

The Consumption Function Shifts

With changes in:

wealth

Consumer expectations

Prices

Taxes

Transfers



Interest rates
have **NO** effect
on Consumption

Interest rates affect Investment (purchases of new homes)
but NOT consumption

Interest rates may affect the MPC and the MPS but such effects are beyond the scope of this introductory class

The Consumption Function **Shifts**

With changes in:

Wealth

Consumer expectations

Prices

Taxes

Transfers



Interest rates affect **Investment** (purchases of new homes)
but **NOT** consumption

Interest rates may affect the MPC and the MPS but such
effects are beyond the scope of this introductory class

