



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

C

=

a

+

MPCY

$$C = 500 + 0.9(2,000)$$

C

=

5000

+

9,0000

C

=

5000

+

1,8000

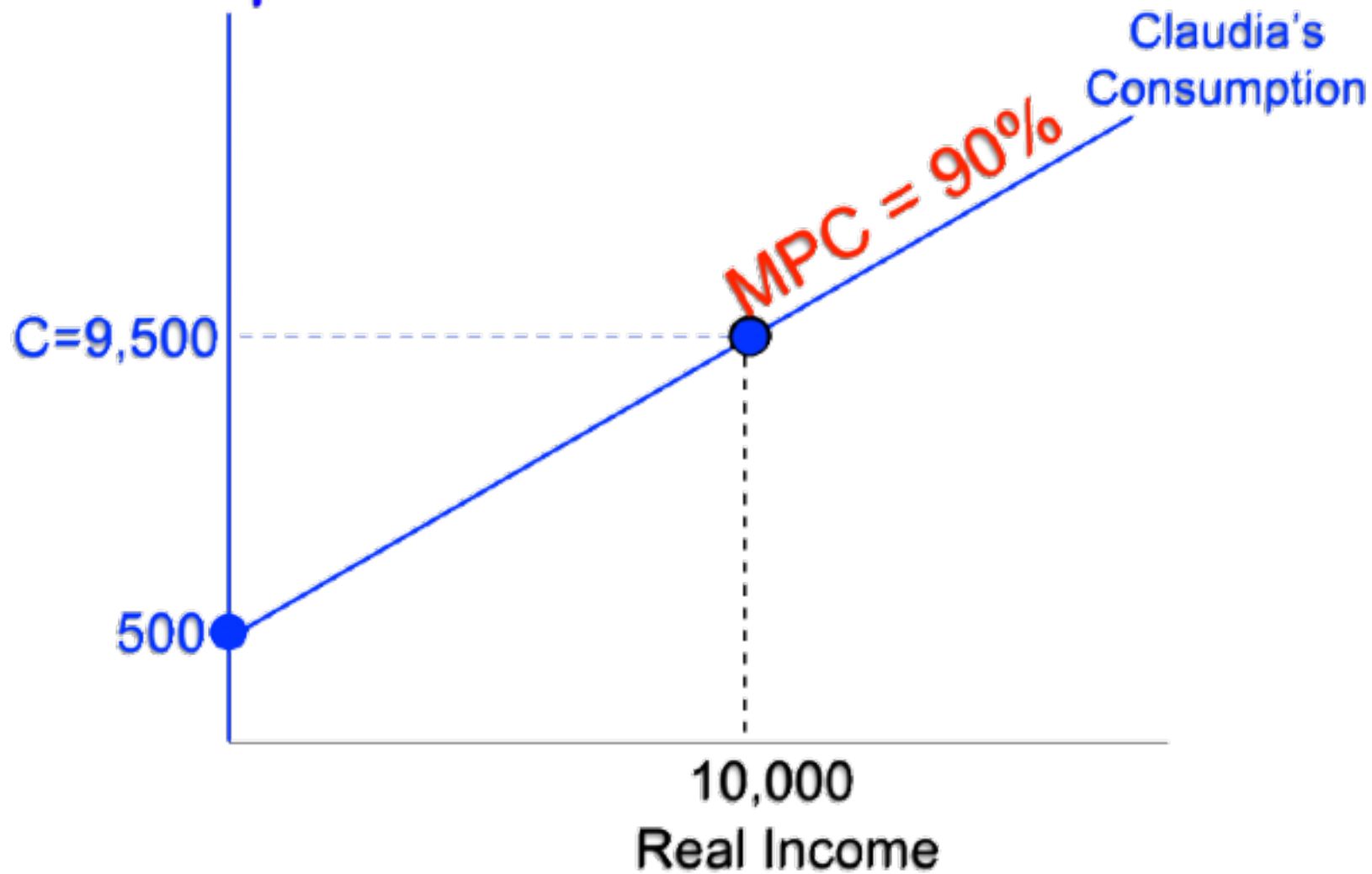
C = 9,500

C = 2,300

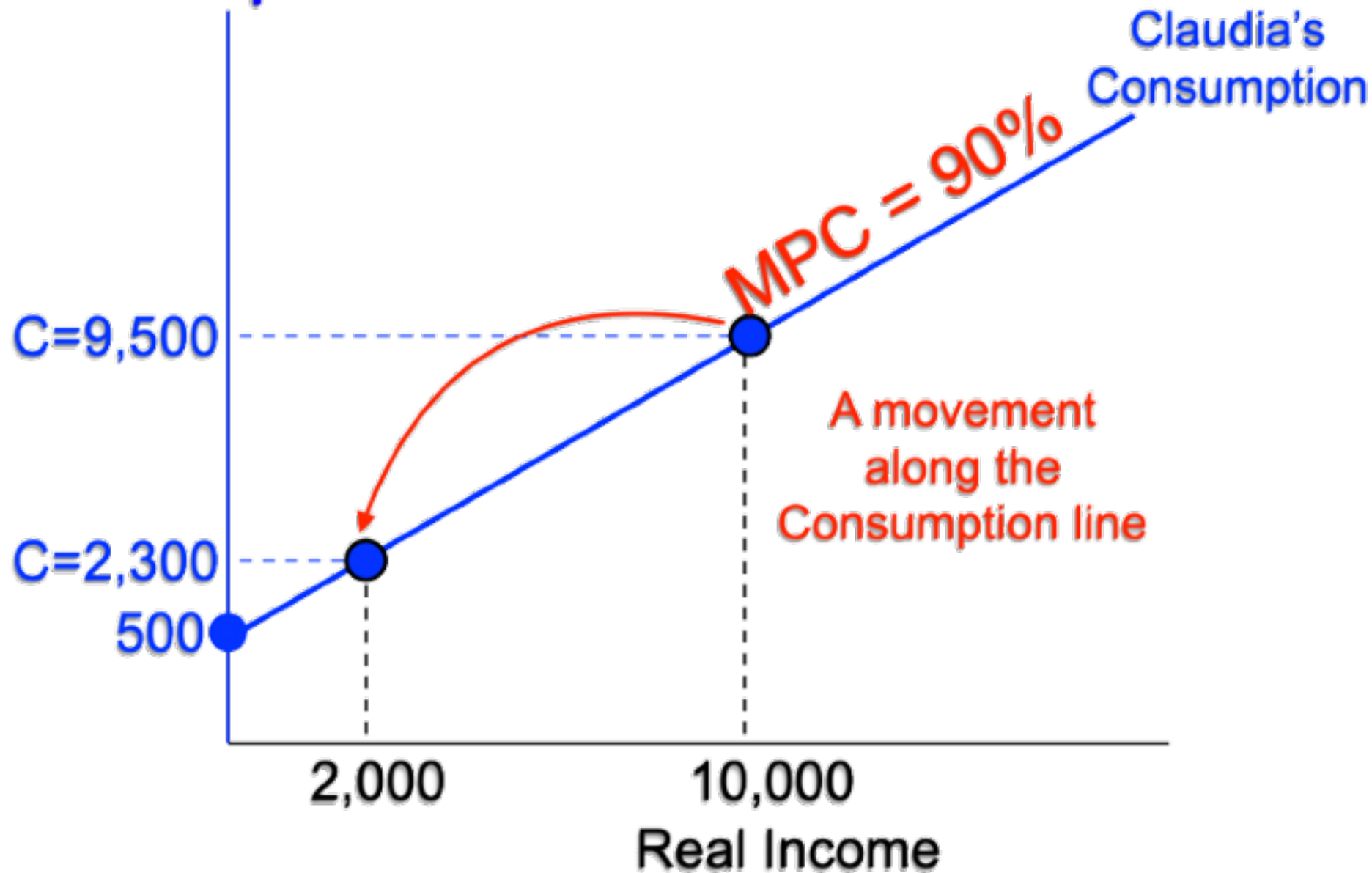
Claudia's old consumption

