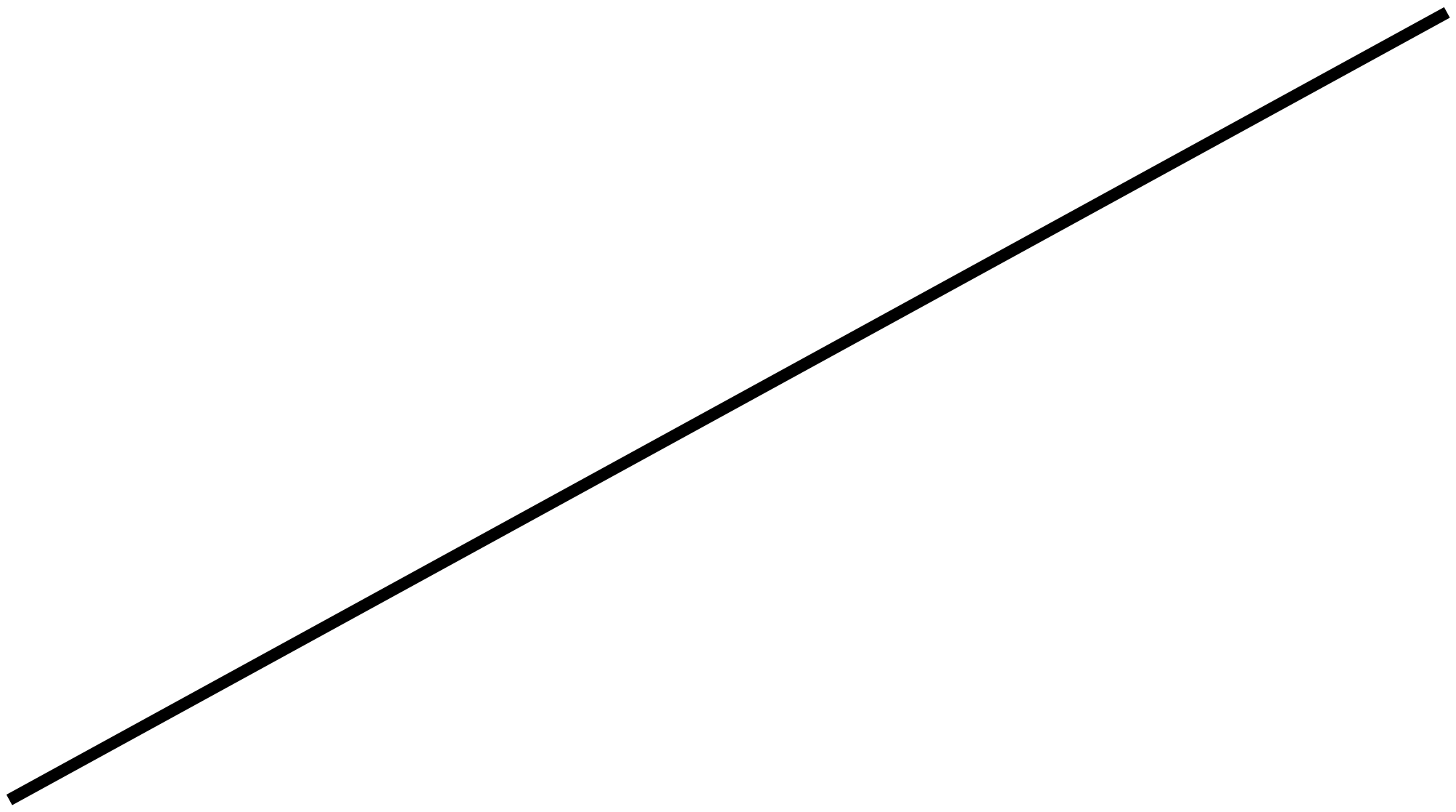
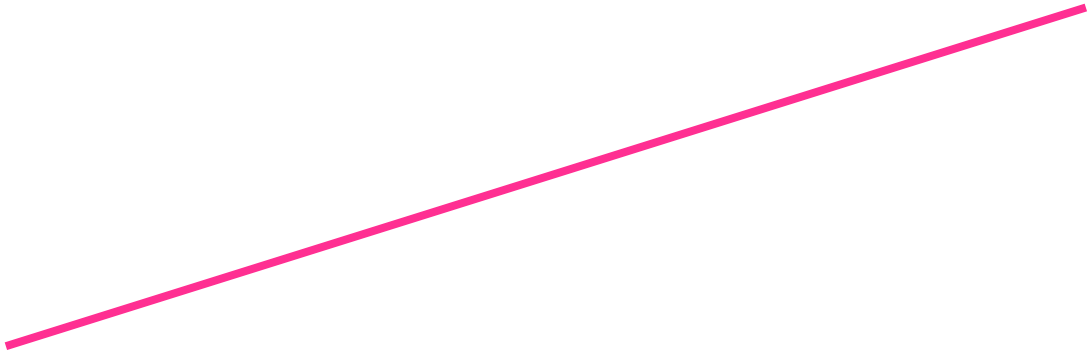
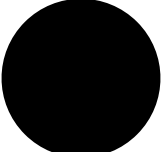


