





$$C = 500 + 0.9(10,000)$$

C

=

a

+

MPCY

$$C = 500 + 9,000$$

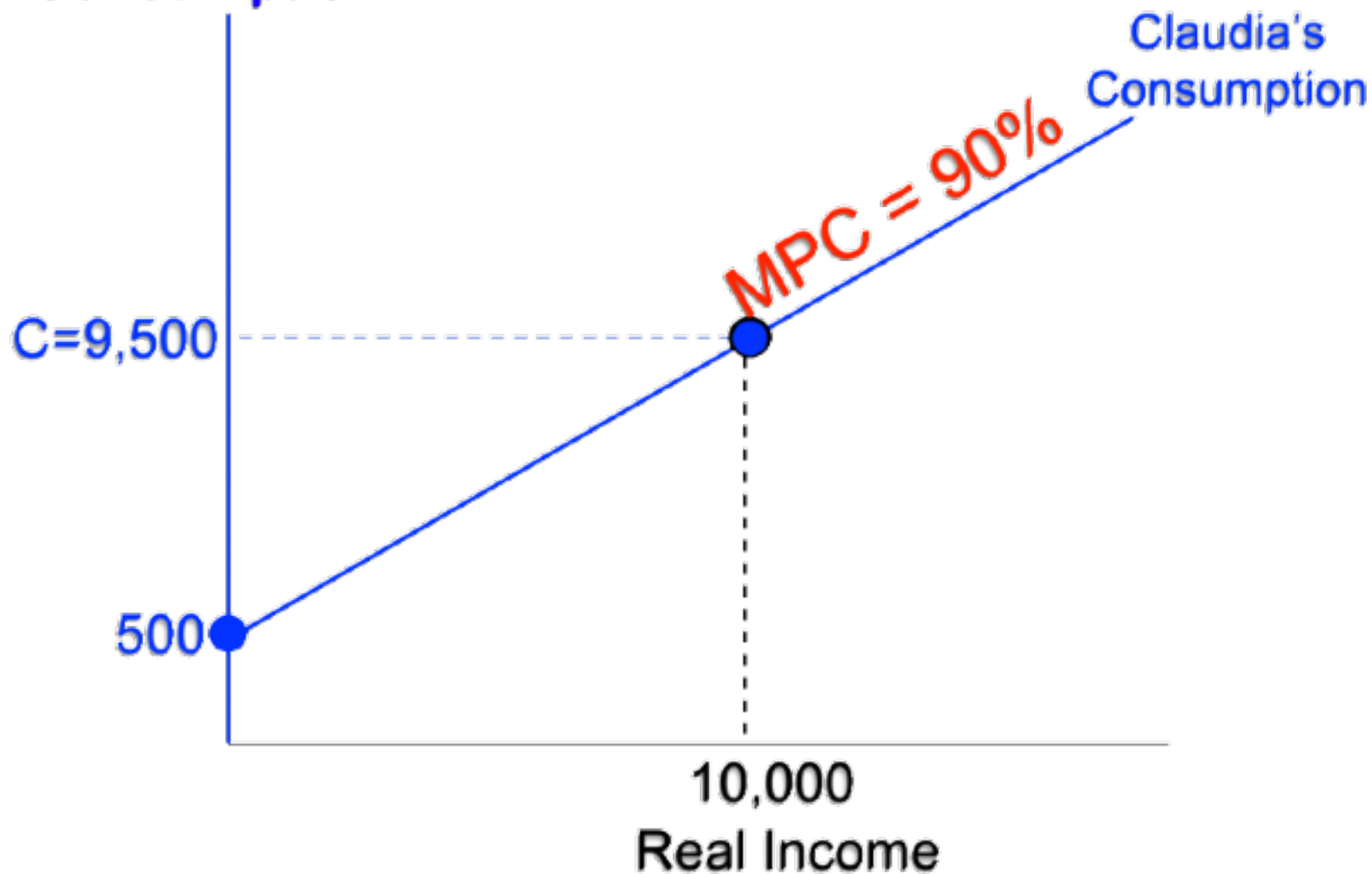
C = 9,500

Claudia's income is \$10,000/month, her autonomous consumption is \$500 and her MPC = 90%. Calculate her consumption

Claudia's income is still \$10,000/month but as a result of the pandemic **she becomes pessimistic** about the future. How will her Consumption change?



