



Real Income:  $Y$

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

**Y = 10,000**





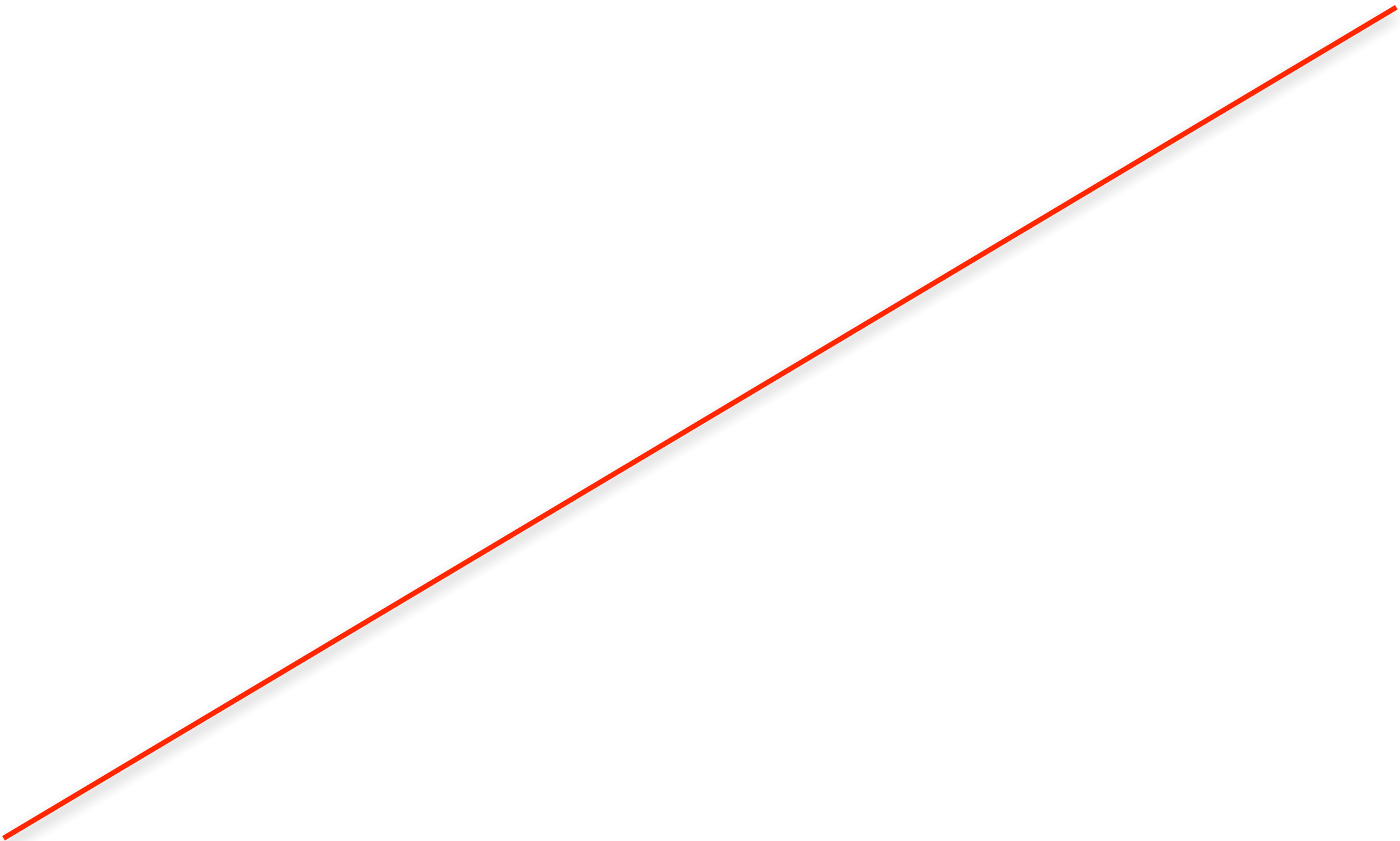


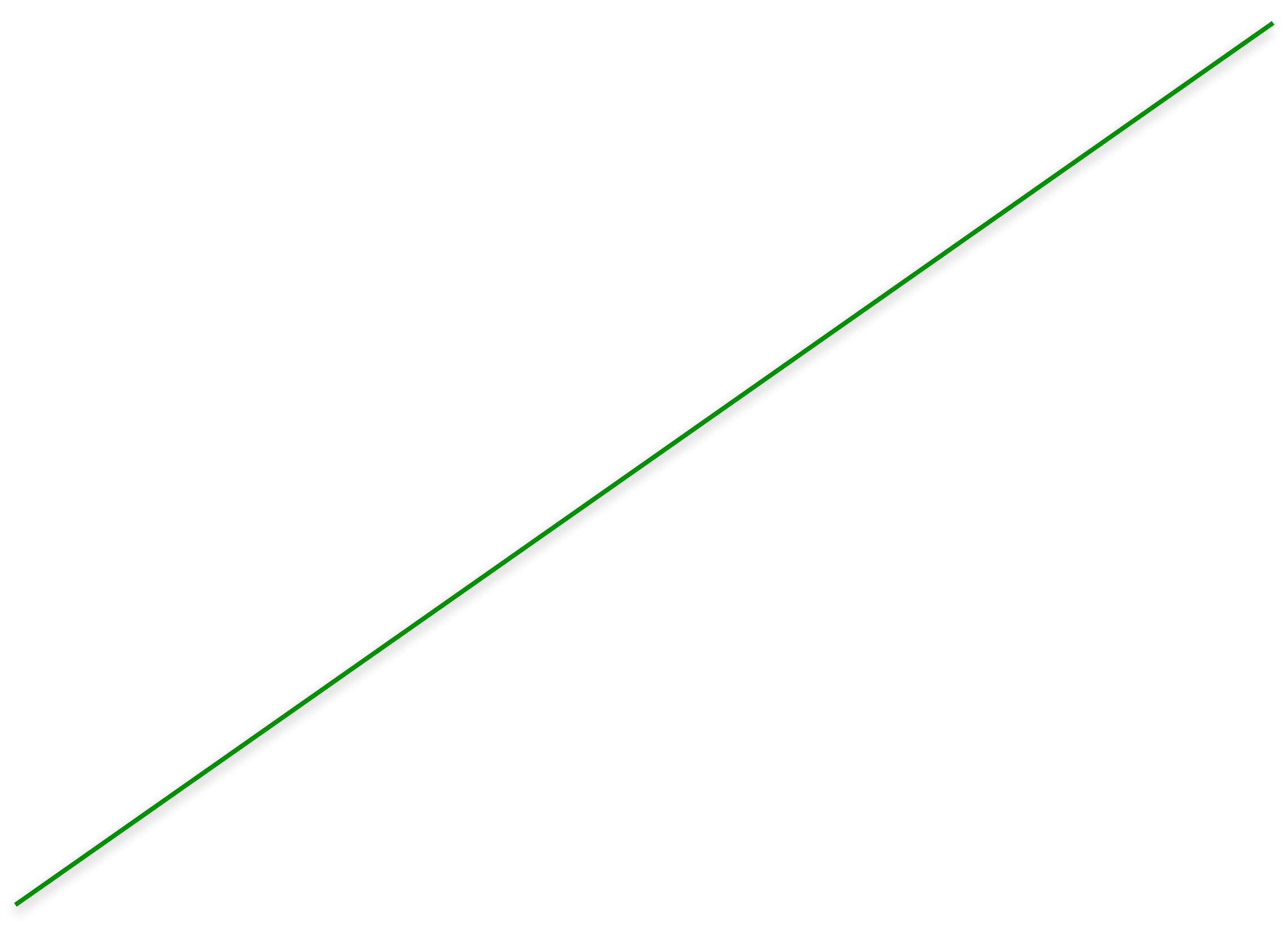


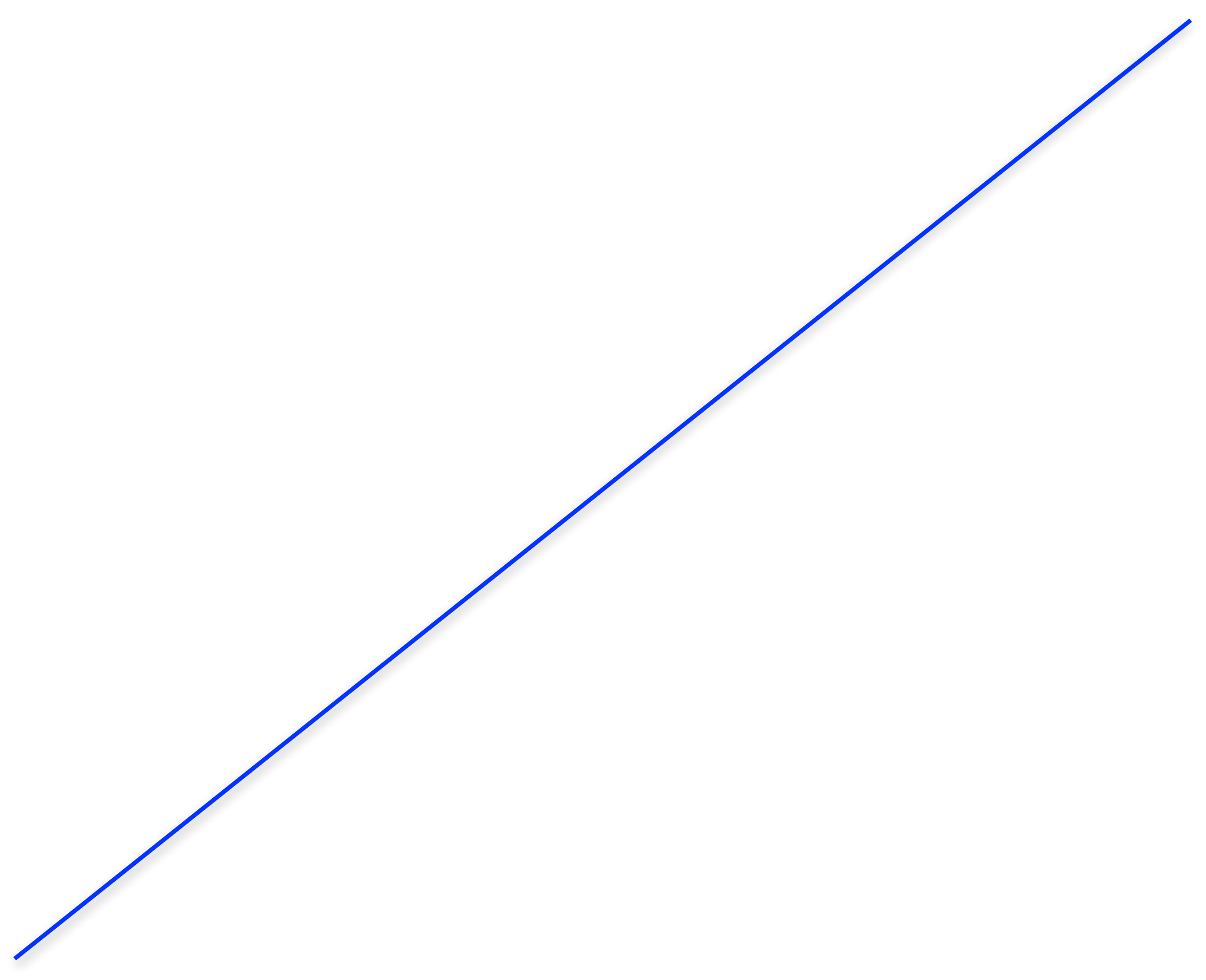




