

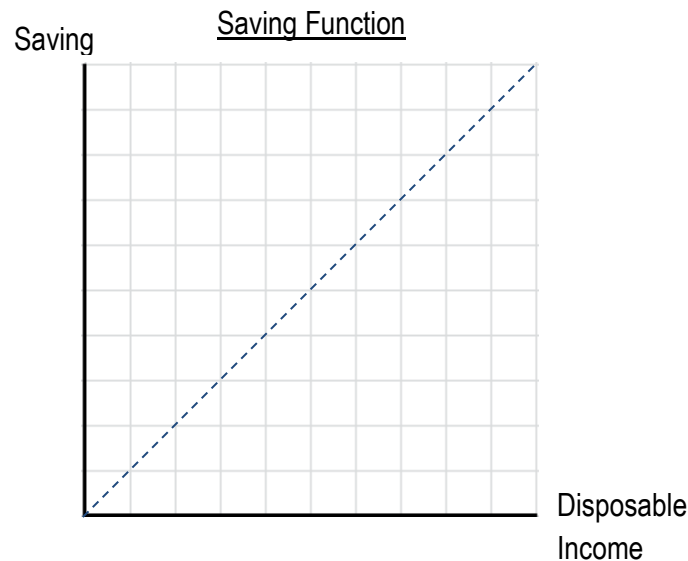
CONCEPT: THE SAVING SCHEDULE

- The **saving function** relates the amount of *household savings* to the level of _____ income
 - The savings function is also referred to as the **saving schedule**
 - **Disposable Income** is the amount of income left after paying taxes
 - > Disposable income is either used for _____ or _____

$$\text{Disposable Income} = \text{National Income} - \text{Net Taxes}$$

POP QUIZ: You work in a candy factory that has been making tons of sweet, sweet profit. For all your hard work and dedication, you receive a bonus of \$10,000 and an annual raise of 20% of your current salary. Due to this:

- You are likely to increase your total savings
- You are likely to decrease your total savings
- Your total savings will stay the same



- **Marginal Propensity to Save (MPS)** – the amount that household saving changes when disposable income changes
 - MPS is the _____ of the saving function

$$MPS = \frac{\Delta \text{Savings}}{\Delta \text{Disposable Income}}$$

- **Marginal Propensity to Consume (MPC)** – the amount that consumption changes when disposable income changes

$$MPC = \frac{\Delta \text{Consumption}}{\Delta \text{Disposable Income}}$$