





$$C = 500 + 0.9(10,000)$$

C = a + NRCY

$$C = 500 + 0.9(10,000)$$

$$C = 500 + 9,000$$

$$C = 1000 + 9,000$$

C = 9,500



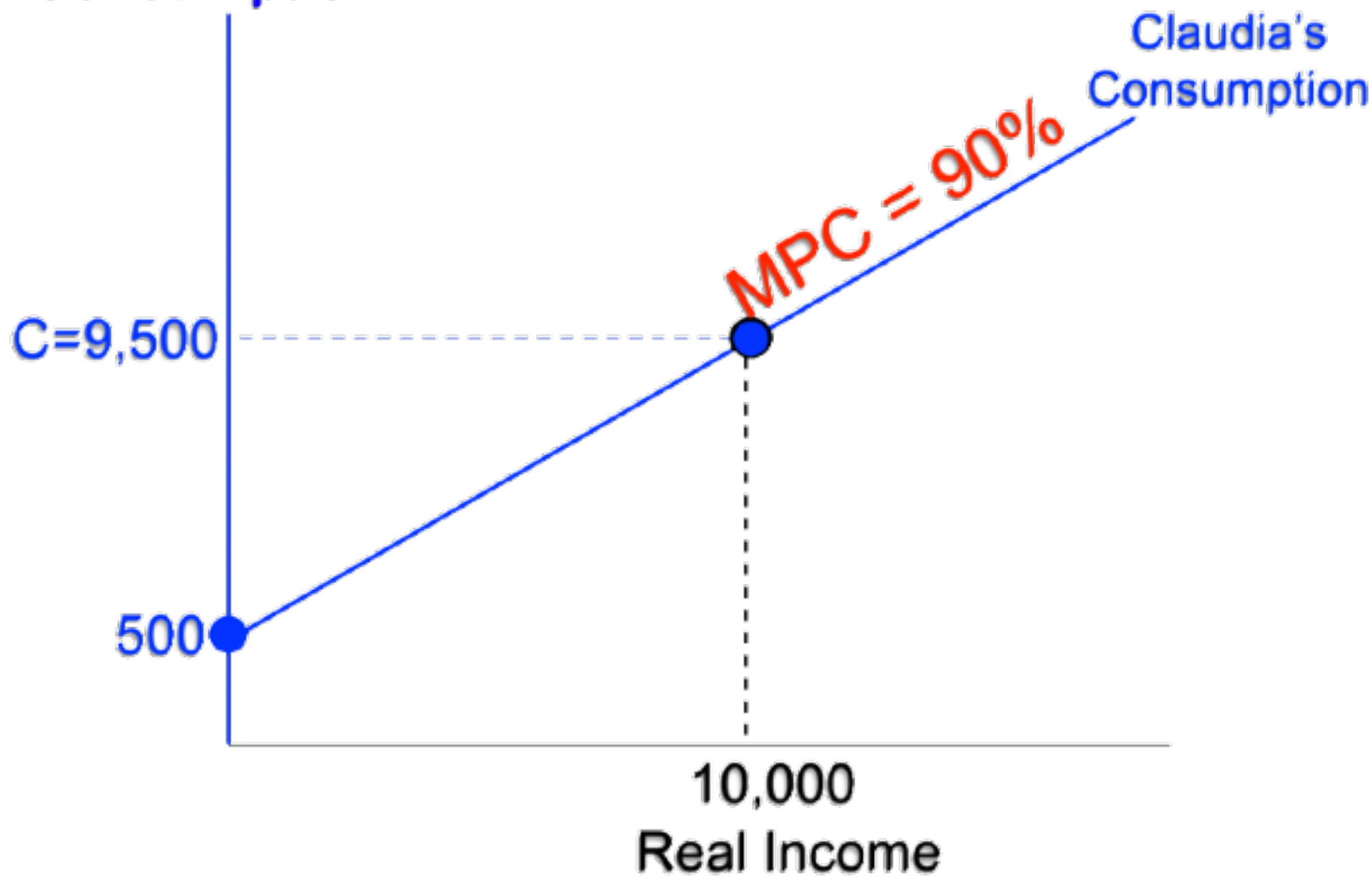
