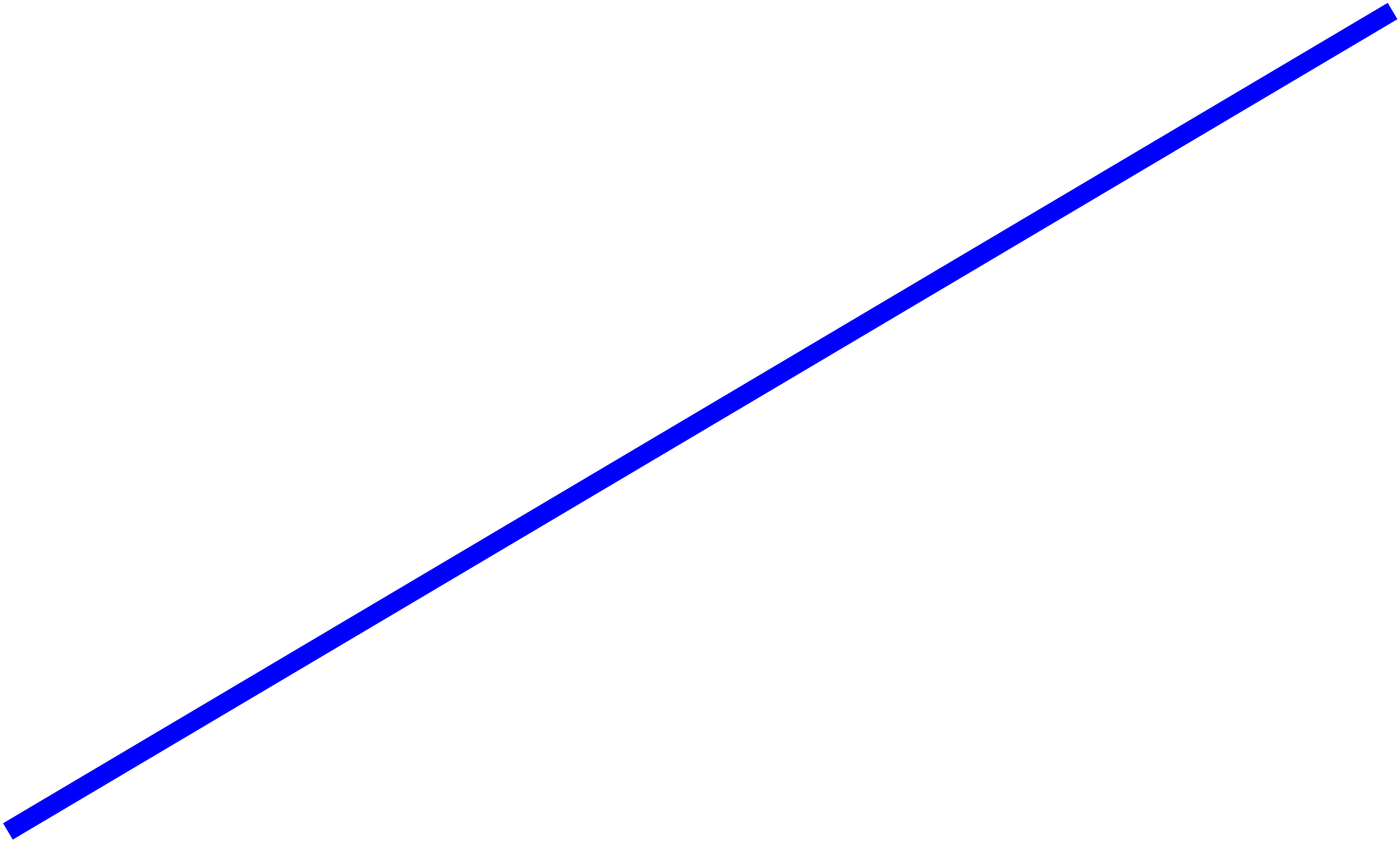
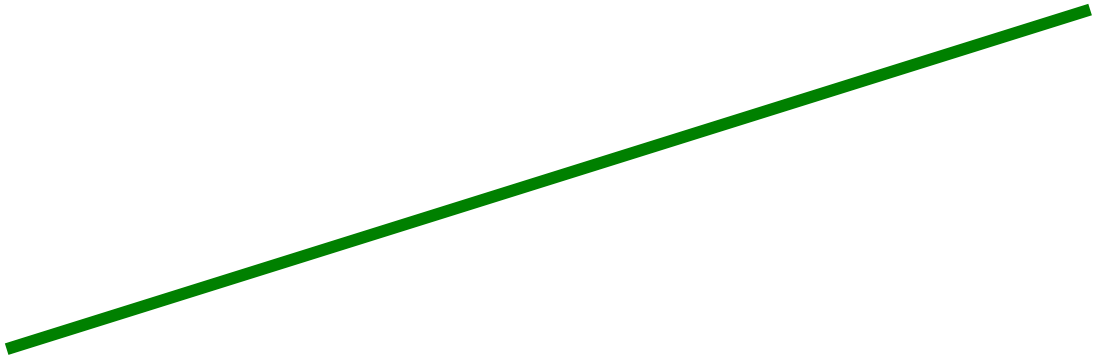
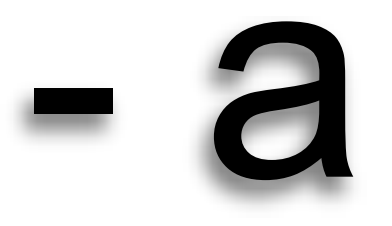
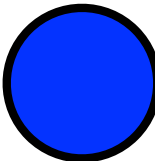




