

3

2

Once we have the Consumption Function...

W





a



W















S

a







9

S



U















C

=

500

+

0.75Y

$$\text{Savings} = Y - C$$

$$\text{Savings} = Y - (500 + 0.75Y)$$

$$\text{Savings} = Y - 500 - 0.75Y$$

$$\text{Savings} = -500 + Y - 0.75Y$$

$$\text{Savings} = -5000 + (1 - 0.75)Y$$

$S \equiv -500 + 0.25Y$



Intercept



Slope

$$\text{Savings} = -500 + (0.25)Y$$

We can write the Savings Function...

Once we have the Consumption Function...

$$\text{Savings} = Y - C$$

$$C = 500 + 0.75Y$$

$$\text{Savings} = Y - (500 + 0.75Y)$$

$$\text{Savings} = Y - 500 - 0.75Y$$

$$\text{Savings} = -500 + Y - 0.75Y$$

$$\text{Savings} = -500 + (1 - 0.75)Y$$

$$\text{Savings} = -500 + (0.25)Y$$

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

We can write the Savings Function...

