

Read more

CS  
O  
i  
t  
O  
CS  
IS  
S  
R  
O  
C

10,000







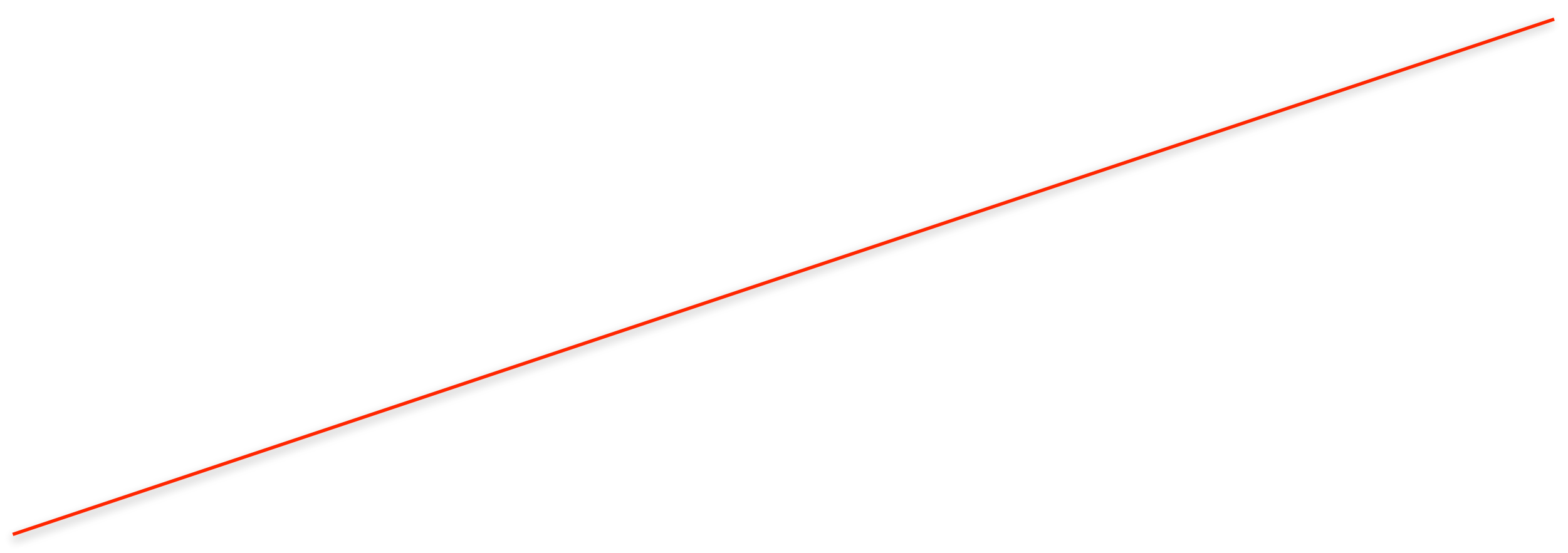




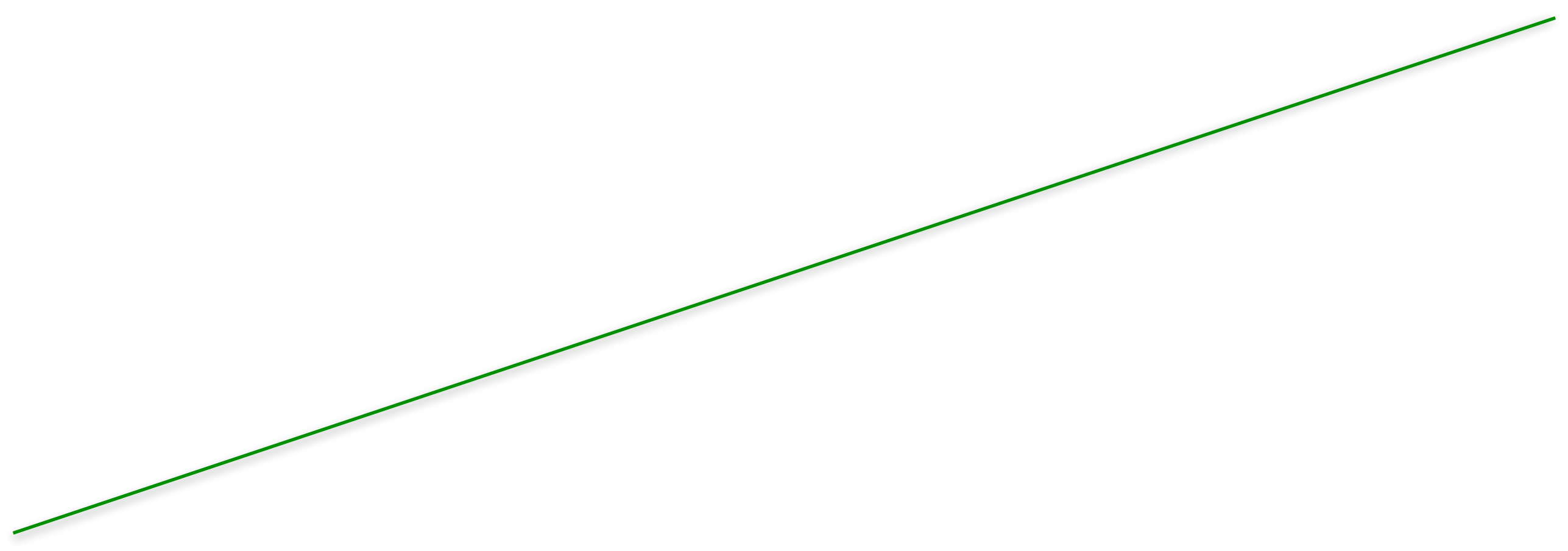


11,000

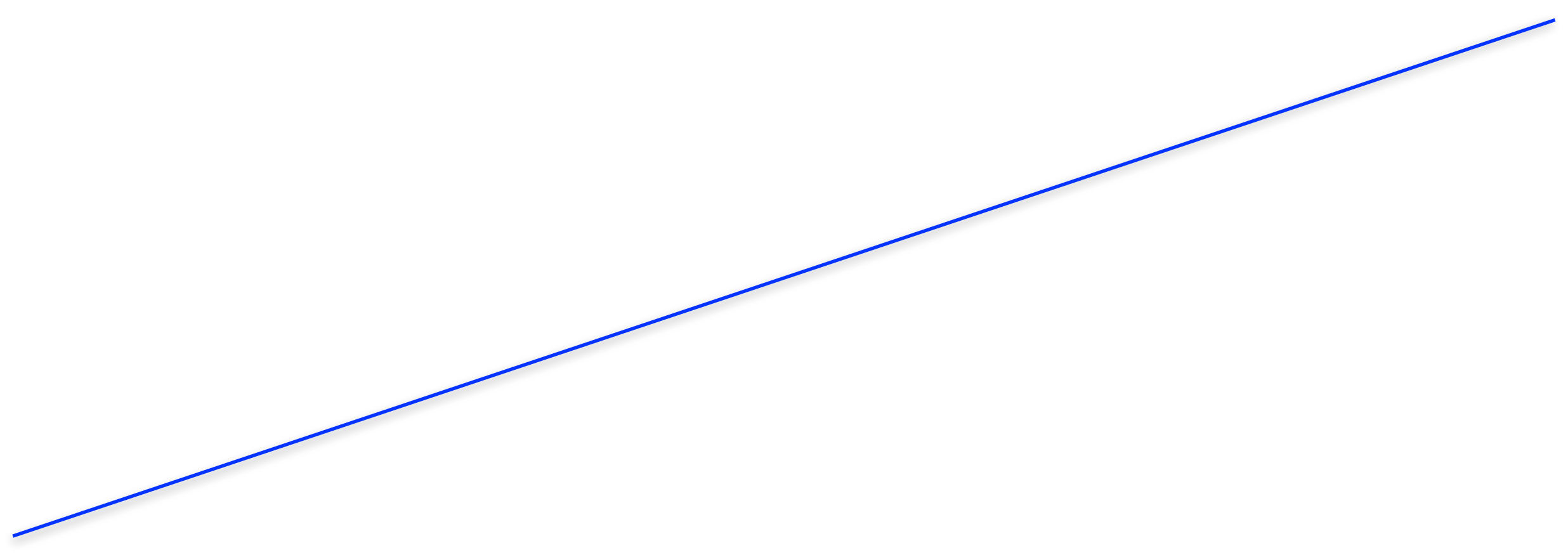
