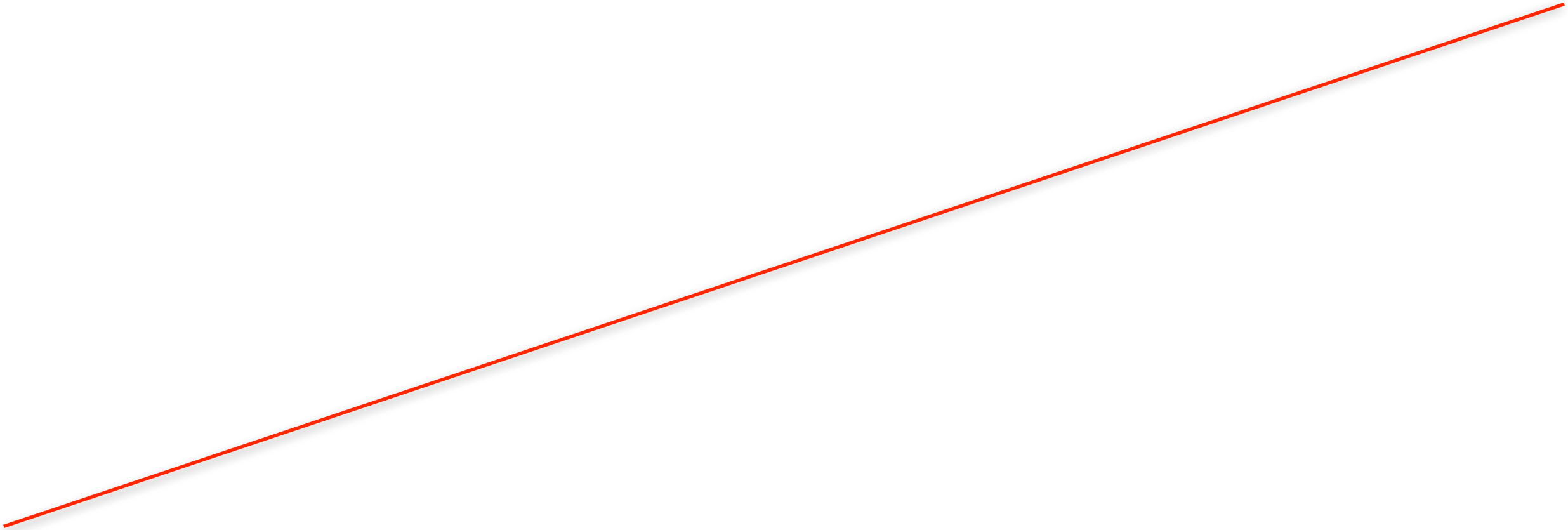
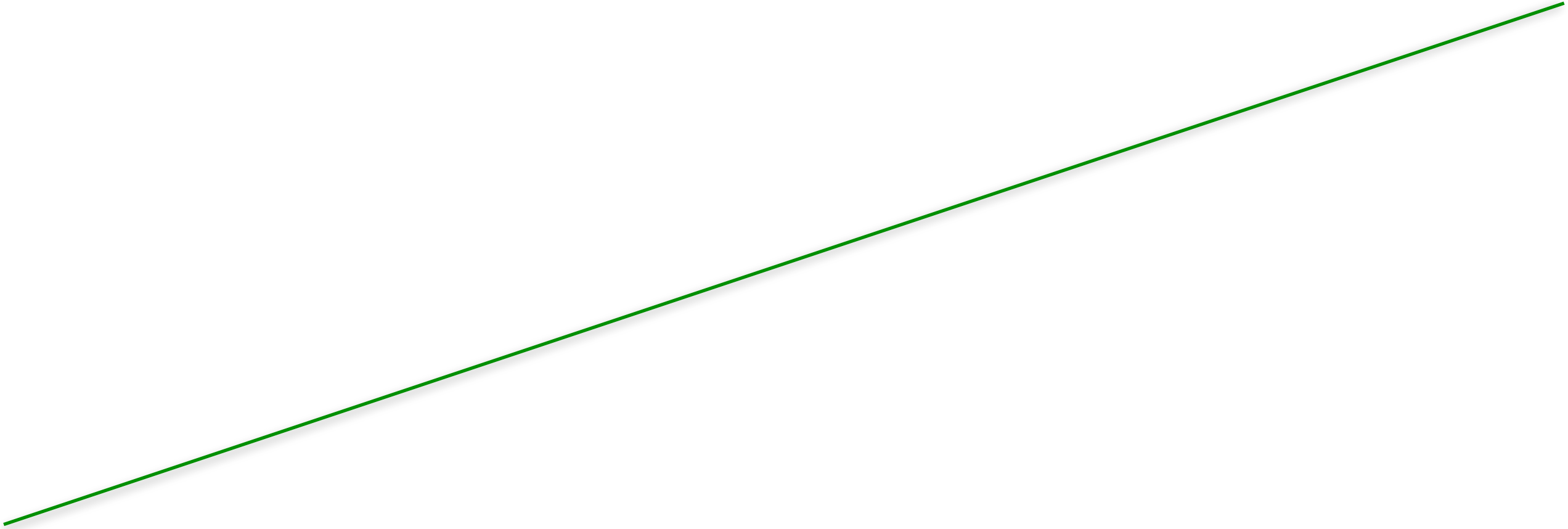
