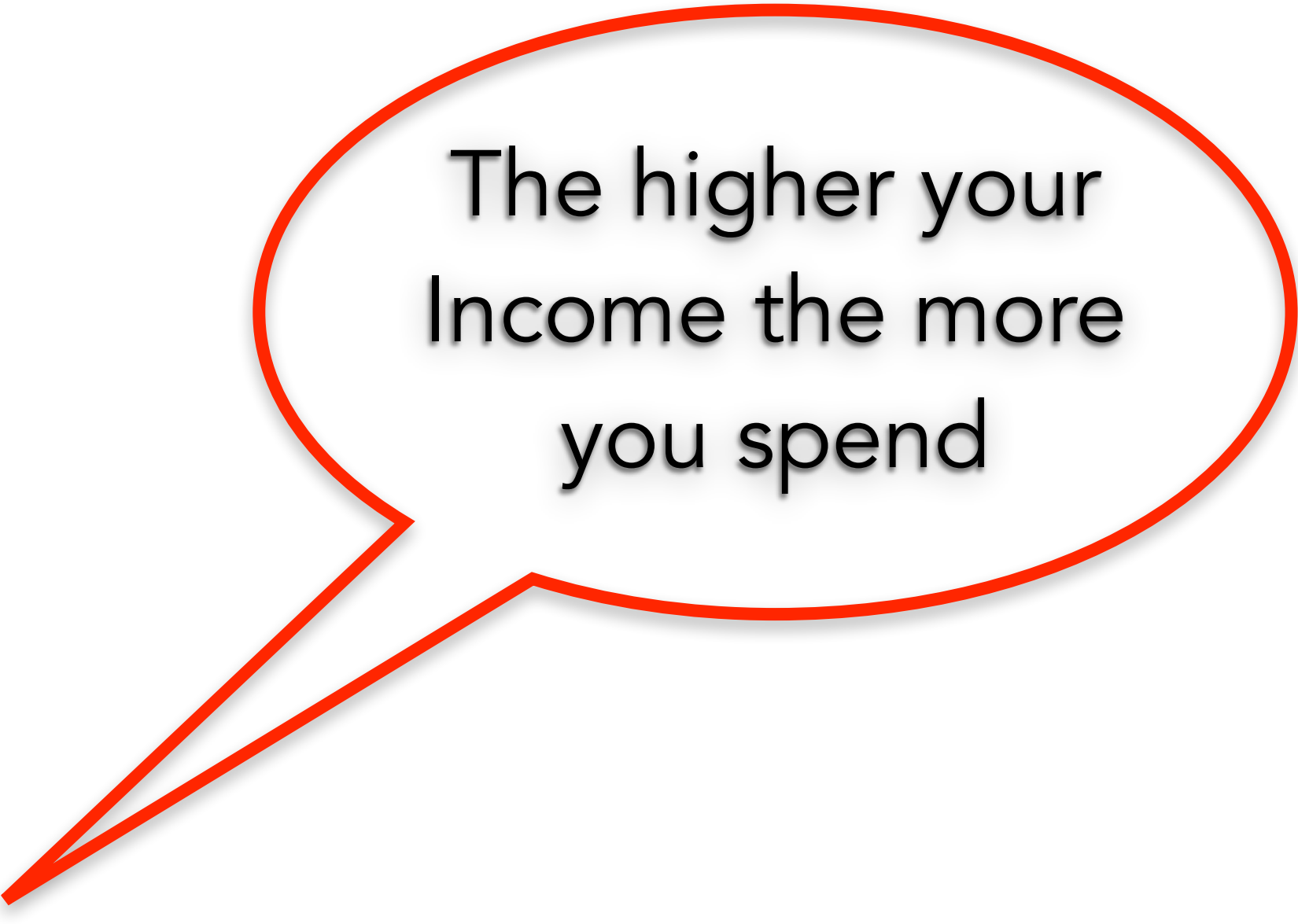


What determines consumer
spending?

