

Smaller intercept



Higher intercept

C1

Co

S1

S

o

Intercept = 500

Intercept = -500



Intercept = 300

Intercept = -300



13,000

13,000







Consumables

Save more

Simultaneous
opposite shifts in
C and S

P

e



S



m



S





c





n



u

m





S

S

p



n

d



e

S

S

a

n

d



a





m





e







h

e

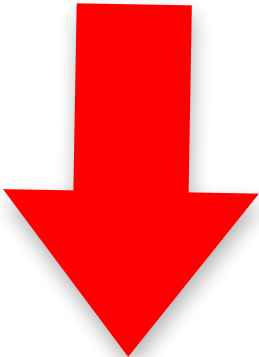






m





C

h

a

n

g

e



n

E



p

e

C



a







n

S



C



n

S

u

m

e

r

S

b

e

C



m

e

p

e

S



m



S

t



C

Income did not change

Change in Expectations:

Consumers become pessimistic

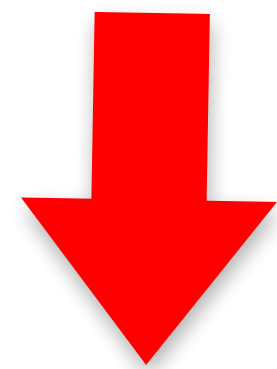
Pessimistic Consumers

spend less and save
more of their income

Change in Expectations:

Consumers become pessimistic

Pessimistic Consumers
spend less and save more of their income



Simultaneous
opposite shifts in
C and S

Smaller intercept

Intercept = 500

Intercept = 300

Higher intercept

Intercept = -300

Intercept = -500

