



C = A + MPCY

With Government



Intercept changes with changes in  
wealth, expectations, the CPI,  
Taxes and Transfers



Income

Consumption

Consumption shifts with changes in  
wealth, expectations, the CPI, Taxes  
and Transfers

$$A = a - \text{MPC}_T x + \text{MPC}_T r$$

C





S



U

m

**p**





















**a**

**S**

e





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p



W











Р





m





S





C

e



e







a







n





a







C





a







W

e

a











a

d





**p**







e

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P





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**p**



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C















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**a**

**S**

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**S**



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C







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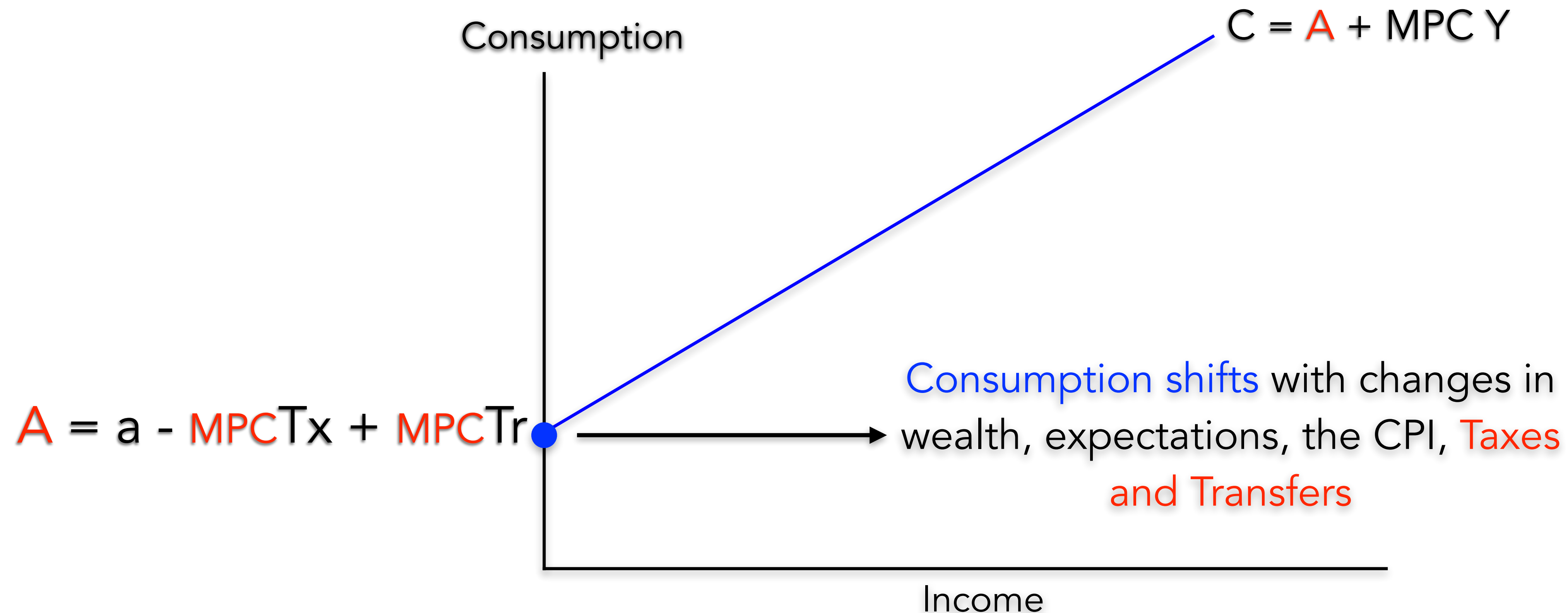




S

Consumption **increase** (shift up) with optimistic expectations, an increase in wealth, a drop in the CPI, a drop in **Taxes** and an increase in **Transfers**

## With Government



Consumption **increase** (shift up) with optimistic expectations, an increase in wealth, a drop in the CPI, a drop in Taxes and an increase in Transfers

Consumption **decrease** (shift down) with pessimistic expectations, a decrease in wealth, an increase in the CPI, an increase in Taxes or a decrease in Transfers

With Government