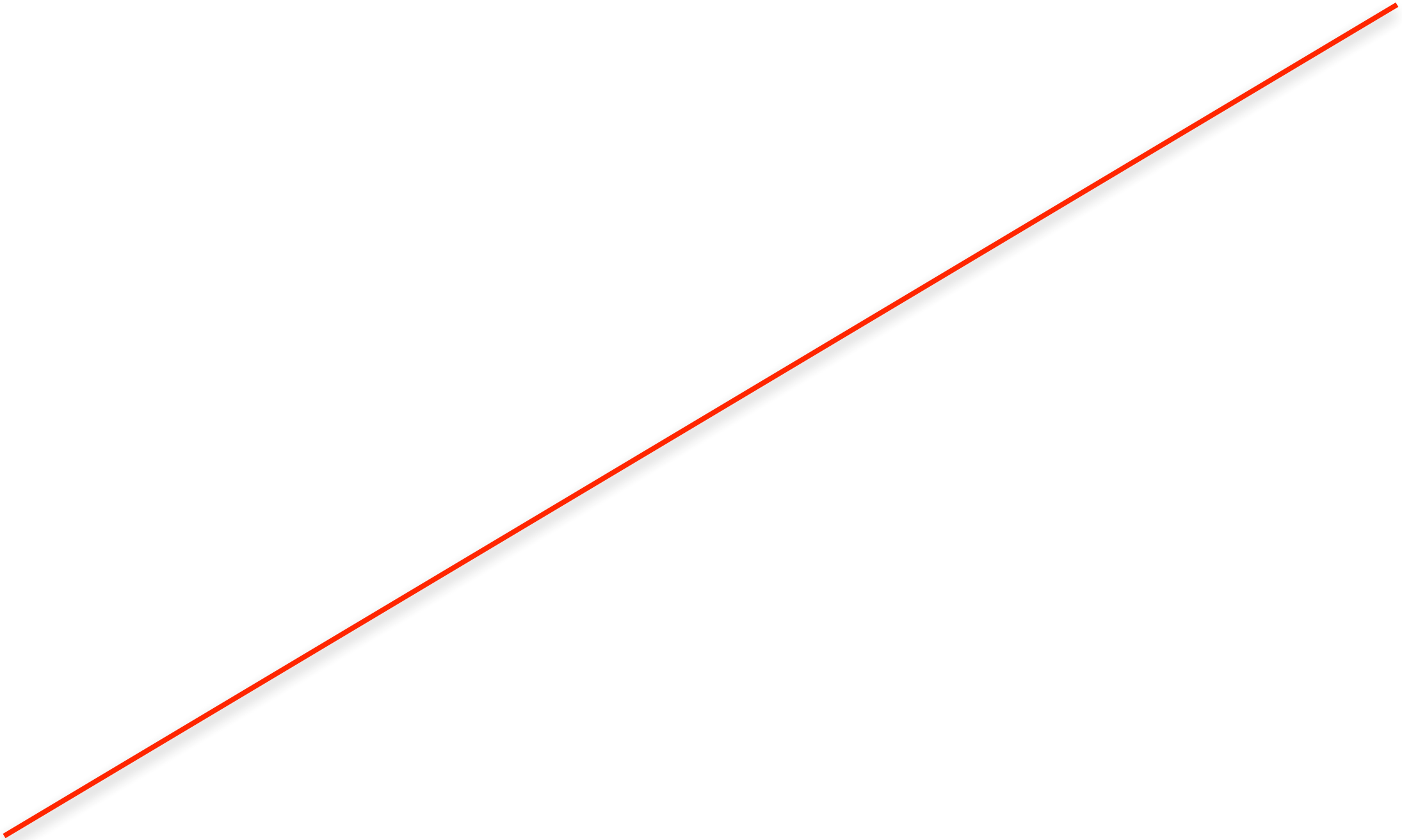
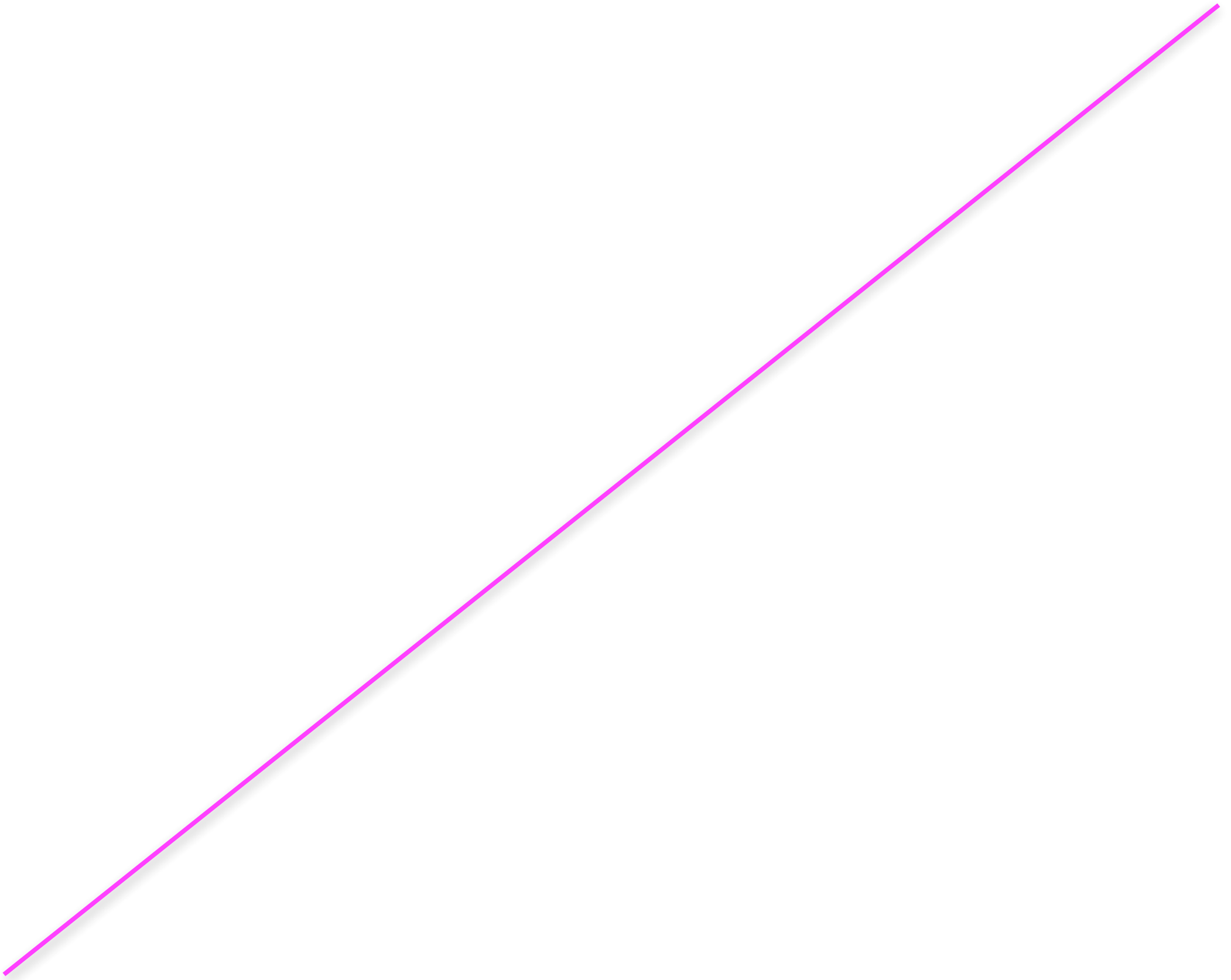
Real Income: Y