Claudia's income is now 2,000/month: Her income dropped

Consumption



Consumption





e









S

u

m

p







n

d





p

S





m







m







a







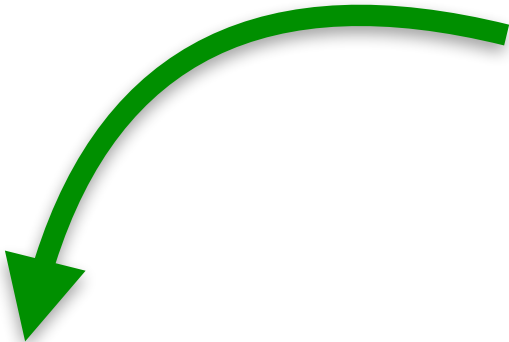
9



2,000

Claudia buys less





Her consumption drops: A
movement along

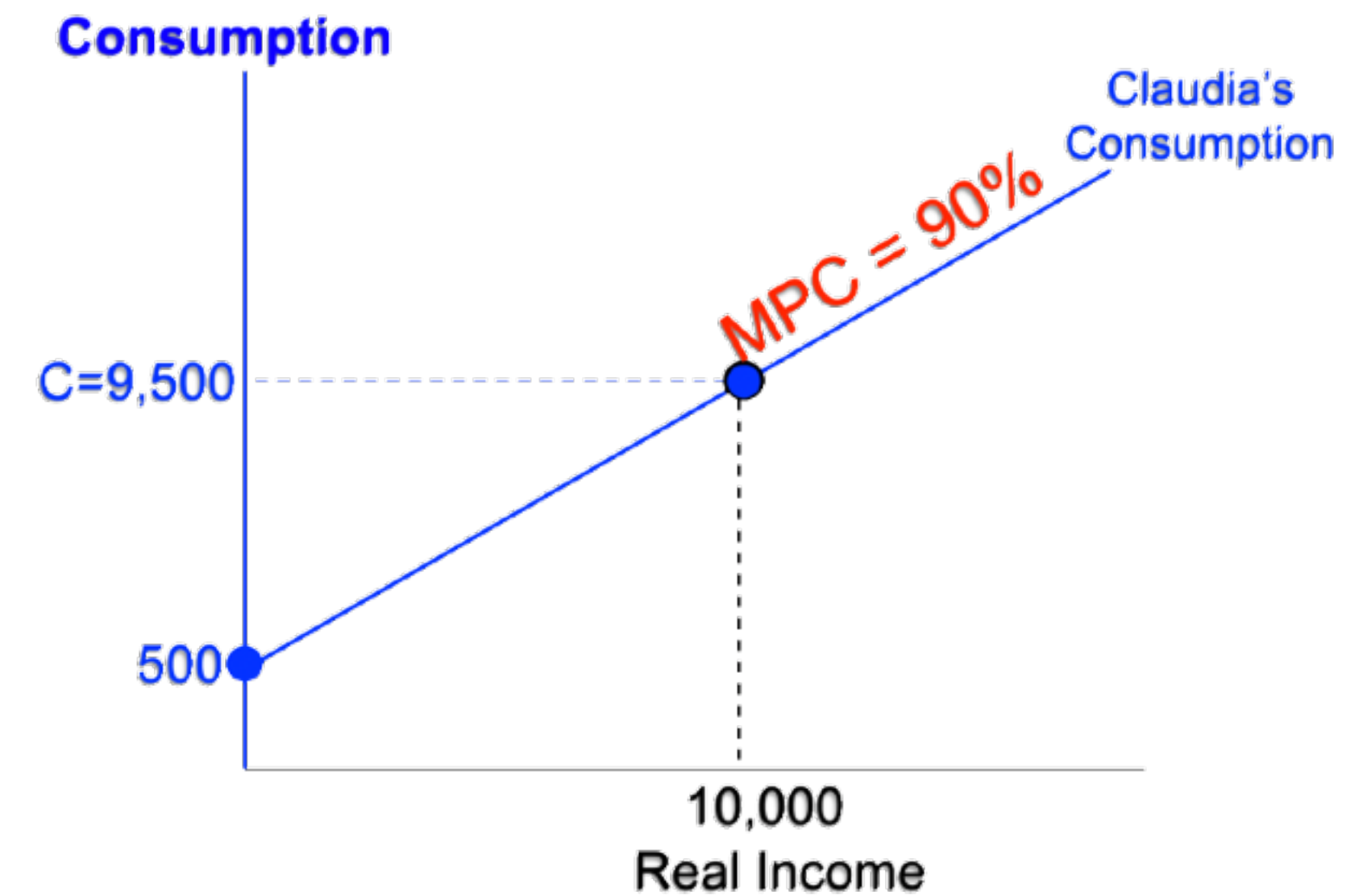
$$C = a + MPCY$$

Claudia's old consumption

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

$$C = 500 + 9,000$$

$$C = 9,500$$



Claudia's income is now 2,000/month: Her income dropped

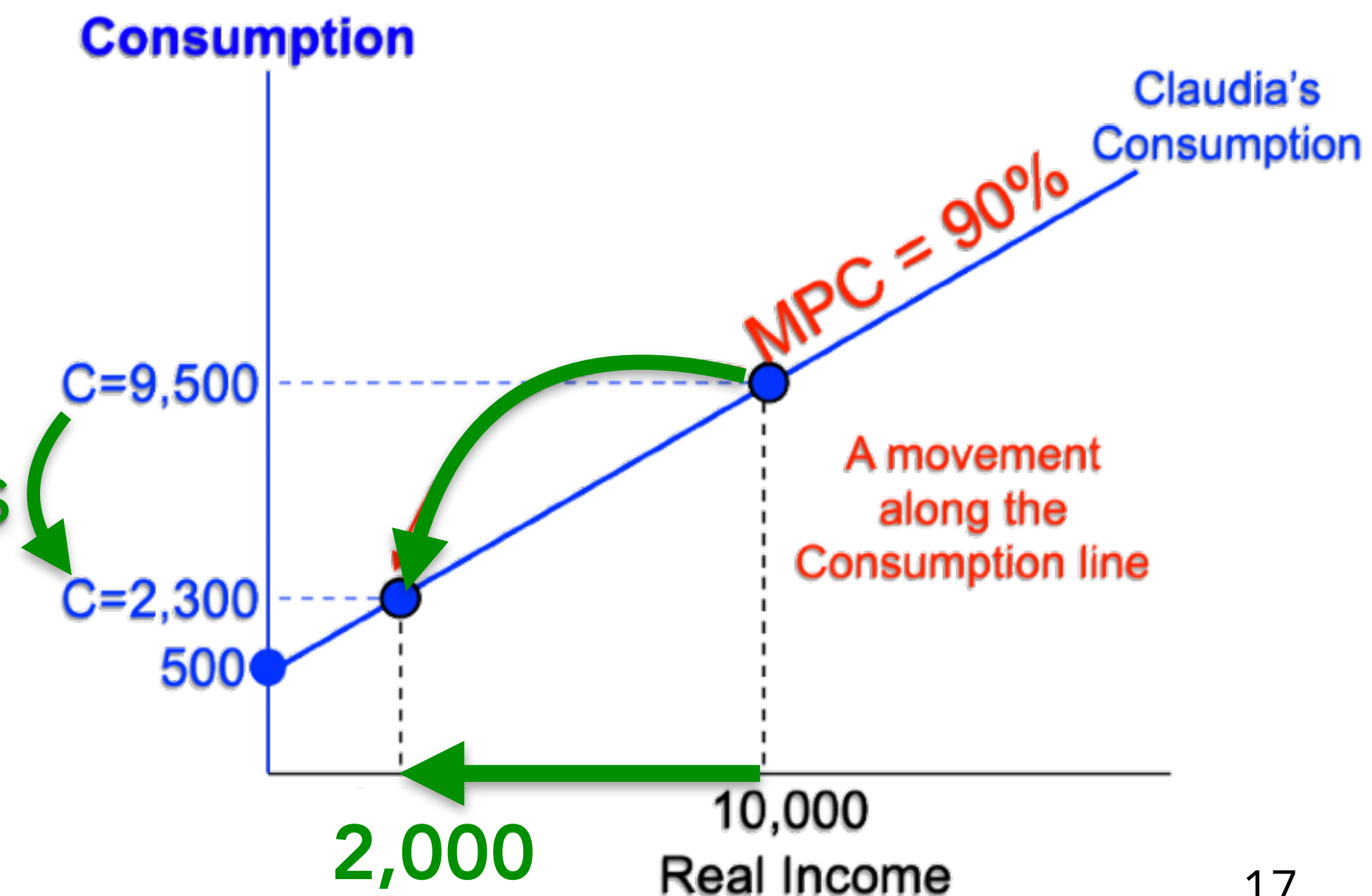
$$C = 500 + 0.9(2,000)$$

$$C = 500 + 1,800$$

$$C = 2,300$$

Claudia buys less

Her consumption drops: A movement along



$$C = a + MPCY$$

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

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

$$C = 500 + 9,000$$

$$C = 9,500$$