**Y = 20,000**













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

e

**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**









C

a





e

d





h

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g



n



a



P





**p**

**n**

**S**







**Y**





n

**S**

u



m

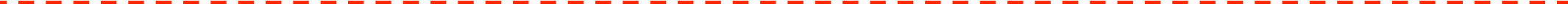
e



M

P





14,000











10,000





60%



70%

80%

MPC = 60%











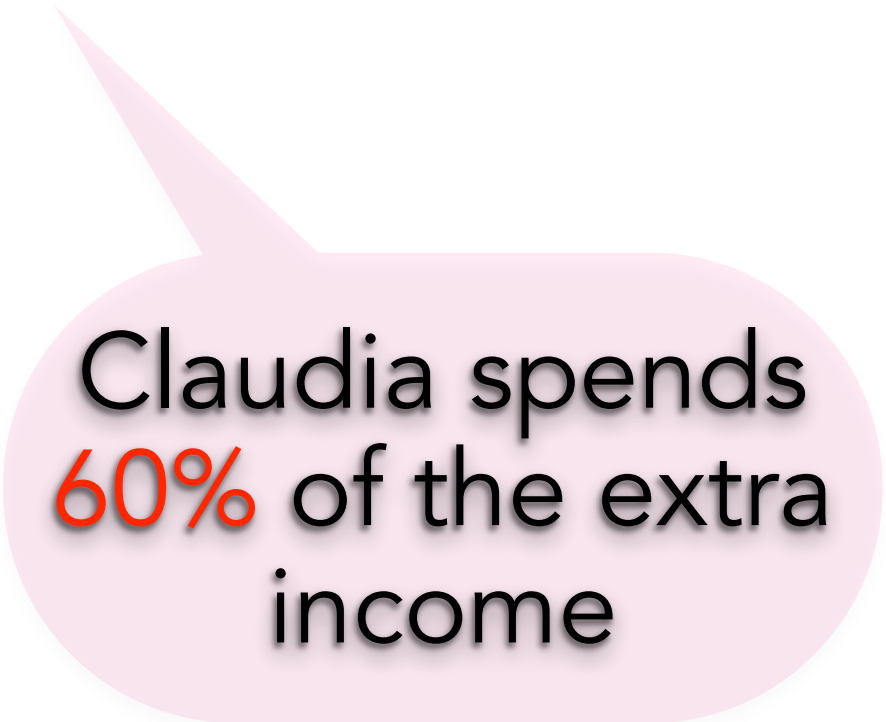




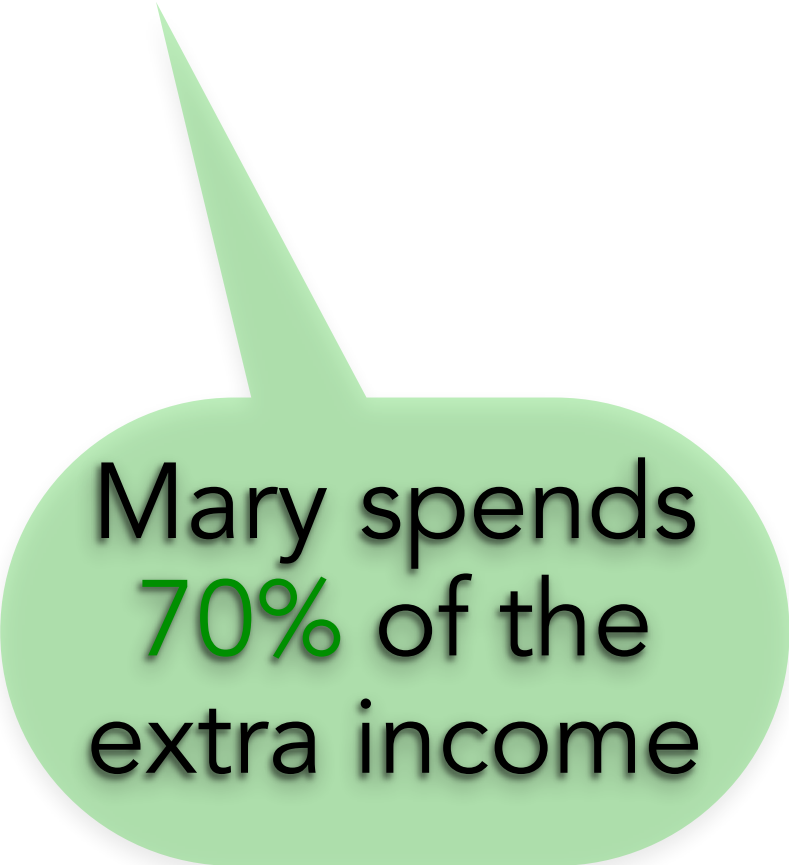





MPC = 80%



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 when their  
income increase



