14

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

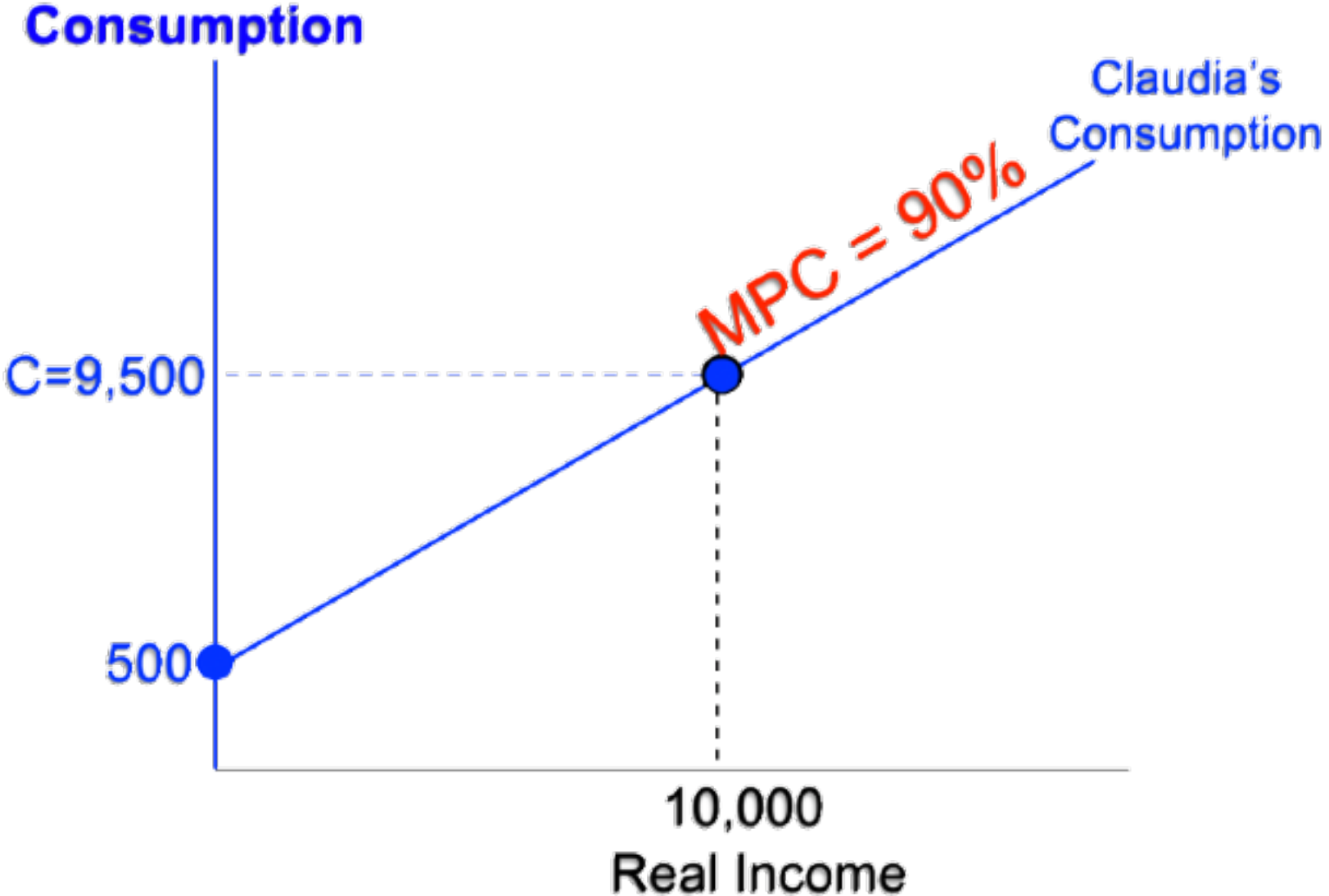
$$C = a + MPCY$$

$$C = 500 + 9{,}000$$

$$C = 9{,}500$$

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
Claudia's Consumption
MPC = 90%
C=9,500
500
10,000
Real Income

The Consumption Function:

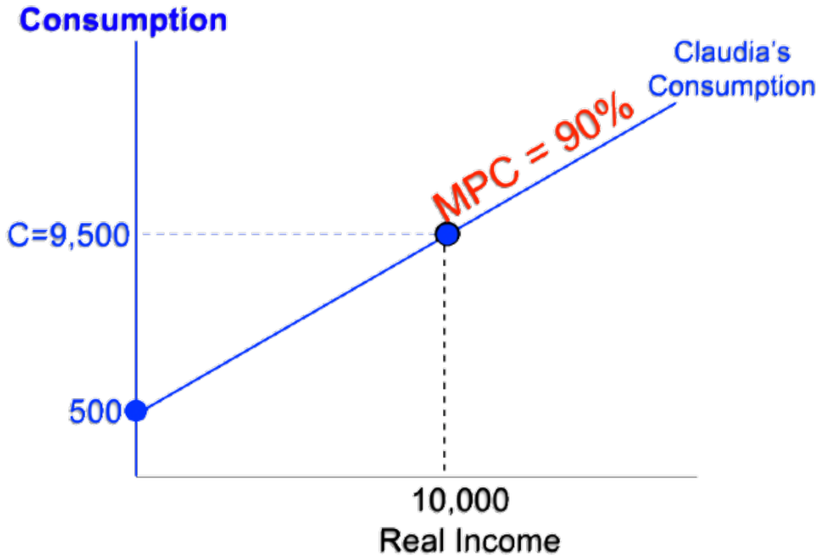
The Consumption Function: C = a + MPCY

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?

$$C = a + MPCY$$