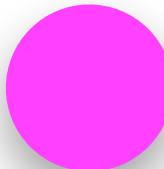
Consumption Expenditures

$$Y = 10,000$$

$$Y=20,000$$








8,000

9,000

16,000

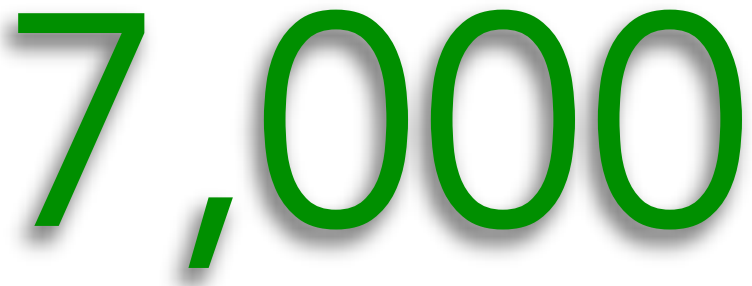
Claudia's Consumption

Mary's Consumption

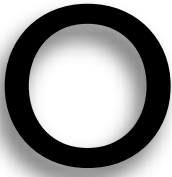
Bob's Consumption

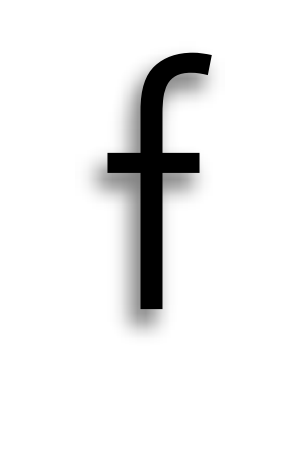
18,000

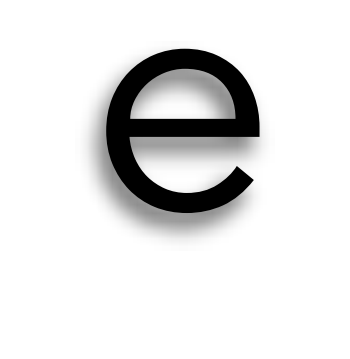

6,000

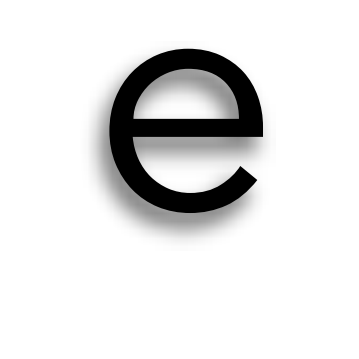

7,000

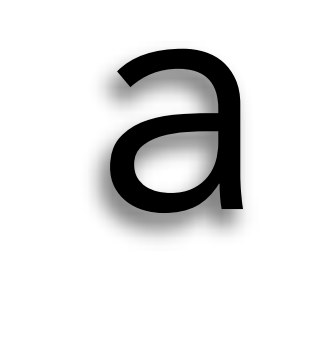

8,000







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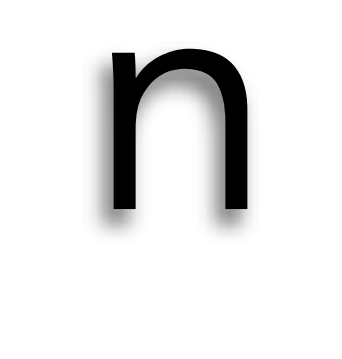
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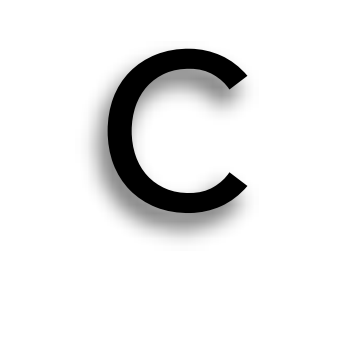
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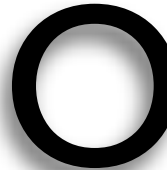

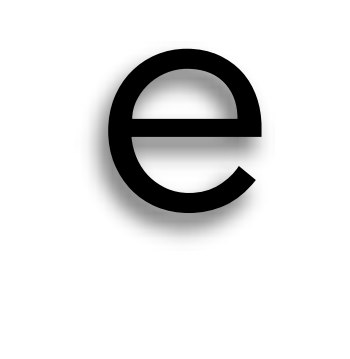

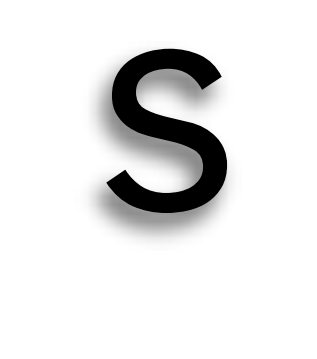
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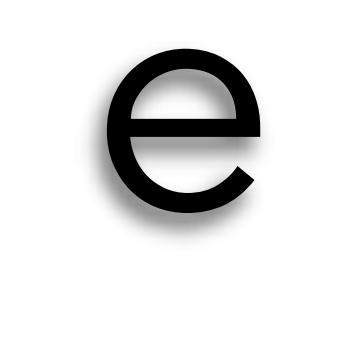

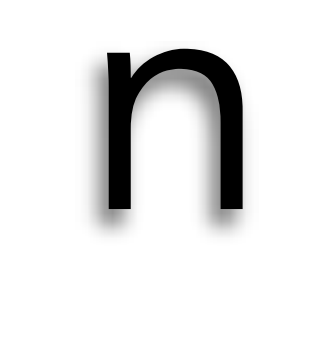
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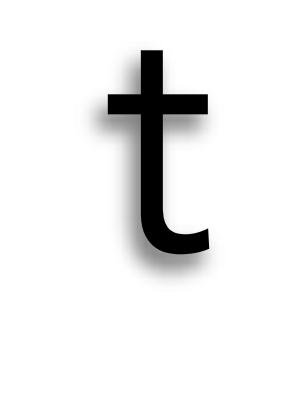
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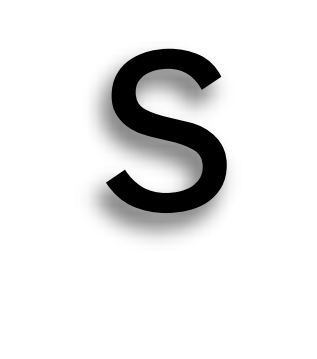
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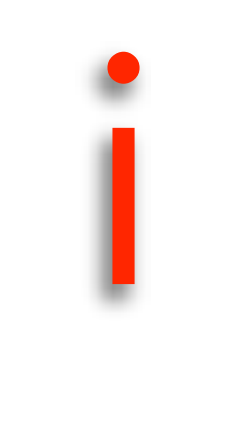