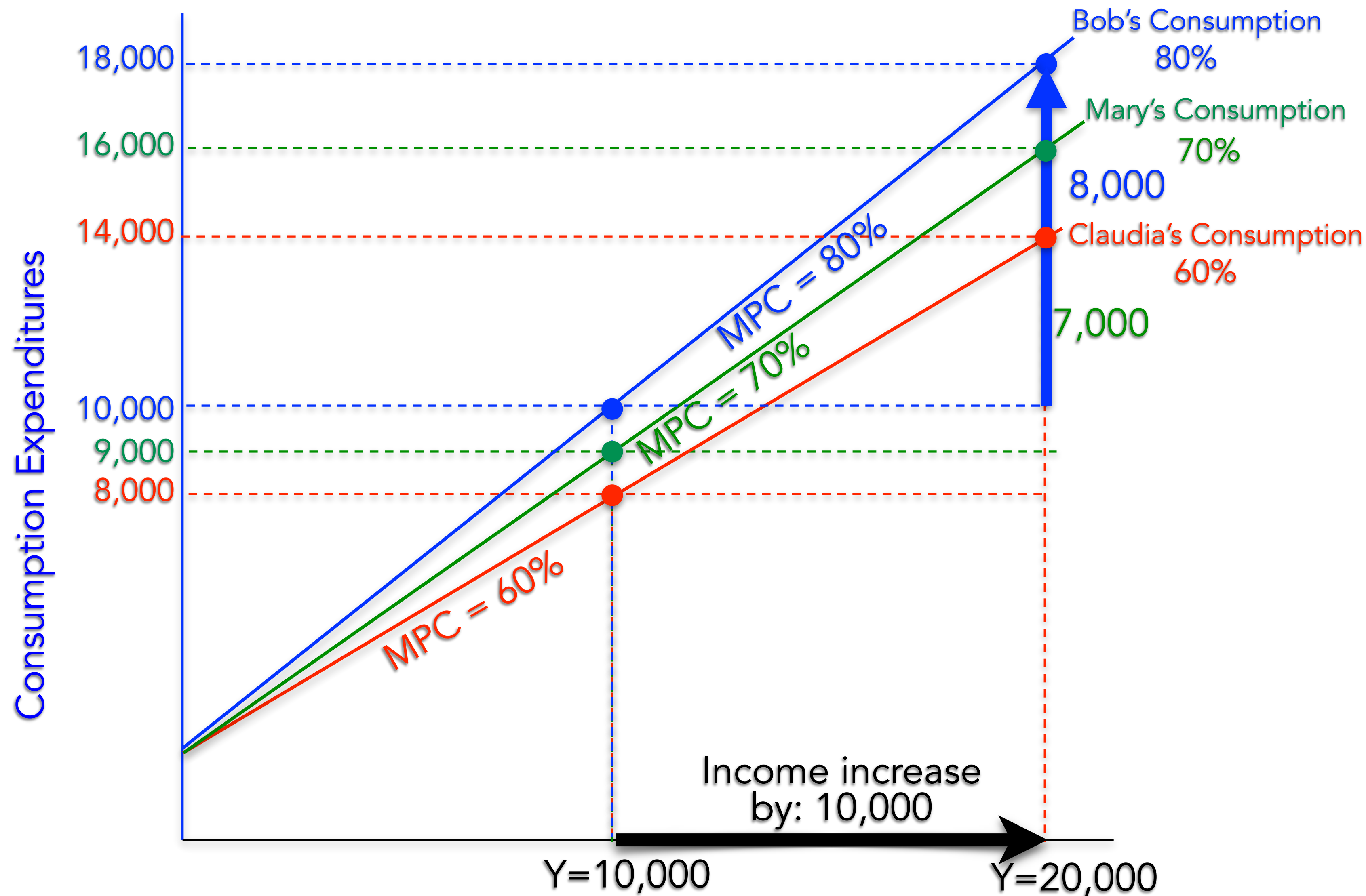
Qeios ID: 2R0S05 · <https://doi.org/10.32388/2R0S05>

