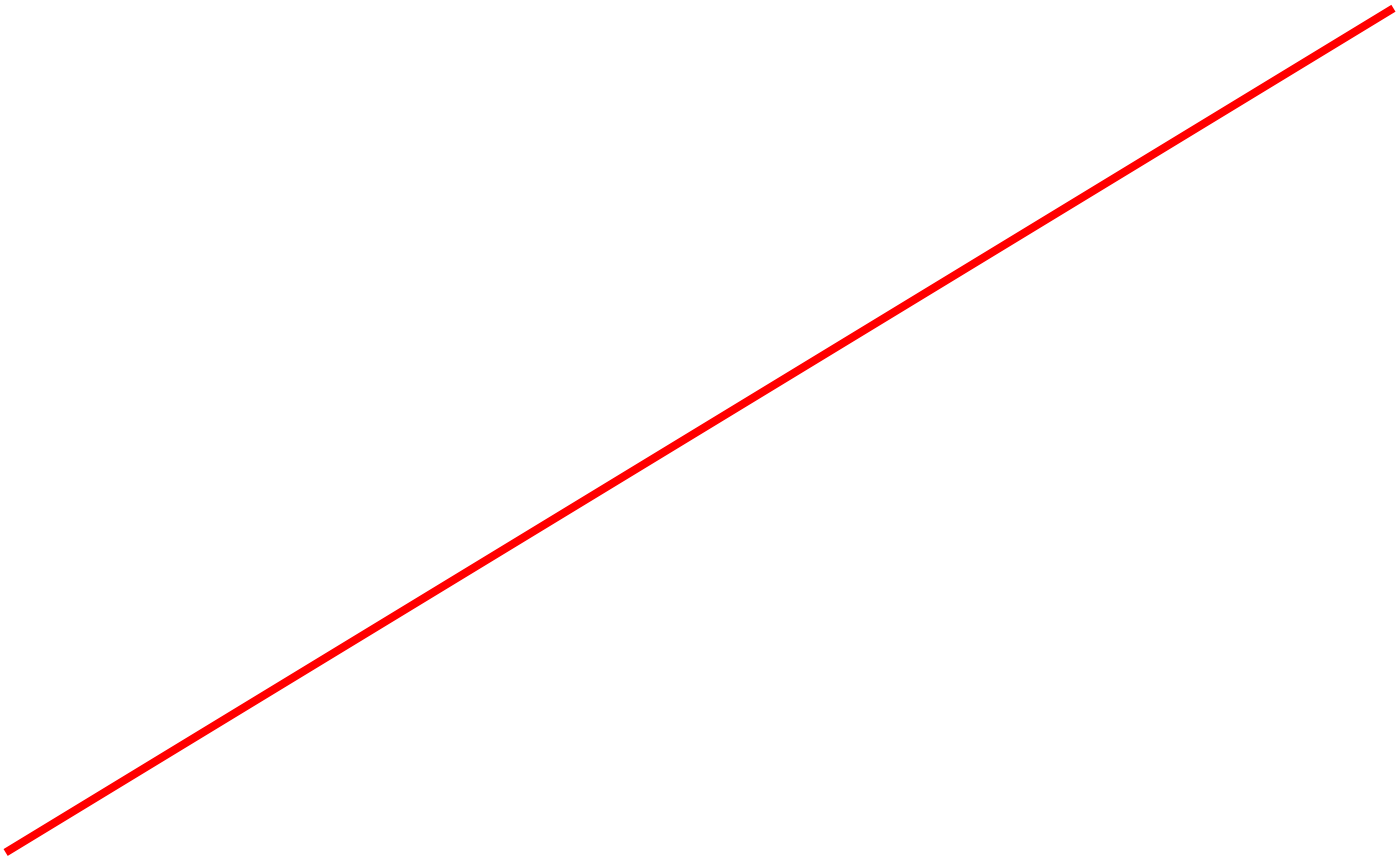
7

Y

8





















$$\Delta C = -81 * 0.9$$

$Y^*$

New

Equilibrium






$$\Delta C = -73$$





= -59









Scared by pandemic consumers stop buying goods and services



The economy  
starts at  
equilibrium  
at  $Y_0$



## Scared by pandemic consumers stop buying goods and services