**Consumption**



# The Consumption Function:

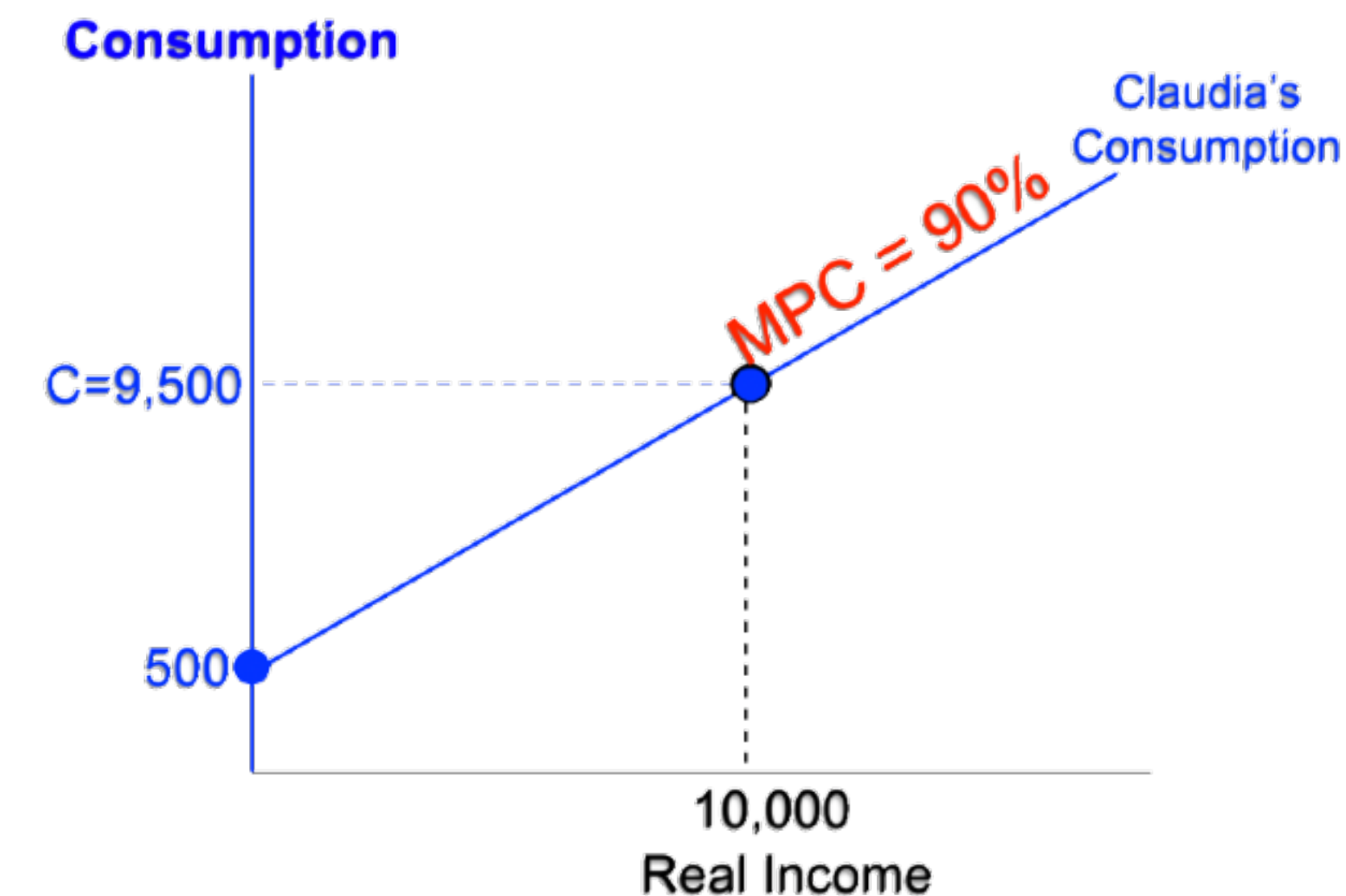
The Consumption Function:  $C = a + MPCY$

Claudia's income is \$10,000/month, her autonomous consumption is \$500 and her  $MPC = 90\%$ . Calculate her consumption

$$C = 500 + 0.9(10,000)$$

$$C = 500 + 9,000$$

$$C = 9,500$$



Claudia's income is still \$10,000/month but as a result of the pandemic she becomes pessimistic about the future. How will her Consumption change?

$$C = a + MPCY$$