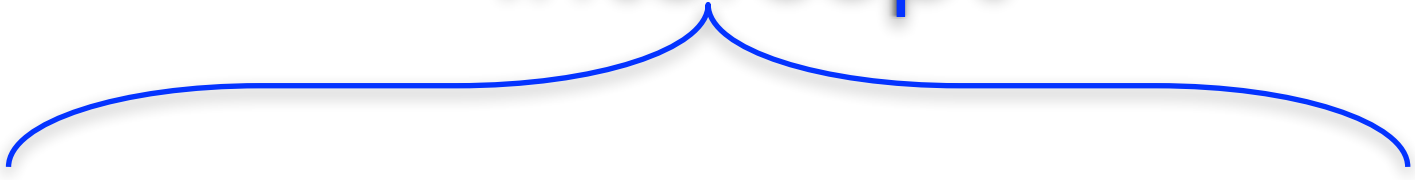
With Government

Slope

Intercept



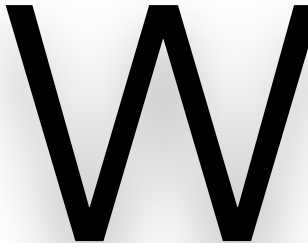
$$S = -a - MPS\,Tx + MPS\,Tr + MPS\,Y$$

Savings increase (**shift up**) with pessimistic Expectations, when Wealth decrease, when the Price level rise

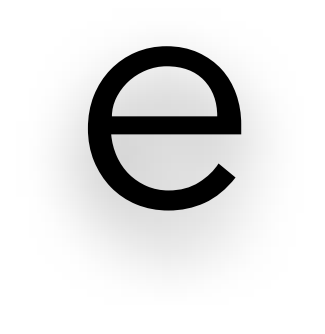
Savings increase (**shift up**) when Taxes decrease

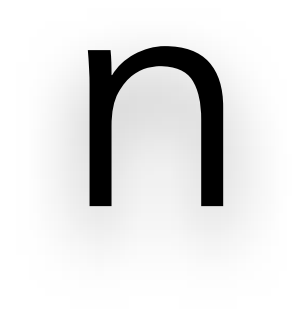
Savings increase when Income (Y) increase: a **movement up along** the savings line

