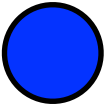


—

a

a

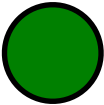


If $MPC = 0.9$ Consumers
spend 90% of extra income

$$C = a + MPCY$$

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

MPC + **MPS** = 1



and save 10% of
extra income

If $MPC = 0.8$ Consumers
spend 80% of extra income

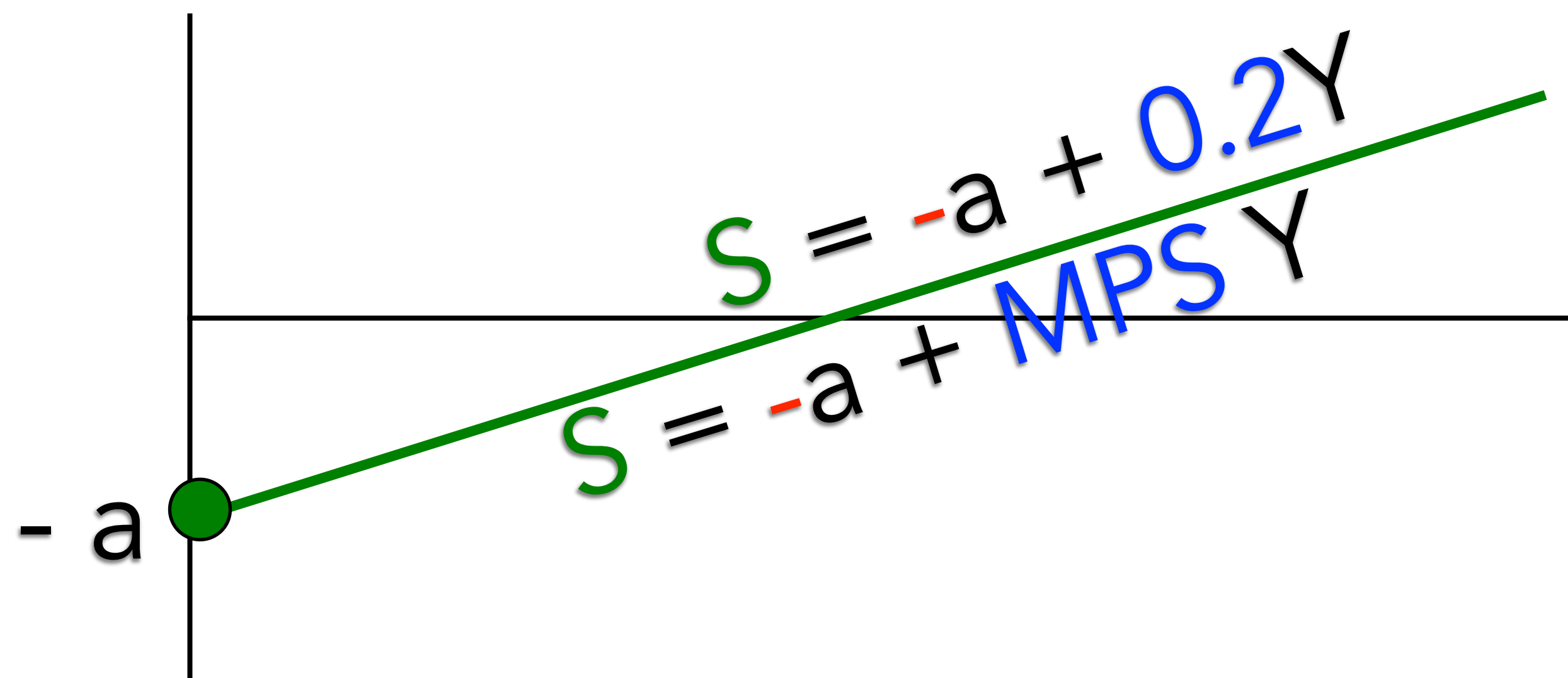
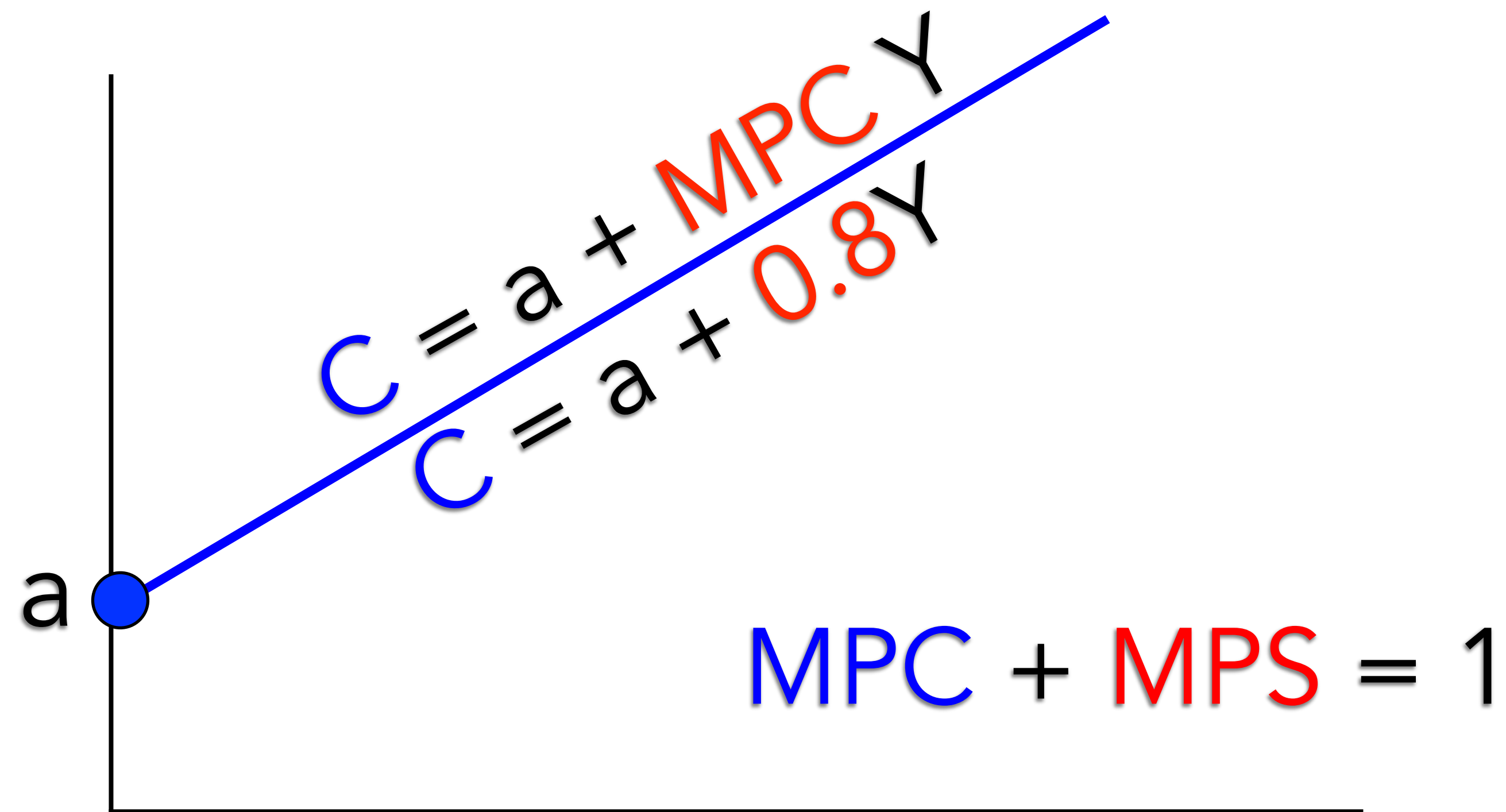
and save 20% of
extra income

$$C = a + 0.9Y$$

$$S = -a + 0.1Y$$

$$S = -a + 0.2Y$$

$$C = a + 0.8Y$$



MPC for the US is
90%