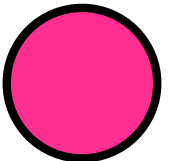


- A

A



$$C = A + MPC\ Y$$



With Government

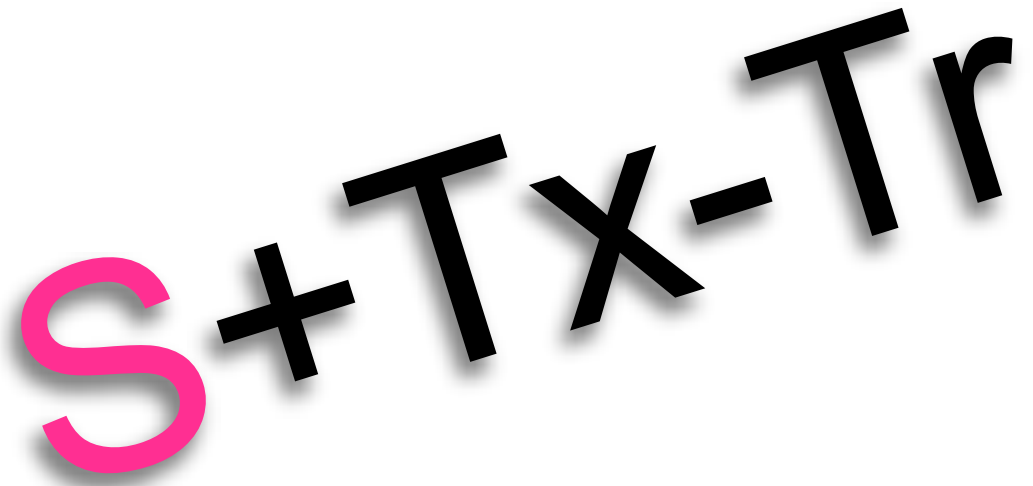
$$A = a - bTx + bTr$$

$$S+Tx-Tr = -A+(1-MPC)Y$$

Same intercept but negative

1 - MPC

= MPS

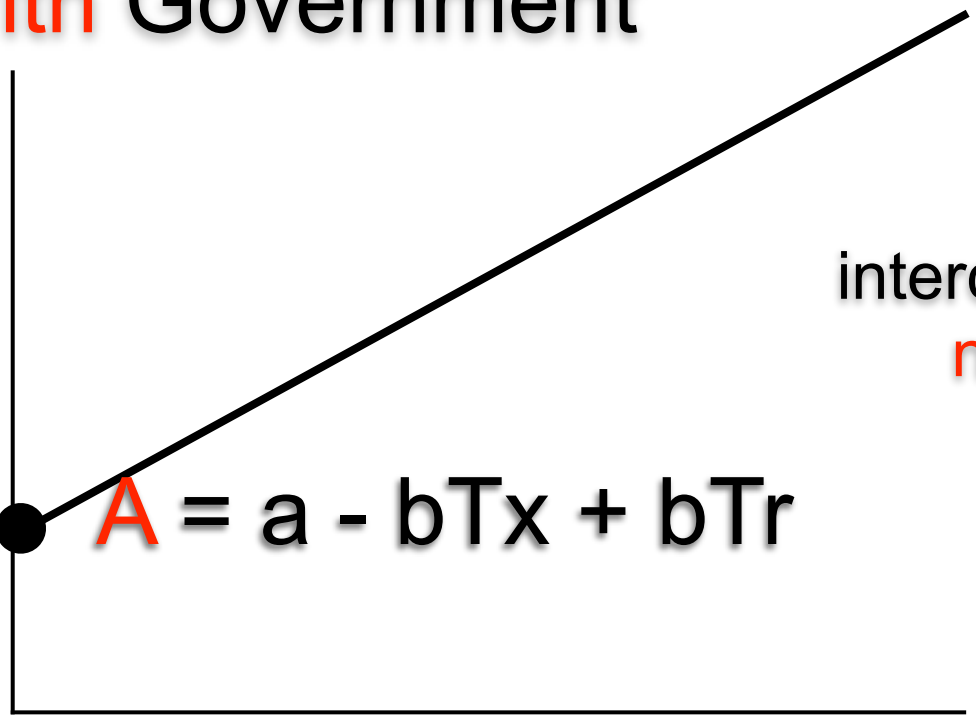

S+Tx-Tr

Intercept changes with changes in wealth, expectations, the CPI, Taxes and Transfers

S+Tx-Tr line shifts with changes in
wealth, expectations, the CPI, Taxes
and Transfers

