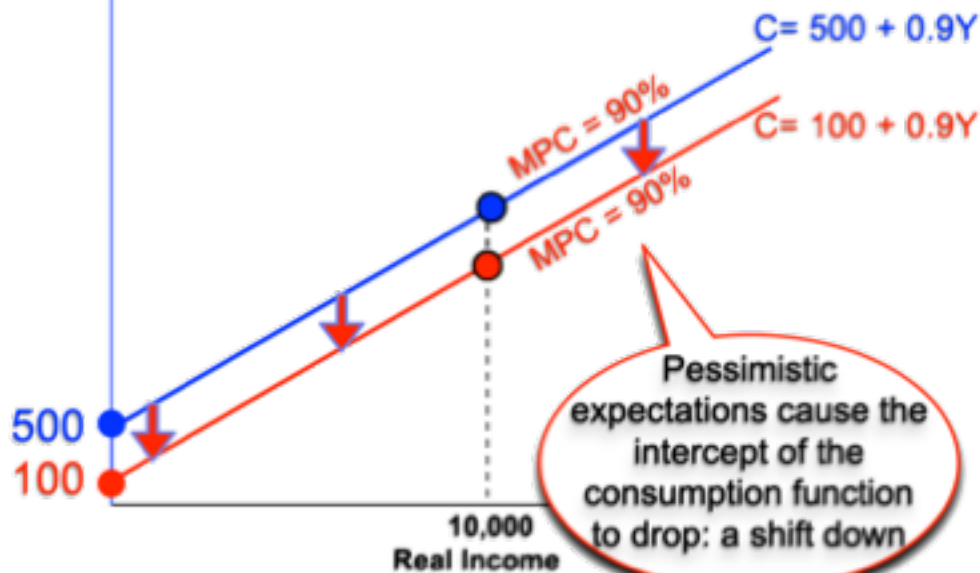
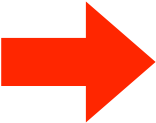


