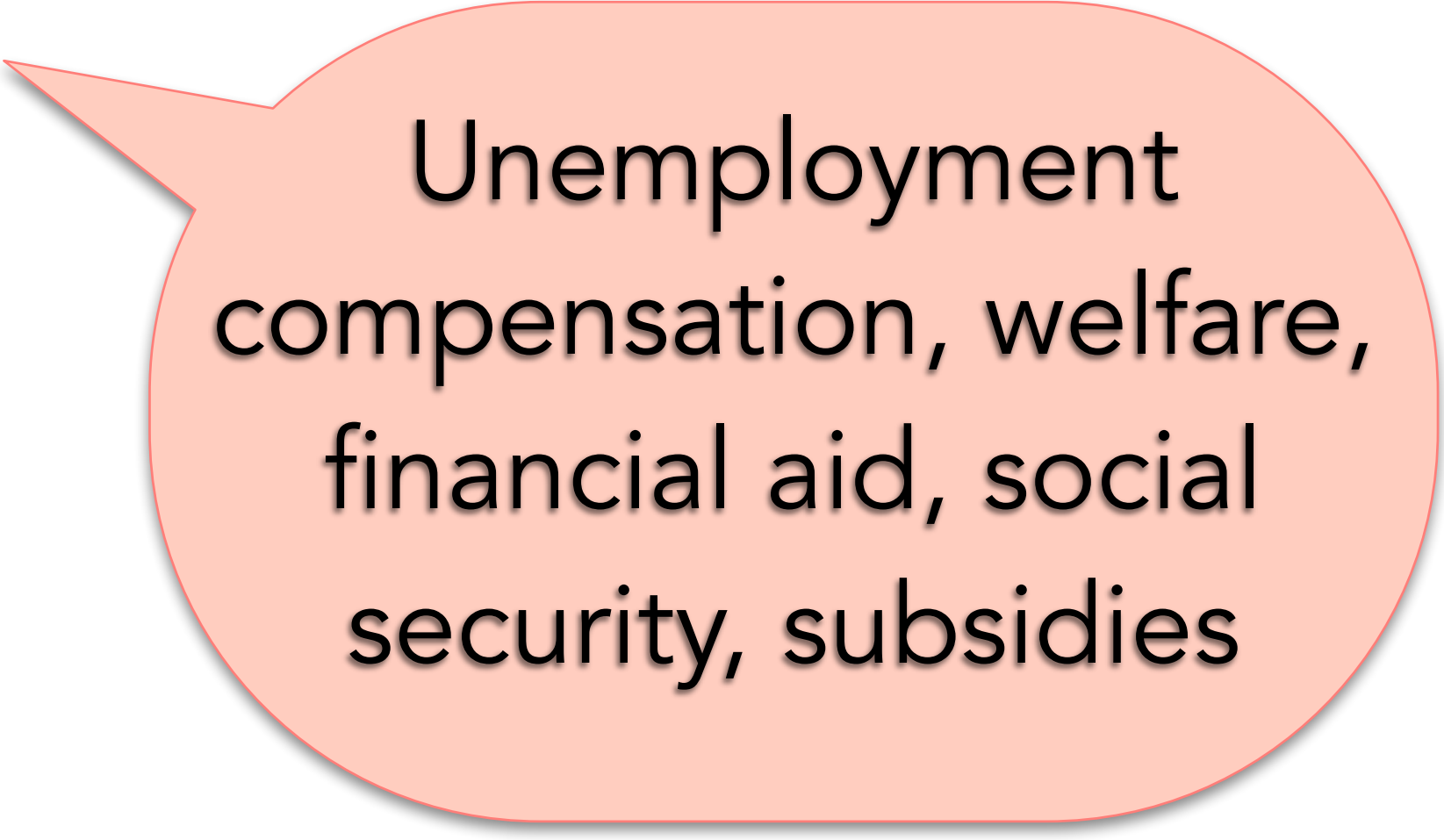




2. Transfers act as an automatic brake...



Unemployment  
compensation, welfare,  
financial aid, social  
security, subsidies

• When GDP rise

– Fewer people receive transfers

Thus

– Consumption **does not rise as much** as it would if transfers did not drop.

- When GDP falls



– More people receive transfers

– Consumption **does not fall as much** as it would if transfers did not rise

## 2. Transfers act as an automatic brake...

- When GDP **rise**
  - **Fewer** people receive transfersThus
  - Consumption **does not rise as much** as it would if transfers did not drop.
- When GDP **falls**
  - **More** people receive transfersThus
  - Consumption **does not fall as much** as it would if transfers did not rise

