



$$S + Tx - Tr = Y - (A + bY)$$

Intercept



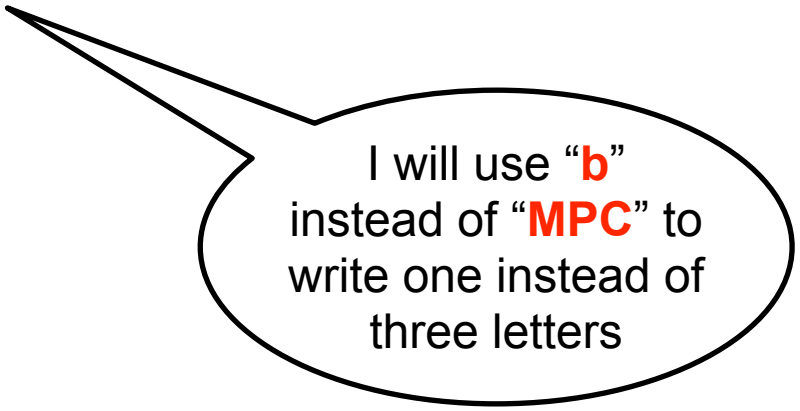
Slope

C




S + Tax = Y - C

C = A + NRCY



I will use “**b**”
instead of “**MPC**” to
write one instead of
three letters

$$Y - TX + Tr = C + S$$



Disposable
Income is used for
Consumption and
Saving

S + Tx - Tr = Y - A - bY

$$S + Tx - Tr = -A + Y - bY$$

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

Same
intercept but
negative






$$1 - \text{MPC} = \text{MPS}$$

With Government

With Government

$$C = A + MPCY$$

Same
intercept but
negative

$$1 - MPC = MPS$$

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

Intercept

Slope

With Government

$$C = A + MPC Y$$