Savings increase (**shift up**) when Transfers increase

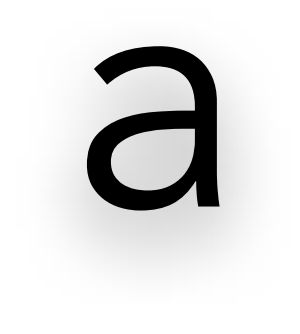


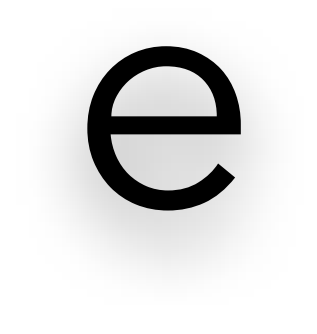
h





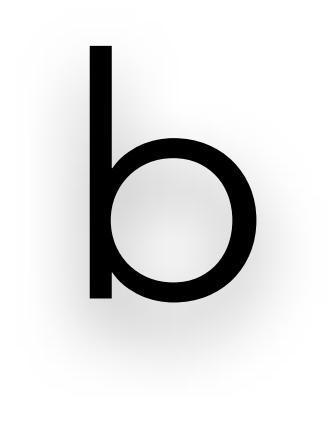
t

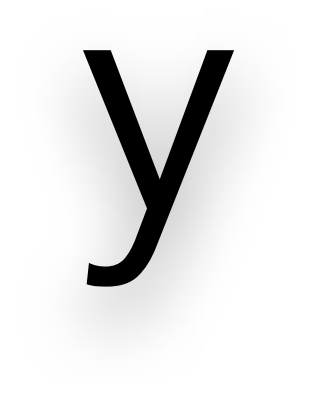

a

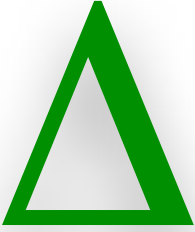


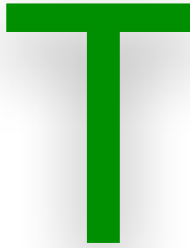
S

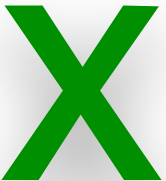
a




y





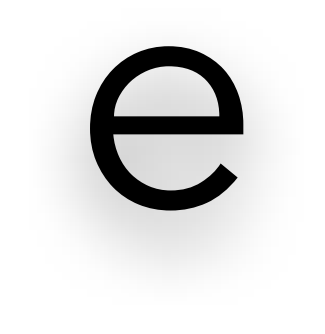


a

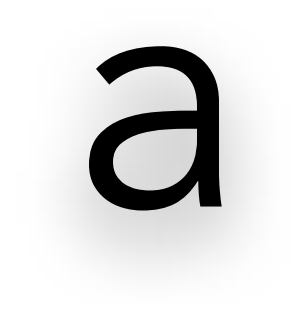
a

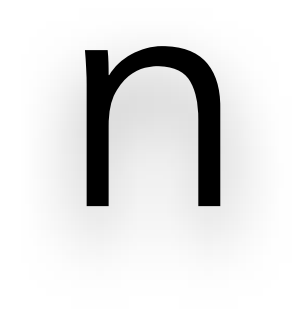
t

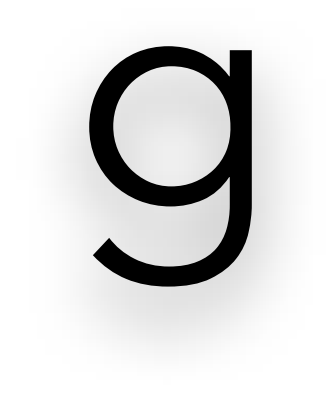
h

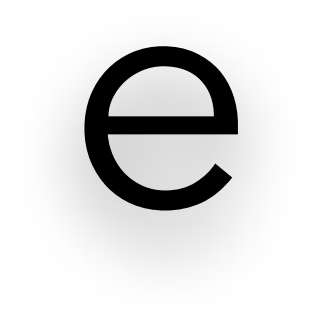


