



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

AE



AE 1



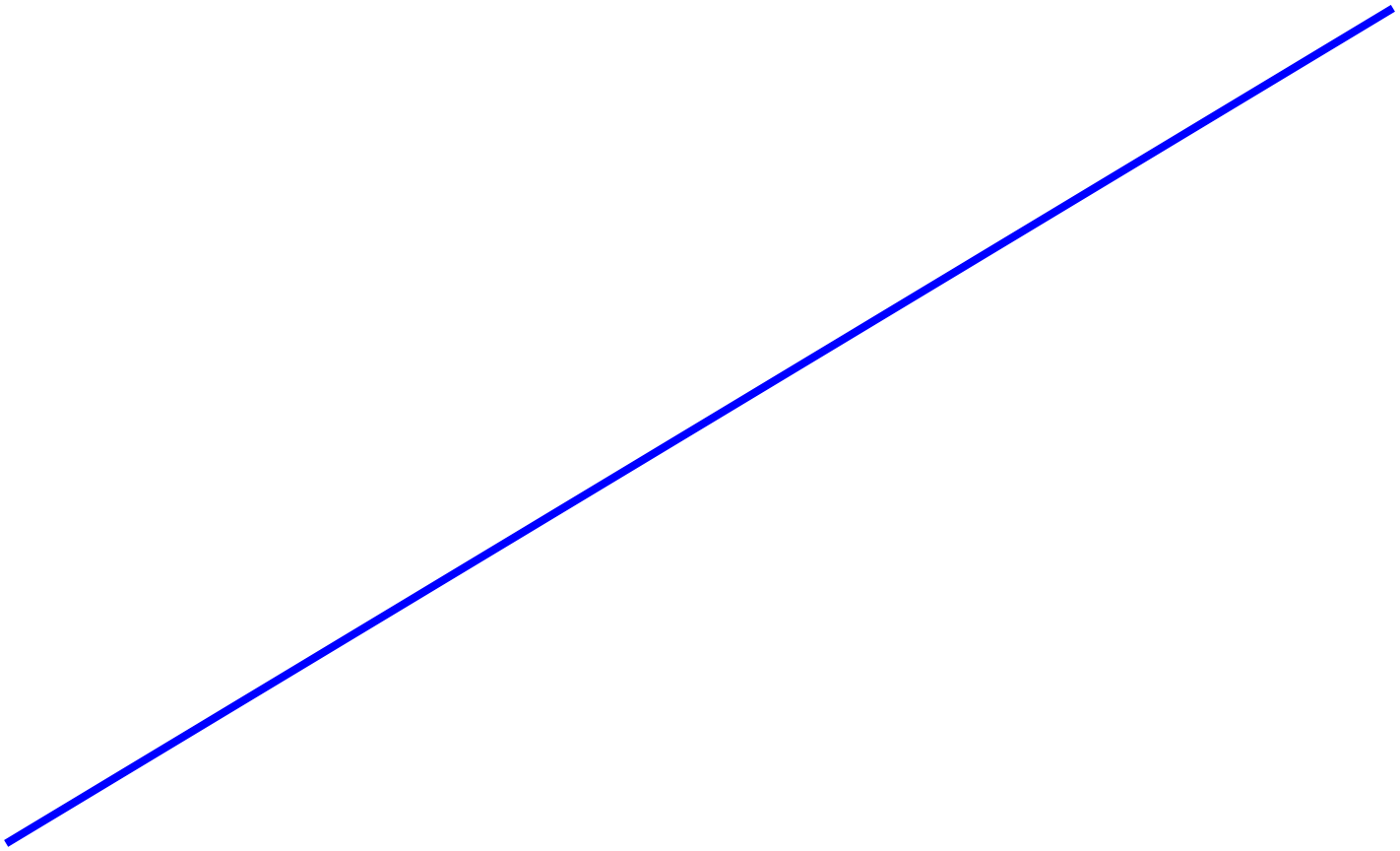
**Firms Decrease
Output: fire
workers**




Y

O








