

$q$ : quantity produce

$tc$ : total cost of production

Cost function:  $tc = c(q_1)$

$$c(q_1) = 5 + q_1 + \frac{1}{2}q_1^2$$

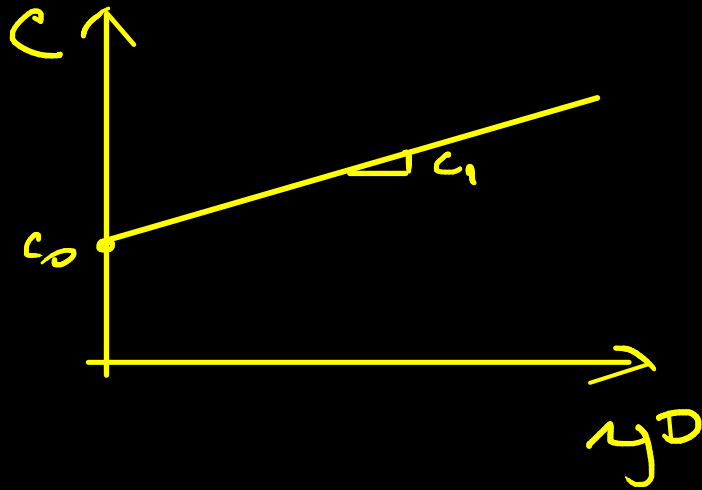
Marginal cost function:  $mc(q_1) = c'(q_1)$

Keynesian consumption function:

$$C = c_0 + c_1 Y^D$$

$$c_0 > 0$$

$$c_1 \in (0, 1)$$



$c_1$  : marginal propensity  
to consume

$$MPC \equiv \frac{dC}{dY^D} = c_1$$