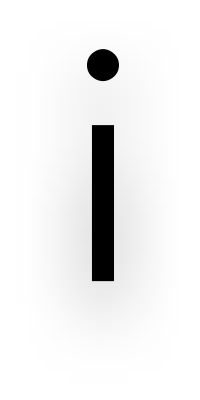
h


a

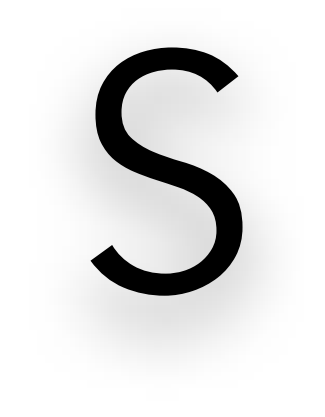


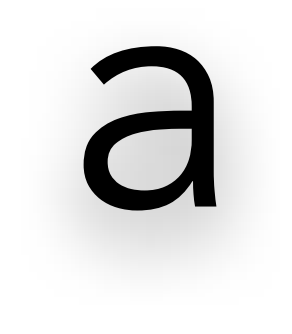


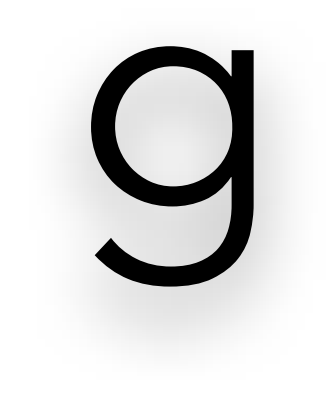




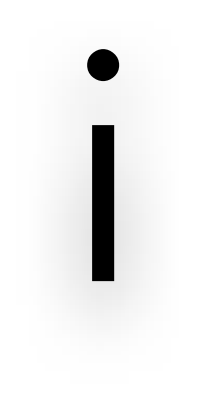
n



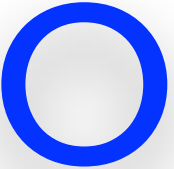

a

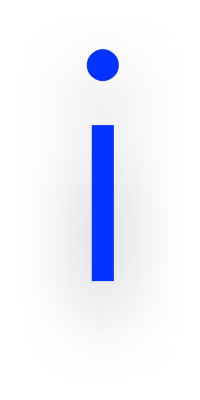


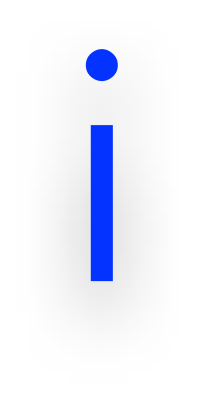
S

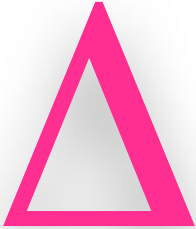


S



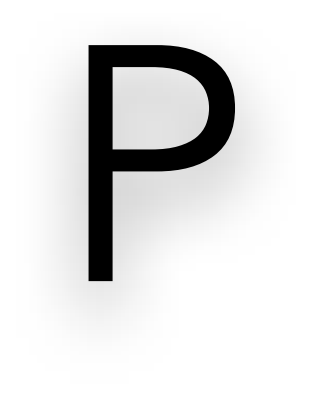


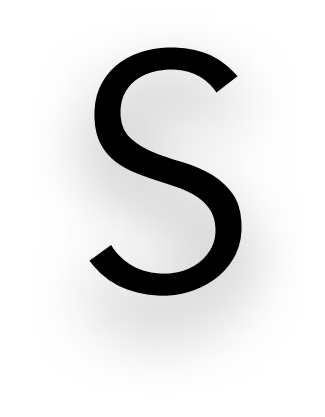


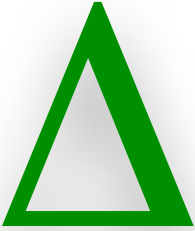


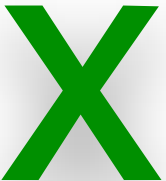
[redacted]