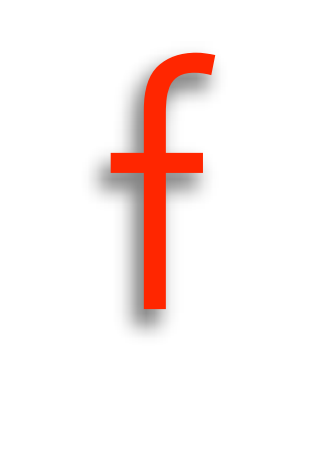

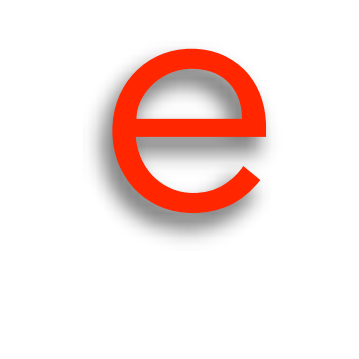

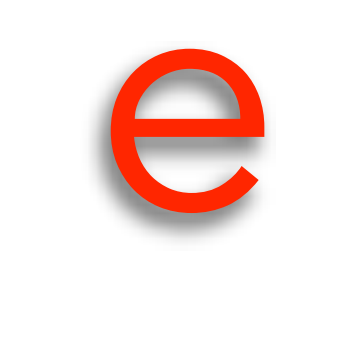


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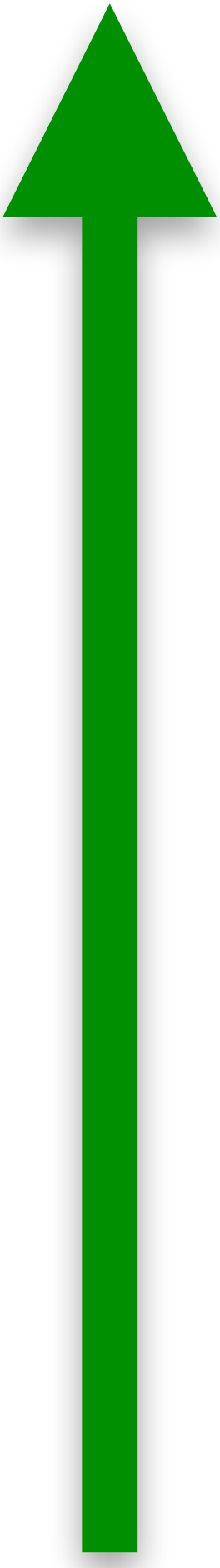
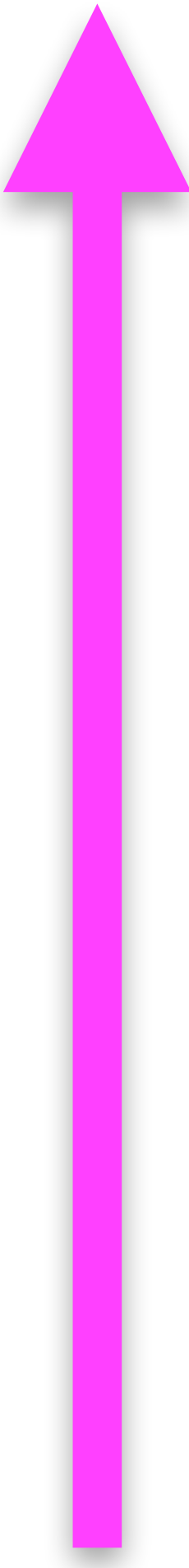
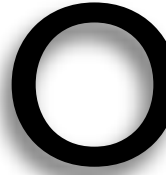
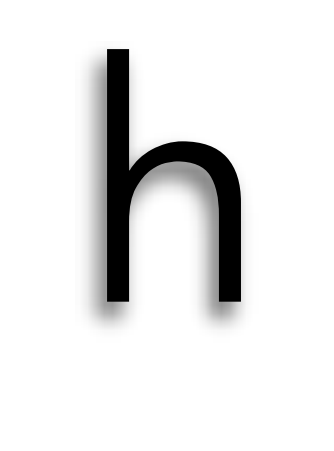
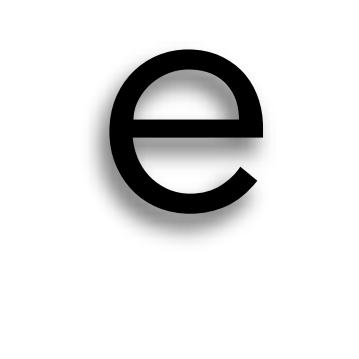


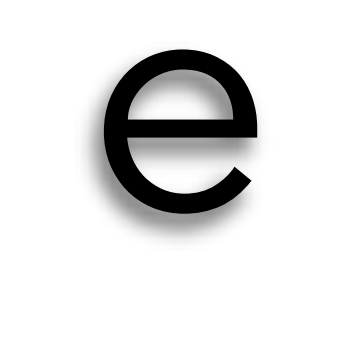


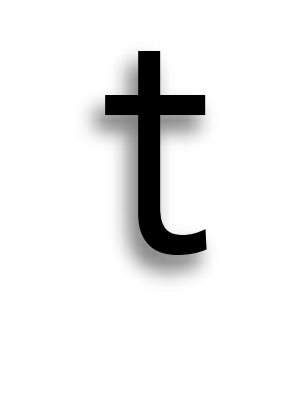
Income increase by: 10,000







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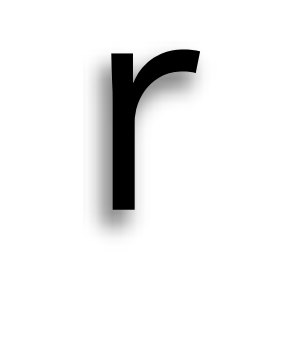
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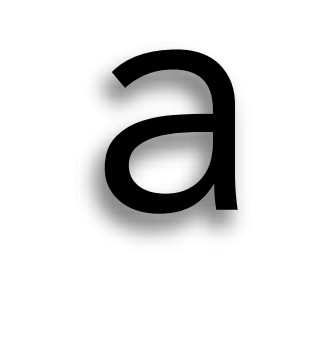
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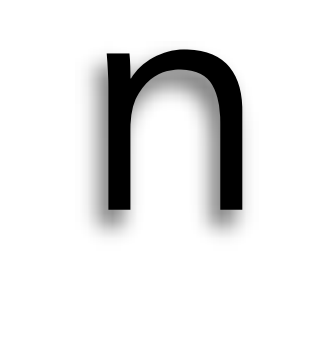
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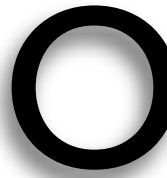

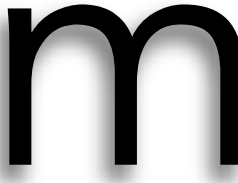

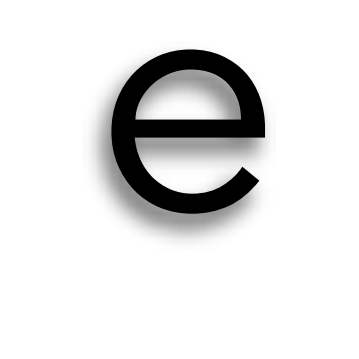


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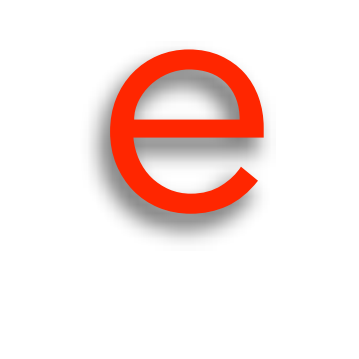


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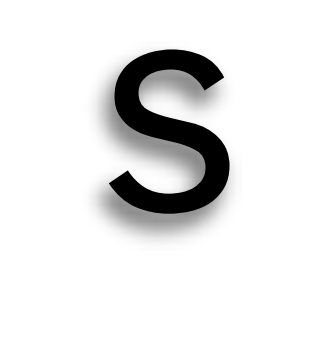
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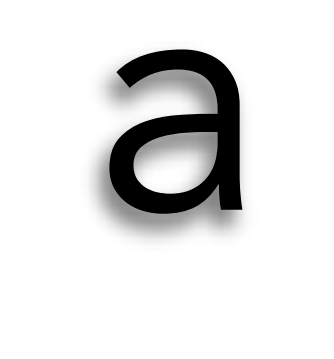
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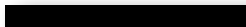

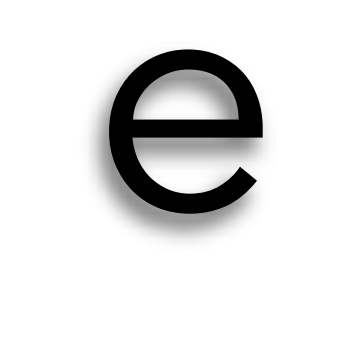

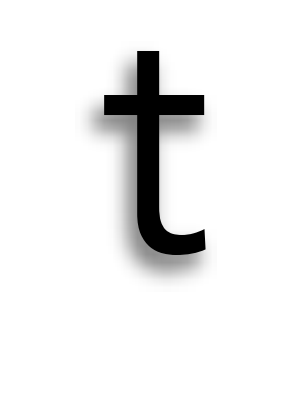
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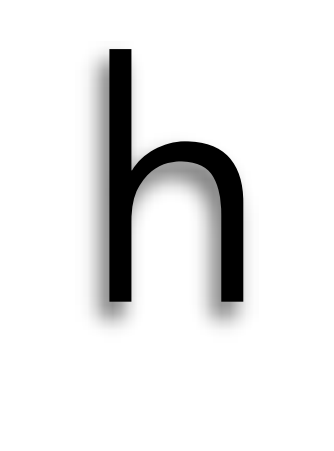

