

3

4

Once we have the Consumption Function...

W

e

C

a



W







e







S

a







e

S



U











n



C = a + NRCY

$$S = a + (1 - \text{MPC})Y$$



Intercept



Slope

Same
intercept
but
negative




$$1 - \text{MPC} = \text{MPS}$$



Marginal
Propensity to
Save

We can write the Savings Function...

Once we have the Consumption Function...

$$C = a + MPCY$$

Same
intercept
but
negative

1 - MPC = MPS

Marginal
Propensity to
Save

$$S = -a + (1-MPC)Y$$

Intercept Slope

The diagram illustrates the relationship between the consumption function and the savings function. It shows the consumption function $C = a + MPCY$ at the top. Two arrows point down from this equation to the savings function $S = -a + (1-MPC)Y$. The first arrow points from the intercept a to $-a$, with the text 'Same intercept but negative' next to it. The second arrow points from MPC to $(1-MPC)$. To the right of the second arrow, the equation $1 - MPC = MPS$ is shown, with a speech bubble pointing to MPS that contains the text 'Marginal Propensity to Save'. Below the savings function, the terms $-a$ and $(1-MPC)$ are bracketed and labeled 'Intercept' and 'Slope' respectively.

We can write the Savings Function...

