

Read more

CSO
+O
CSO
SSS
SSO
CSO

10,000





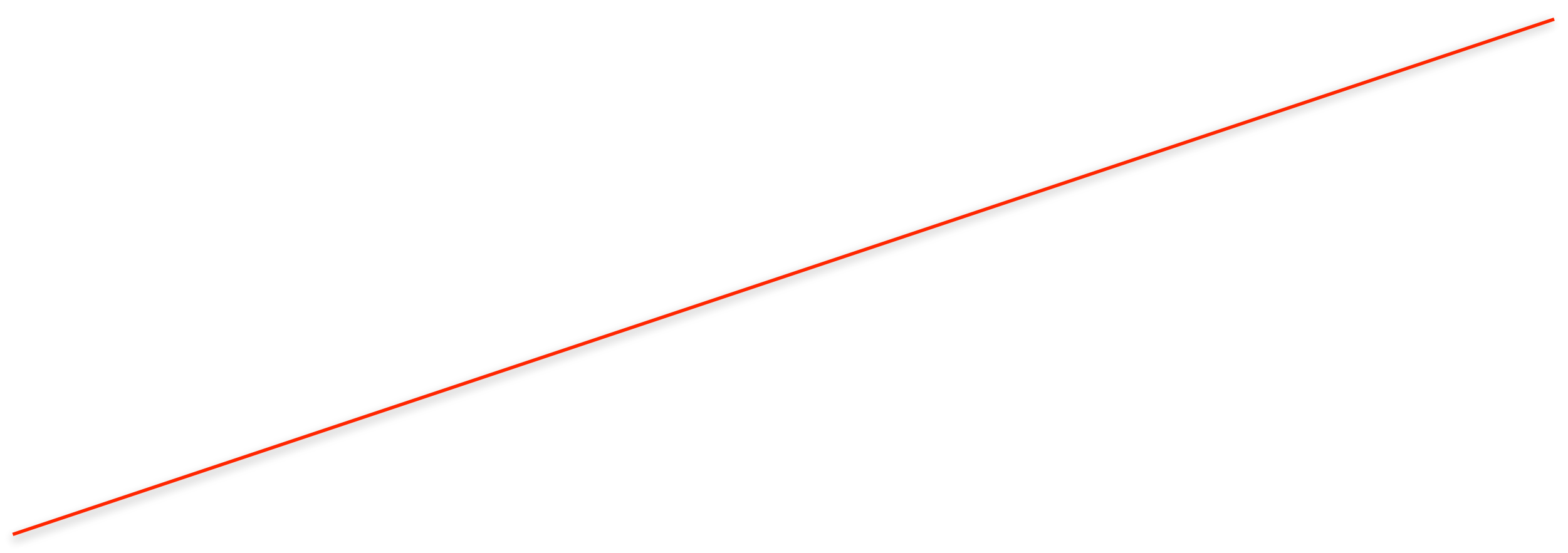




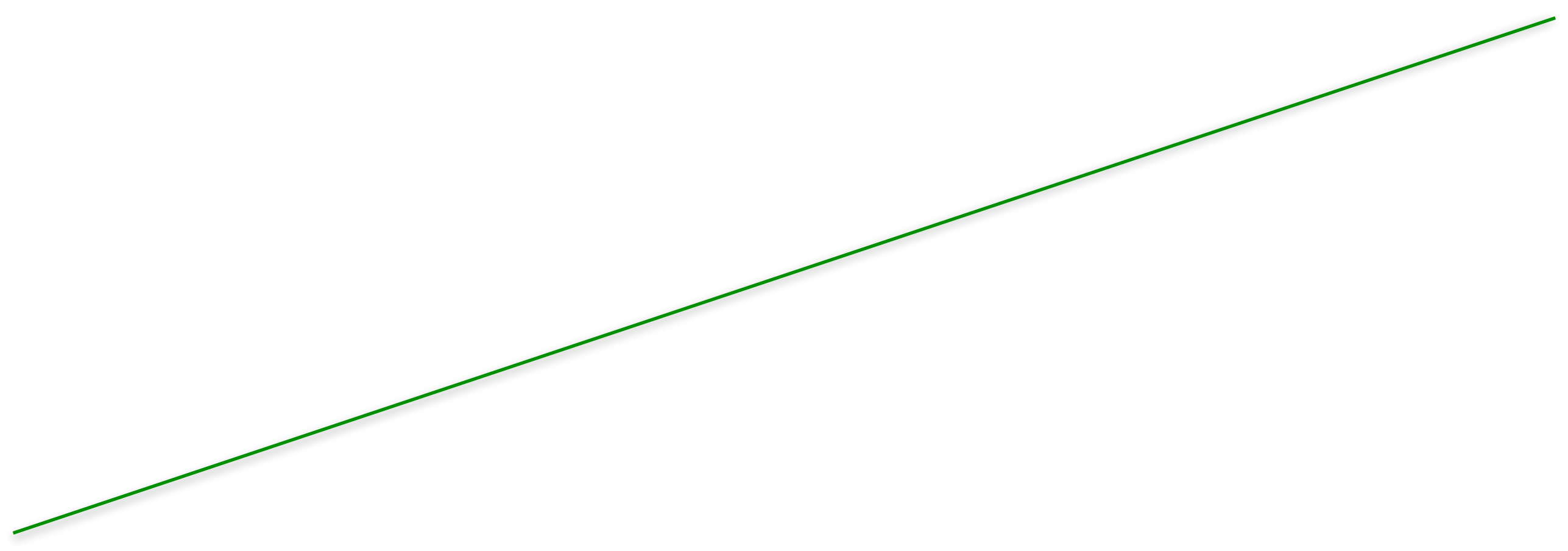


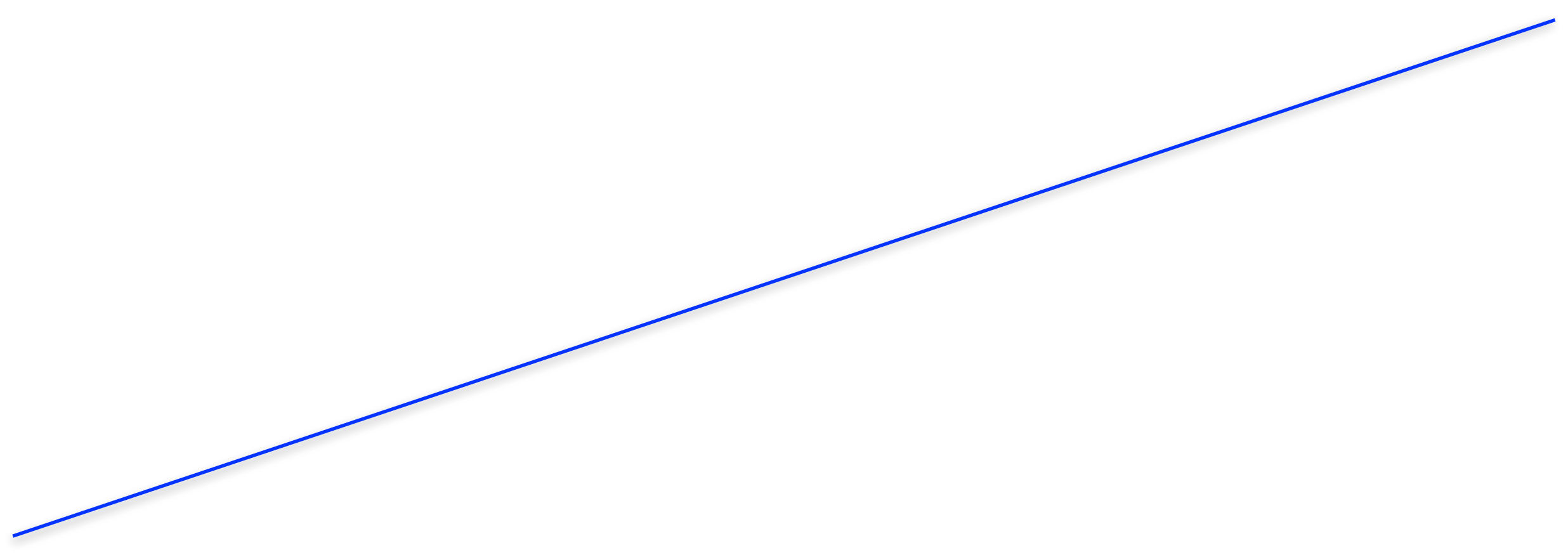
