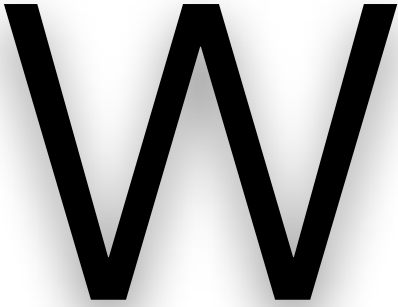
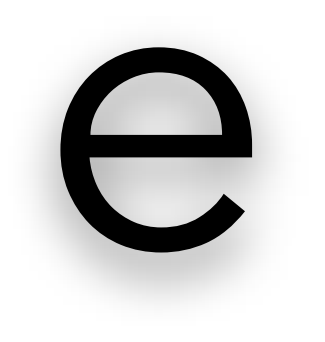
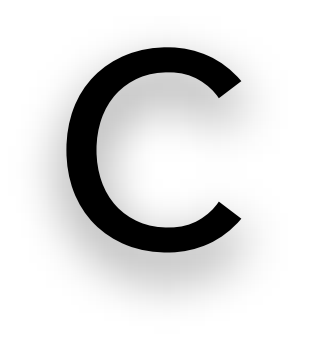
34

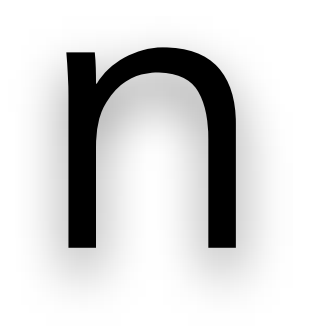
Once we have the Consumption Function…

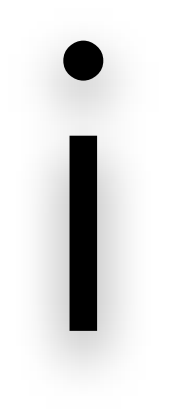


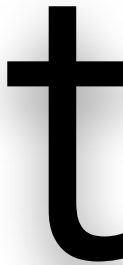


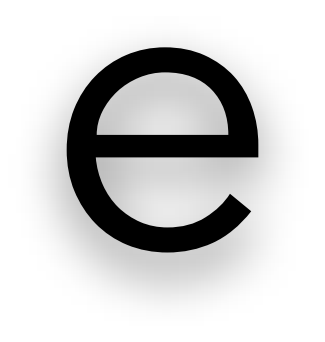

C

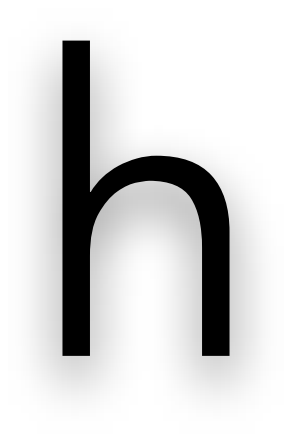
a

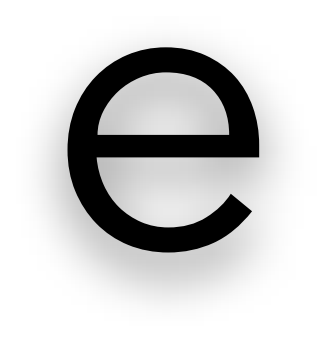






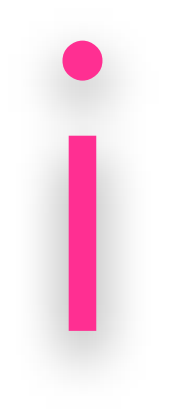


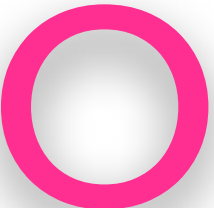




a

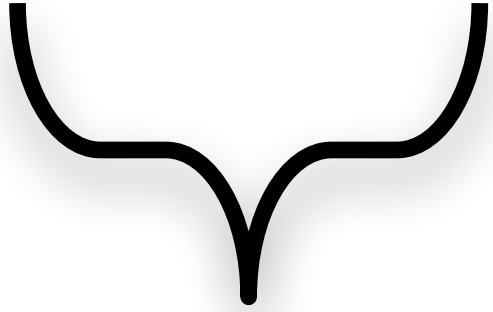
