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

C = a + MPCY

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

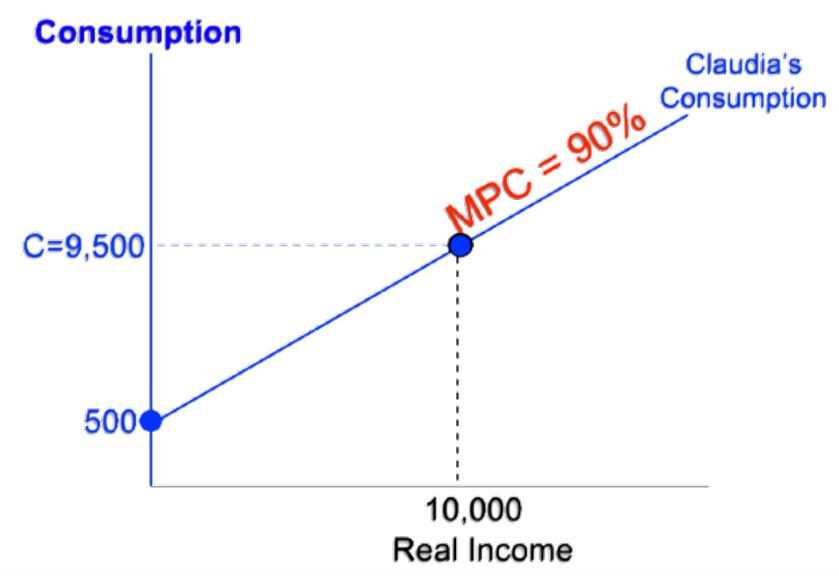
C = 500 + 9,000

C = 100 + 9,000

9.500

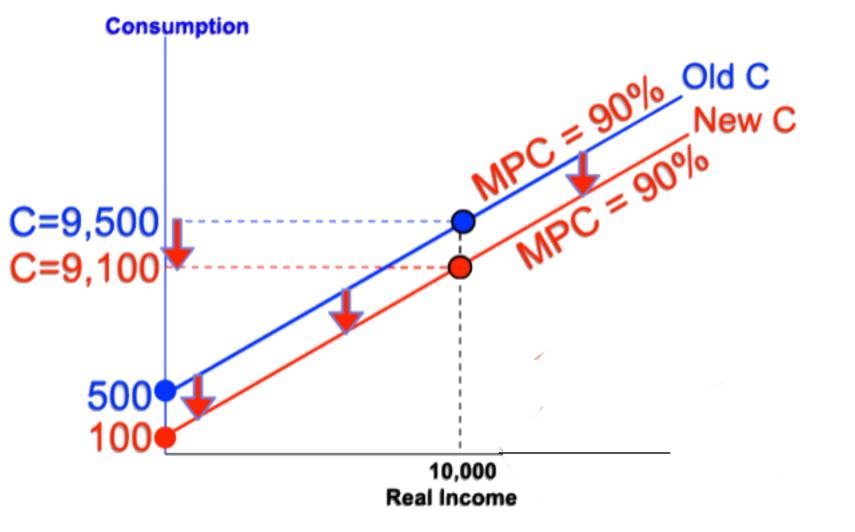
## Claudia's old consumption

## Claudia's income is still \$10,000/month, pessimistic expectations do not change her MPC but decrease the intercept:



4) 