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





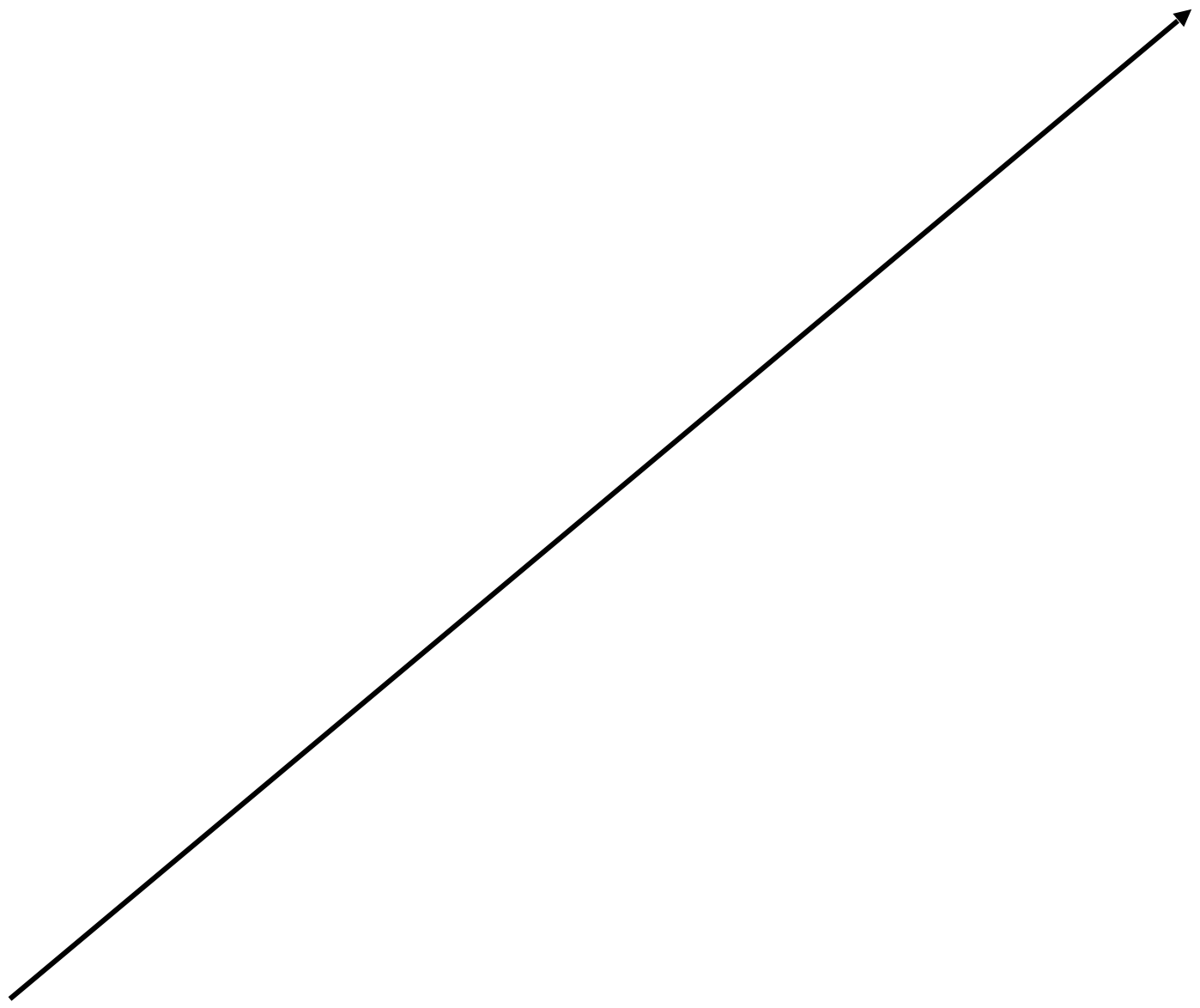




Lower Incomes, Lower
Consumption



$$\Delta Y = -100$$





$$\Delta a = -100$$