2,000





















9,000

10,000



11,000

CBob







700

700

700



1,000

1,000

1,000

3,000

4,000





70%



70%

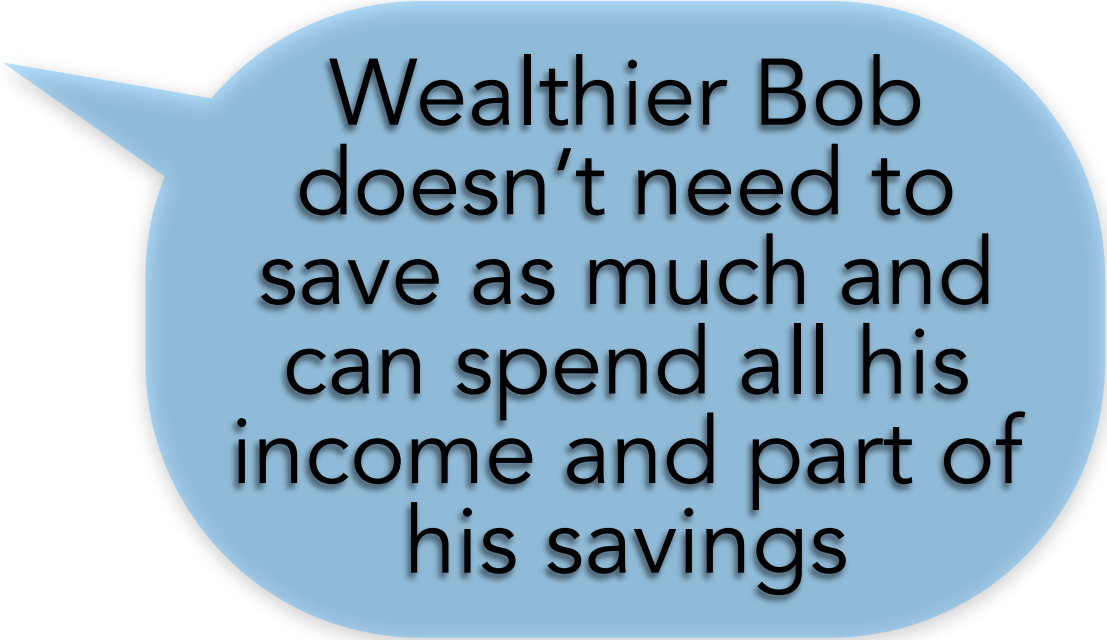