11,000

2,000



















9,000

10,000

11,000

CBob







700

700

700

1,000

1,000

1,000

3,000

4,000





70%

70%

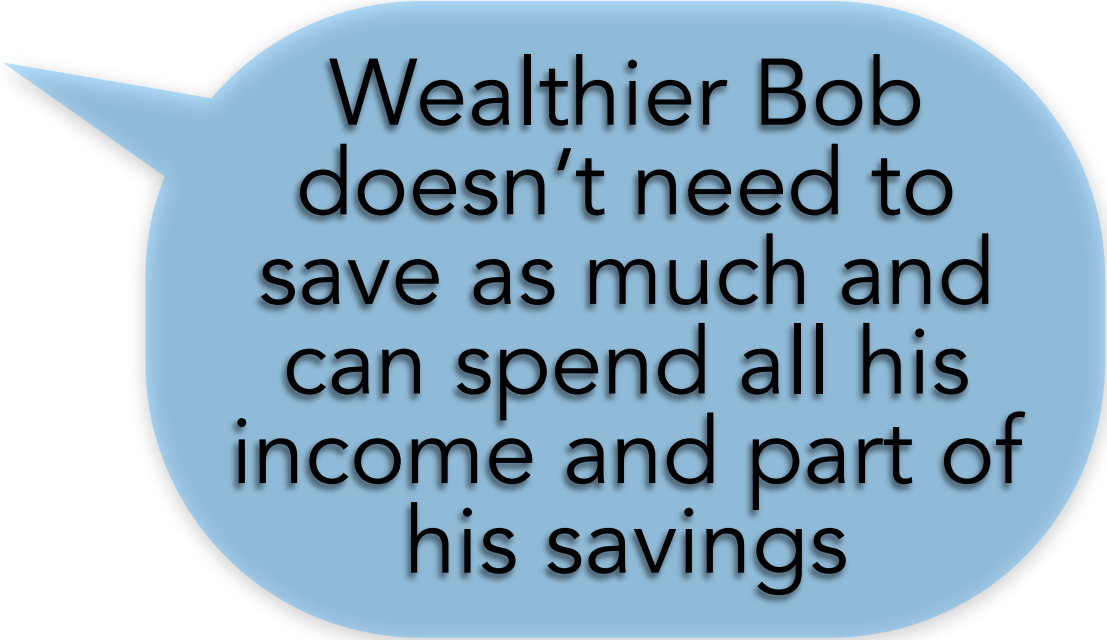
70%



For all, the MPC = 70%

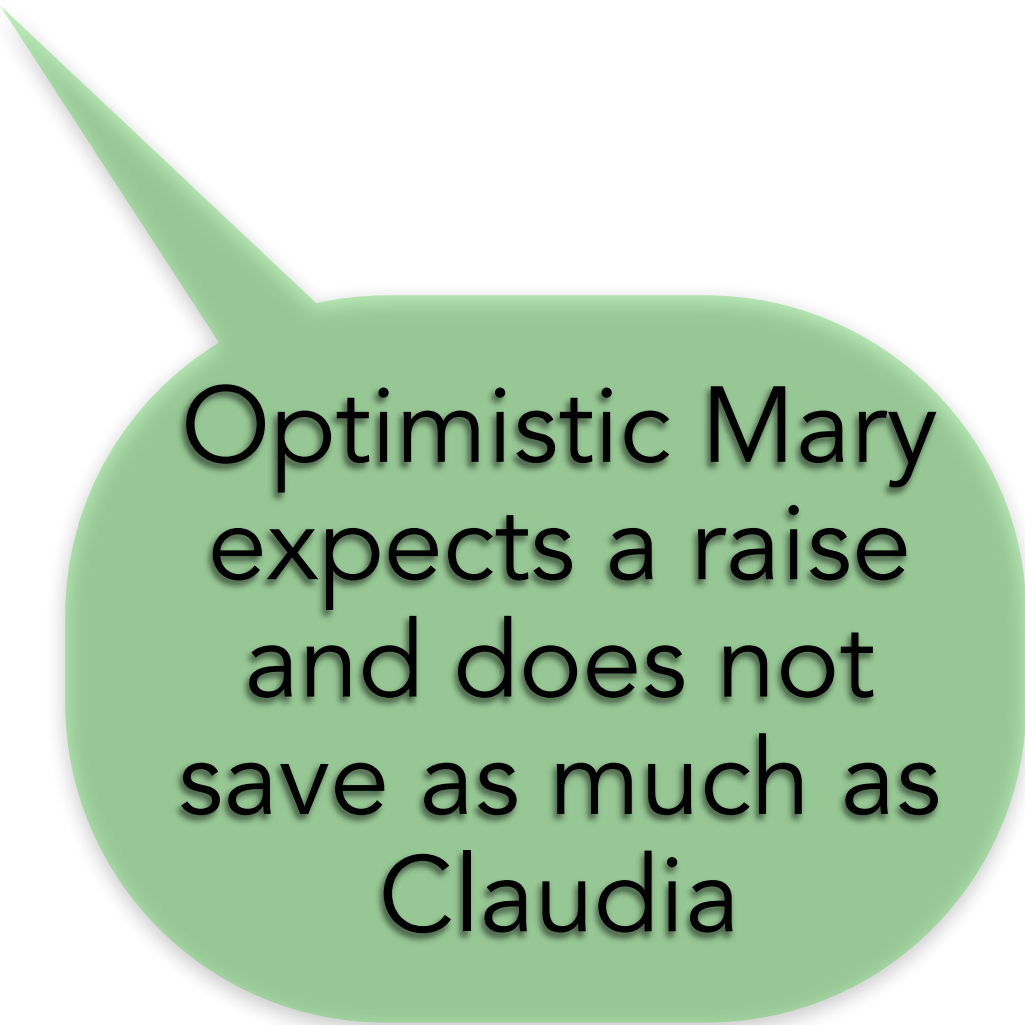
These three individuals react the **same** to a \$1,000 increase in income

Their
consumption
line is higher: a
larger intercept



Wealthier Bob
doesn't need to
save as much and
can spend all his
income and part of
his savings

