

Real Income: Y

Qeios ID: 3R010S ·
https://doi.org/10.32388/3R010S

Y = 10,000



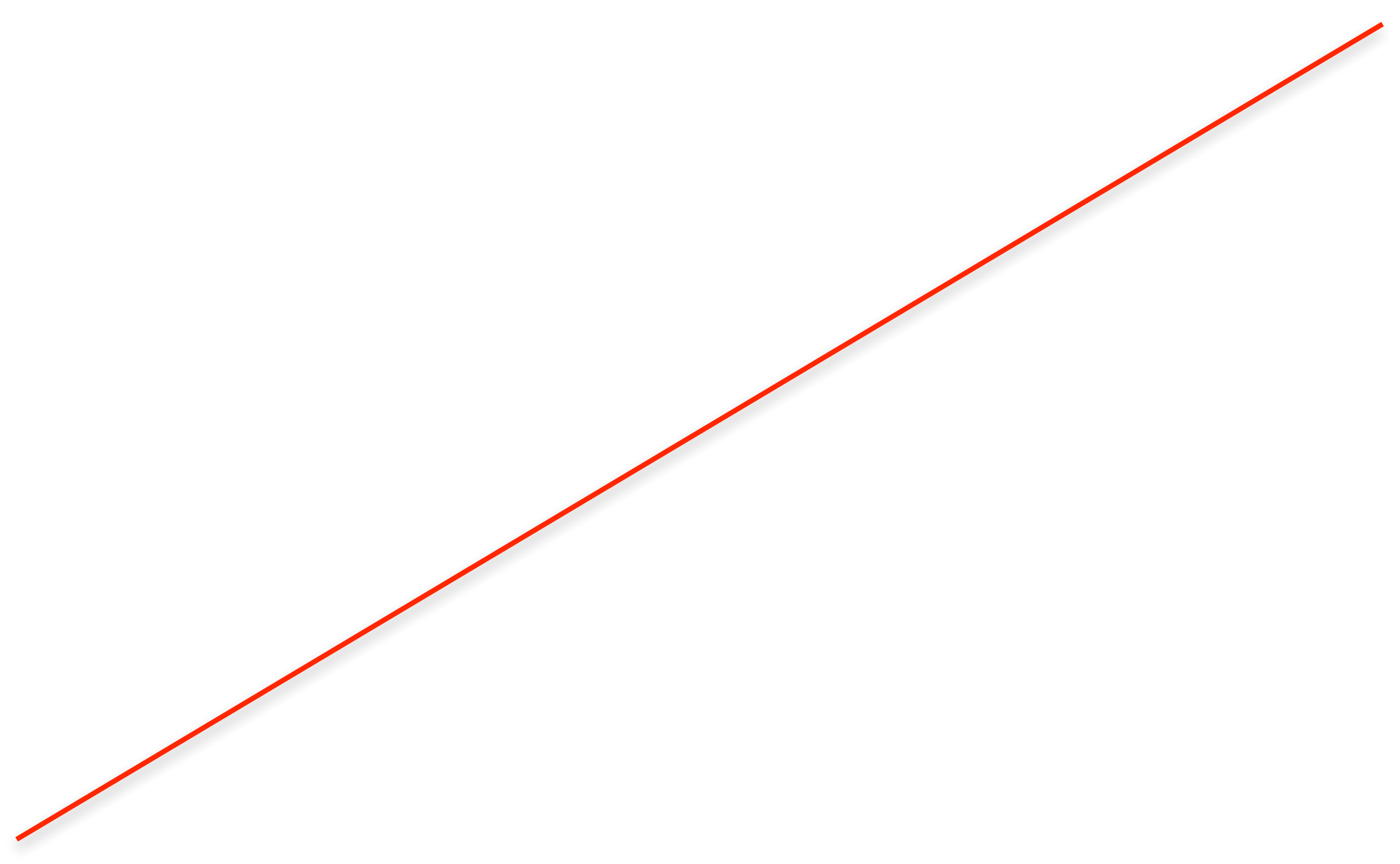


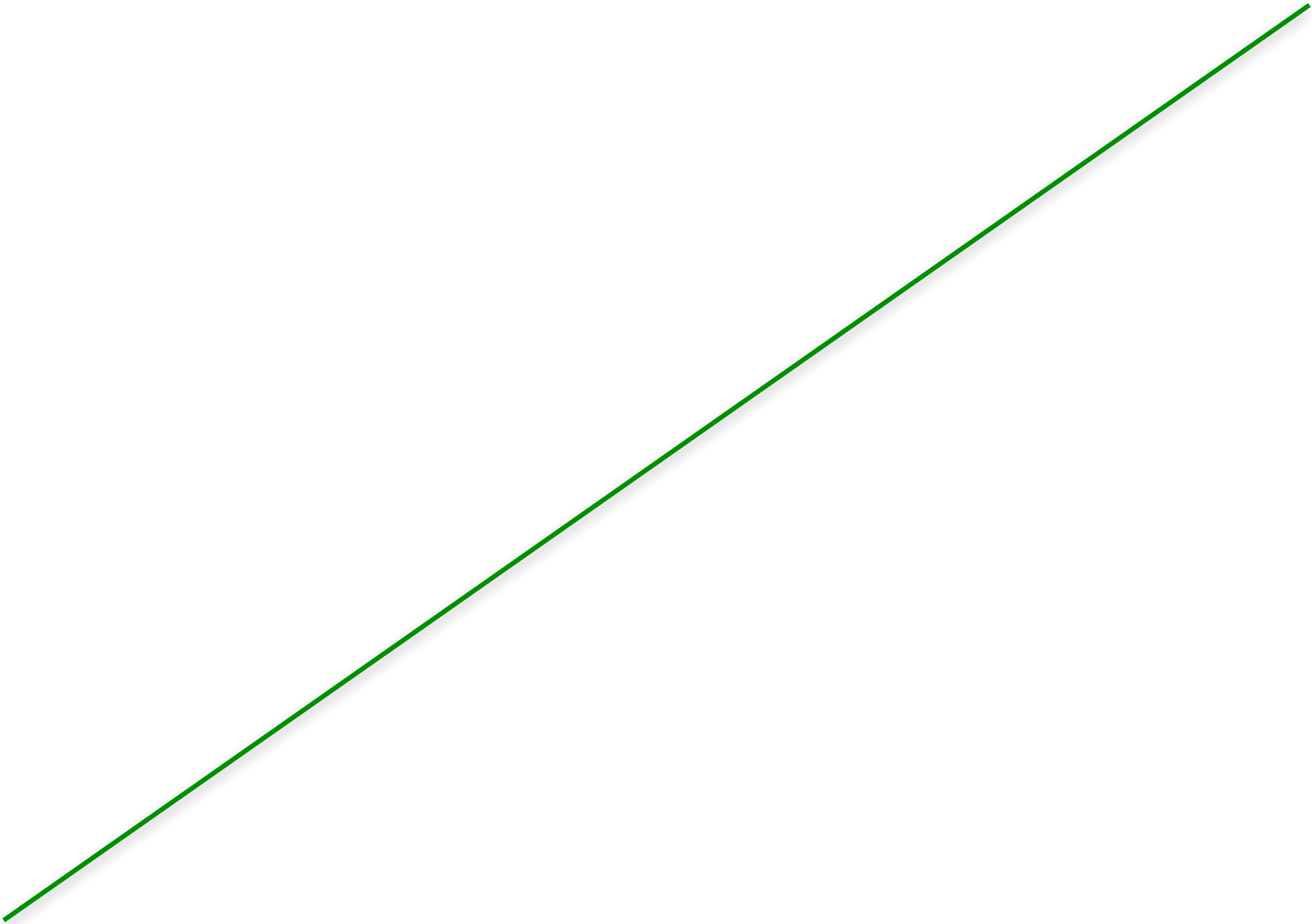


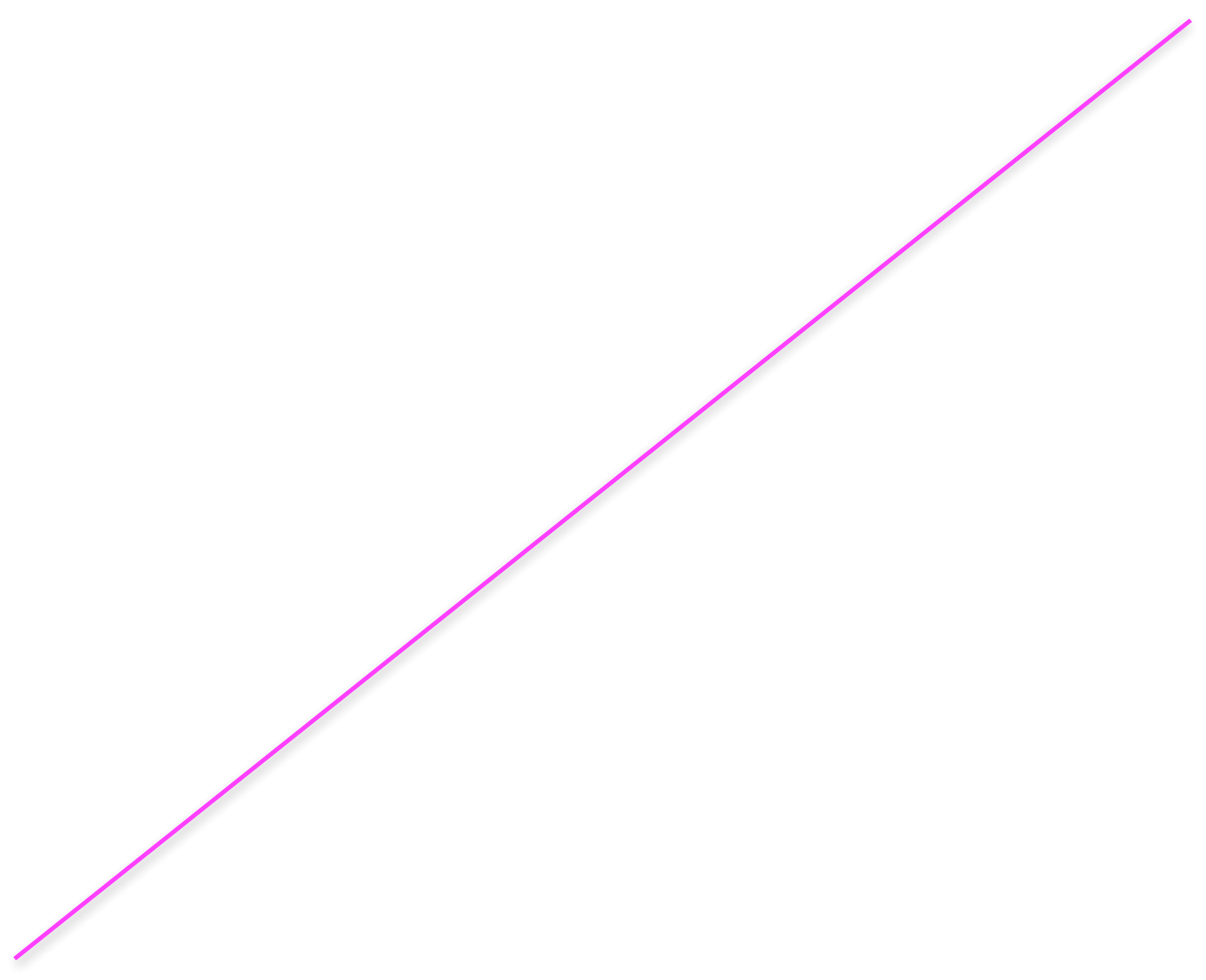




Y = 20,000











8,000

9,000

16,000

Claudia's Consumption

Mary's Consumption

Bob's Consumption



18,000

6,000

7,000