C = 9,100

Claudia's old consumption

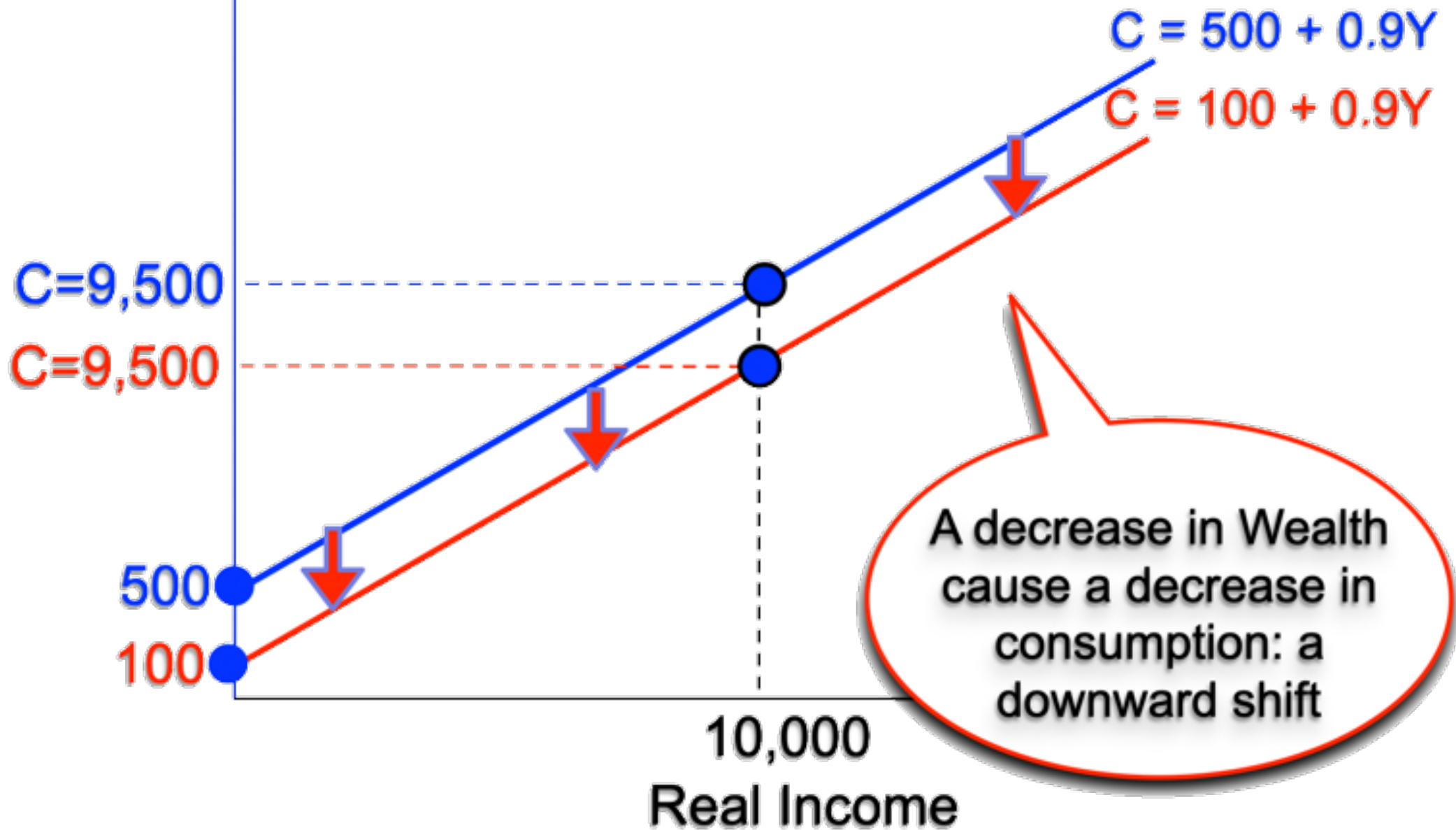
Claudia's income is still \$10,000/month, a decrease in wealth

