19

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

$$C = a + MPCY$$

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

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

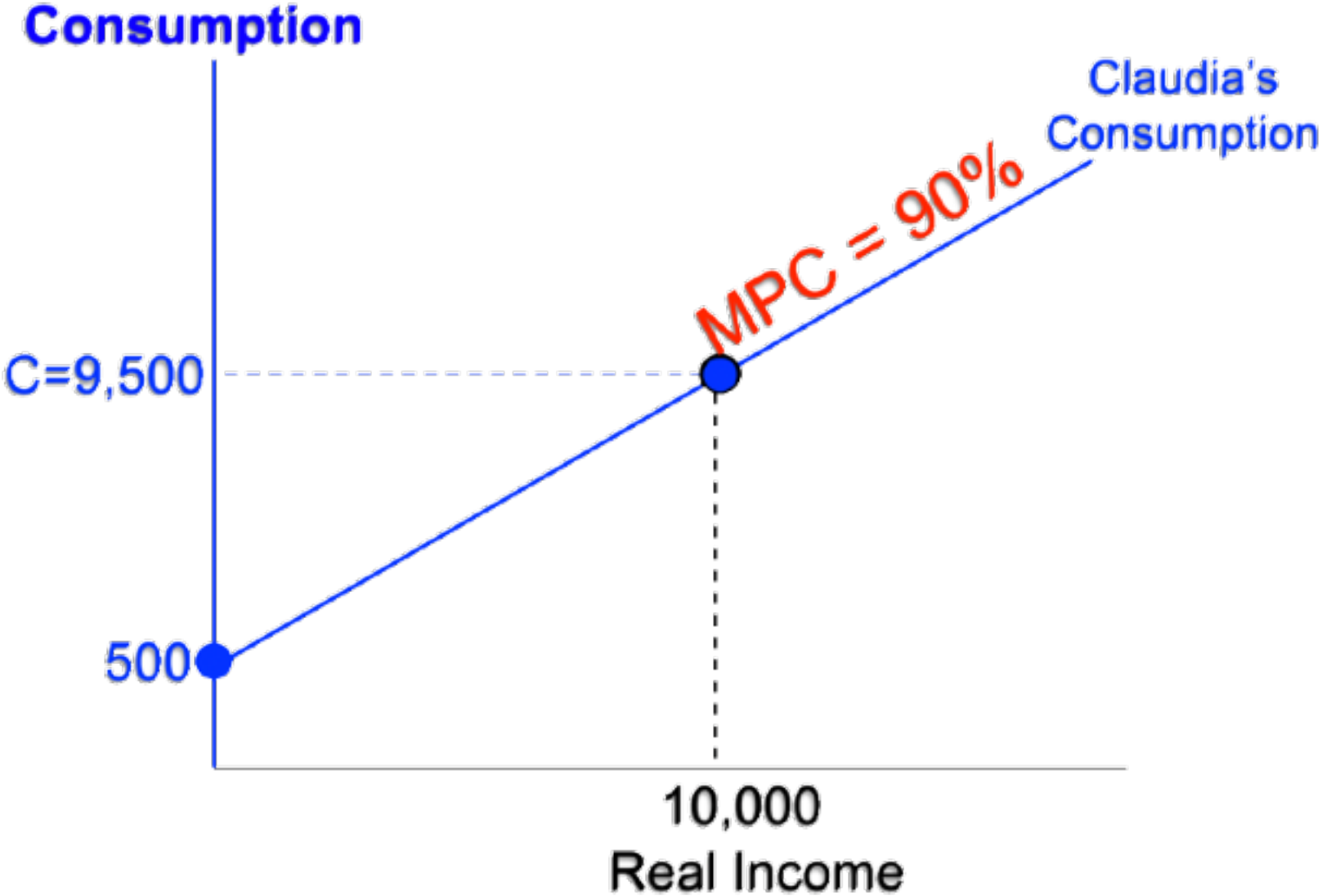
$$C = 500 + 1{,}800$$

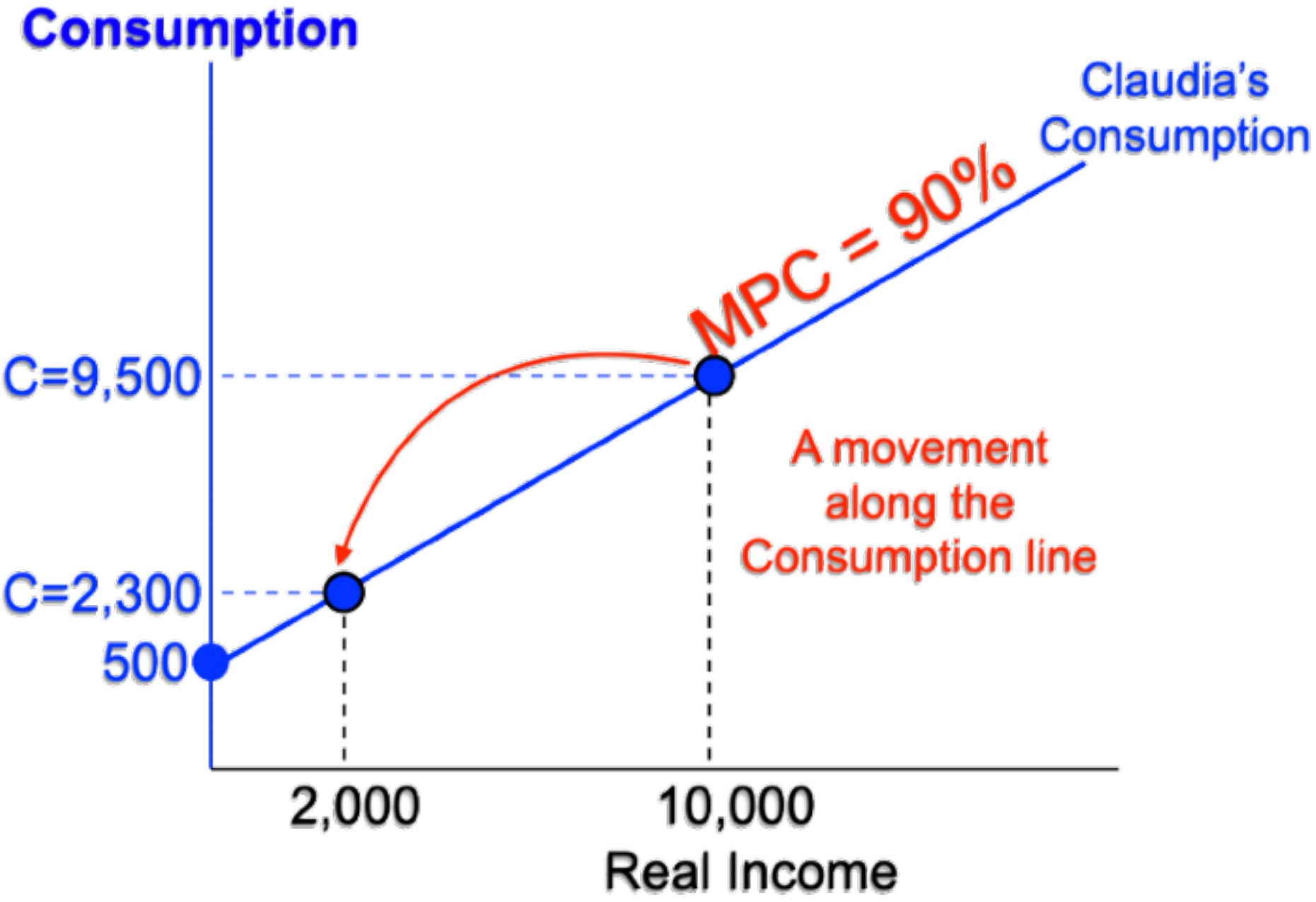
$$C = 9{,}500$$

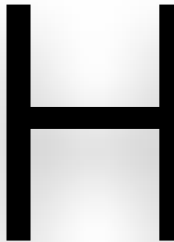
$$C = 2{,}300$$

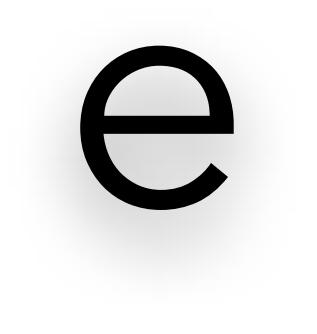
Claudia’s old consumption