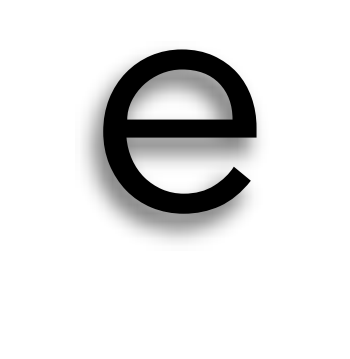


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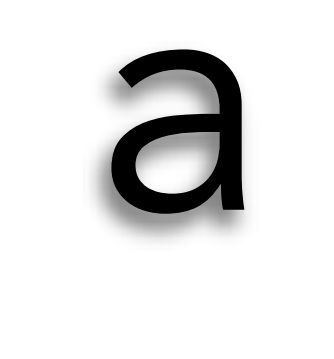
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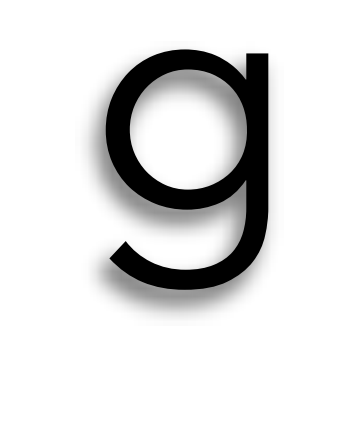

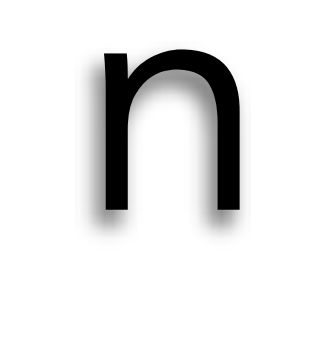
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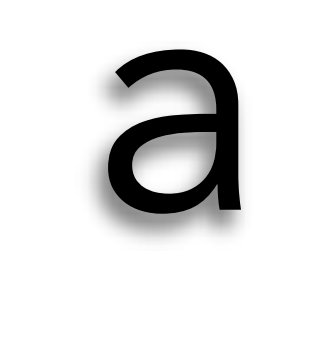
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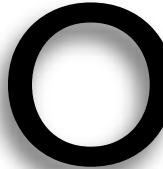

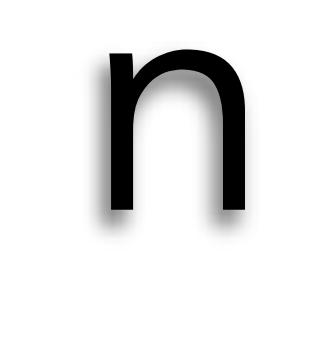
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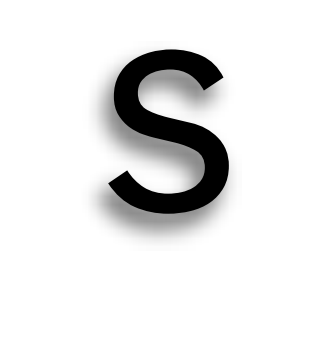
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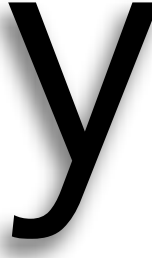

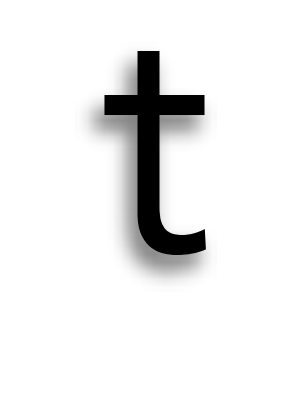
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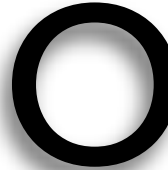

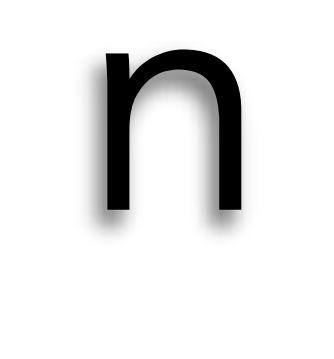
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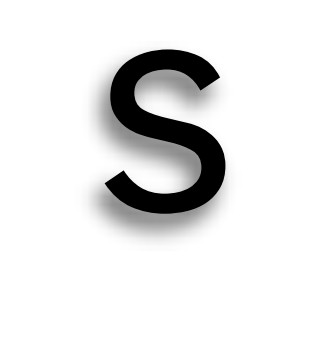
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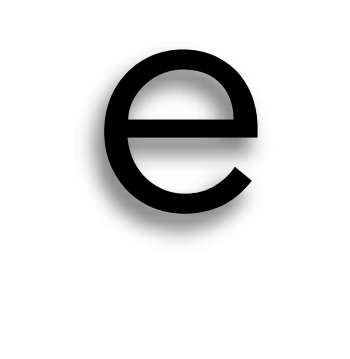


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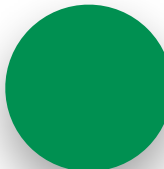


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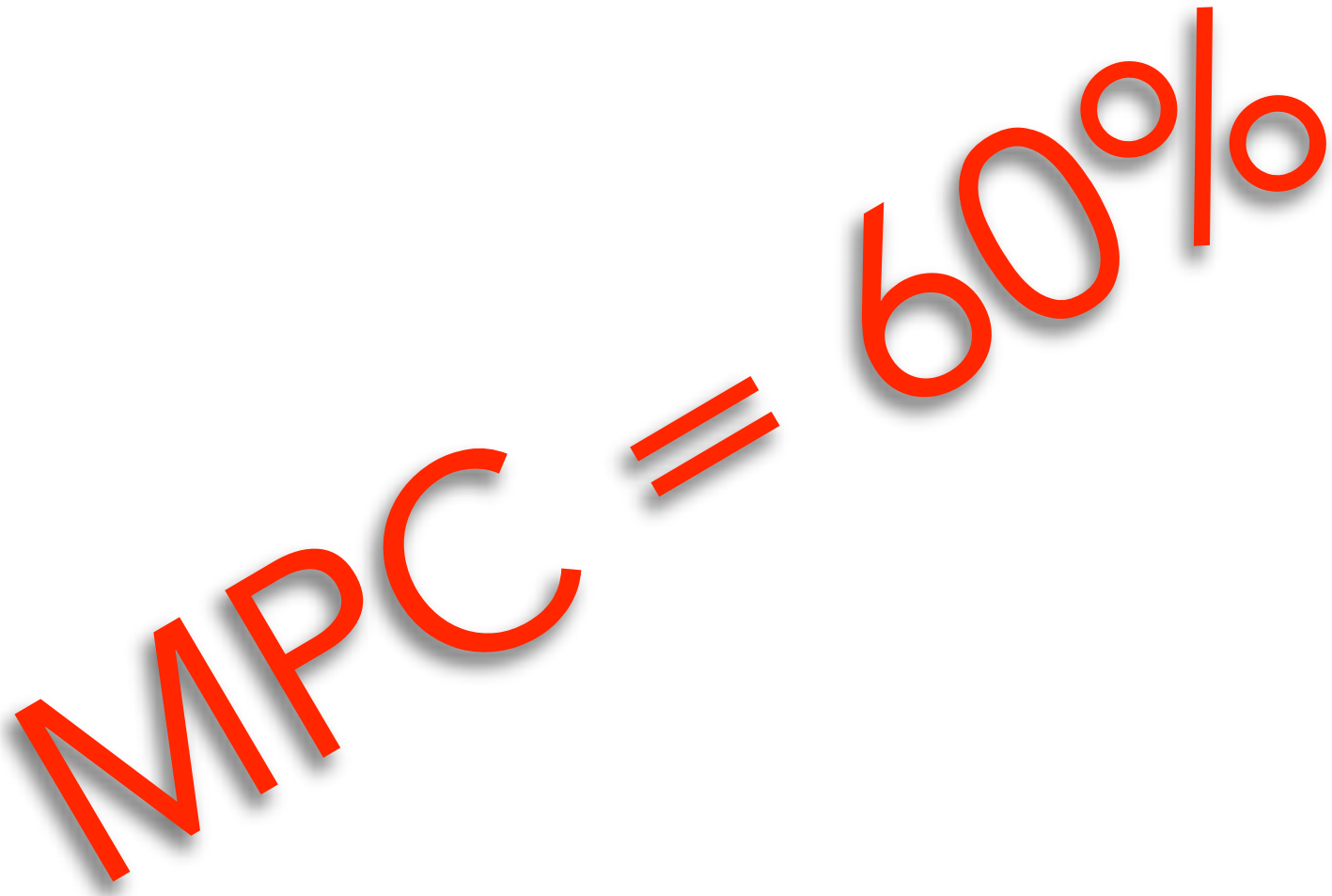
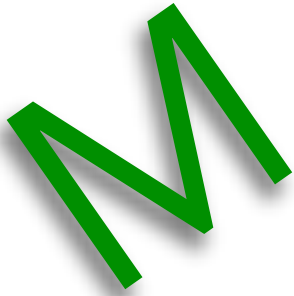