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

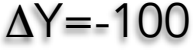
Y

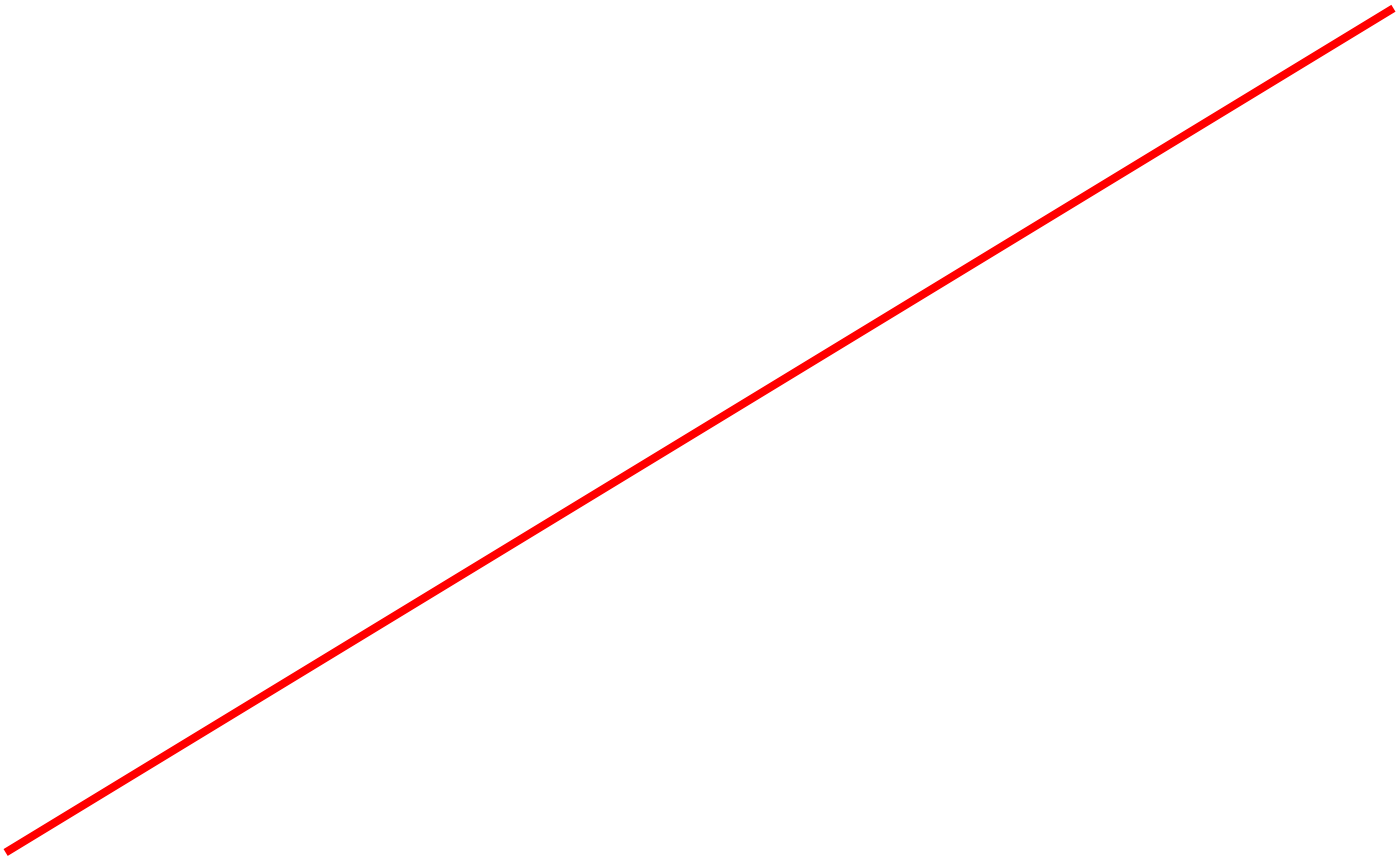
7

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

