

Co

So

$Y = 12,000$

$$Y = 12,000$$

$$Y = 13,000$$

$$Y = 13,000$$

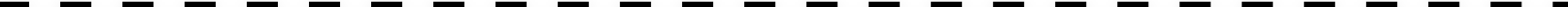




C = 11,800

C = 12,700





1

2

3

4

5

6

7

8

9

10

11

12

13

14

15



Move UP Along C

Move UP Along S

Income (Y)

Wages

Profits

Interest

Rents

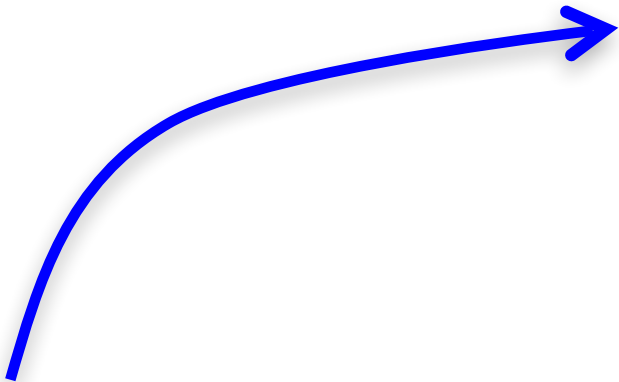




Consumption Increase

Savings Increase

Change in Income: Move along





Income



Income



$$S = 12,000 - 11,800 = 200$$

$$S = Y - C$$

$$S = 13,000 - 12,700 = 300$$