% of the extra income spent is different

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

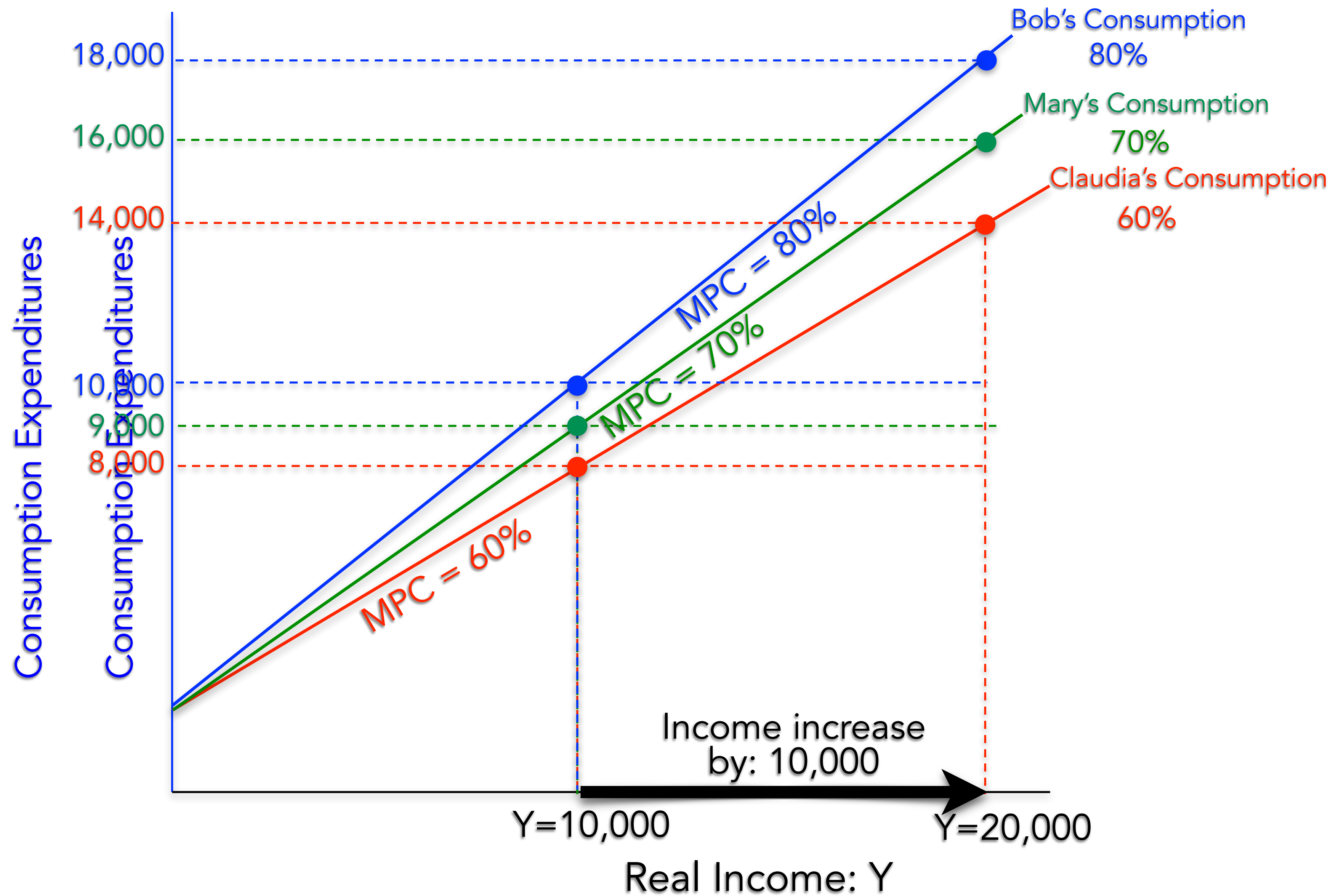
MPC = 70%





Consumers react **differently** when their income increase

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



Consumers react **differently** when their income increase

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