[Summary]

Aggregate Supply and Aggregate Demand Model - II

Subject:	Business Economics
Course:	B. A. (Hons.), 3rd Semester, Undergraduate
Paper No. & Title:	Paper – 301 Macroeconomics - I
Unit No. & Title:	Unit – 3 Aggregate Supply and Aggregate Demand Model
Lecture No. & Title:	Lecture – 2 Aggregate Supply and Aggregate Demand Model - II

Summary

At the end, friends to summarize it's time for a quick revision. Today's session covered an important concept of **1) Consumption function**: It is a linear function which is dependent on income. i.e. as income increases consumption increases but less proportionately. We also learnt about psychological law of consumption

1) As income increases consumption expenditure increases but less proportionately.

2) Income is always bifurcated into spending and savings

3) Increase in income will increase the savings. Lastly we also learnt about APC and MPC. It is important to note that APC and MPC both lie between 0 and 1. Hope this session was enlightening.