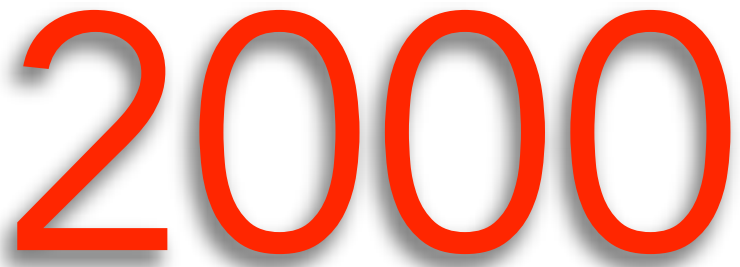
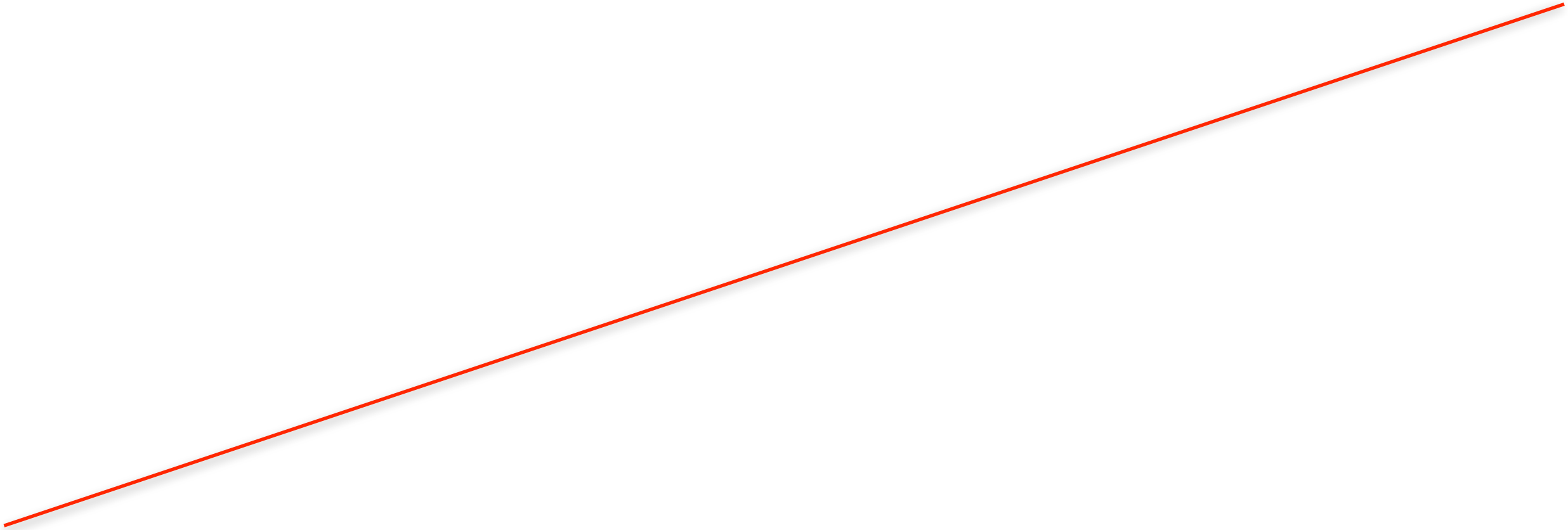
Real Income

