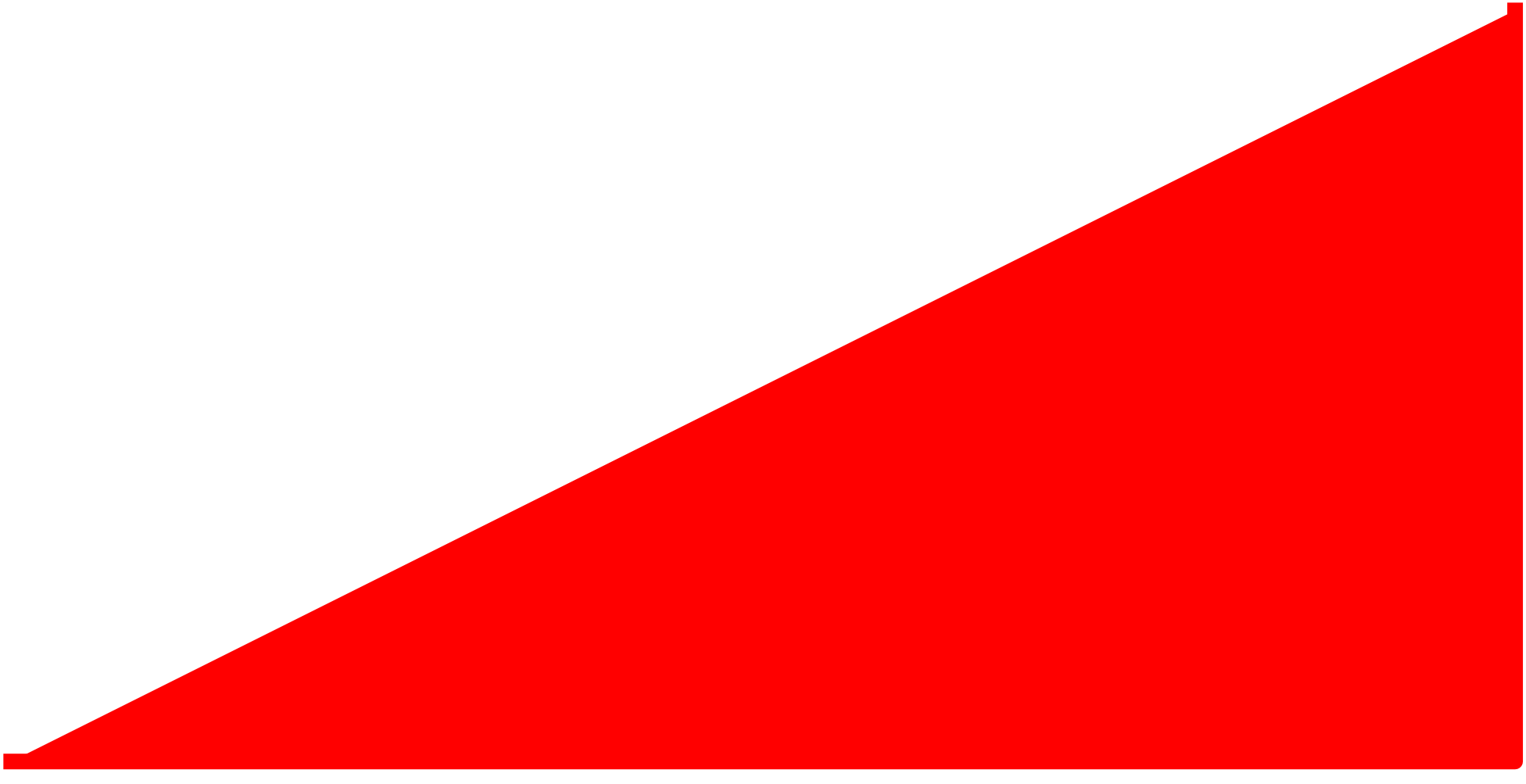
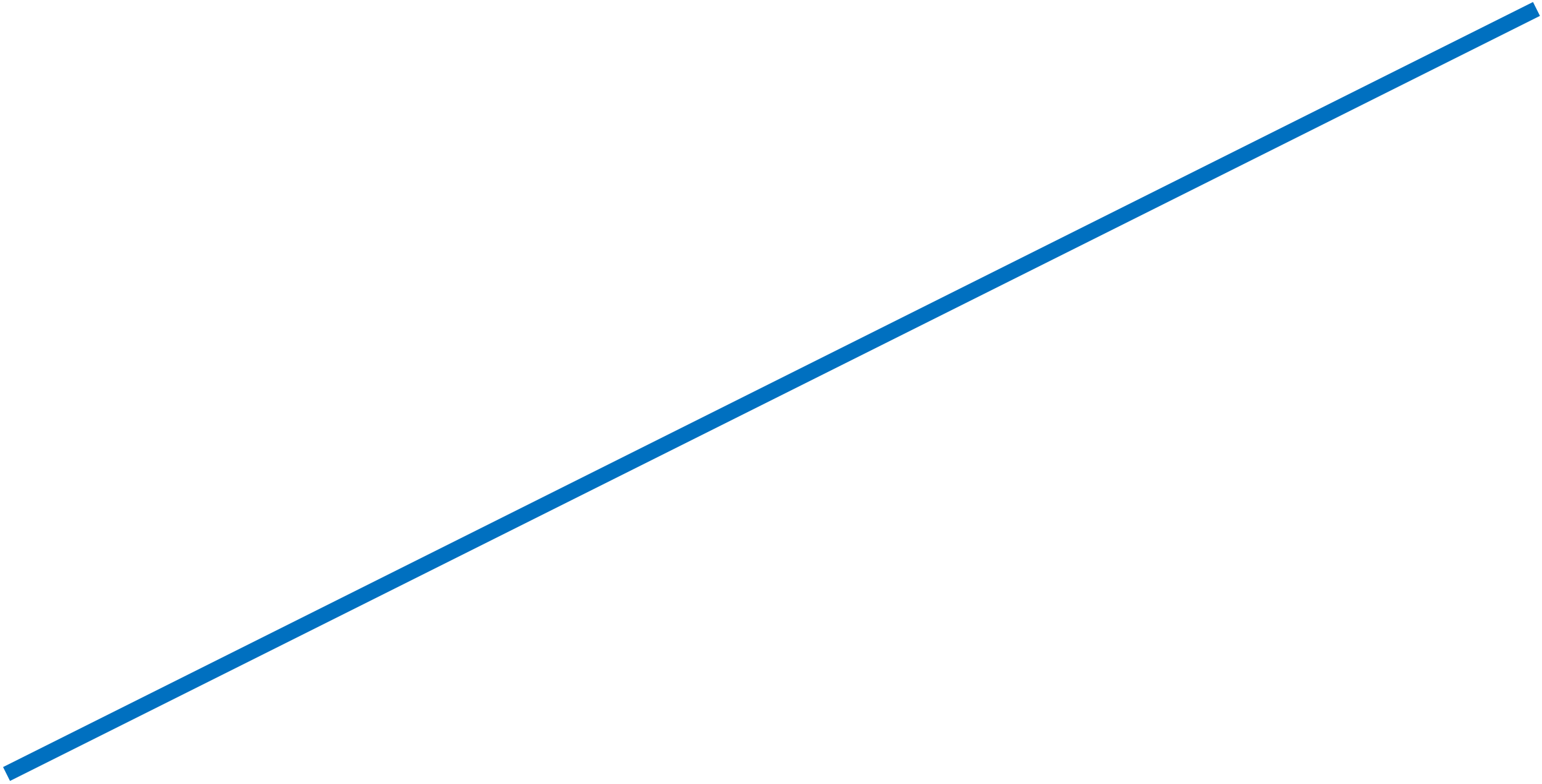
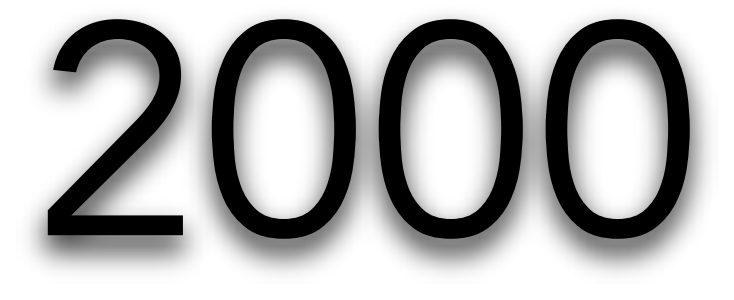