S



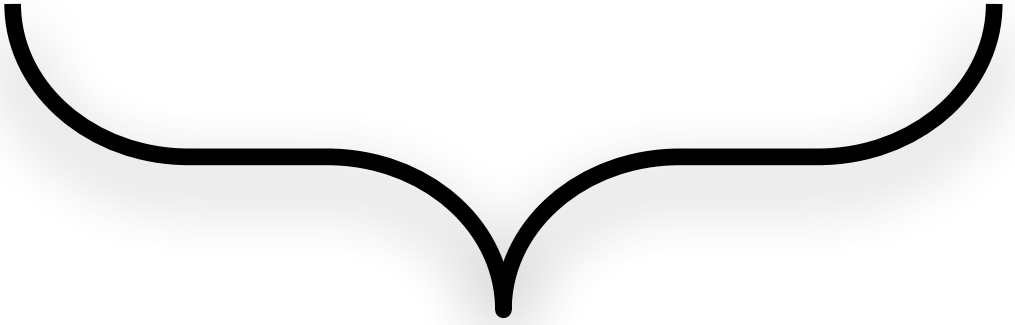


$$C = a + MPCY$$

$$S = -a + (1-MPC)Y$$



Intercept



Slope

Same intercept but negative

1 - MPC = MPS

Marginal
Propensity to
Save

We can write the Savings Function…

Once we have the Consumption Function…

$C = a + MPCY$

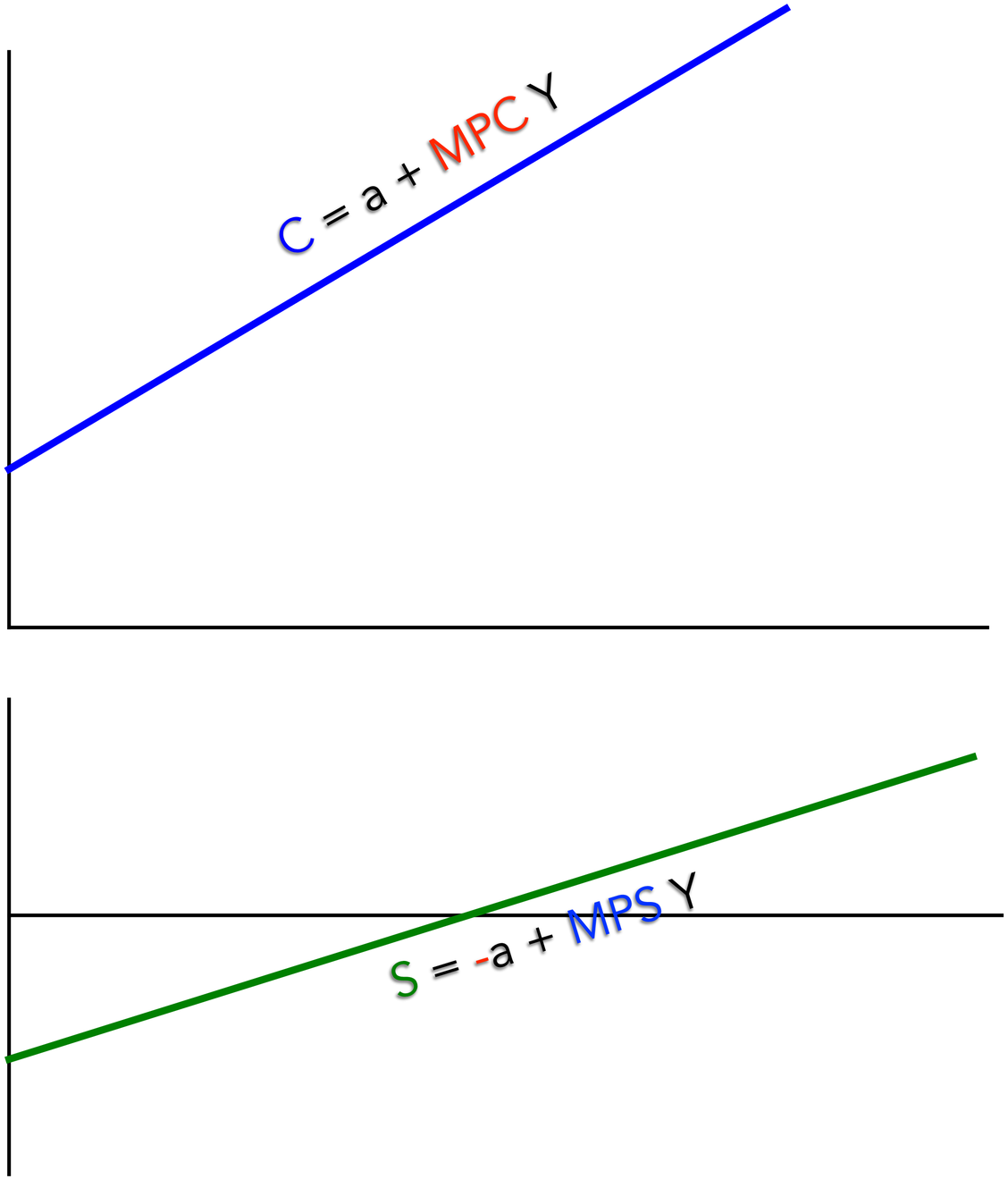
Same intercept but negative

1 - **MPC** = **MPS**

Marginal **P**ropensity to **S**ave

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

We can write the Savings Function…


C = a + MPC Y
S = -a + MPS Y