decreases the intercept: her consumption drops

**Consumption**



# Consumption



100

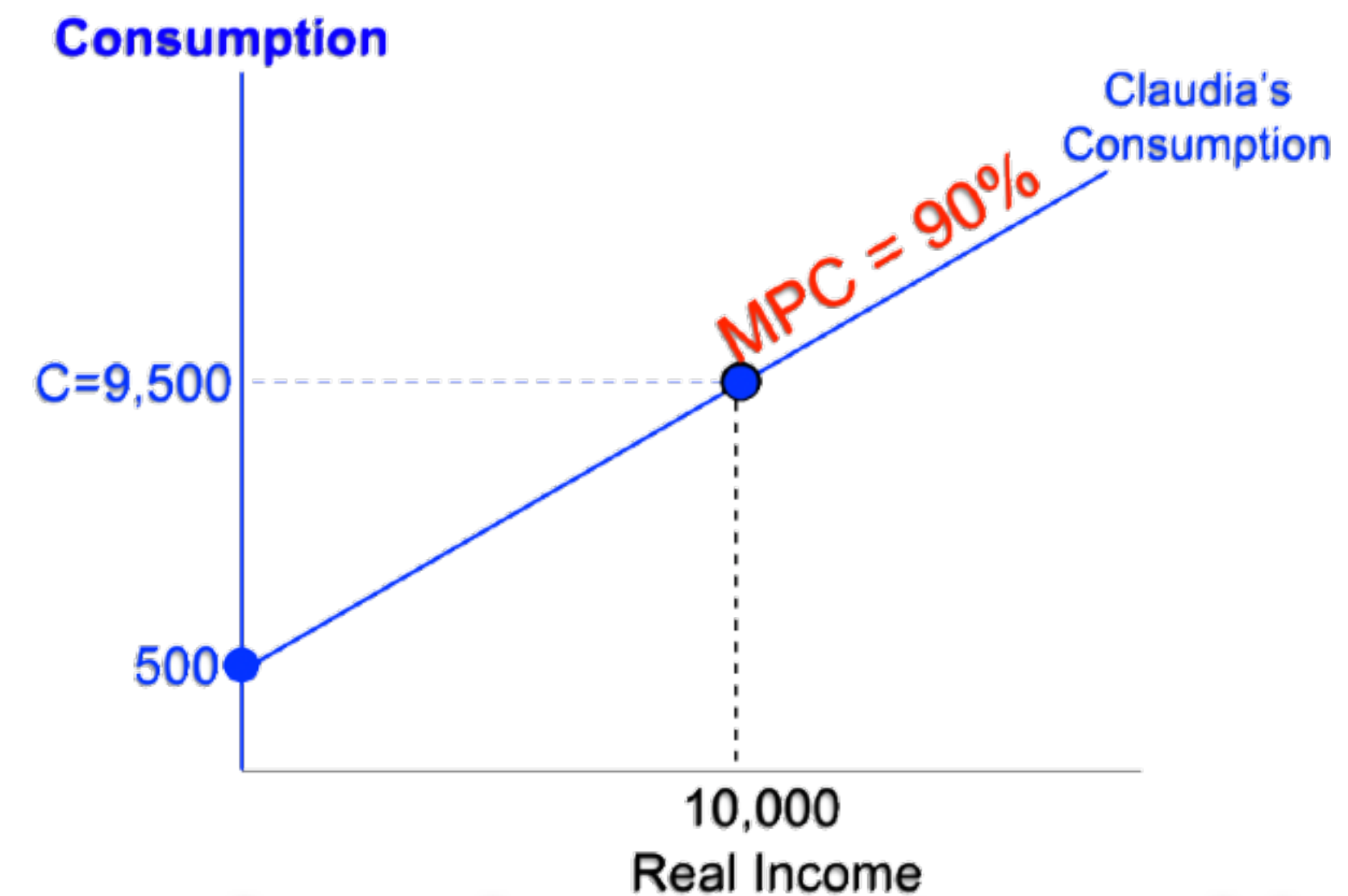
$$C = a + MPCY$$

Claudia's old consumption

$$C = 500 + 0.9(10,000)$$

$$C = 500 + 9,000$$

$$C = 9,500$$



Claudia's income is still \$10,000/month, a decrease in wealth  
**decreases the intercept:** her consumption drops

$$C = 100 + 0.9(10,000)$$

$$C = 100 + 9,000$$

$$C = 9,100$$