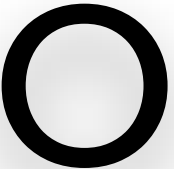
Claudia's income is now 2,000/month: Her income dropped


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


Consumption
Claudia's Consumption
MPC = 90%
C=9,500
C=2,300
500
A movement along the Consumption line
2,000
10,000
Real Income







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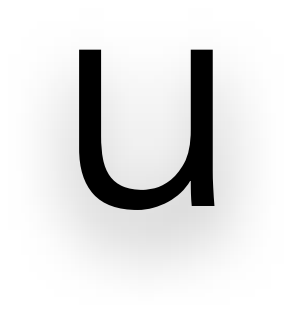

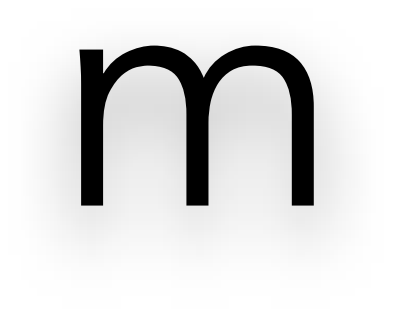

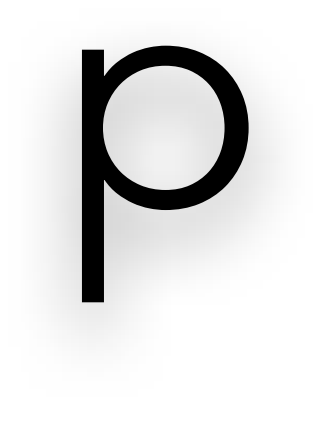

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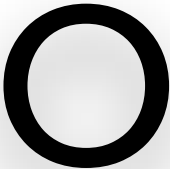

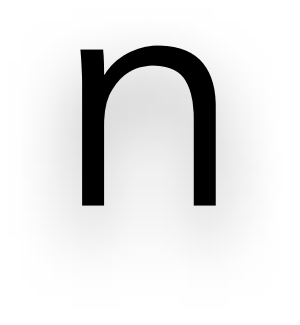
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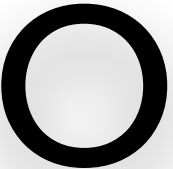
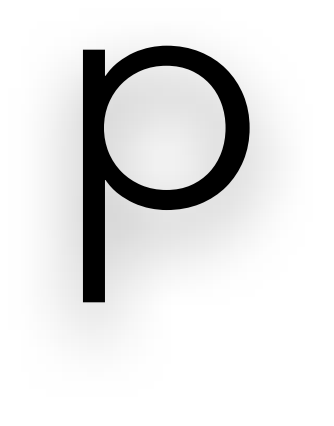
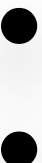
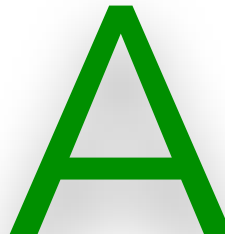
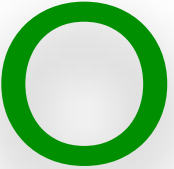