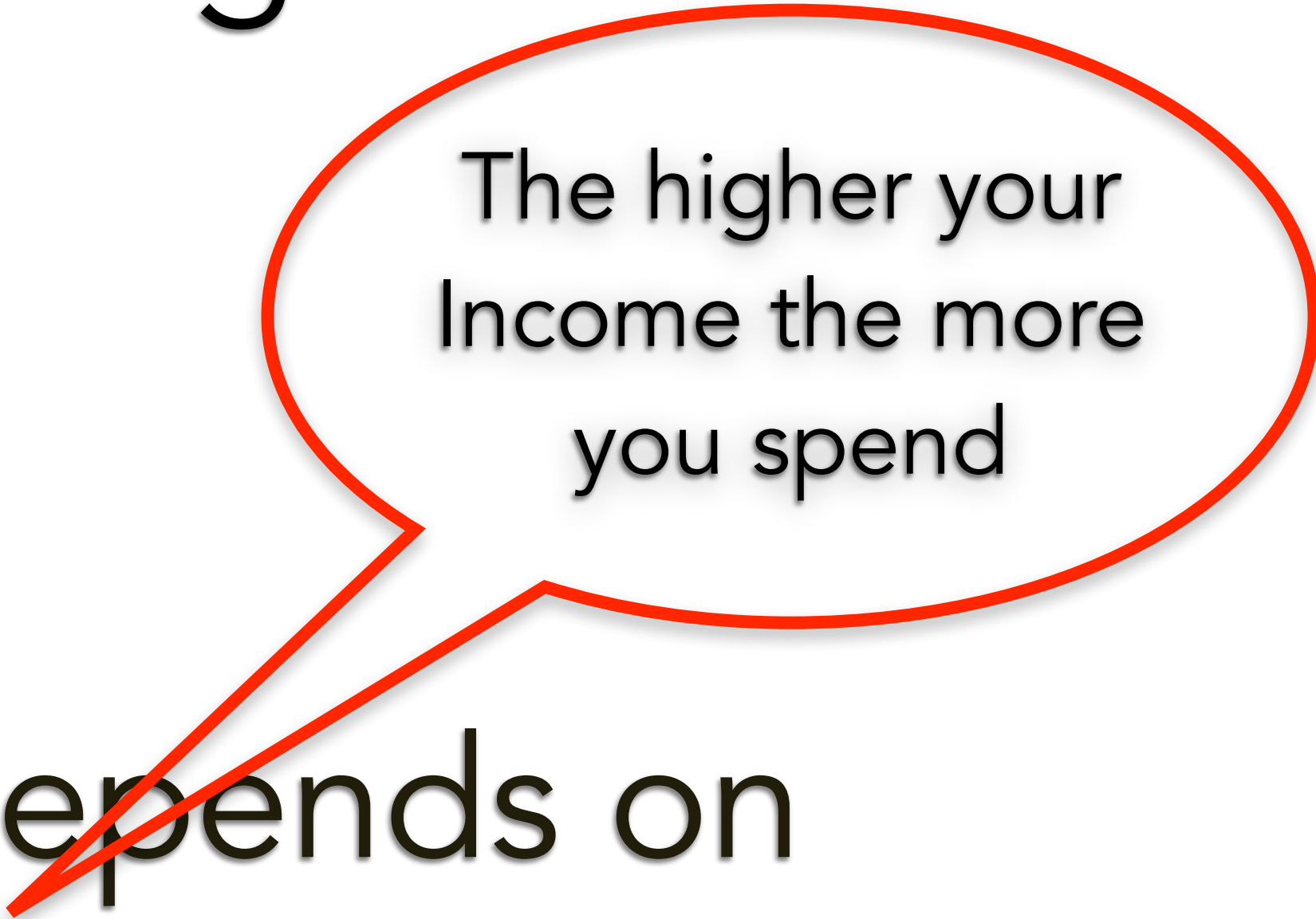
Income = Wages + Interest +
Rent + Profits

Your spending depends on
your income



The higher your
Income the more
you spend

What determines consumer spending?



The higher your
Income the more
you spend

Your spending depends on
your **income**

Income = Wages + Interest +
Rent + Profits

Consumption Expenditures



Real Income: Y

Consumers react differently
to increases in income