Consumption





Changes in the value of
Wealth

Changes in Expectations

Consumption

$$C = 500 + 0.9Y$$

$$C = 100 + 0.9Y$$

MPC = 90%

MPC = 90%

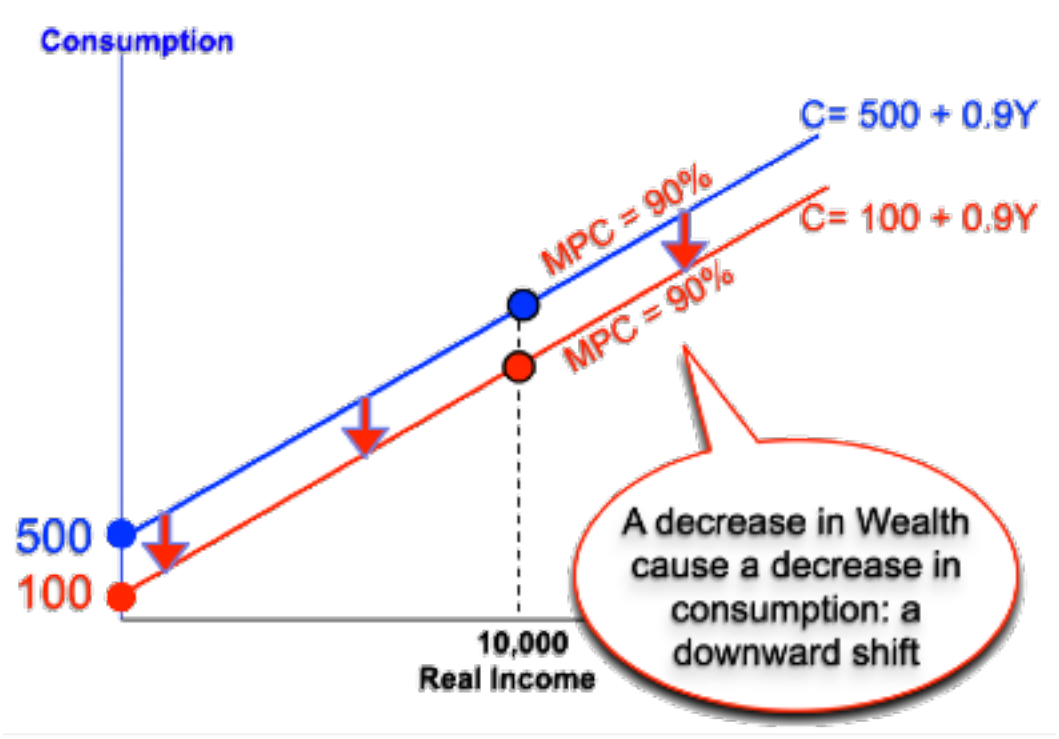
500

100

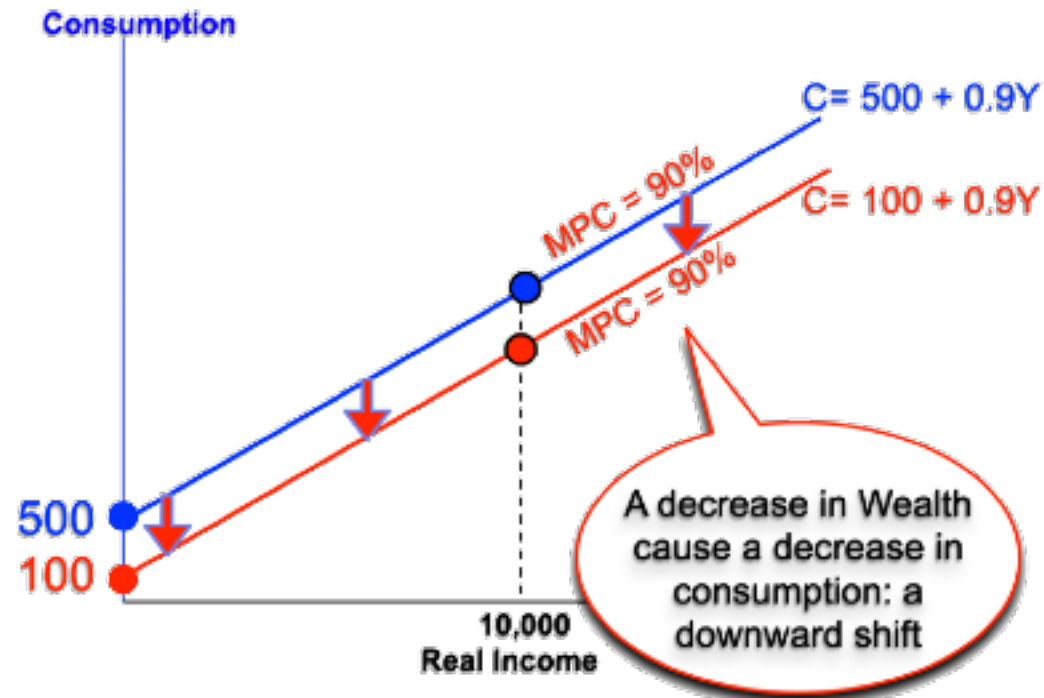
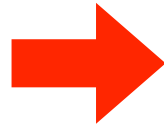
10,000

Real Income

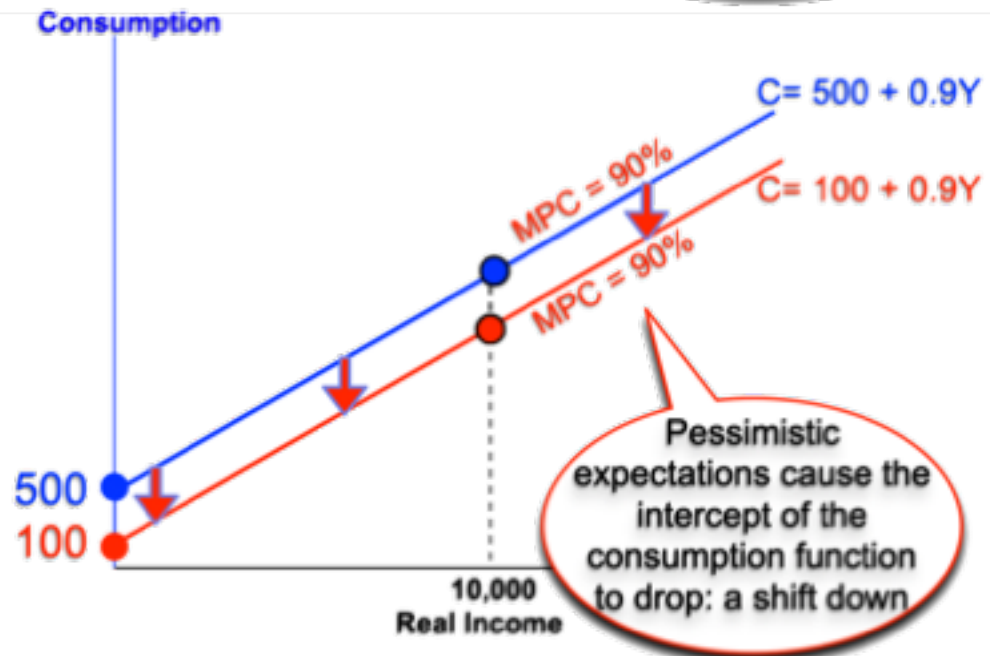
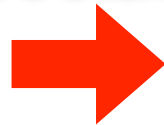
A decrease in Wealth
cause a decrease in
consumption: a
downward shift



Changes in the value of Wealth



Changes in Expectations



In this exercise, you are given a set of observations collected on **consumption expenditures** for different income values

