

C = A + MPCY

With Government

$$A = a - \text{MPC}_T \times + \text{MPC}_T r$$

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

































Income

Consumption







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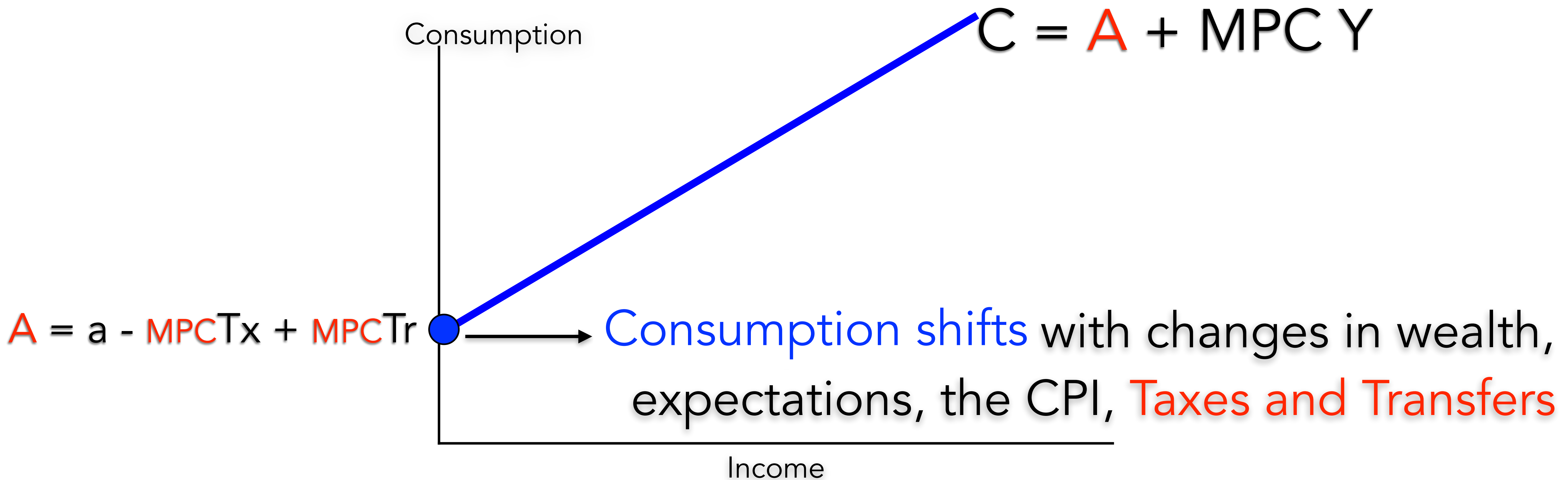
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Consumption shifts

Consumption **increase** (shift up) with optimistic expectations, when wealth increase, the CPI drops, **Taxes drop or Transfers increase**

With Government



Consumption **increase** (shift up) with optimistic expectations, when wealth increase, the CPI drops, Taxes drop or Transfers increase

Consumption **decrease** (shift down) with pessimistic expectations, when wealth decrease, the CPI rise, Taxes rise or Transfers decrease

With Government