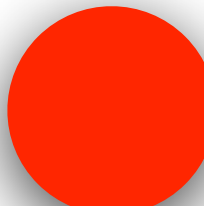
Consumption

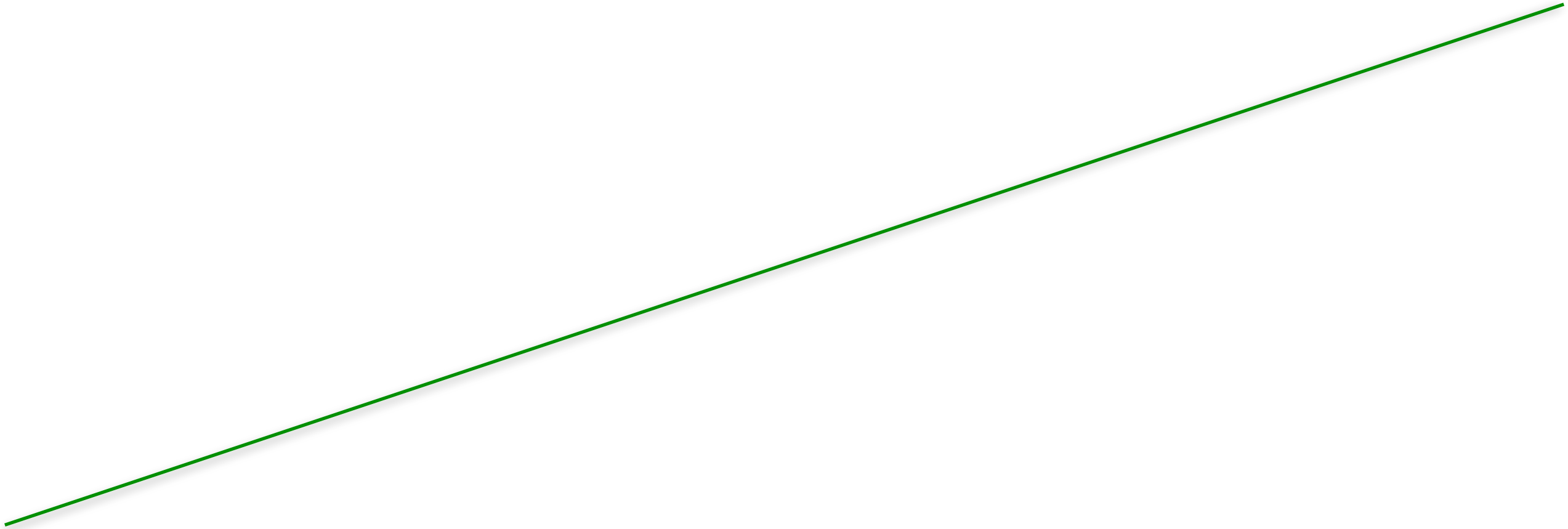
10000

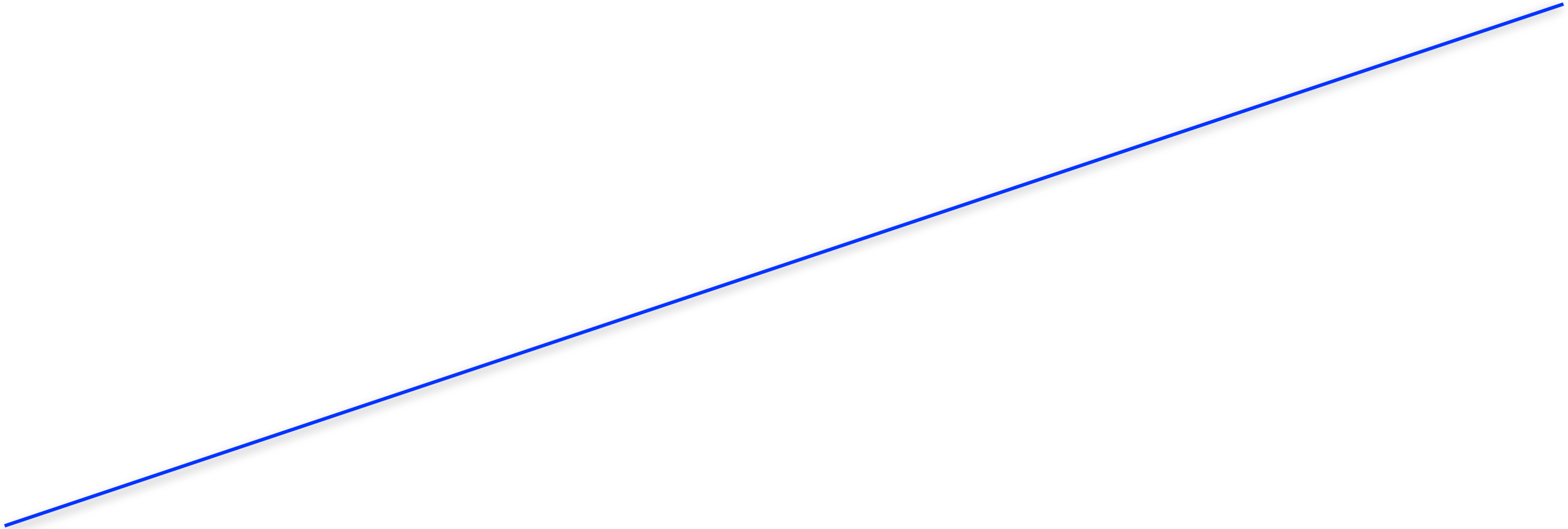
11000

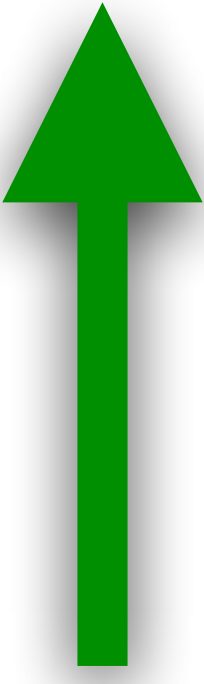

2000

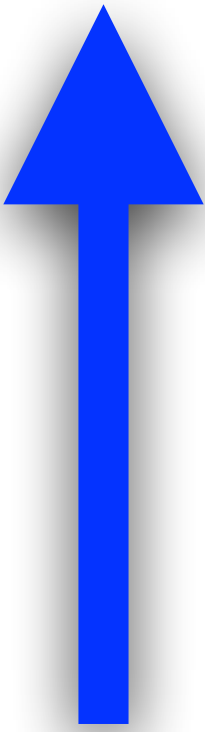












