



$\Delta a = 100$

Scared by the pandemic consumers stop going  
to restaurants, malls and games

**XY**

**=**

**-**

**1000**

Restaurants, malls and sports venues sell  
less. Owners and workers lose income

$$\Delta C = -100 * 0.9 = -90$$

Business owners and workers who lose income  
buy fewer goods, some can't pay rent

**NY**

**=**

**-**

**90**



Another group of businesses sell less, fire  
workers or go bankrupt

$$\Delta NC = -90 * 0.9 = -81$$

This new round of workers and owners who  
lose income must cut consumption

**AY**

**=**

**- 881**

One person's spending cut is someone else's  
income drop

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The chain of **lower** income and consumption continues for many rounds to **multiply the decrease in spending** originated by Consumers

$$\begin{array}{c}
 -\Delta Y \dots \\
 -\Delta C \\
 -\Delta Y \\
 -\Delta C
 \end{array}$$

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