Real Income Billions

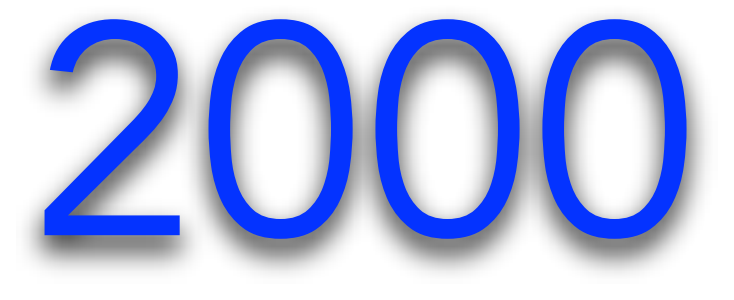
Consumption Billions


2000

2500

3000

3500


2000

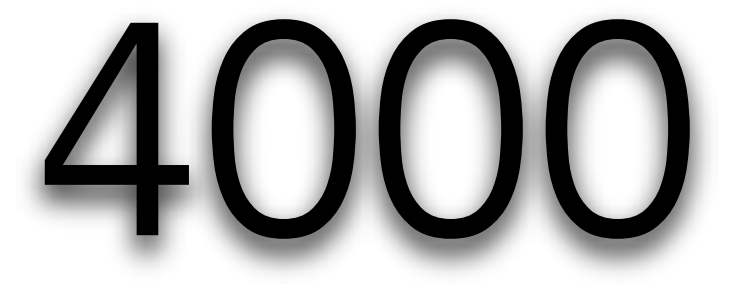
2375

3125

3875

2750

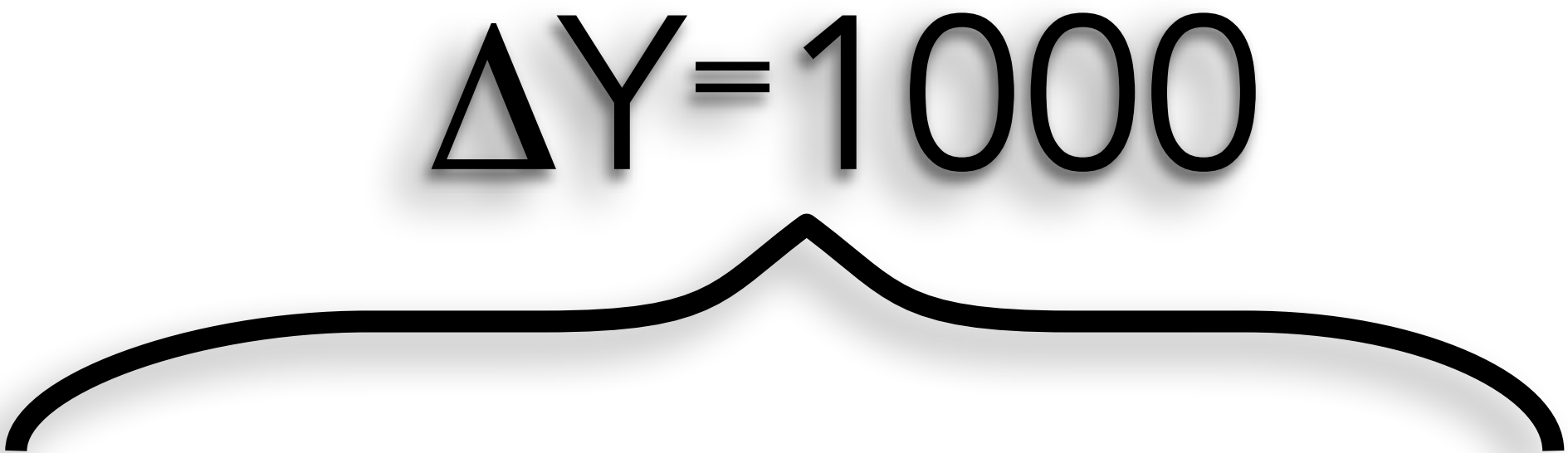
3500


4000

4500

$$C = a + MPC_x Y$$

Choose any two points


ΔY=1000

