

6



C

=

a

+

MPCC

Y

Without Government

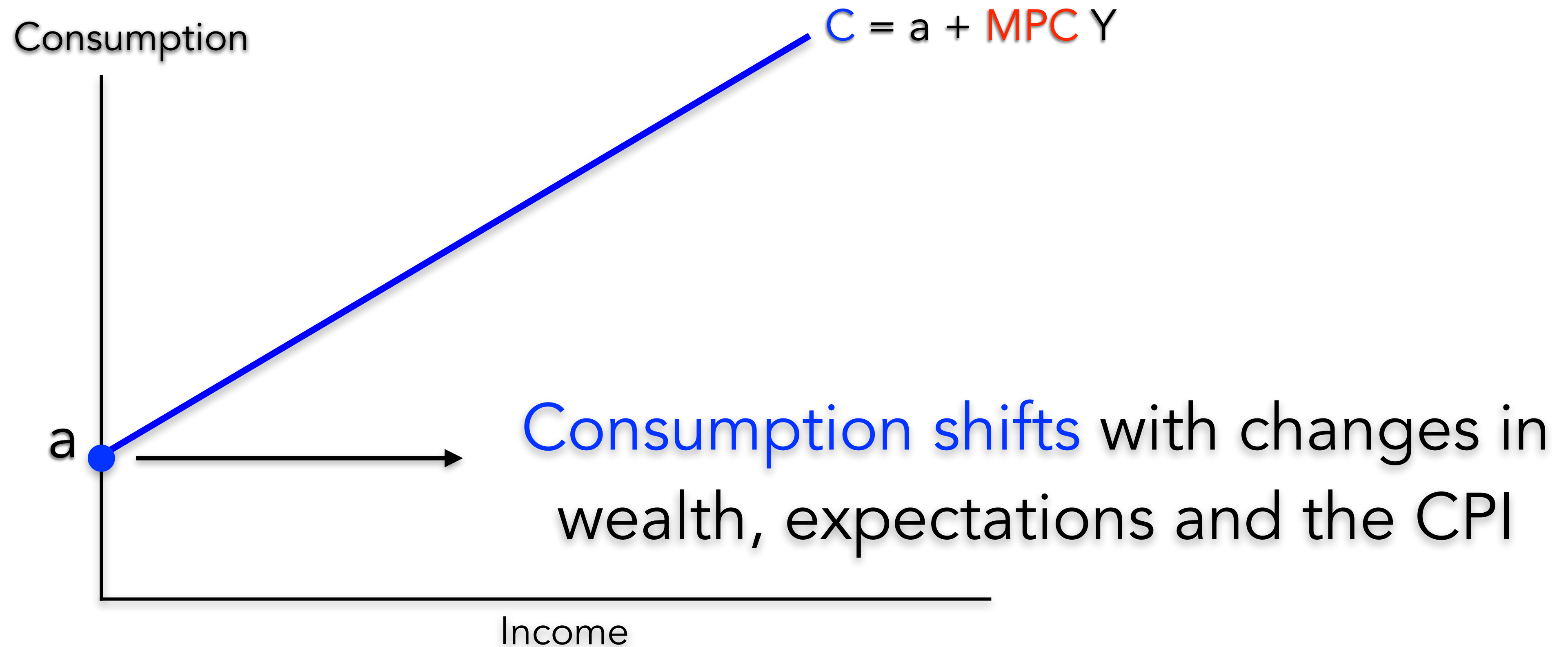
→ Intercept changes with changes in
wealth, expectations and the CPI

Income

Consumption

Consumption shifts with changes in wealth, expectations and the CPI

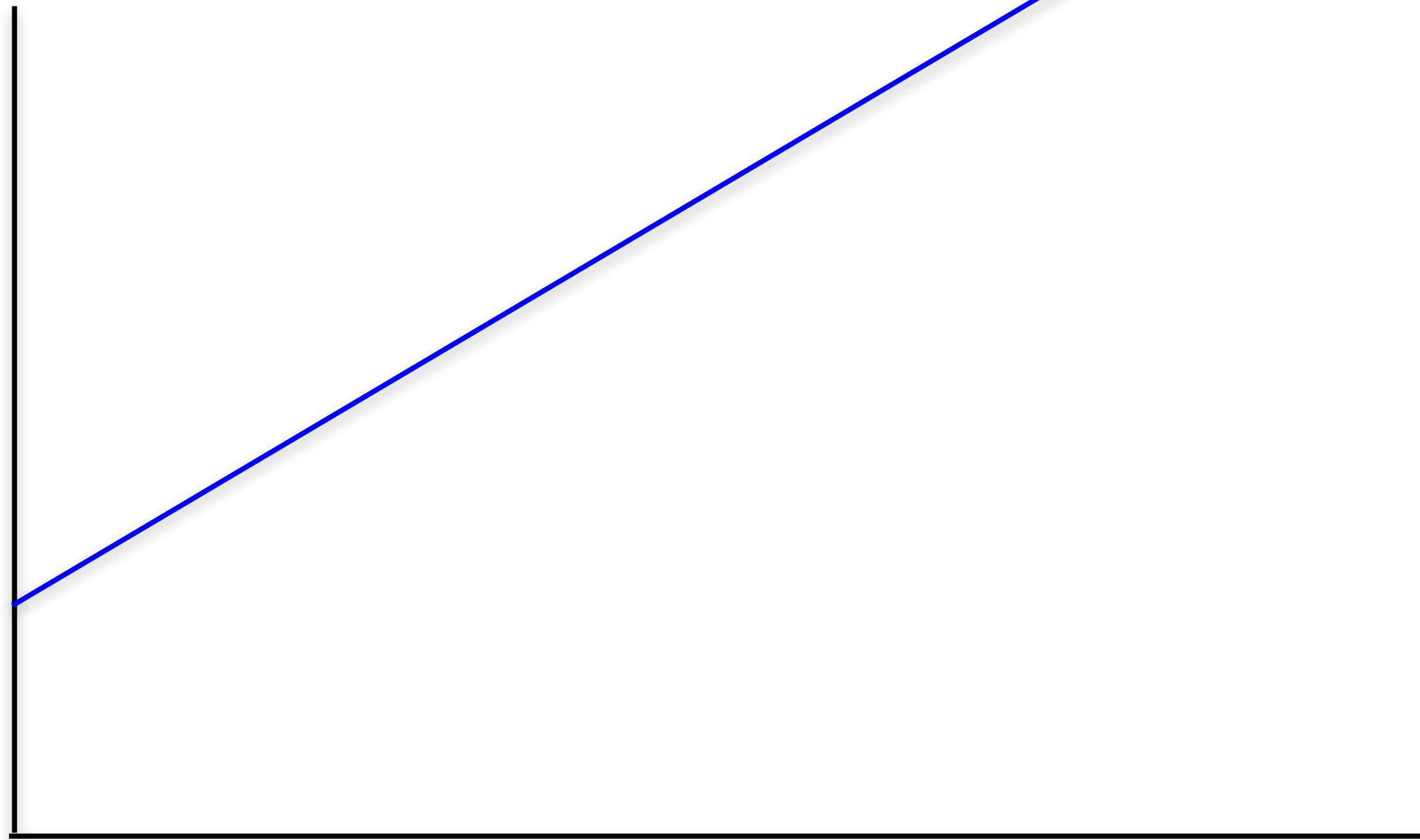
Without Government



With Government

Consumption

$$C = A + \text{MPC } Y$$



Income