M

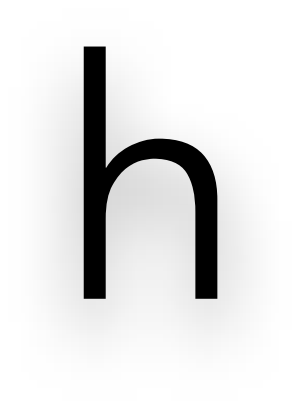








W



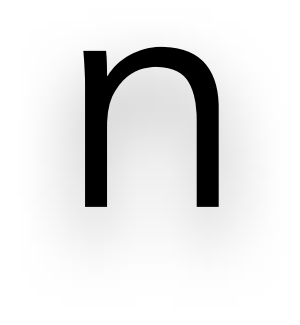
e

n

t

r

a

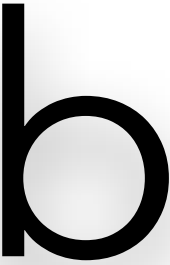

n

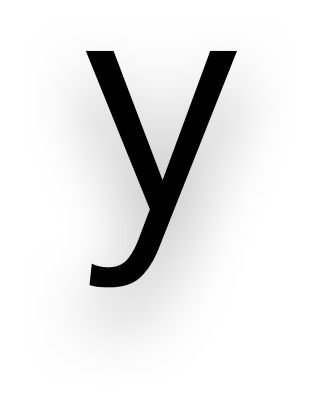
S

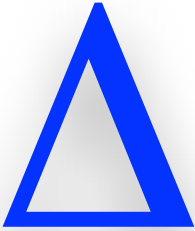
e

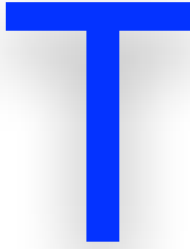
S

a

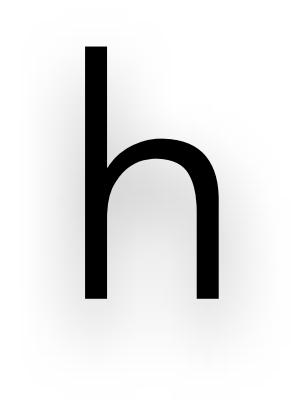


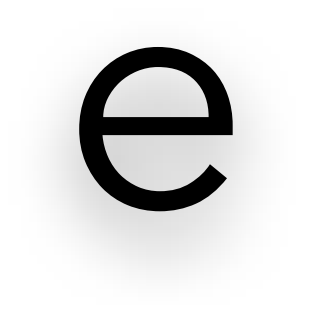

y





t



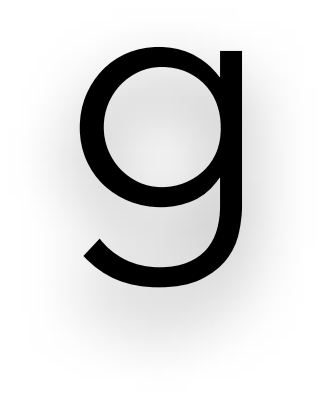


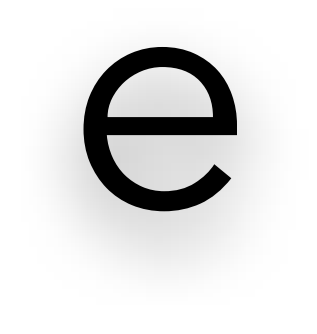
C

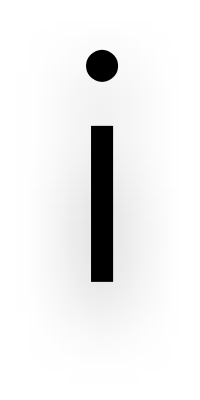
h

a

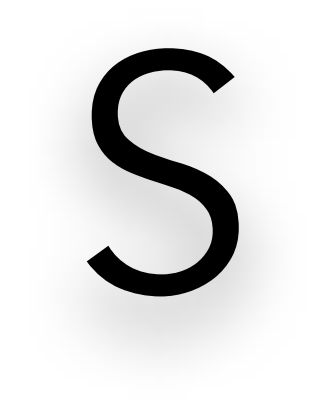
n

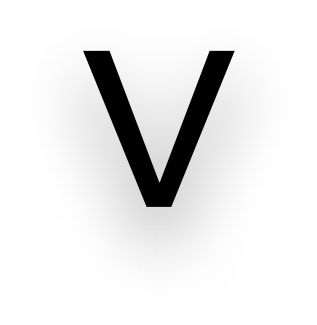


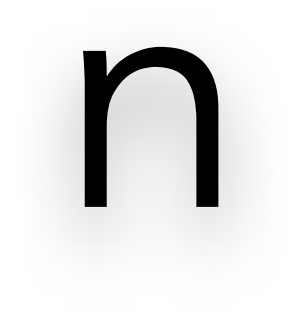


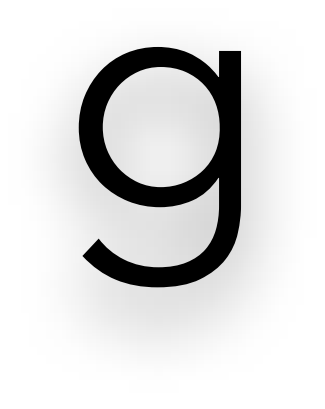


n

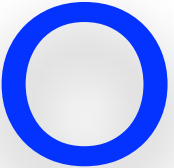


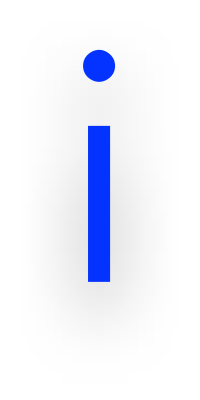


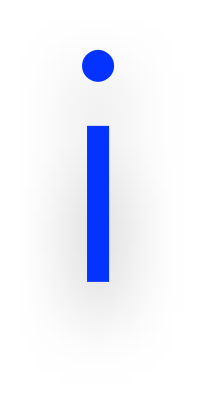


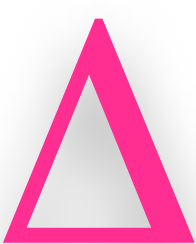


S

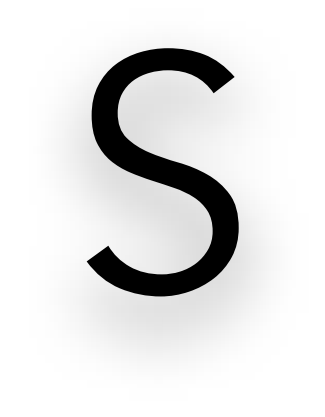


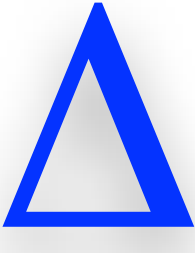


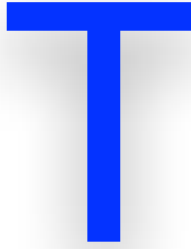




P







When taxes decrease by ΔTx (a negative number), the change in Savings is positive

$$\Delta S = -MPS(-\Delta Tx)$$

With Government

Intercept

Slope

$$S = -a - MPS\,Tx + MPS\,Tr + MPS\,Y$$

Savings increase (**shift up**) when Taxes decrease

Savings increase (**shift up**) when Transfers increase

When taxes decrease by ΔTx (a negative number), the change in Savings is positive

$\Delta S = -MPS(-\Delta Tx)$

When transfers increase by ΔTr, the change in Savings is positive

$\Delta S = +MPS(\Delta Tr)$

Warning!