## Claudia buys less



Pessimistic expectations cause the intercept of the Consumption Function to drop

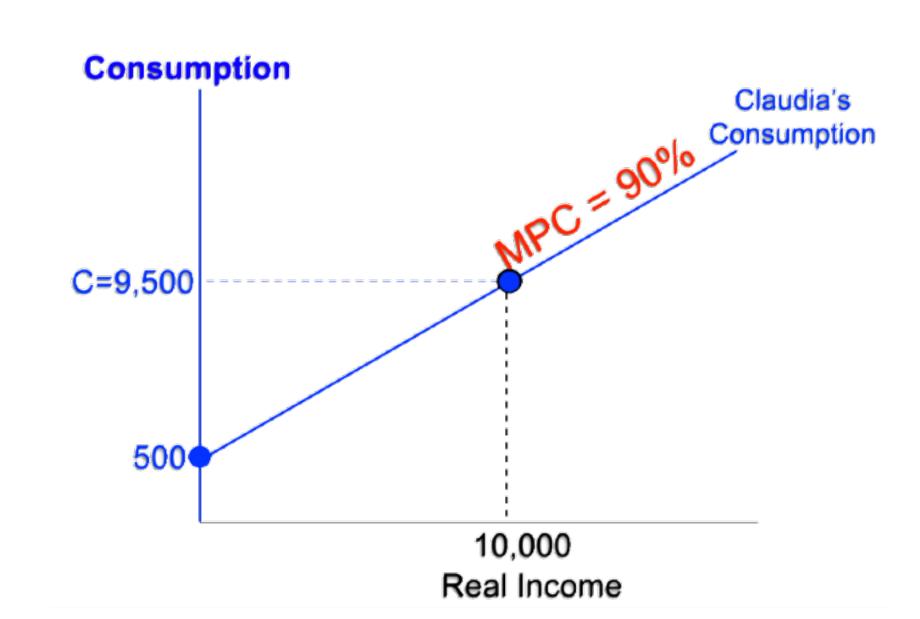
$$C = a + MPCY$$

Claudia's old consumption

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

$$C = 500 + 9,000$$

$$C = 9,500$$



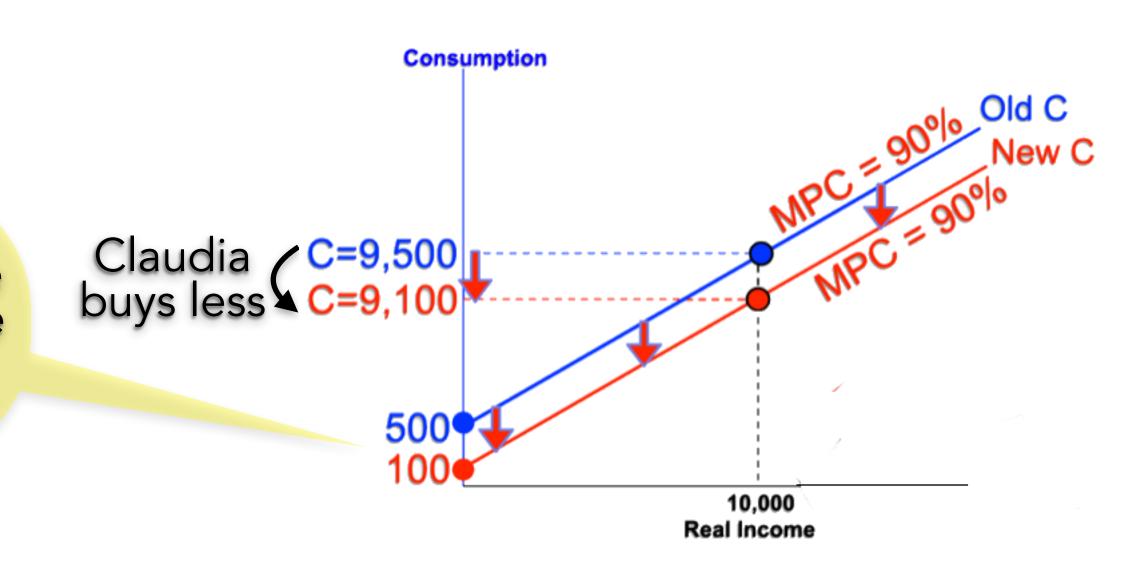
Claudia's income is still \$10,000/month, pessimistic expectations do not change her MPC but decrease the intercept:

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

$$C = 100 + 9,000$$

$$C = 9,100$$

Pessimistic expectations cause the intercept of the Consumption Function to drop



$$C = a + MPCY$$

## Claudia's income is \$10,000/month autonomous consumption = \$500 and her MPC = 90%

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

$$C = 500 + 9,000$$

$$C = 9,500$$

