

With Government

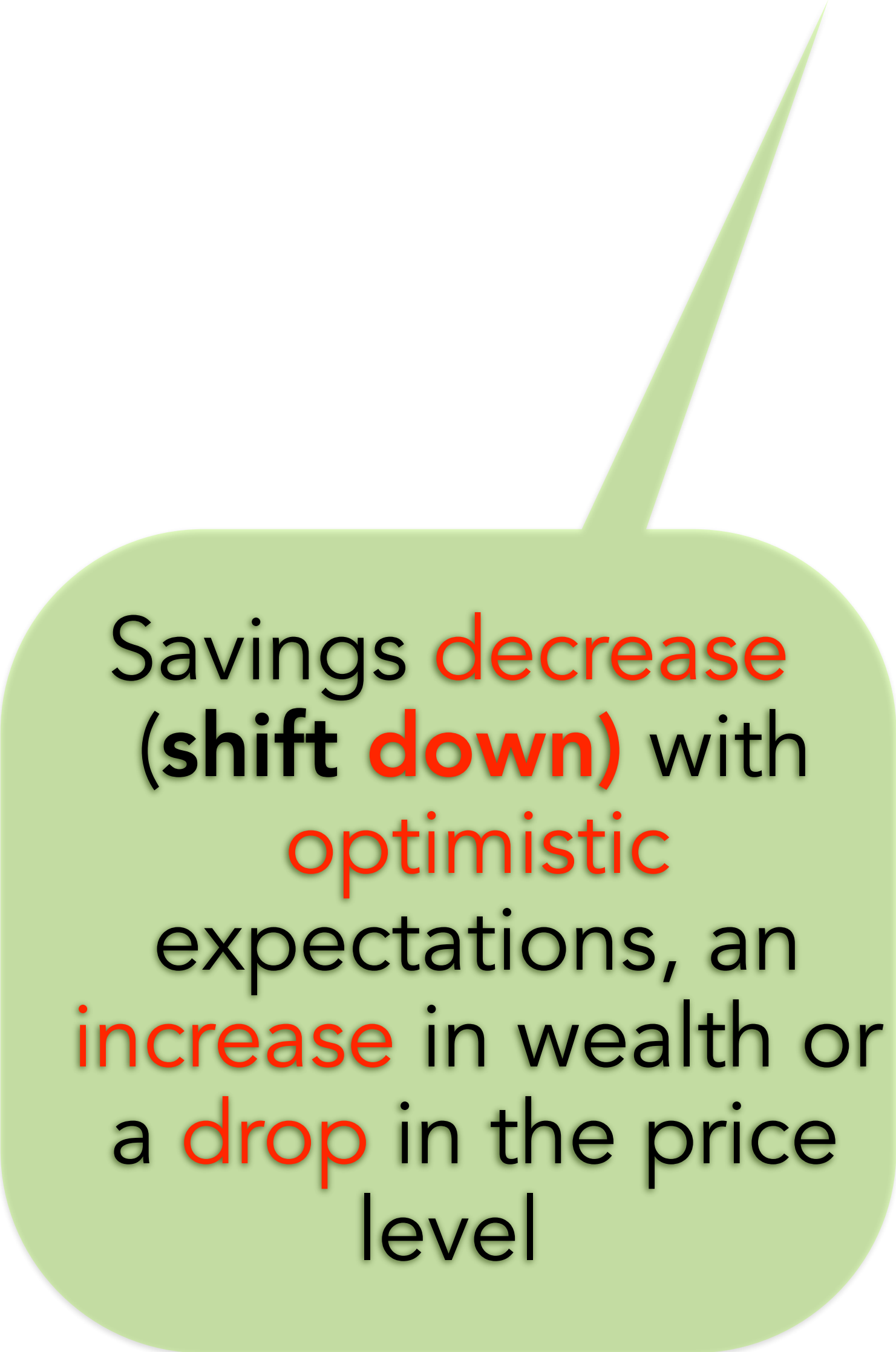
Slope



Intercept




$$S = -MPS_{Tx} + MPS_{Tr} + MPS_Y$$



Savings **decrease**
(**shift down**) with
optimistic
expectations, an
increase in wealth or
a **drop** in the price
level

Savings
decrease (shift
down) when
Taxes increase



Savings **decrease** when
Income (Y) **decrease**: a
movement down along the
savings line

Savings **decrease**
(**shift down**) when
Transfers **decrease**

W





n



a





S



n







a

S



b

Y













e

C

h

a

n

9

e



n

S

a





n

9

S



S

n



9

a









S

[REDACTED]

[REDACTED]



M

P

S





T





W



e

n





a

n

S



e



S

d









a

S



b

Y



T





a

n

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g







n

u

m

b













e

C



a

9

e



n

S

a

V



n

9

S



n



9

a









S

[REDACTED]

[REDACTED]



M

P

S







T





When taxes **increase** by ΔTx , the change in Savings is **negative**

$$\Delta S = -MPS(\Delta Tx)$$

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$$S = \underbrace{-a - \text{MPS } T_x + \text{MPS } T_r}_{\text{Intercept}} + \underbrace{\text{MPS } Y}_{\text{Slope}}$$

Savings **decrease (shift down)** when Taxes **increase**

Savings **decrease (shift down)** when Transfers **decrease**

When taxes **increase** by ΔT_x , the change in Savings is **negative**
 $\Delta S = -\text{MPS}(\Delta T_x)$

When transfers **decrease** by ΔT_r (a negative number), the change in Savings is **negative**
 $\Delta S = +\text{MPS}(-\Delta T_r)$

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