With Government

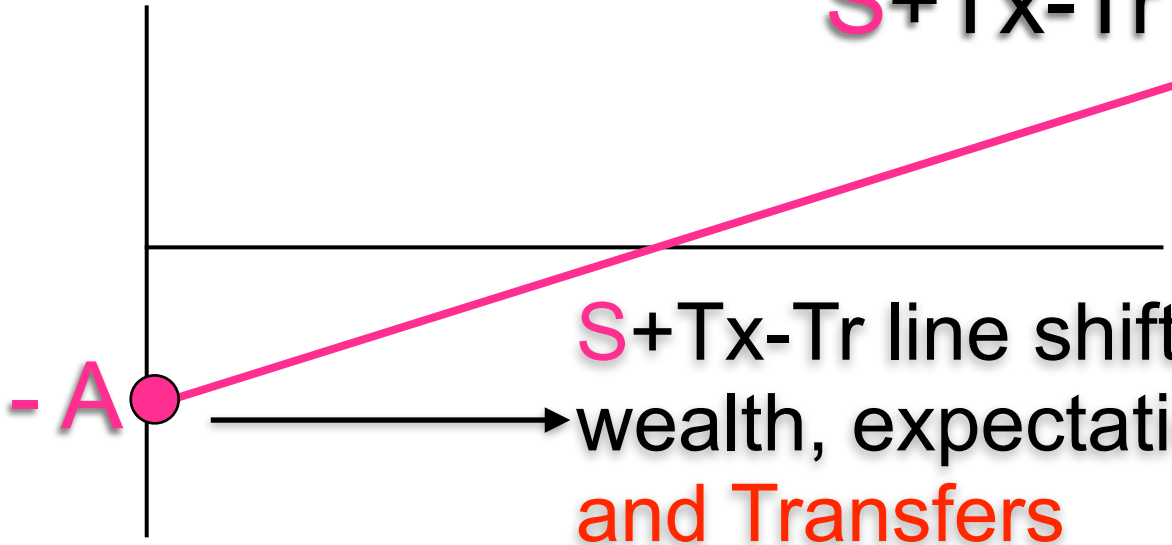
$C = A + MPC\ Y$



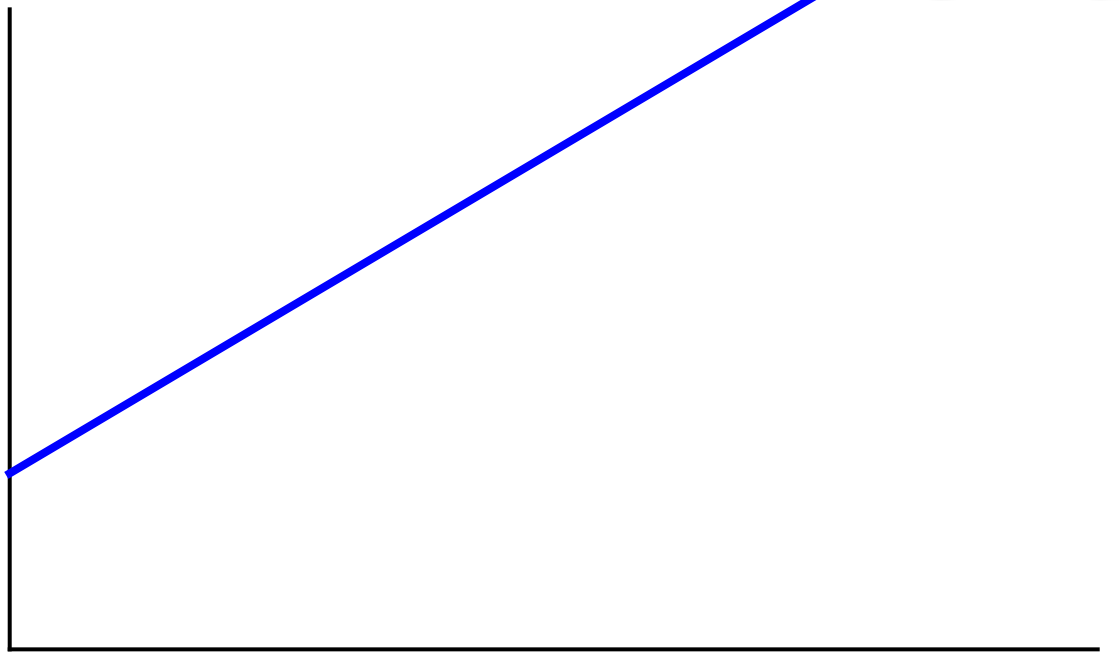
Same intercept but negative

1 - **MPC** = **MPS**

$S+Tx-Tr = -A +(1- MPC)Y$



S+Tx-Tr line shifts with changes in wealth, expectations, the CPI, Taxes and Transfers

Without Government

$C = a + MPC\ Y$