MPC = 60%



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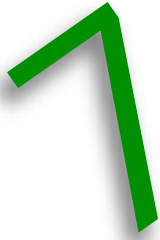
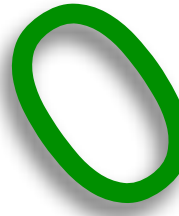
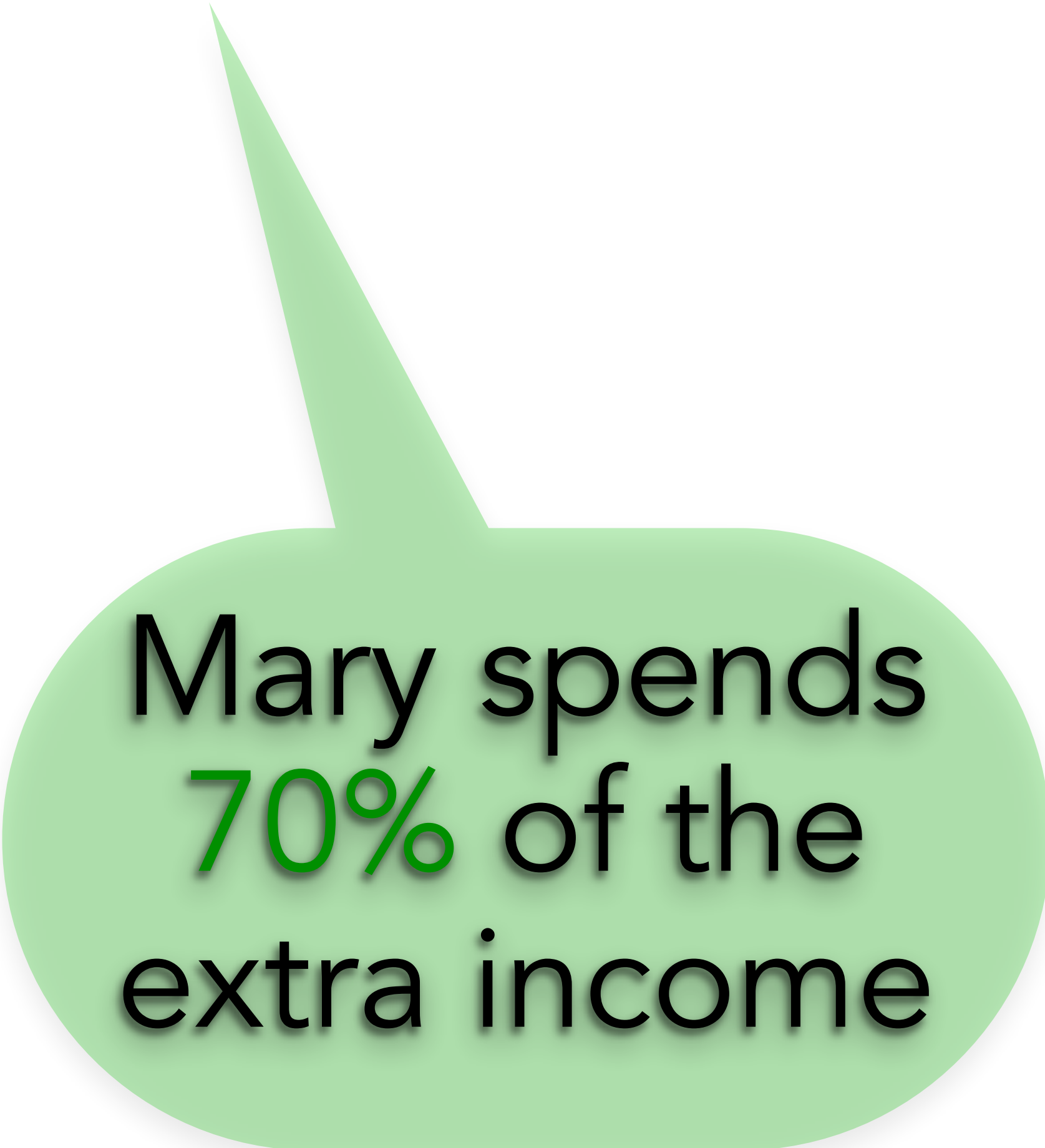
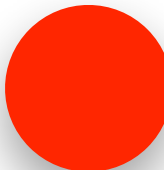


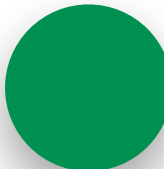


Claudia spends 60% of the extra income


Mary spends
70% of the
extra income

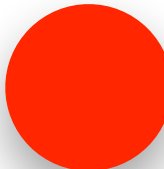
Bob spends 80% of the extra income





Increase in Income is the same for all

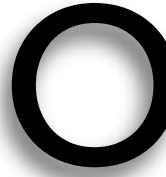
Consumers react differently to changes in income

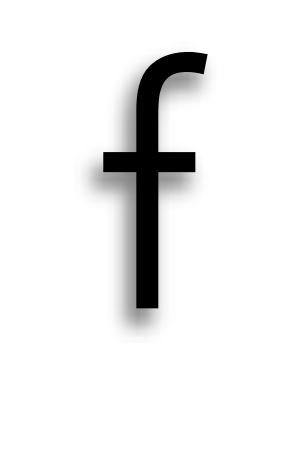


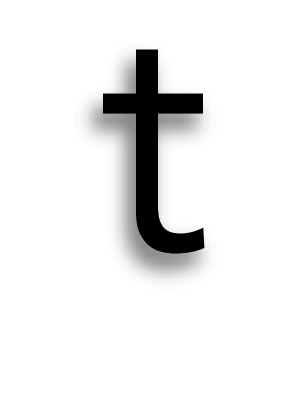
Consumption Expenditures

MPC =


ΔC
ΔY



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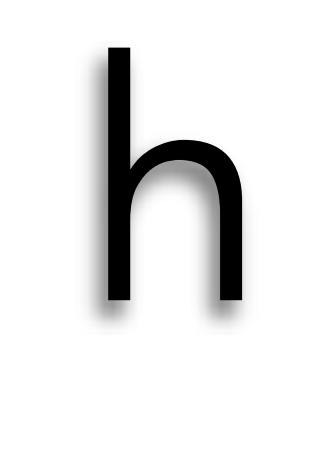

