Consumption Depends on:

The higher your Income (Y) the more you spend (C)

Wealthier/ optimistic individuals spend more: higher intercept































Portion of consumption induced by income

Portion of consumption independent from income

induced consumption

Autonomous consumption

 $C = MPC \times Y$

Real Income Real Wealth

Expectations

The Consumption Function

C = intercept + MPCY

Consumption Depends on:

The Consumption Function

 $C = MPC \times Y$

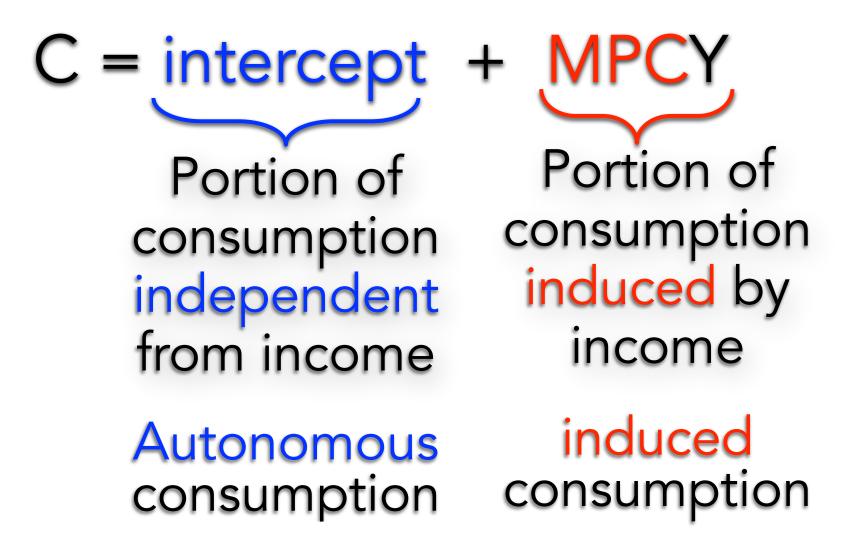
The higher your Income (Y) the more you spend (C)

Real Income

Real Wealth

Expectations

Wealthier/
optimistic
individuals spend
more: higher
intercept



The Consumption Function: C = a + MPCY