C Mary



Optimistic Mary
expects a raise
and does not
save as much as
Claudia

Ccclaudia

W

e

a





h



e







p





m



S





C

n

d







d

u

a



S

S

p

e

n

d

m



r

e







h

e







n

C




m

e



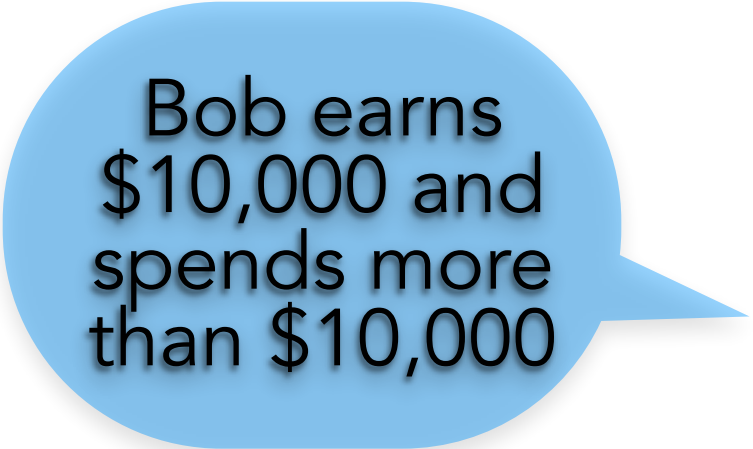
Income is the
same for all
three



Claudia earns
\$10,000 and
spends only
\$9,000



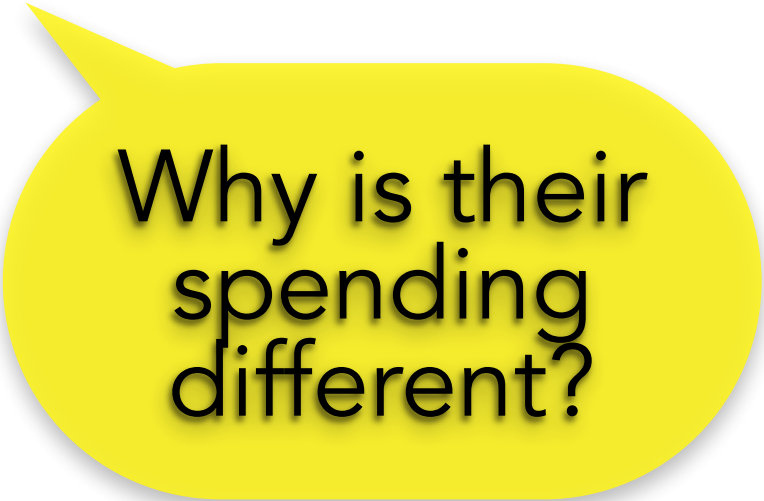
Mary earns
\$10,000 and
spends all of it!



Bob earns
\$10,000 and
spends more
than \$10,000





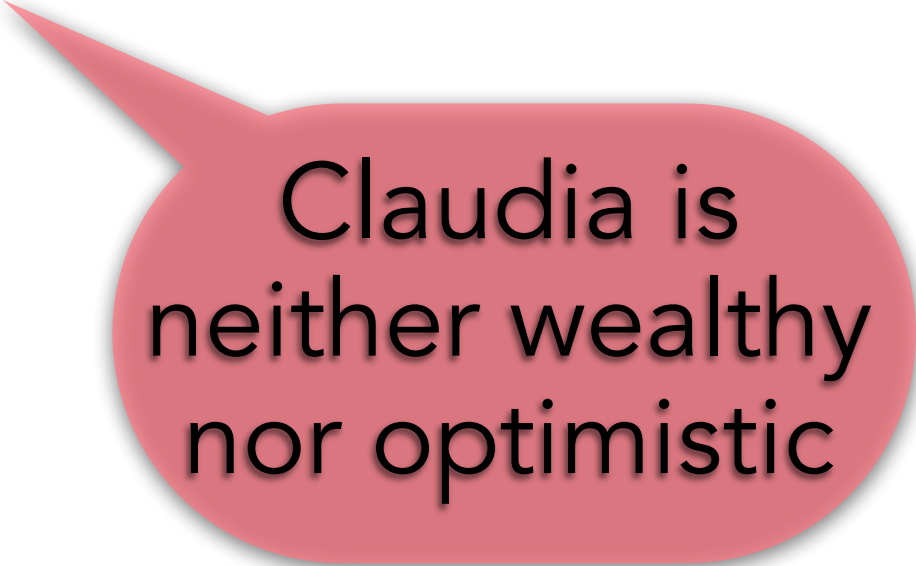


Why is their
spending
different?









Claudia is
neither wealthy
nor optimistic

1,000



Wealthier/optimistic individuals spend more of their income

Wealthier/optimistic individuals spend more of their income

For all, the $MPC = 70\%$