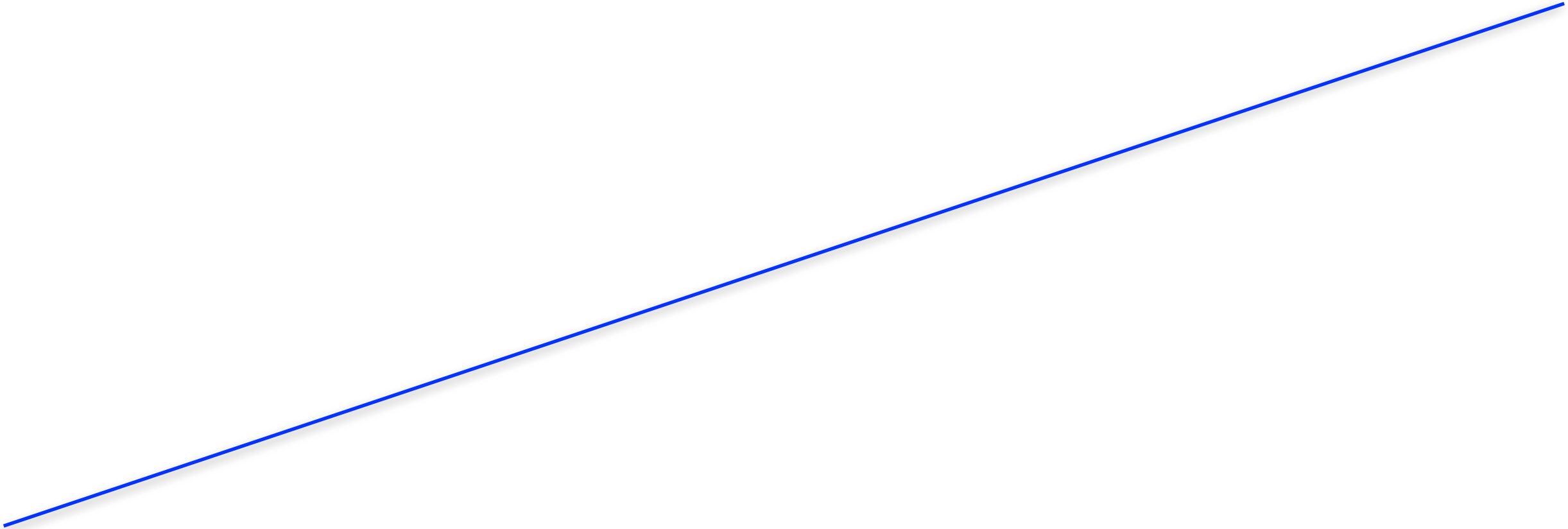
Real Income