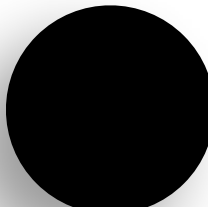
ΔC=750

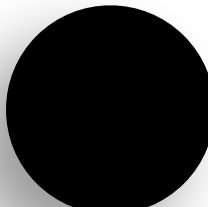
$$MPC = \frac{\Delta C}{\Delta Y}$$

Calculating the slope

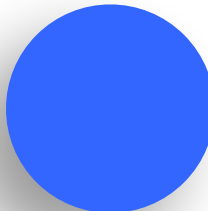
MPC=750/1000

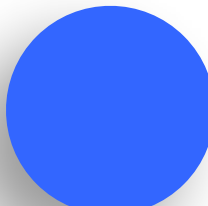
MPC





MPC = 0.75

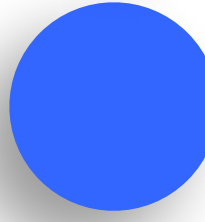




When income increase by 1,000

Consumption increase by 750

1

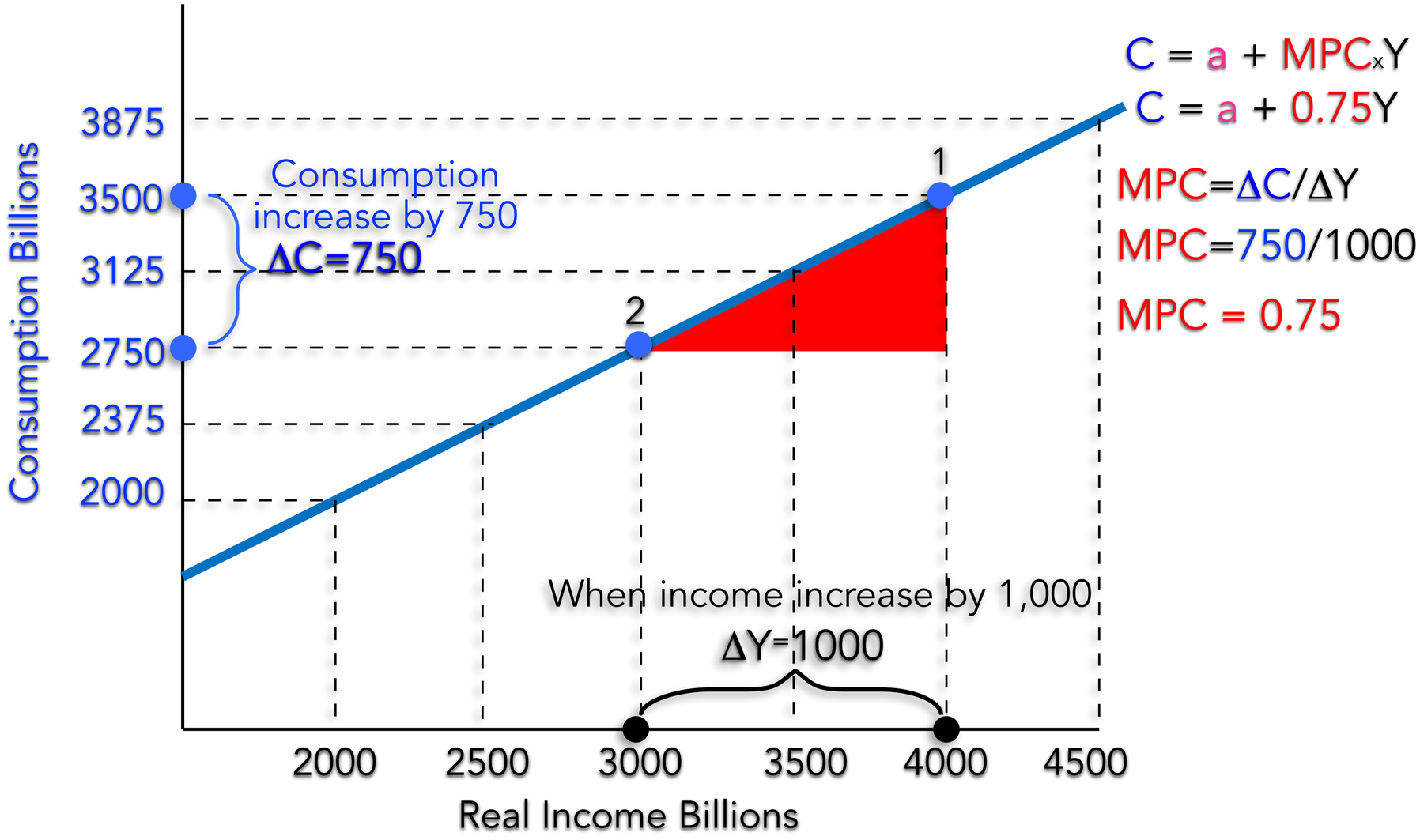


2

$$C = a + 0.75Y$$

Calculating the slope MPC

Choose any two points

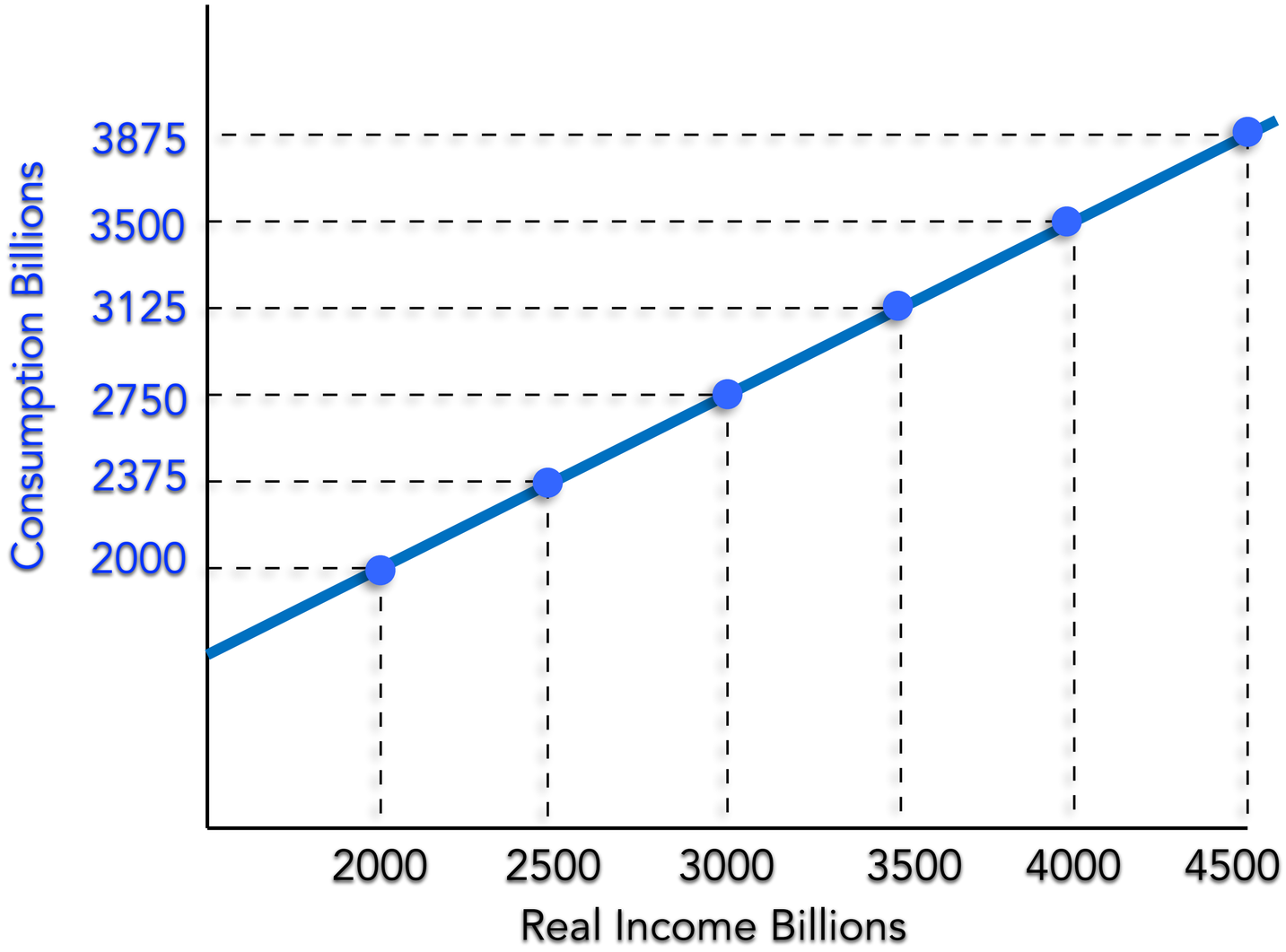


$C = a + MPC_x Y$

$C = a + 0.75Y$

$MPC = \Delta C / \Delta Y$

$MPC = 750/1000$

$MPC = 0.75$

Calculating the slope