



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

AE.

AE₁

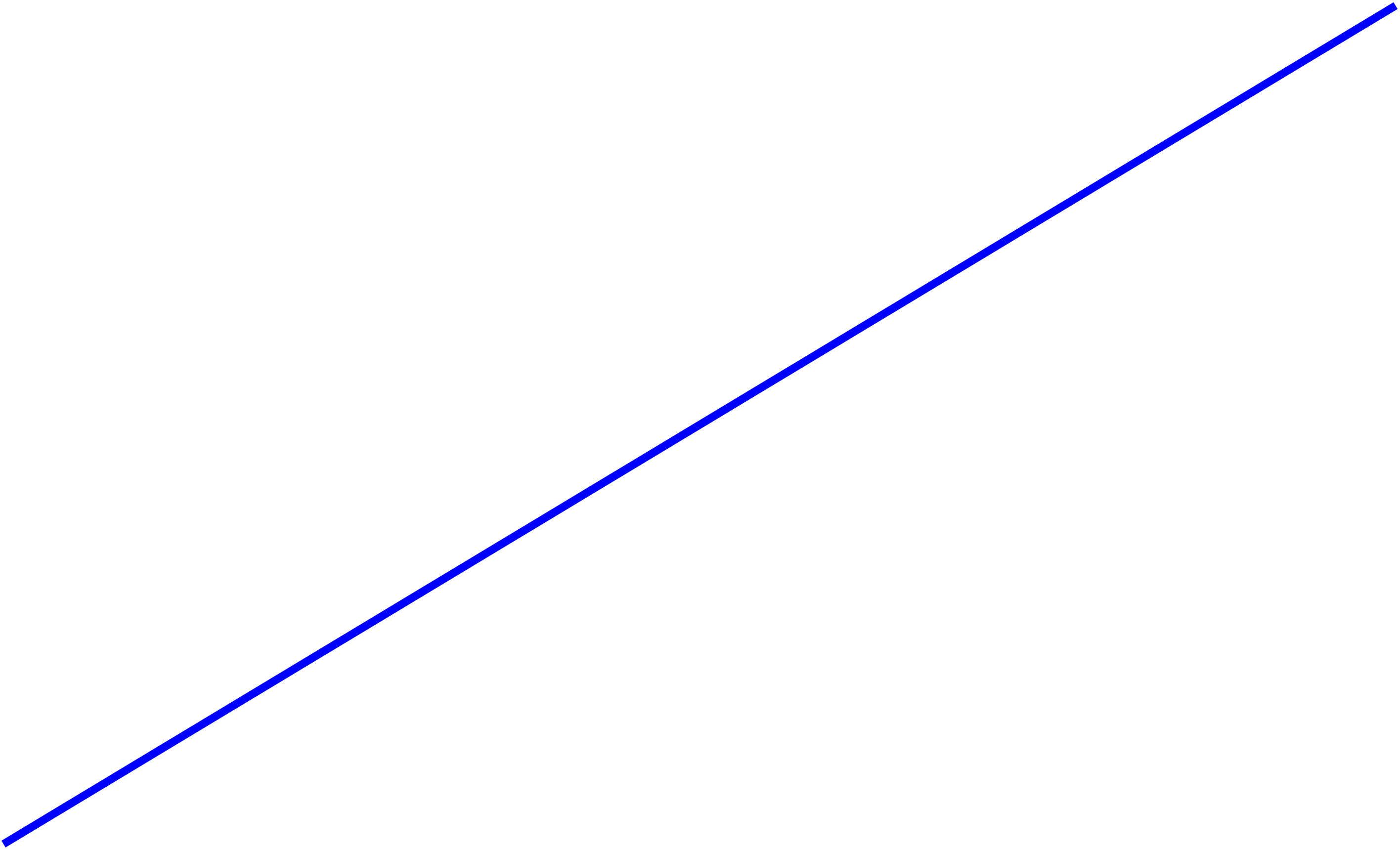


**Firms Decrease
Output: fire
workers**

Y

O







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





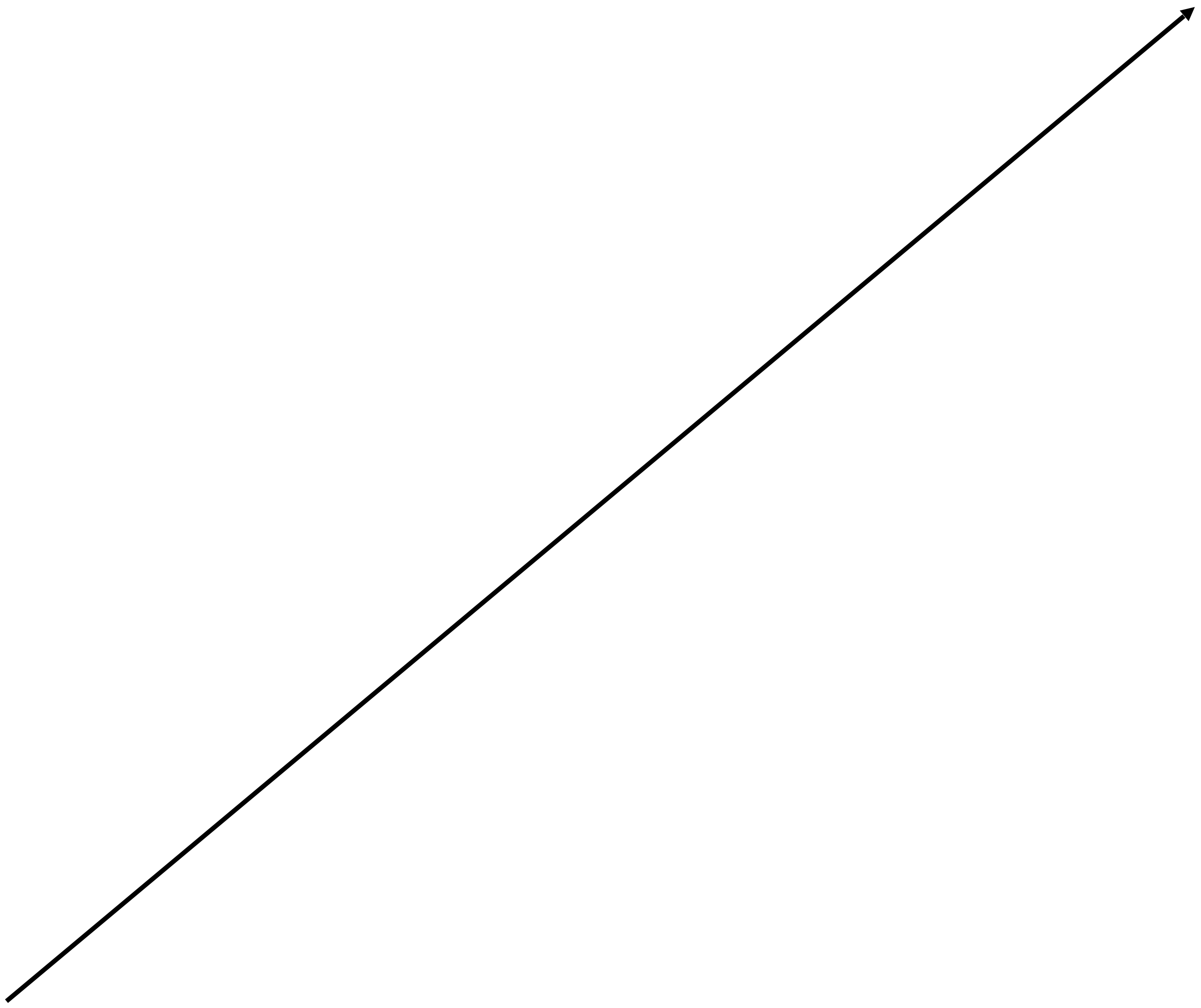


AC = 90

Lower Incomes, Lower
