

—

a

a



If $MPC = 0.9$ Consumers spend 90% of
extra income

$$C = a + MPCY$$

$$S = -a + \text{MPS} \cdot Y$$

MPC

+

MPS

=

1



and save 10% of extra income

If $MPC = 0.8$ Consumers spend 80% of
extra income

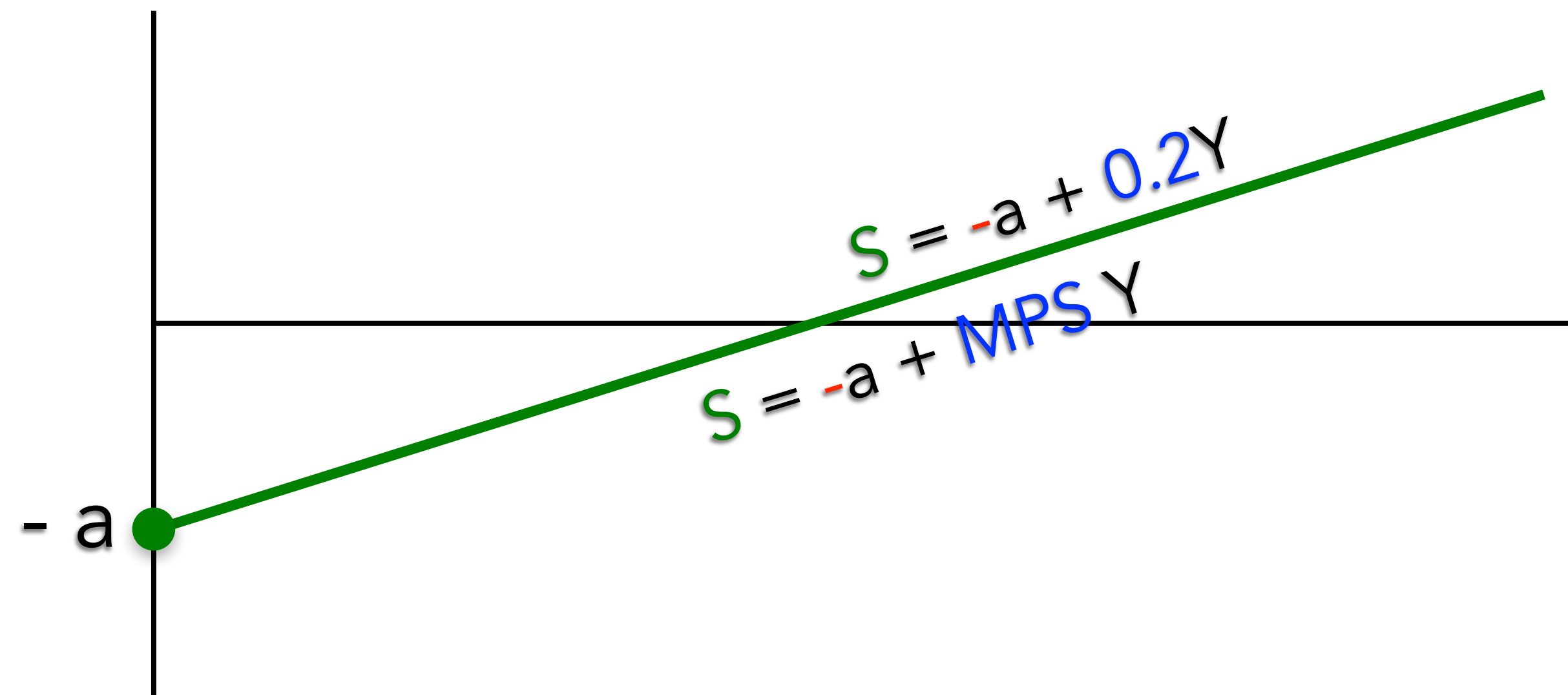
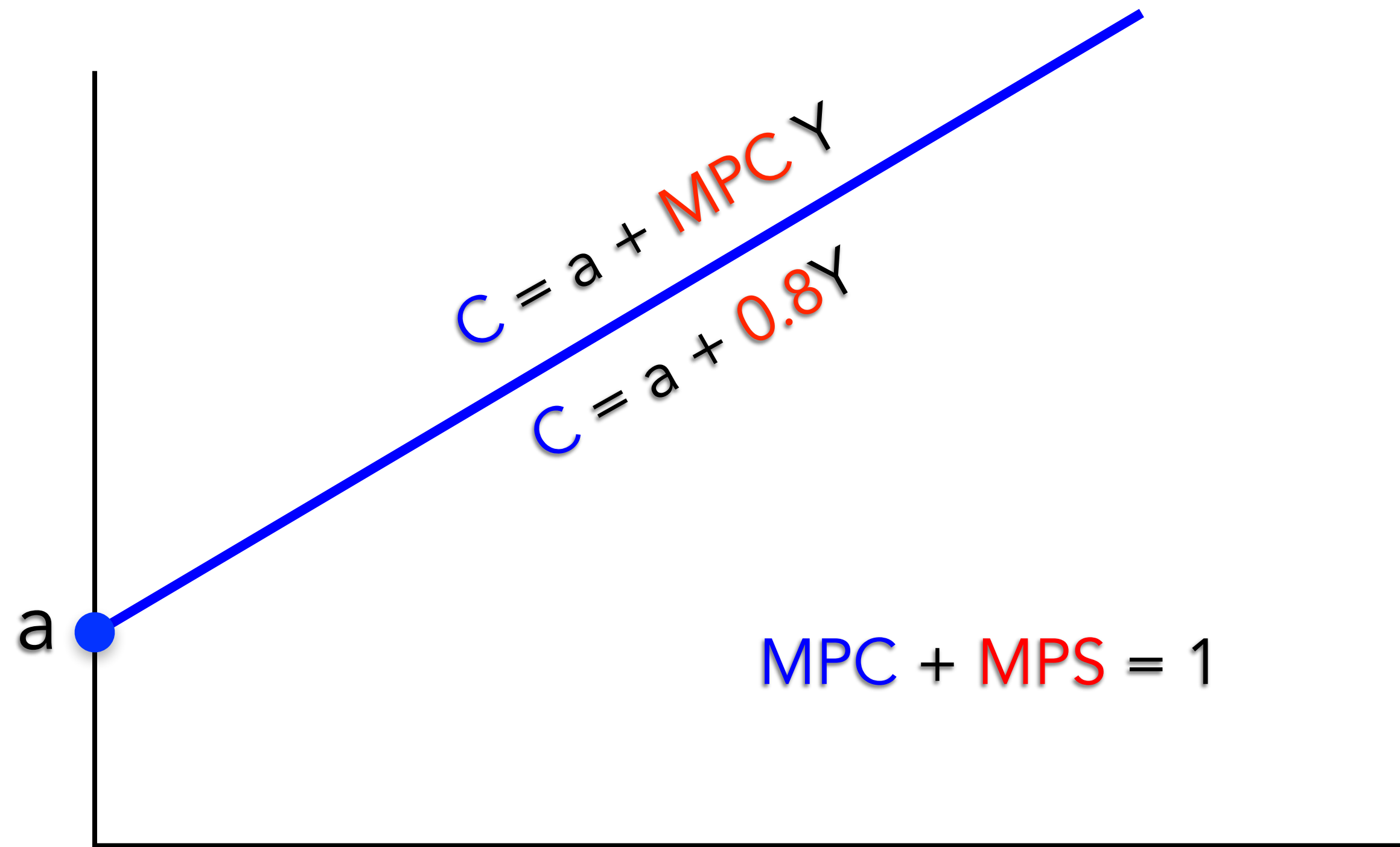
and save 20% of extra income

$$C = a + 0.9Y$$

$$S = -a + 0.1Y$$

$$S = -a + 0.2Y$$

$$C = a + 0.8Y$$



Change in Income: Move along