8,000









h

e

e







a



n

C



m



S

p

e

n





S

d







e



e

n







Income increase
by: 10,000









h

e

e







a



n

C



m

e

S

p

e

n





S



a





e

d



h

e

M

a



9



n

a



P





p

n

S





Y







n

S

u

m

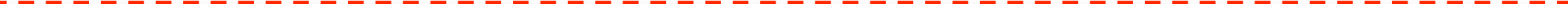
e



M

P





14,000









10,000





MPC = 60%



P



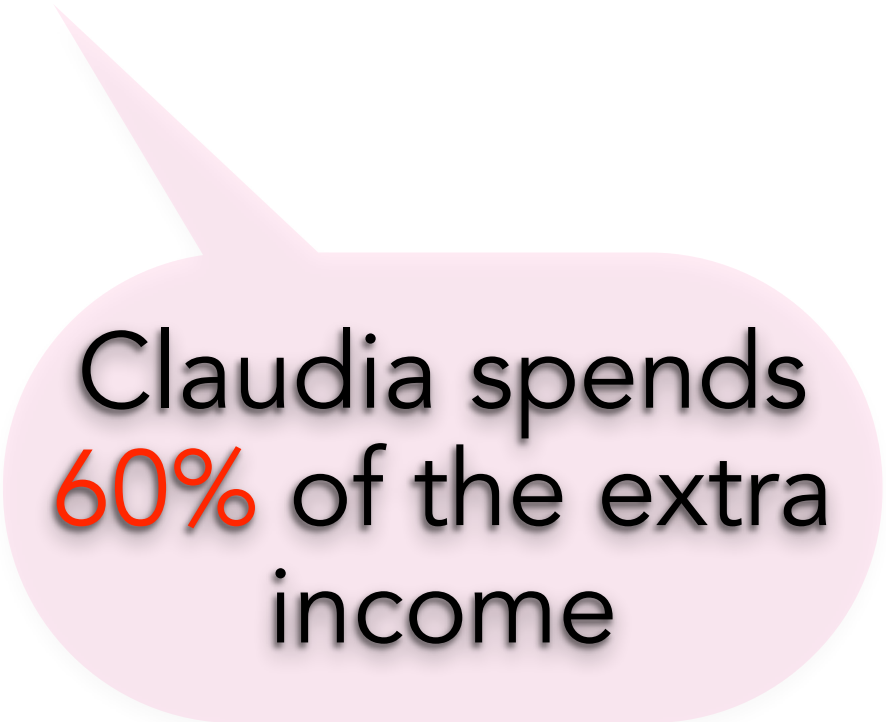




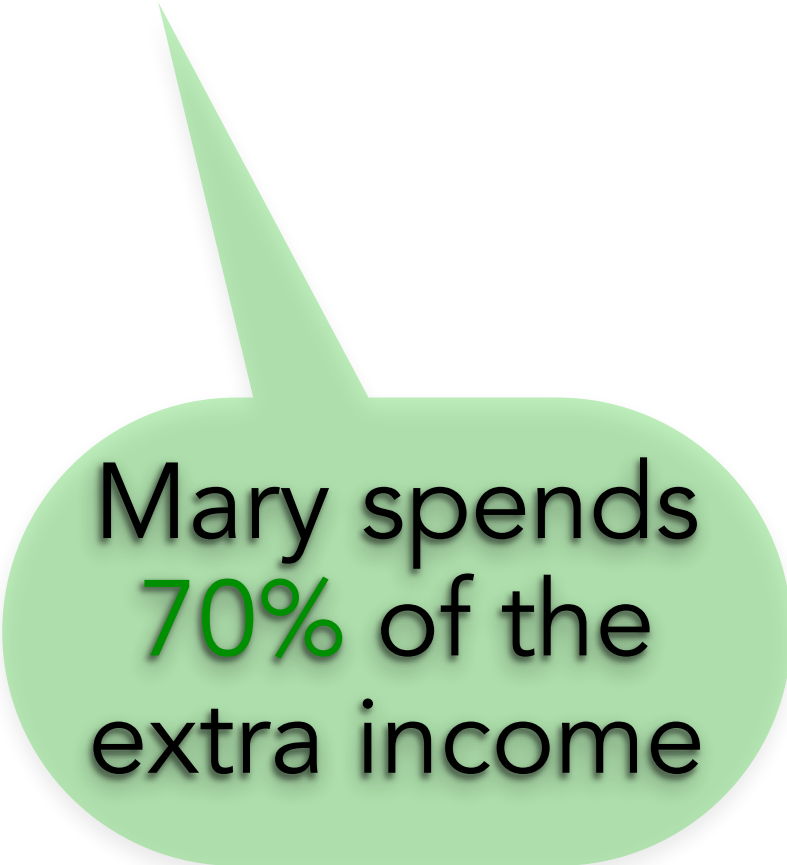




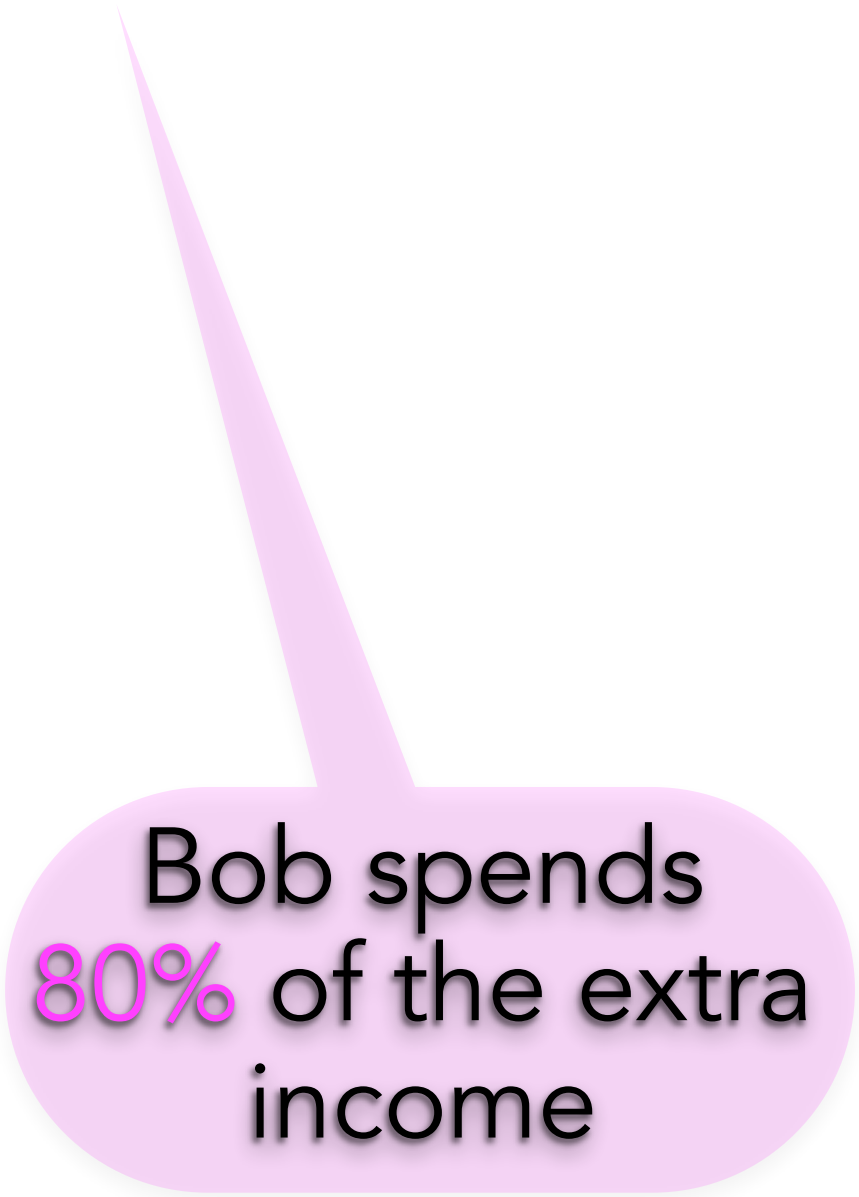
MPC = 80%



Claudia spends
60% of the extra
income



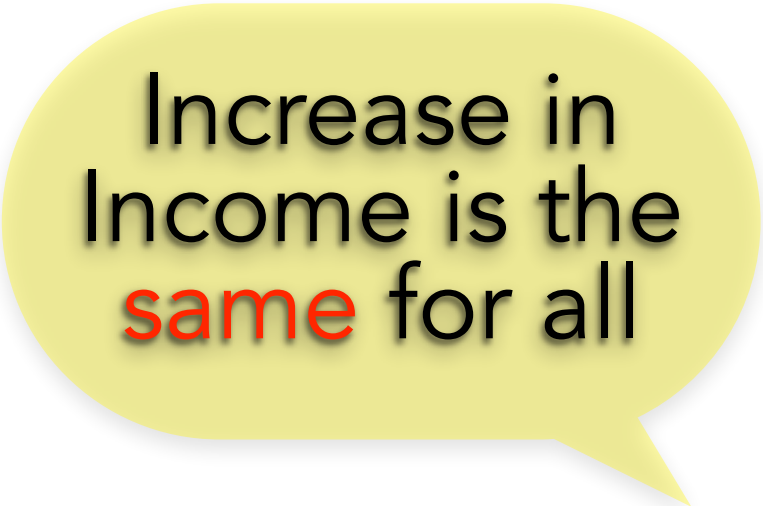
Mary spends
70% of the
extra income



Bob spends
80% of the extra
income







Increase in
Income is the