Consumption



$$\Delta Y = -100$$



$$\Delta a = -100$$



AE = YO

Inventories

Rise

Y

1







**Firms Decrease Output:
fire workers**

Y

2





NC = 81



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



Firms Decrease Output: fire more
workers

Y

3













Y

4

Y

5



Y

6

Y

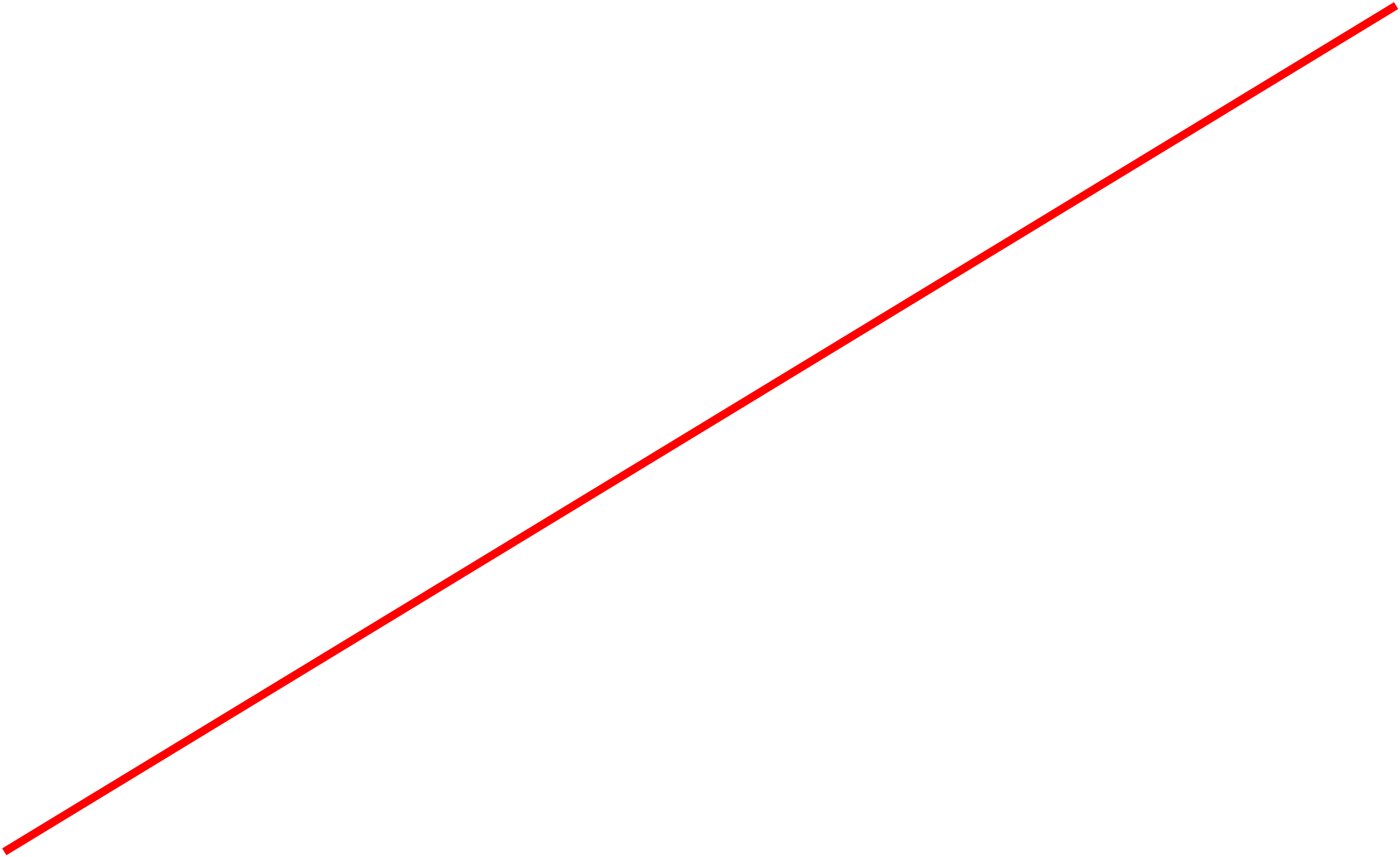
7

Y

8

AC = 53


















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

Y^*

New

Equilibrium




$$\Delta C = -73$$

↓ ΔC = -66

$$\downarrow \Delta C = -59$$









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

