

YO





C1







Move UP Along C

Y

National Income :

Wages

Profits

Interest

Rents





Y

$$\left\{ \Delta C = MPC \Delta Y \right.$$



Y

1

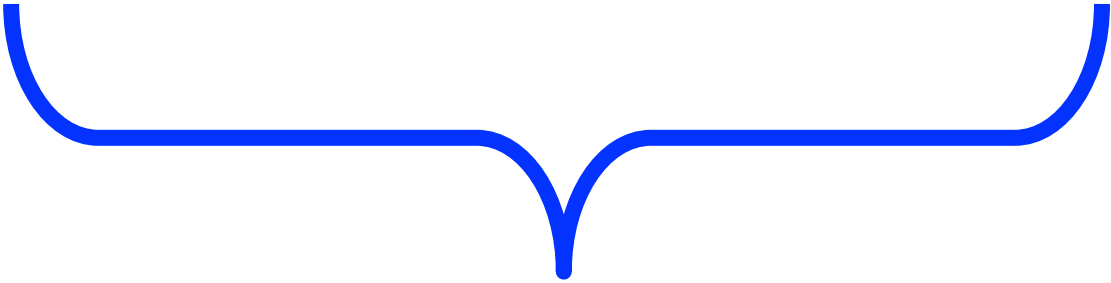
C0

$$C = a + MPC(Y + Tr - T_x)$$

New! Intercept: A

C shifts with a change in  
Transfers or Taxes

**Increase in National Income**



$$C = a + MPC(r - T_x) + MPCY$$



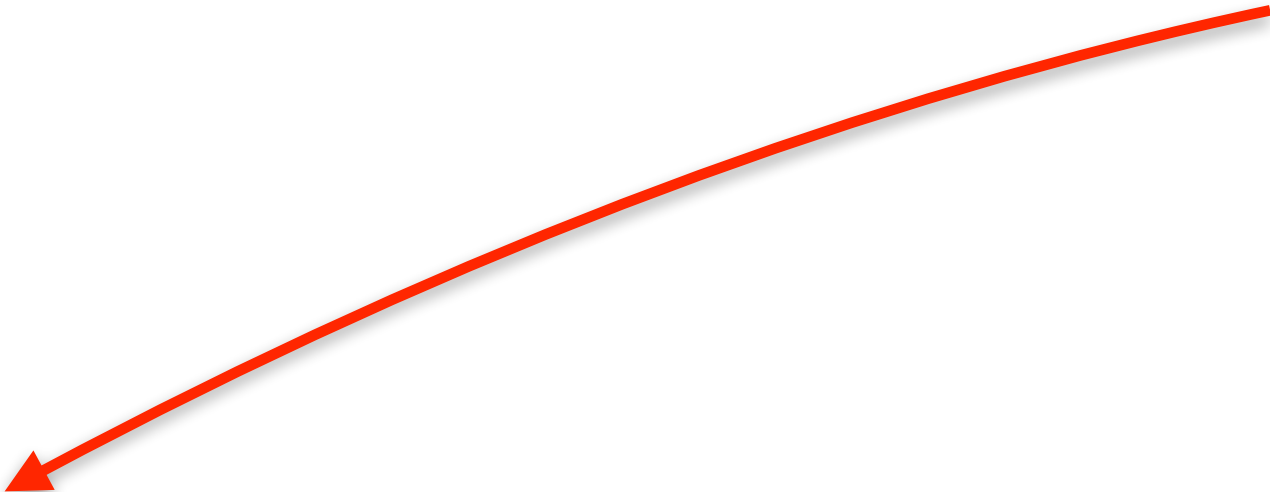
Consumption changes with National Income

