Answer on Question #77056, Economics / Macroeconomics:

Question: Tell me how to calculate mpc and mps

Solution: With the disposable income, people do two things – consume it or save it. Marginal propensity to consume (MPC) and Marginal propensity to save (MPS) have to do with how much money is saved or spent per one additional dollar of disposable income.

Marginal propensity to save (MPS) is calculated as:-

MPS = Change in Savings / Change in Disposable Income

MPS = ΔS/ΔDI **[**where **ΔS** is Change in Savings and **ΔDI** is Change in Disposable income]

Marginal propensity to consume (MPC) is calculated as:-

MPC = Change in Consumption/ Change in Disposable Income

MPC = ΔC/ΔDI **[**where **ΔC** is Change in consumption and **ΔDI** is Change in Disposable income]

Also, Relation between MPC and MPS is given by :-

MPC + MPS = 1

From above relations between MPC and MPS can be calculated if income, savings/ consumption is known.