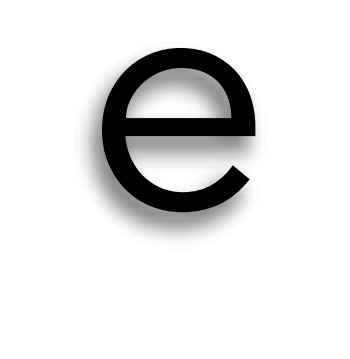

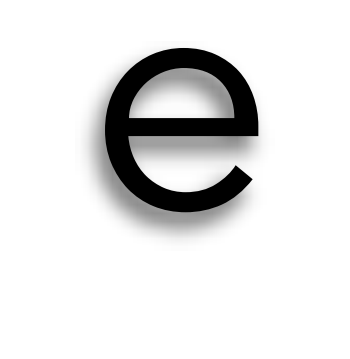

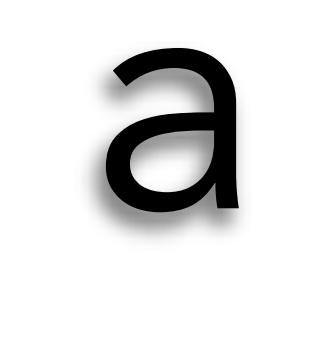
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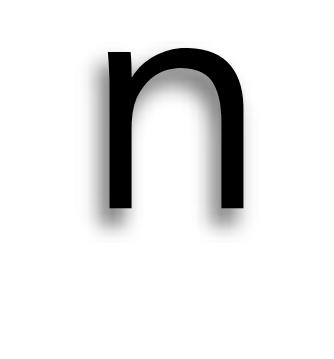
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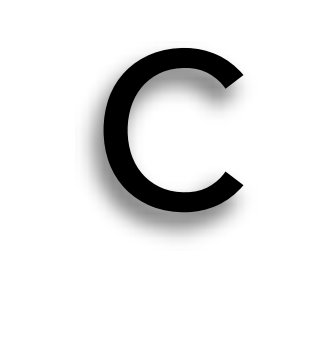
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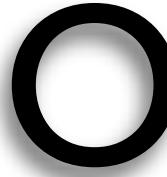

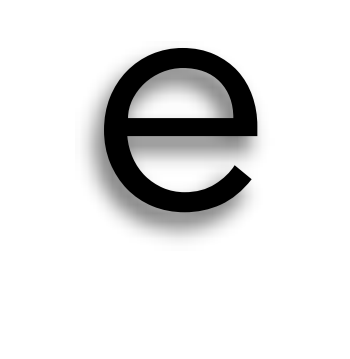


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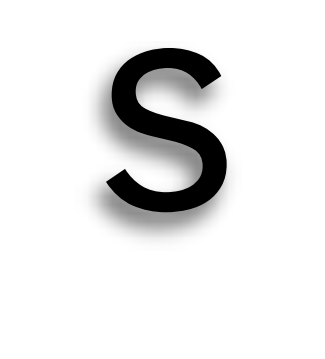

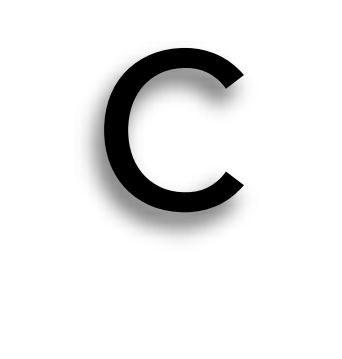
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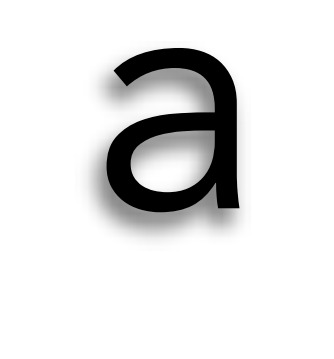
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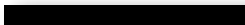

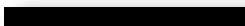

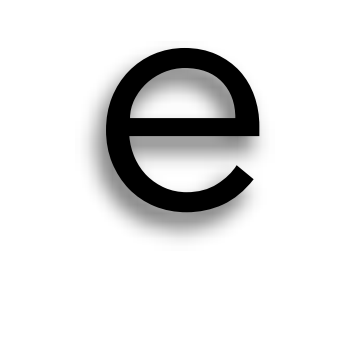

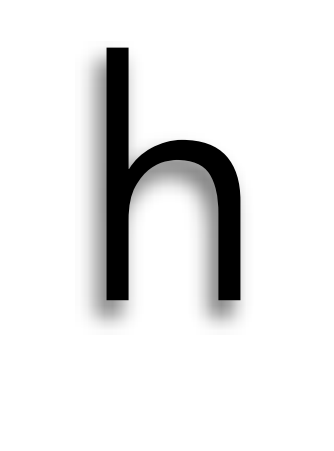
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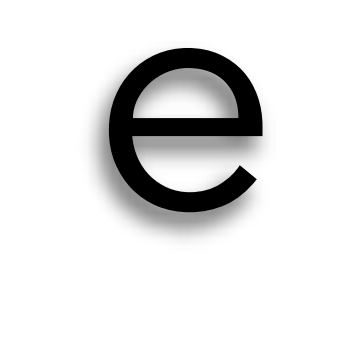


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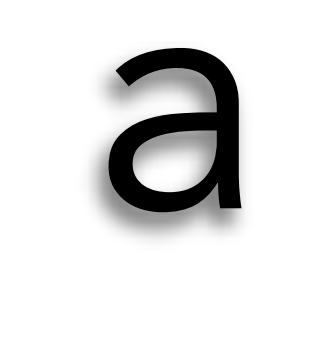
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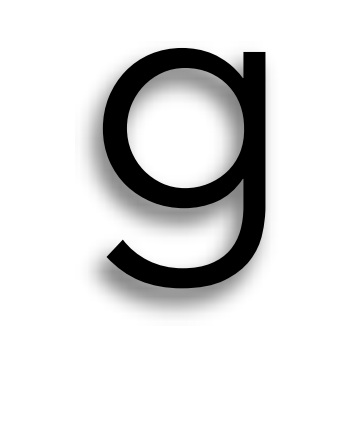

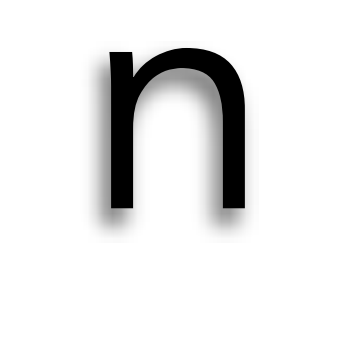
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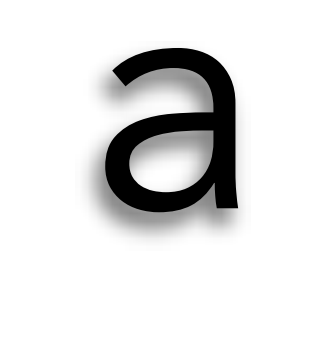
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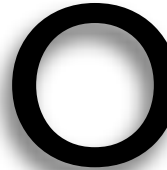

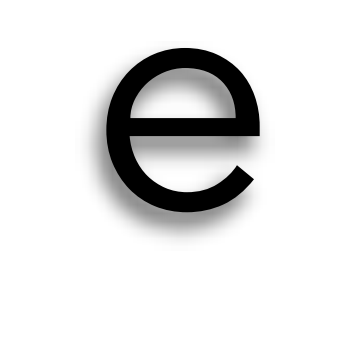

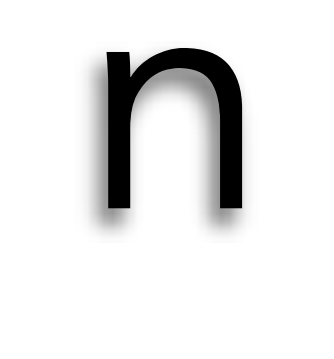
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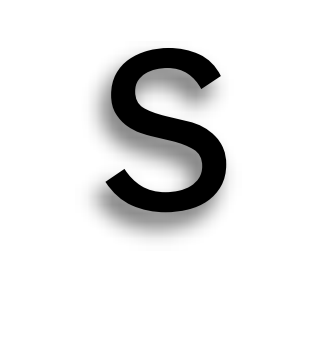
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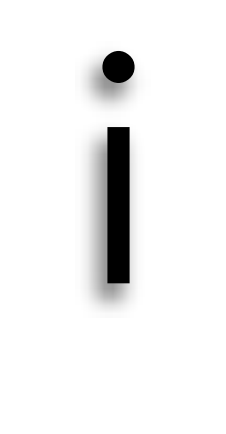

