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| **AP Macroeconomics**Mrs. ShackettThe Multiplier | Name  |

1. Complete the following table.

**Average Propensities to Consume and to Save**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Disposable income | Consumption | Saving | APC | APS |
| $0 | $2,000 | -$2,000 | - | - |
| $2,000 | $3,600 | -$1,600 | 1.8 | -0.8 |
| $4,000 | $5,200 | -$1,200 |  |  |
| $6,000 | $6,800 | -$800 |  |  |
| $8,000 | $8,400 | -$400 |  |  |
| $10,000 | $10,000 | $0 |  |  |
| $12,000 | $11,600 | $400 |  |  |

1. Now do this one.

**Marginal Propensities to Consume and Save**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Disposable income | Consumption | Saving | MPC | MPS |
| $12,000 | $12,100 | $100 | - | - |
| $13,000 | $13,000 | $0 | 0.90 | 0.10 |
| $14,000 | $13,800 | $200 |  |  |
| $15,000 | $14,500 | $500 |  |  |
| $16,000 | $15,100 | $900 |  |  |
| $17,000 | $15,600 | $1,400 |  |  |

1. Explain why the sum of MPC and MPS must always equal 1.
2. Would the multiplier be larger or smaller if you saved more of your additional income?
3. What do you think would happen if all residents of a country saved all of the change in their incomes?
4. What would happen if you spent *all* of the change in your income?
5. What is the value of the tax multiplier if the MPC is 0.80?
6. What is the value of the spending multiplier if the MPC is 0.67?
7. What is the tax multiplier if the MPS is 0.25?