e


m


e


a


n


g


2,000

Claudia buys less

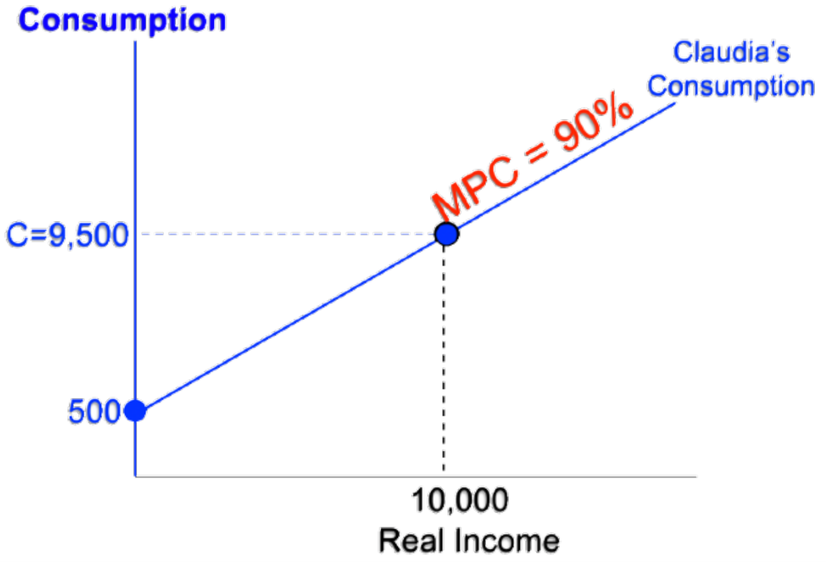
$$C = a + MPCY$$

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

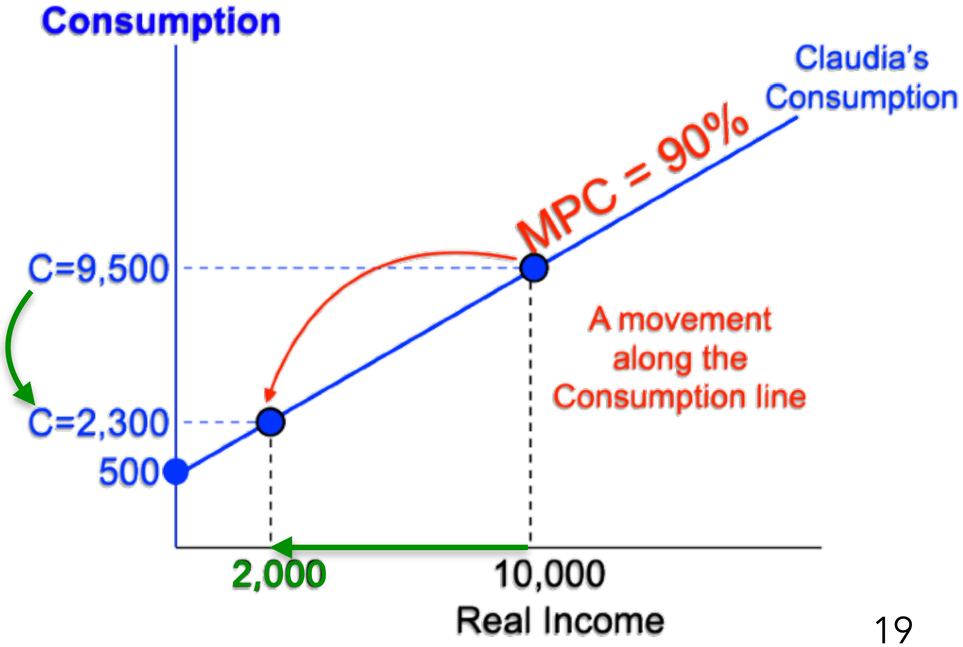
$C = 500 + 0.9(\mathbf{2{,}000})$

$C = 500 + 1{,}800$

$C = 2{,}300$

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