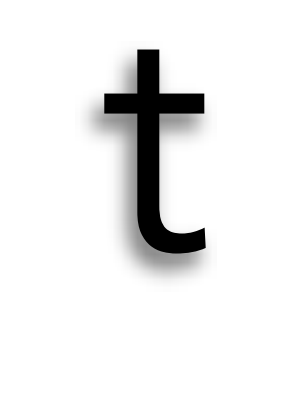

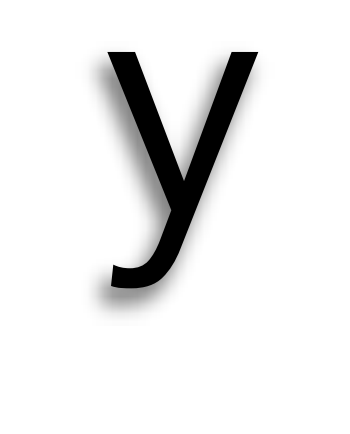
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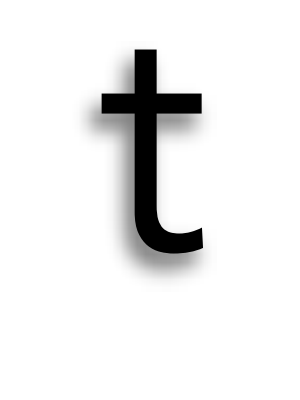
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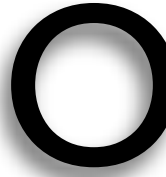

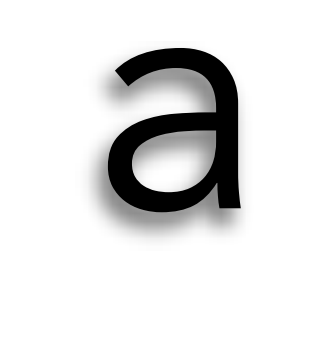
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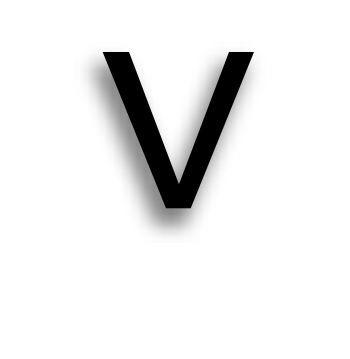

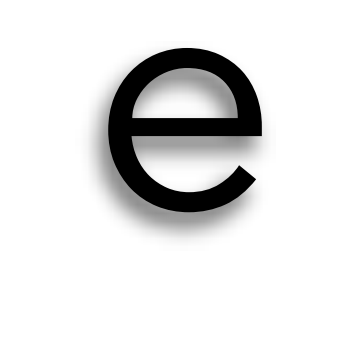


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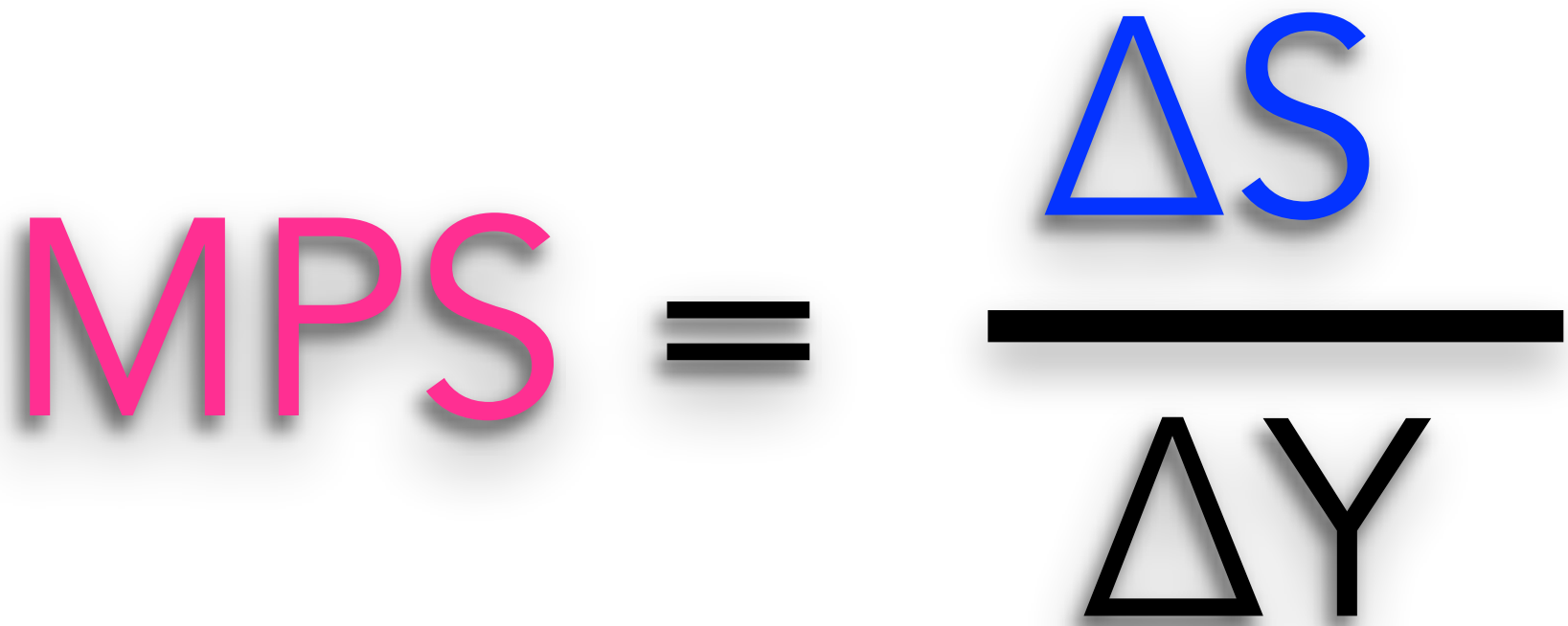
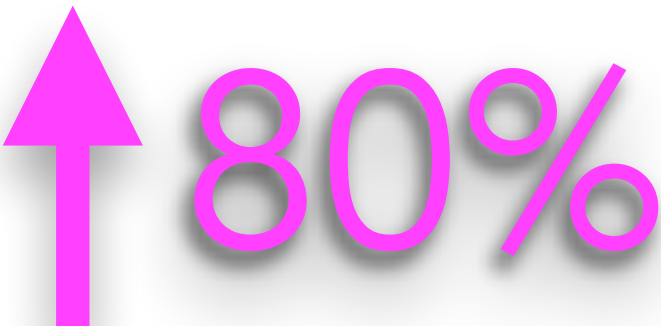