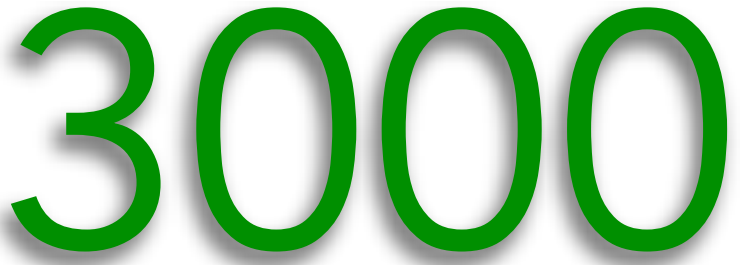
CM

C
B

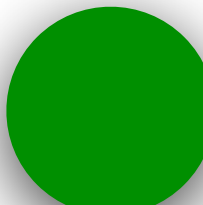
700

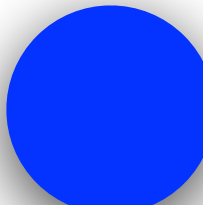
700

700


3000

4000





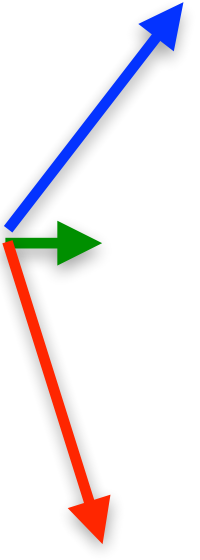
For all, the MPC = 70%

The Consumption Function shows

