

3

1

Once we have the Consumption Function...

W





a



W













e

S

a







e

S



u









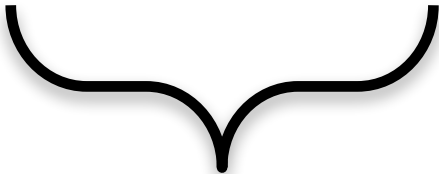




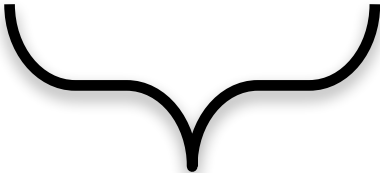


C = 500 + 0.75Y

\$ = 500 + 0.25Y



Intercept



Slope

Same
intercept but
negative




$$1 - 0.75 = 0.25$$

We can write the Savings Function...

Once we have the Consumption Function...

$$C = 500 + 0.75Y$$

Same
intercept but
negative

$$1 - 0.75 = 0.25$$

$$S = \underbrace{-500}_{\text{Intercept}} + \underbrace{0.25}_{\text{Slope}}Y$$

We can write the Savings Function...