MPS
=
ΔS
ΔY


60%


70%


80%

Claudia saves 40% of the extra income

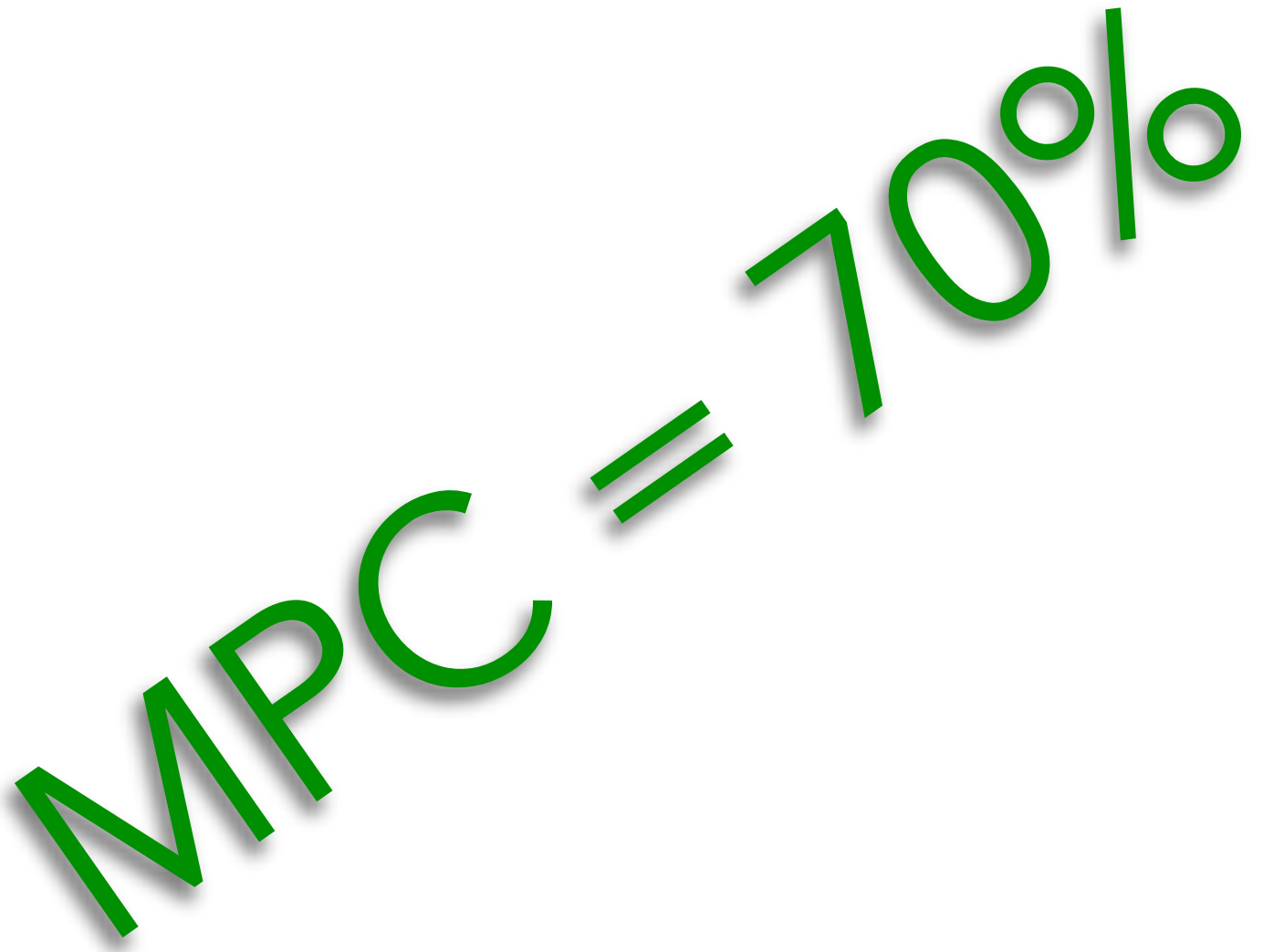
Mary saves 30% of the extra income

Bob saves 20% of the extra income

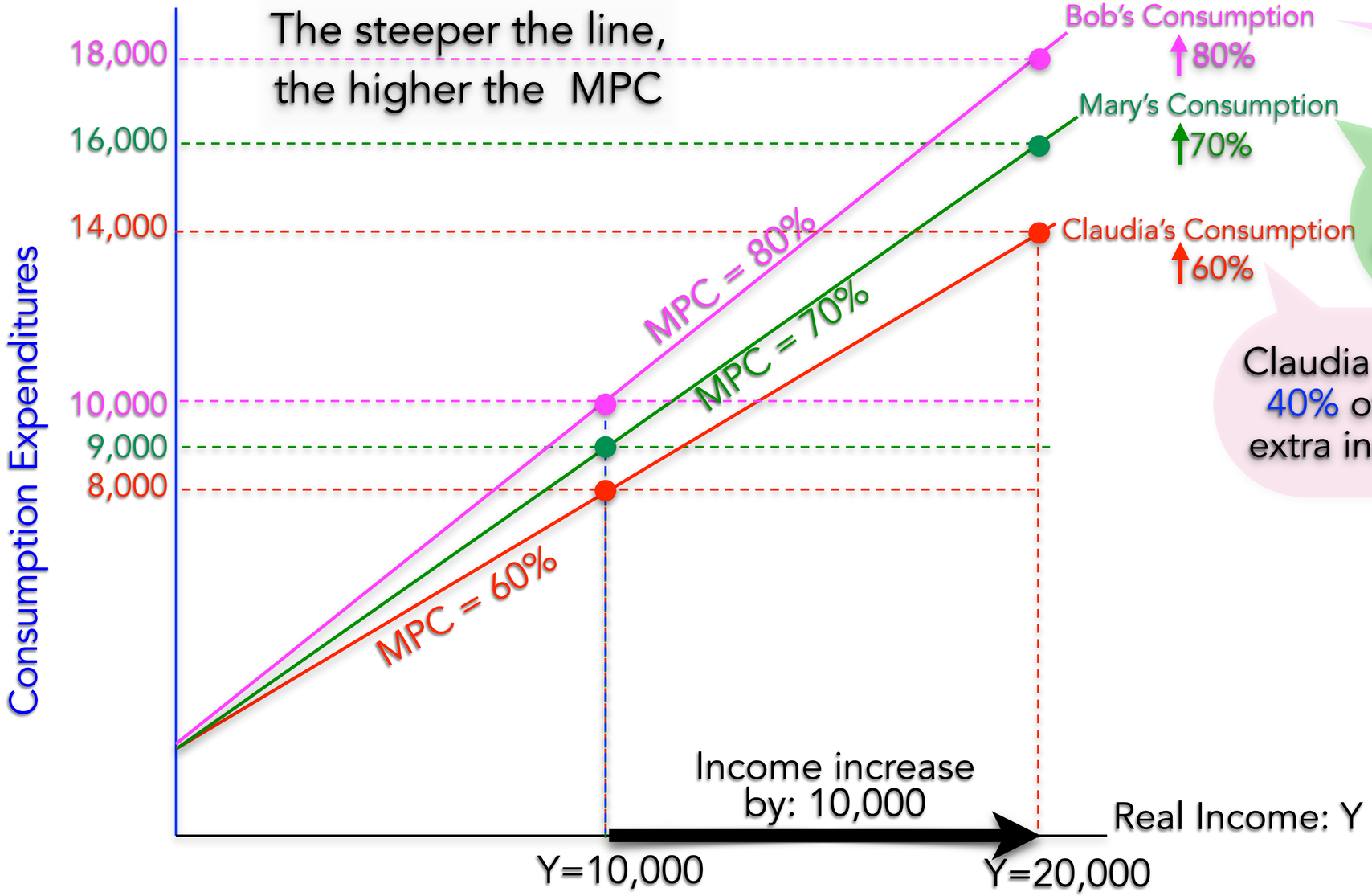
The steeper the line, the higher the MPC

% of the extra income spent is different

% of the extra income spent is called the Marginal Propensity to Consume: MPC


MPC = 70%

% of the extra income saved is called the Marginal Propensity to Save: MPS



Consumers react differently to changes in income

$$MPC = \frac{\Delta C}{\Delta Y}$$

% of the extra income spent is called the Marginal Propensity to Consume: MPC

% of the extra income saved is called the Marginal Propensity to Save: MPS

$$MPS = \frac{\Delta S}{\Delta Y}$$

What determines consumer spending?