70%



For all, the  $MPC = 70\%$

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

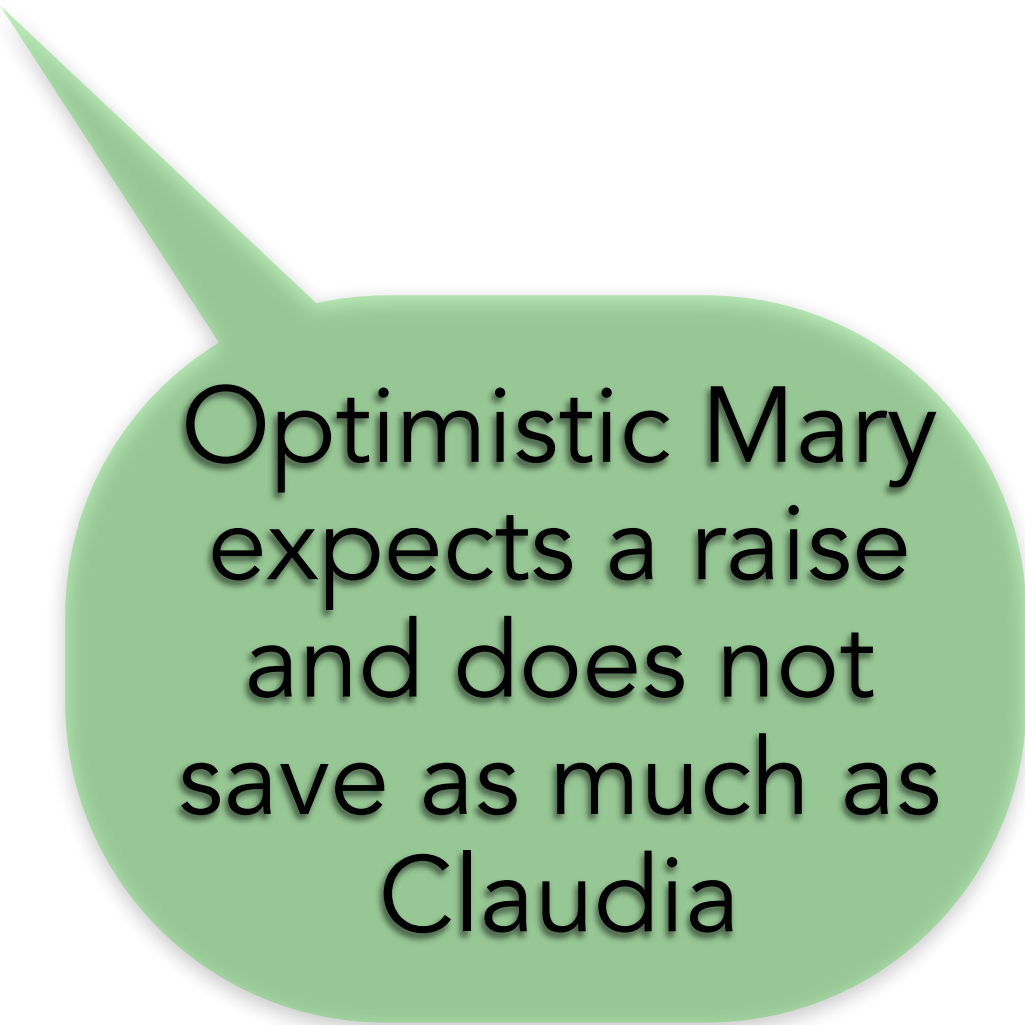
Their  
consumption  
line is higher: a  
larger intercept