S


- a

a



If MPC = 0.9

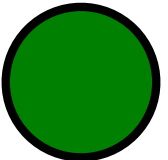
Consumers spend 90%

of extra income

$$C = a + MPC\ Y$$

$$S = -a + MPS\ Y$$

MPC + MPS = 1



and save 10% of extra income

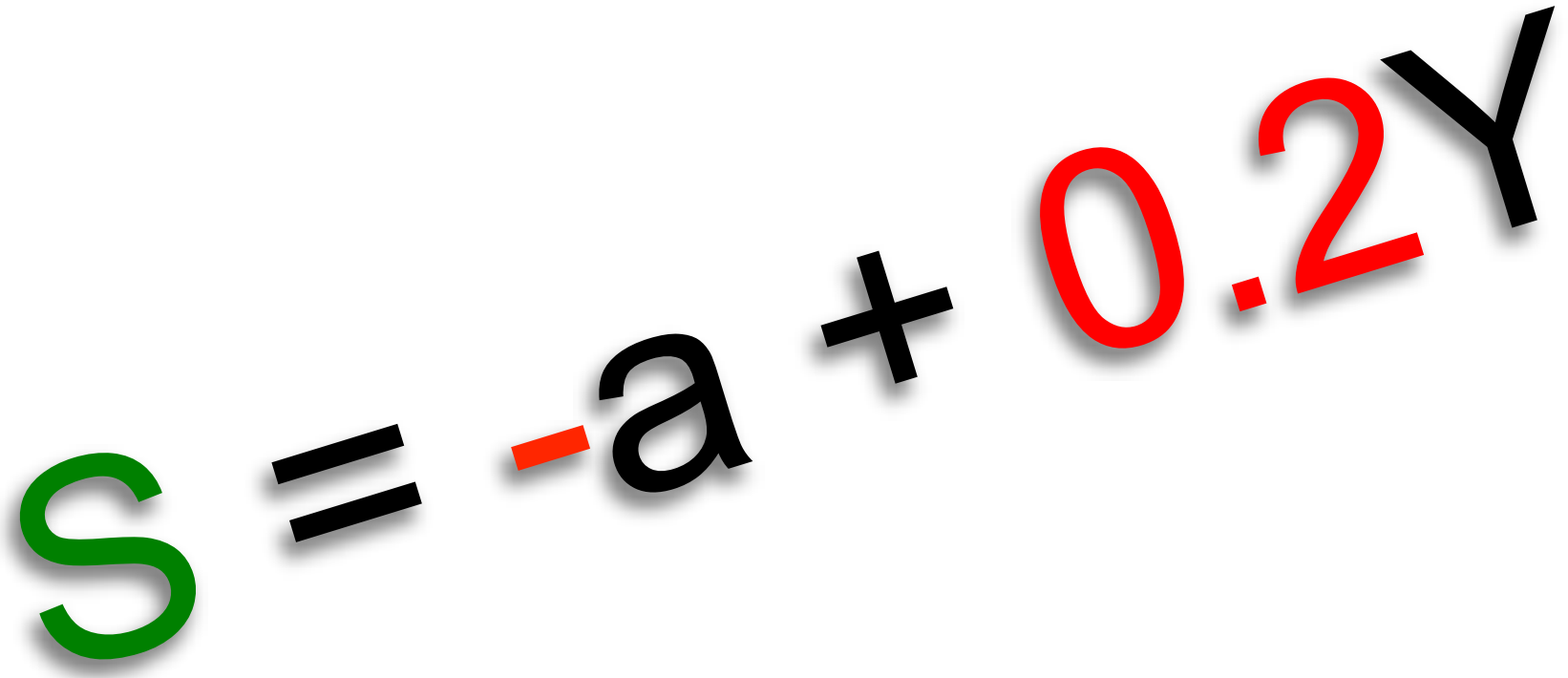
If MPC = 0.8