How the consumer reacts to **changes** in income

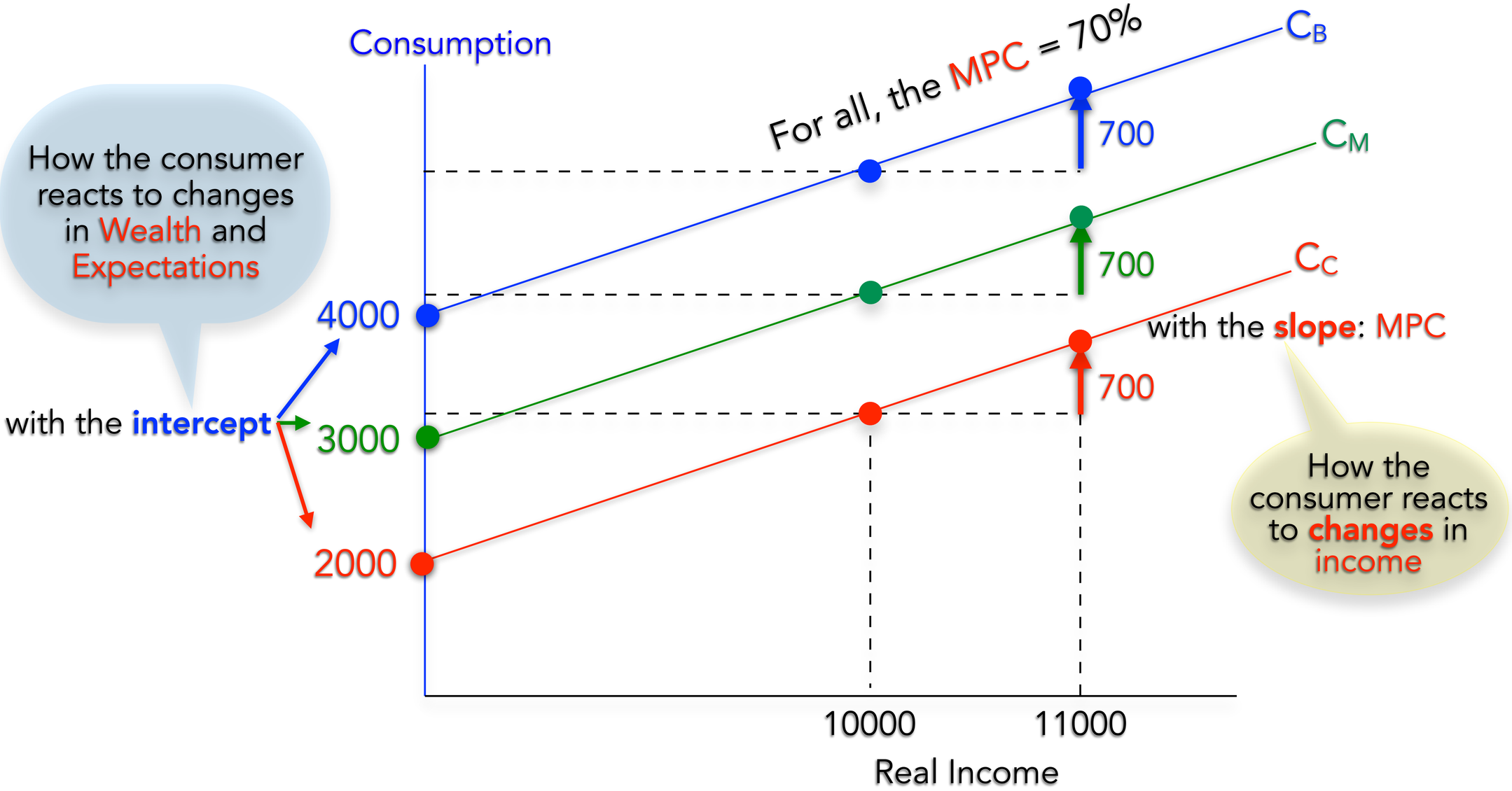
How the consumer reacts to changes in Wealth and Expectations

with the **intercept**



with the **slope**: MPC

The Consumption Function shows



The Consumption Function