Y

$C = A + MPC * Y$

$a + \text{MPC}(\text{Tr} - \text{Tx})$





CC = a + MPC \* Yd

Consumption changes with Disposable Income

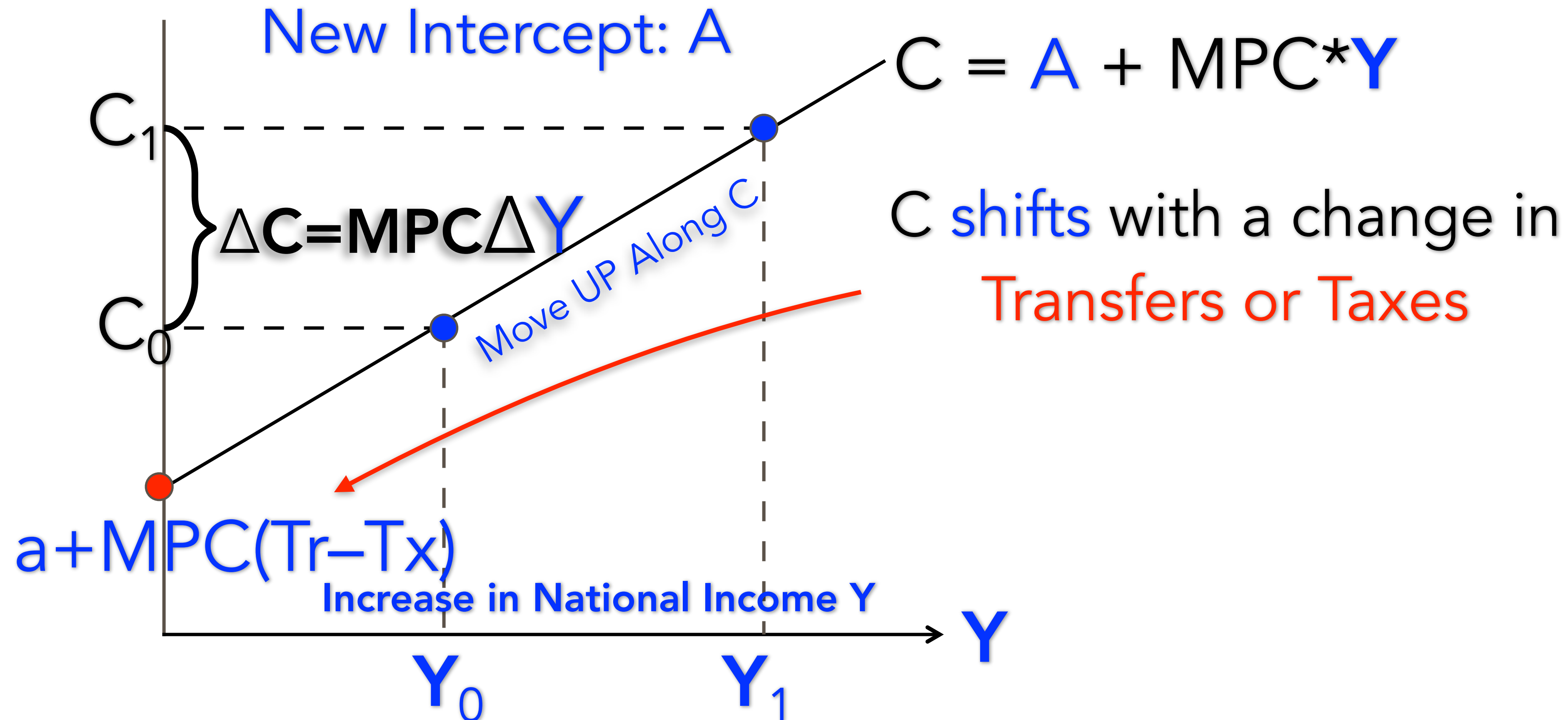
$Y^d$

# Consumption changes with National Income

$$C = a + \text{MPC} * Y^d \quad Y$$

$$C = a + \text{MPC}(Y + \text{Tr} - \text{Tx})$$

$$C = \underbrace{a + \text{MPC}(\text{Tr} - \text{Tx})}_{\text{New Intercept: A}} + \text{MPC}Y$$





# Demand-Side Equilibrium: Unemployment or Inflation?

## [Chapter Introduction](#)

9-1 [The Meaning of Equilibrium GDP](#)

9-2 [The Mechanics of Income Determination](#)

9-3 [The Aggregate Demand Curve](#)

9-4 [Demand-Side Equilibrium and Full Employment](#)

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