An increase in Incomes
result in a movement up
along both: C and S

When Income Increase

When Incomes increase,
consumers spend more

and save more

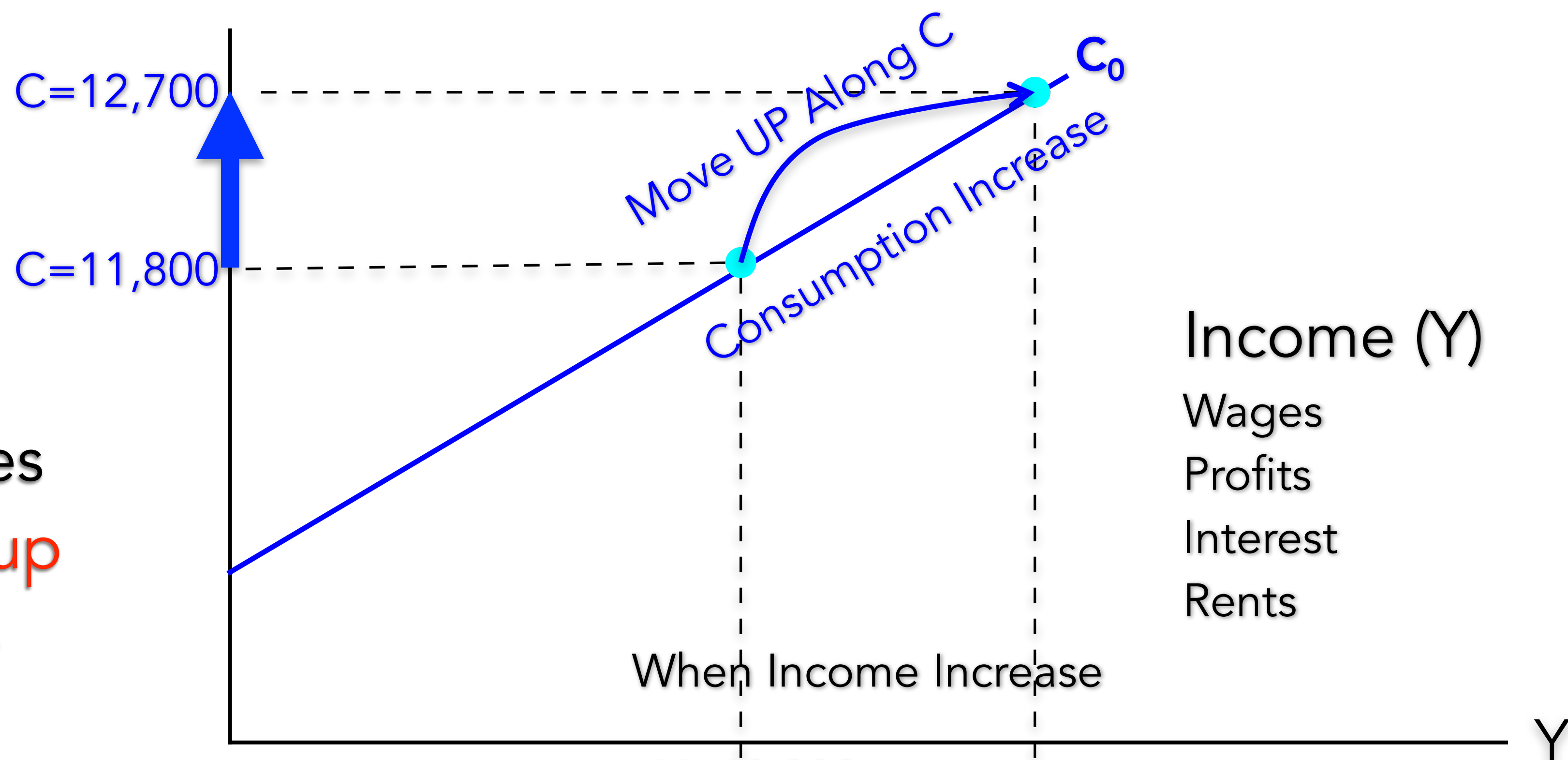




Change in Income: Move along

When Incomes increase,
consumers **spend** more

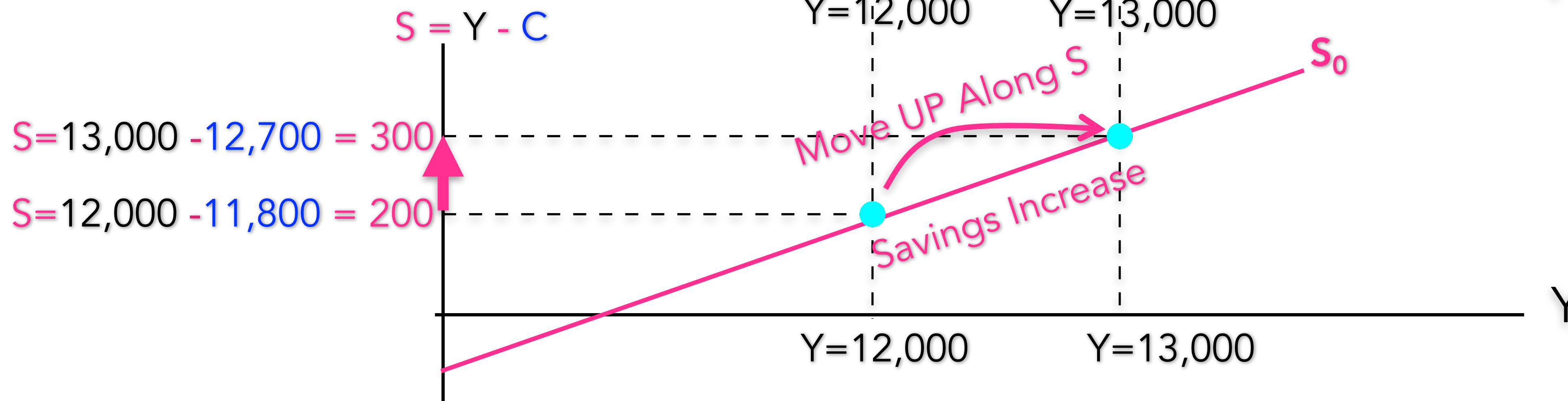
An increase in Incomes
result in a **movement up**
along both: C and S



Income (Y)

Wages
Profits
Interest
Rents

and **save** more



$$S = 13,000 - 12,700 = 300$$

$$S = 12,000 - 11,800 = 200$$