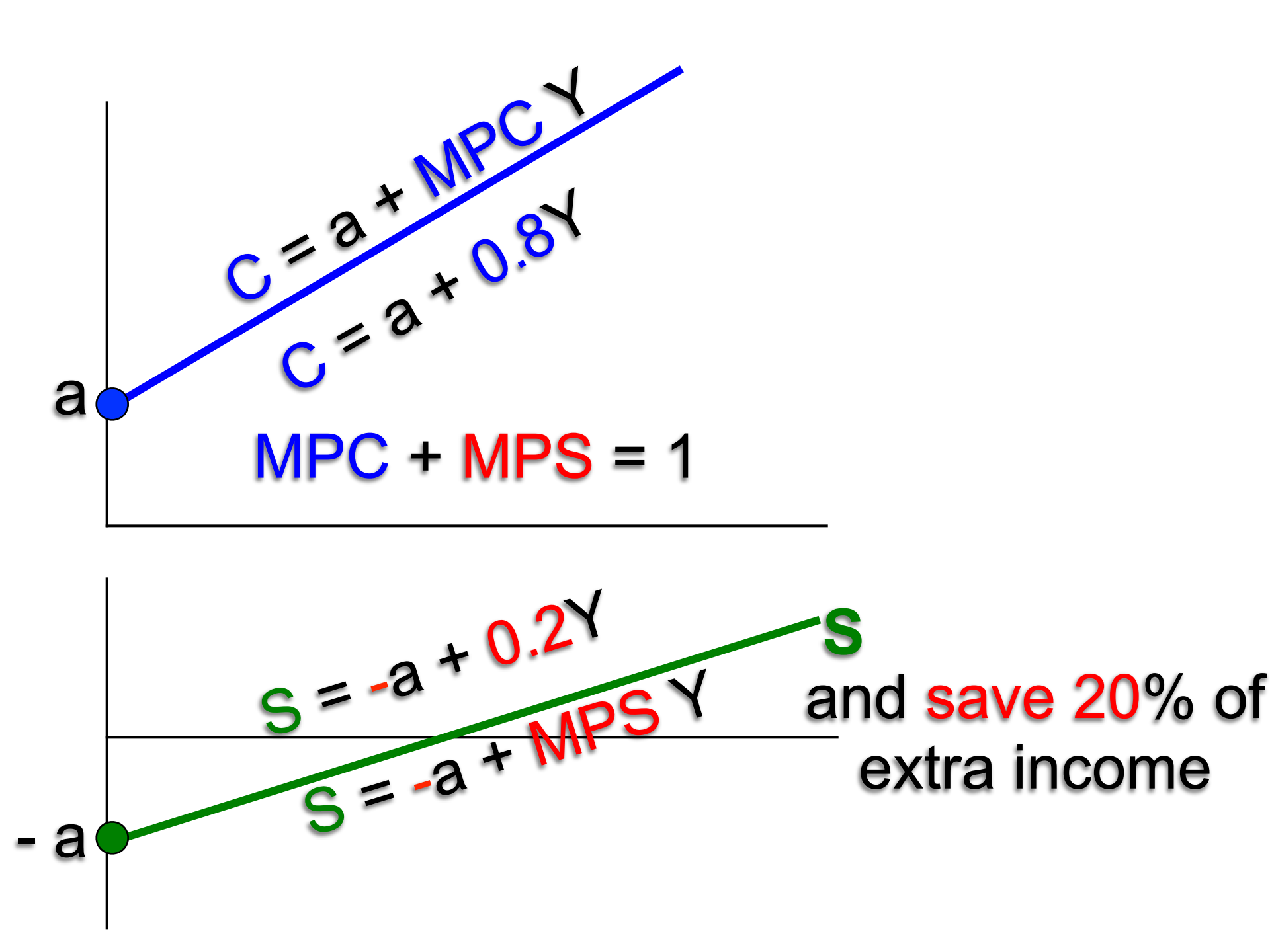
Consumers spend 80%

of extra income

and save 20% of extra income

$$S = -a + 0.1Y$$


S = -a + 0.2Y


C = a + MPC Y
C = a + 0.8Y
a
MPC + MPS = 1
S = -a + 0.2Y
S = -a + MPS Y
S
- a
and save 20% of
extra income

MPC for the US is 90%