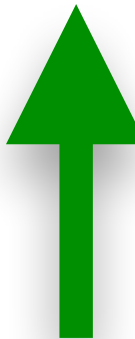
10,000

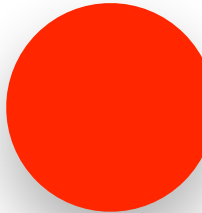
11,000

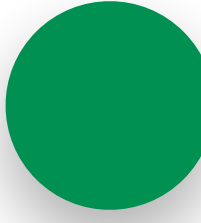








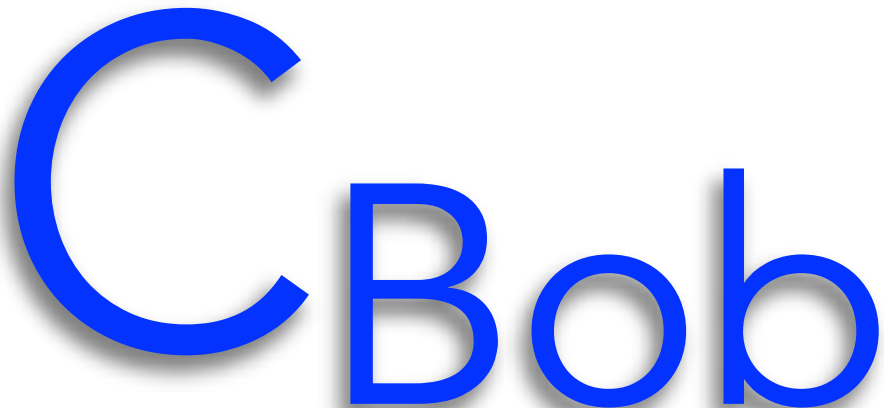





9,000


10,000

11,000


C
Bob

700


700

700


1,000

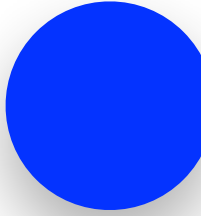

1,000


1,000


70%


70%


70%

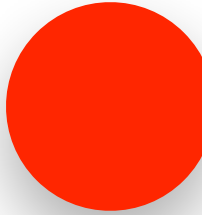


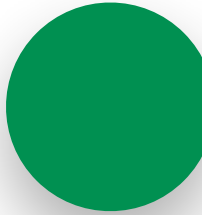
For all three, the MPC = 70%

These three individuals react the same to a $1,000 increase in income