same for all

Consumers react
differently to changes in
income



Qeios ID: 3R0S0S · <https://doi.org/10.32388/3R0S0S>

MPC =

ΔC



ΔY









h

e

e







a



n





m

e



a



e

d



S

c

a





e

d



h

e

M

a



9



n

a



P





p

e

n

S





Y





S

a



e



M

P

S

$$\text{MPS} = \frac{\Delta S}{\Delta Y}$$

↑ 60%

↑70%




80%



Claudia **saves**
40% of the
extra income



Mary **saves**
30% of the
extra income



Bob **saves**
20% of the
extra income

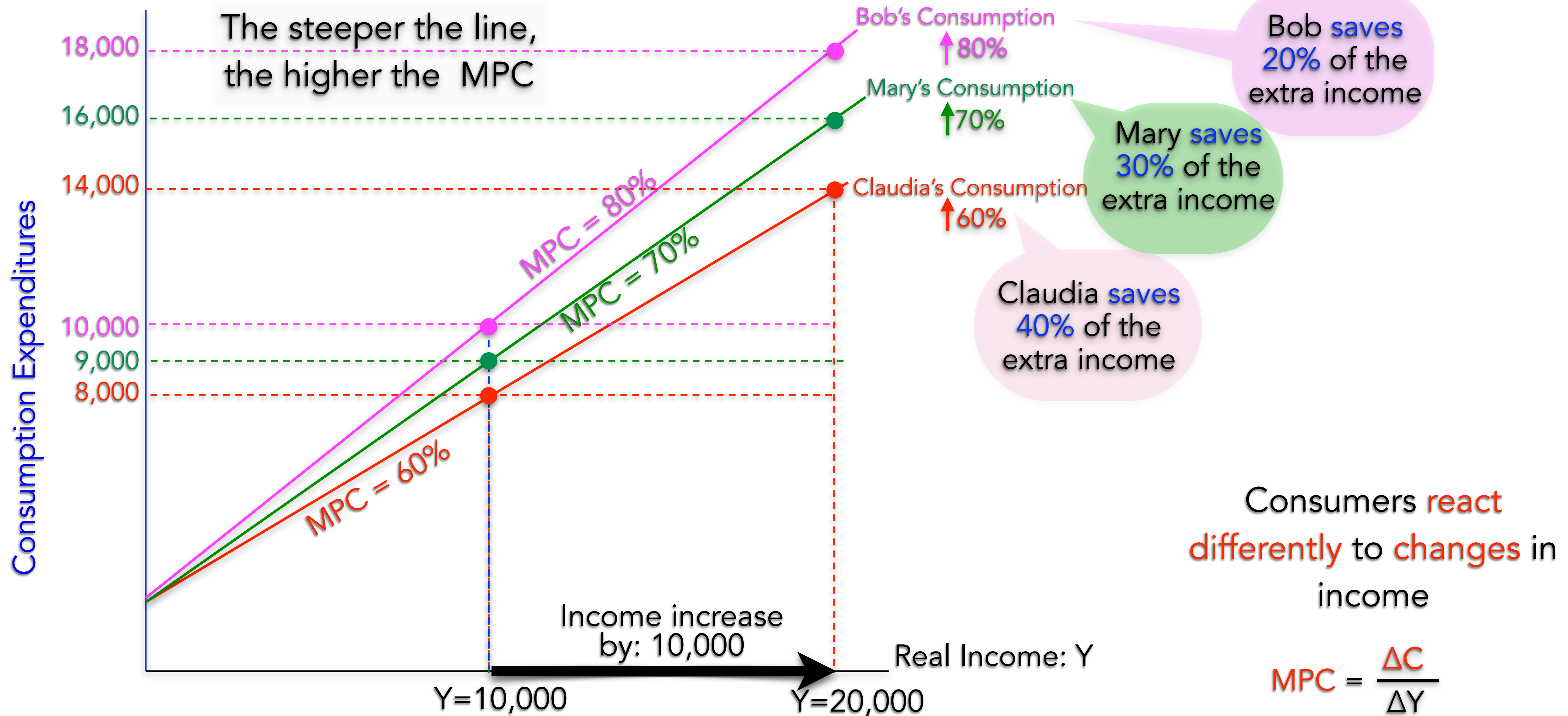
The steeper the line,
the higher the MPC

% of the extra income spent is different

% of the extra income **spent** is called the **M**arginal **P**ropensity to **C**onsume: **MPC**

MPC = 70%

% of the extra income **saved** is called the **M**arginal **P**ropensity to **S**ave: **MPS**



% of the extra income **spent** is called the **M**arginal **P**ropensity to **C**onsume: **MPC**
 % of the extra income **saved** is called the **M**arginal **P**ropensity to **S**ave: **MPS**

What determines **consumer** spending?