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**

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h

e









**n**

C




**m**

e



Income is the  
**same** for all  
three

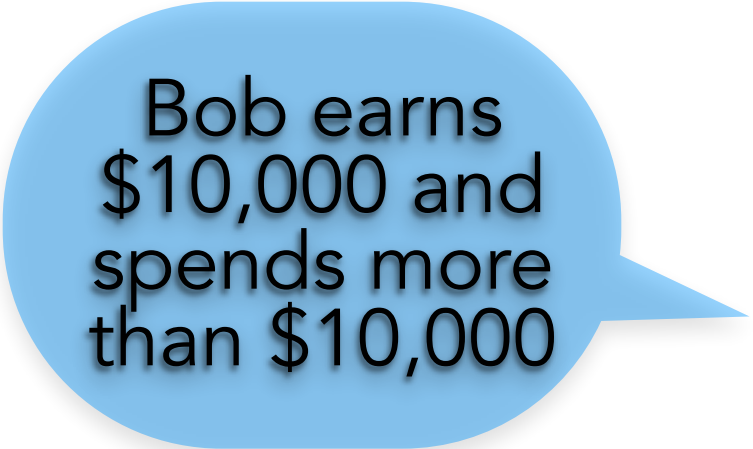




Claudia earns  
\$10,000 and  
spends only  
\$9,000



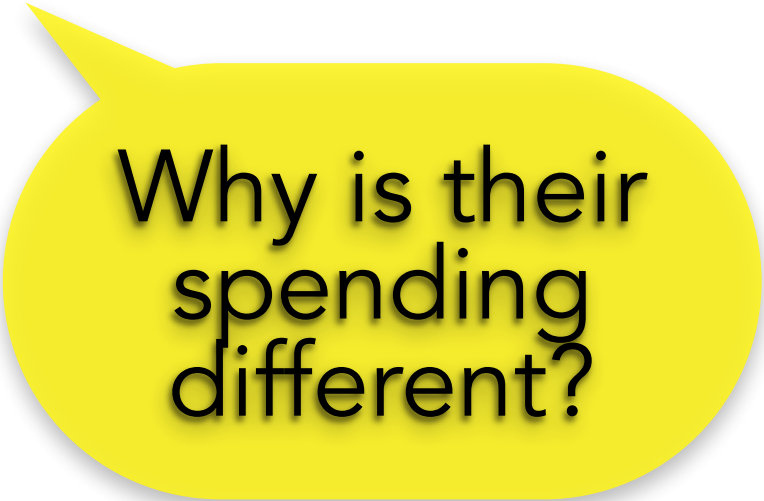
Mary earns  
\$10,000 and  
spends all of it!



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







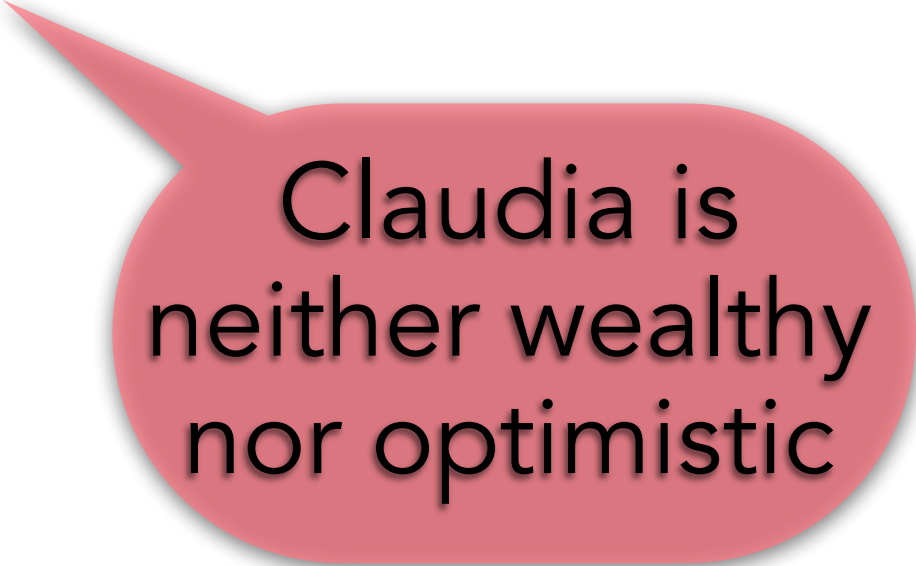
Why is their  
spending  
different?











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  $MPC = 70\%$