CMary


CClaudia





1,000

(9,000/10,000)*100 = 90%

Claudia spends 90% of the $10,000

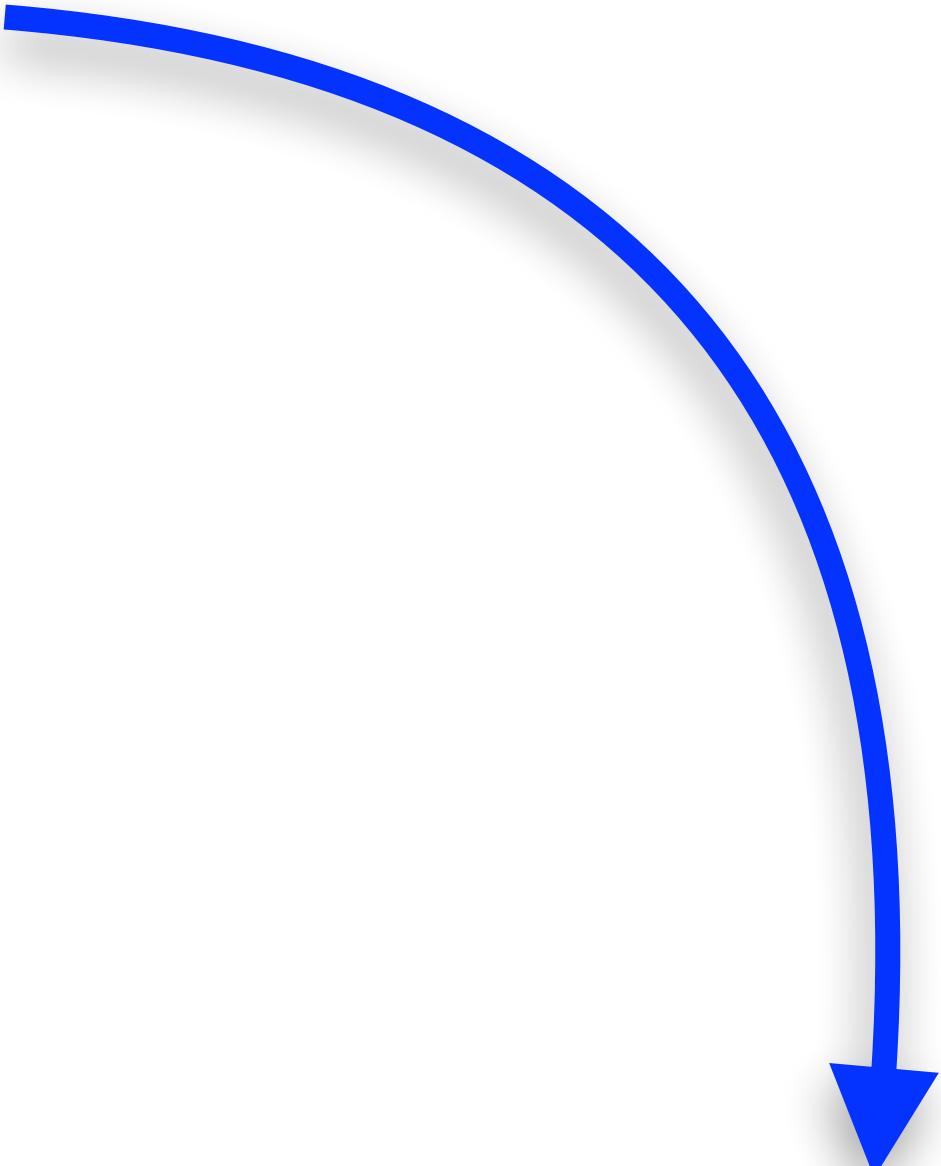
(10,000/10,000)*100 = 100%

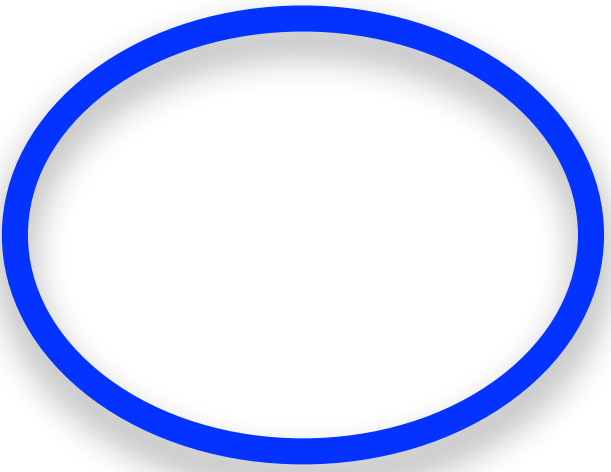
Mary spends 100% of the $10,000

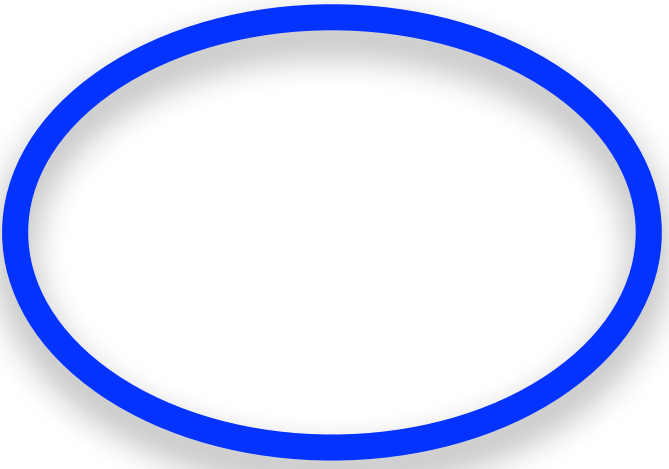
(11,000/10,000)*100 = 110%

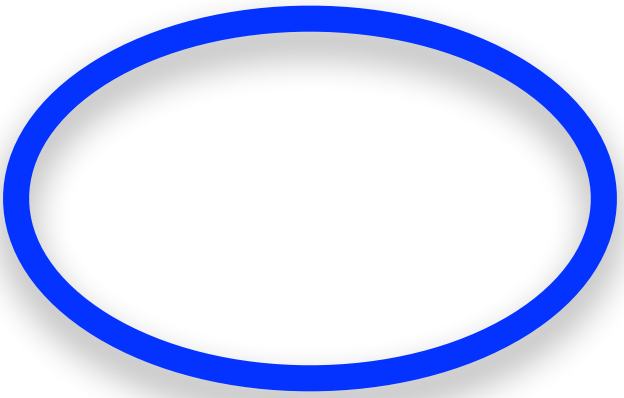
Bob spends 110% of the $10,000

The APC is different for these individuals









The portion of the income spent is called the Average Propensity to Consume:

APC

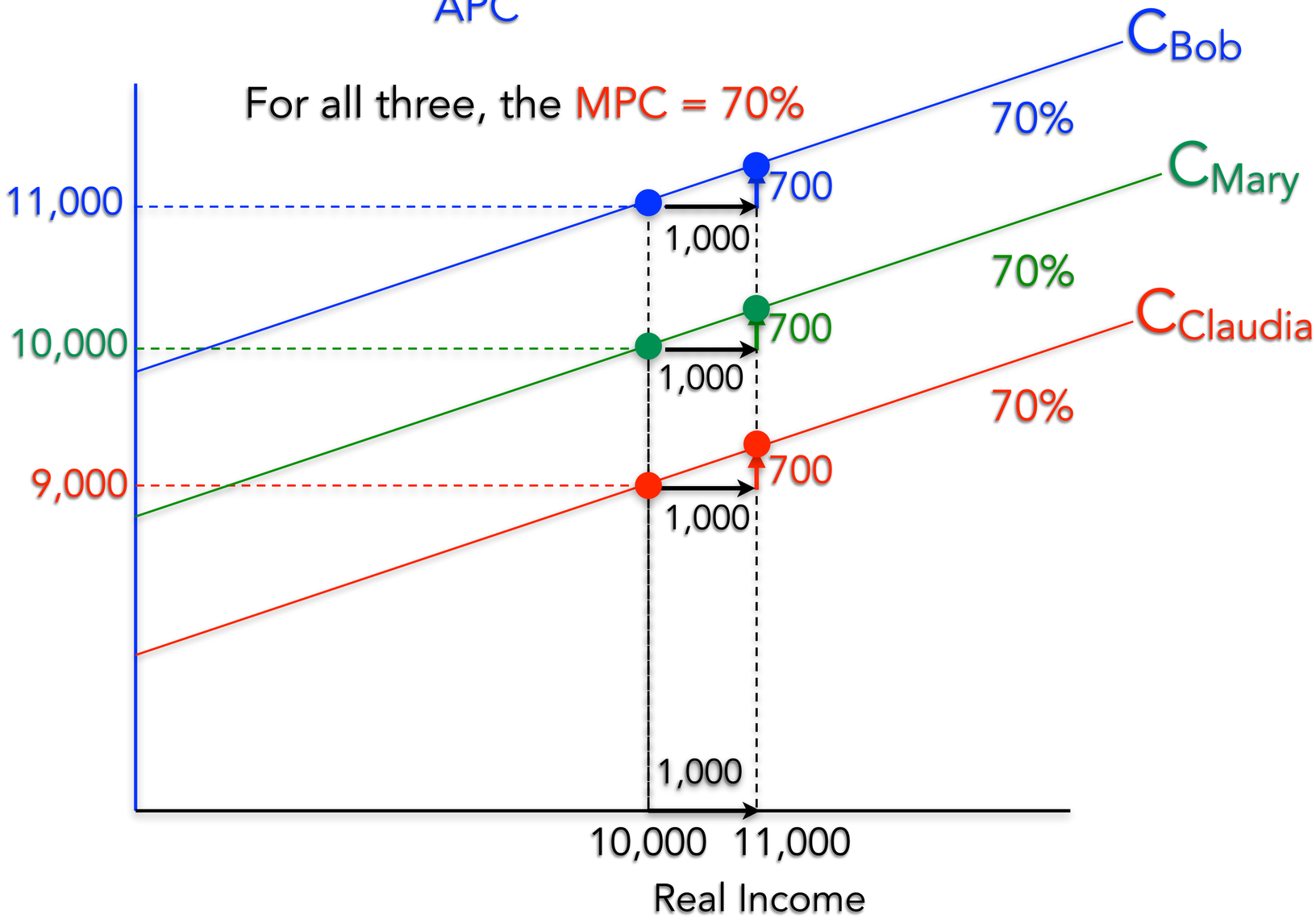
The portion of the income spent is called the Average Propensity to Consume: APC

The APC is different for these individuals

(11,000/10,000)*100 = 110%
Bob spends 110% of the $10,000

(10,000/10,000)*100 = 100%
Mary spends 100% of the $10,000

(9,000/10,000)*100 = 90%
Claudia spends 90% of the $10,000



These three individuals react the same to a $1,000 increase in income