



C = A + MPCY

With Government



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

Taxes and **Transfers**

Income

Consumption

Consumption shifts with changes
in wealth, expectations, the CPI,
Taxes and **Transfers**

$$A = a - \text{MPCT}_x + \text{MPCT}_r$$





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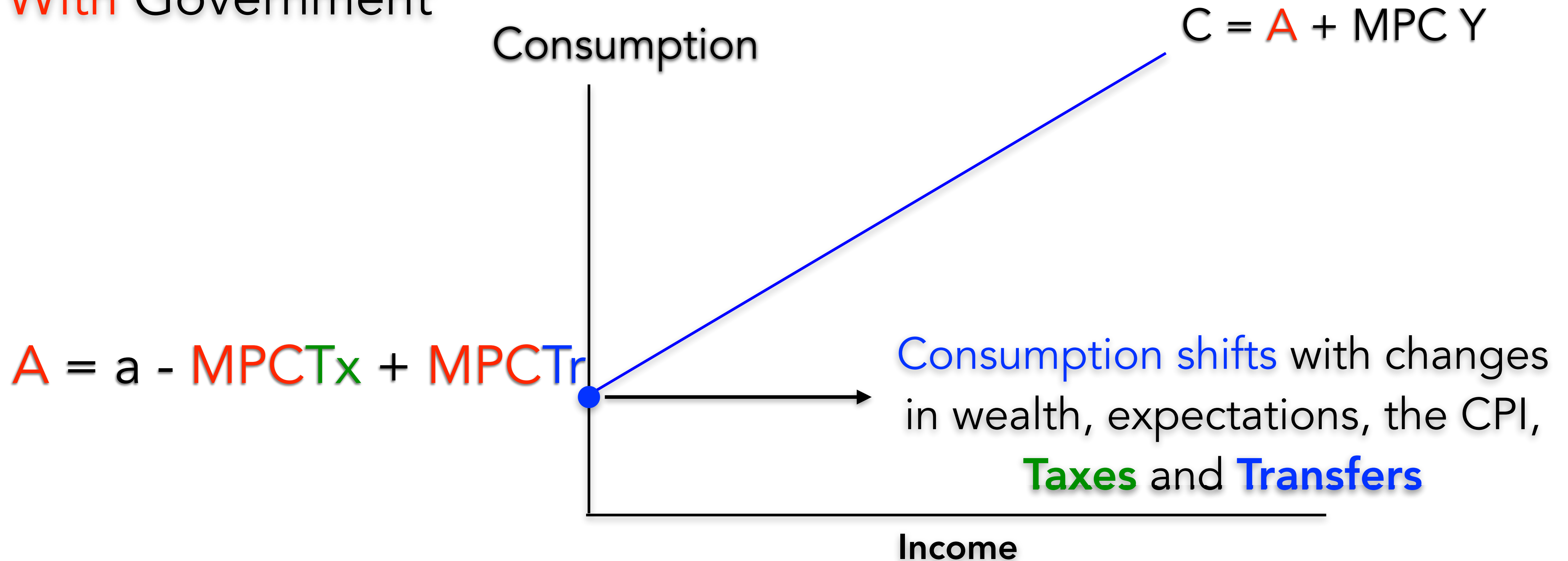




S

Consumption **increase** (shift up) with
optimistic expectations, an **increase**
in wealth, a **drop** in the CPI, a **drop** in
Taxes and an **increase** in **Transfers**

With Government



Consumption **increase** (shift up) with **optimistic** expectations, an **increase** in wealth, a **drop** in the CPI, a **drop** in Taxes and an **increase** in Transfers

Consumption **decrease** (shift down) with **pessimistic** expectations, a **decrease** in wealth, an **increase** in the CPI, an **increase** in Taxes or a **decrease** in Transfers

With Government