



3

2

Once we have the Consumption Function...

W



C

a

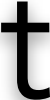




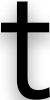
W













e



S

a







9

S





U











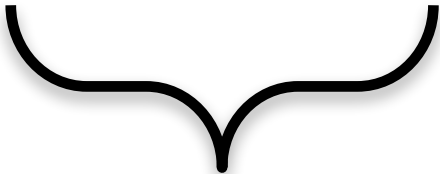




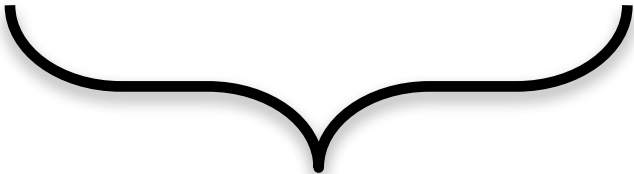


C = a + NPRECY

$$S = a + (1 - \text{MPC})Y$$



Intercept



Slope

Same  
intercept but  
negative




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



**M**arginal  
**P**ropensity to  
**S**ave

We can write the Savings Function...



Once we have the Consumption Function...

$$C = a + MPCY$$

Same  
intercept but  
negative

$$1 - MPC = MPS$$

Marginal  
Propensity to  
Save

$$S = \underbrace{-a}_{\text{Intercept}} + \underbrace{(1-MPC)}_{\text{Slope}}Y$$

We can write the Savings Function...

