

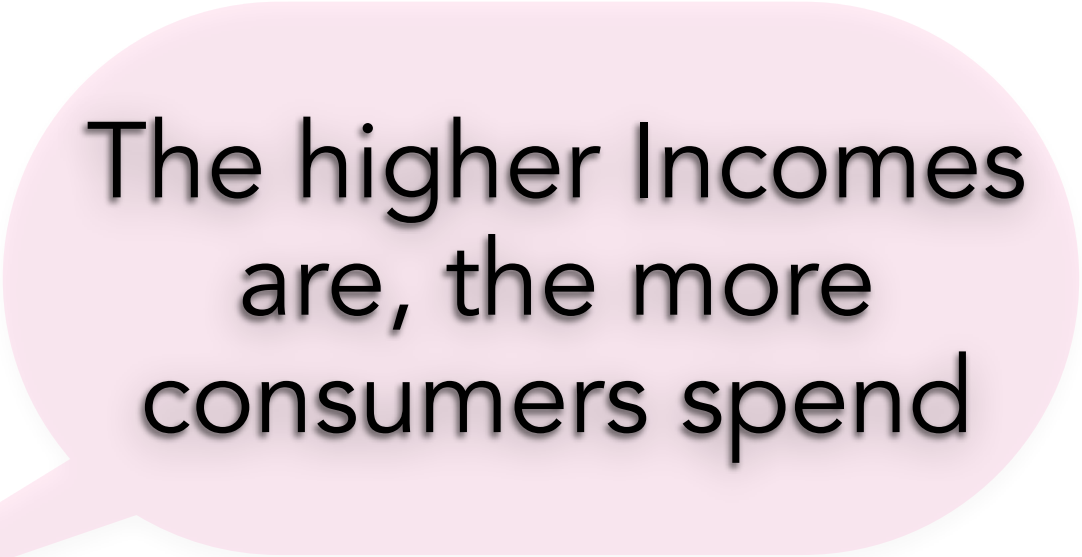
What determines Consumer Spending?

Real Income

Wealth

Expectations

Prices

A pink speech bubble with a tail pointing towards the bottom-left corner. Inside the bubble, the text "The higher Incomes are, the more consumers spend" is written in a black, sans-serif font, centered and arranged in three lines.

The higher Incomes
are, the more
consumers spend



Optimistic
consumers spend
more: higher
intercept

Lower prices,
increase the **real**
value of wealth
consumers spend
more: **higher**
intercept



Wealthier
individuals spend
more: higher
intercept



[REDACTED]

[REDACTED]





















M

P



Y



Portion of
consumption
induced by
income



Portion of
consumption
independent
from income

Induced
consumption

Autonomous
consumption

C = MP CY



Wealth

Expectations

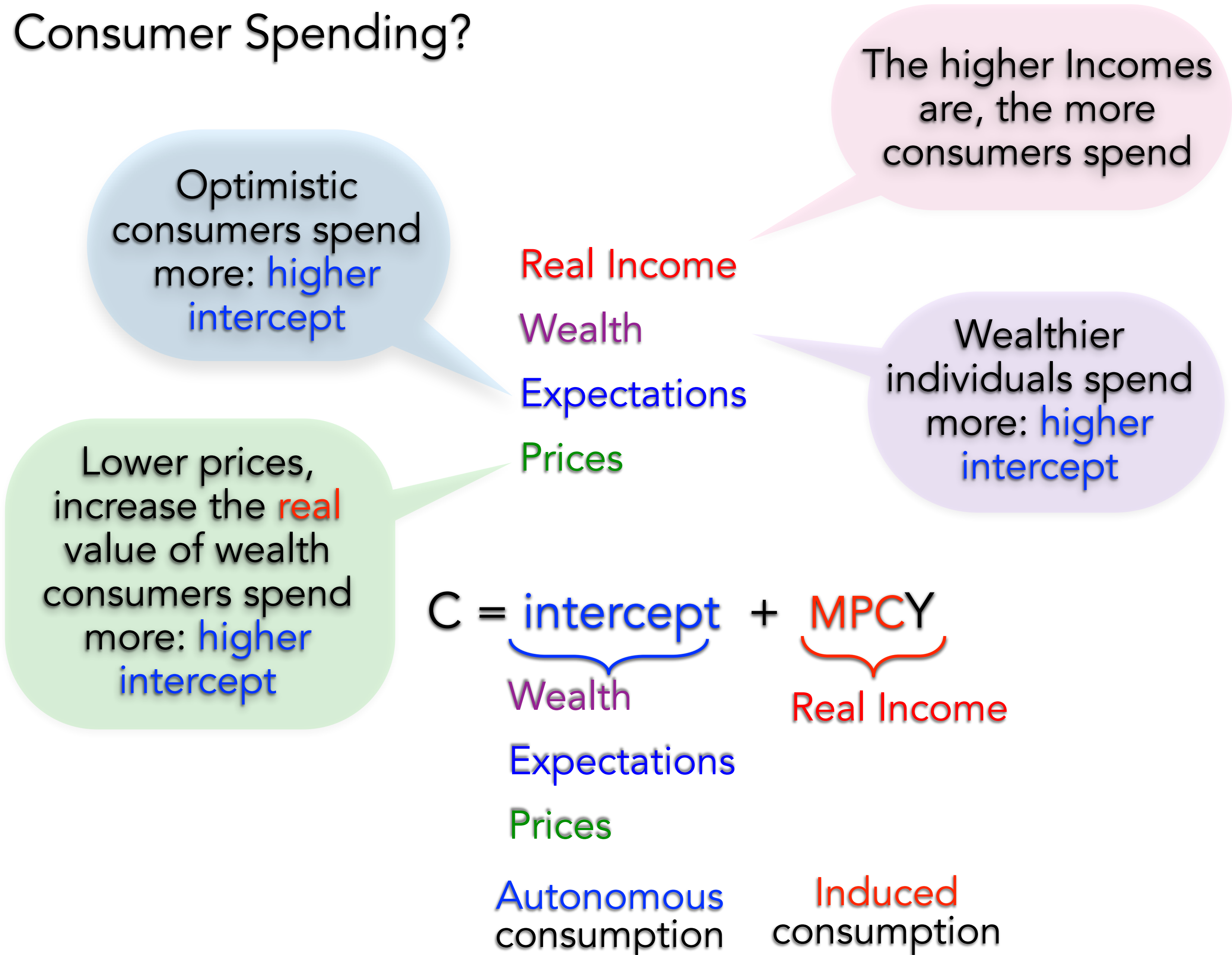
Prices



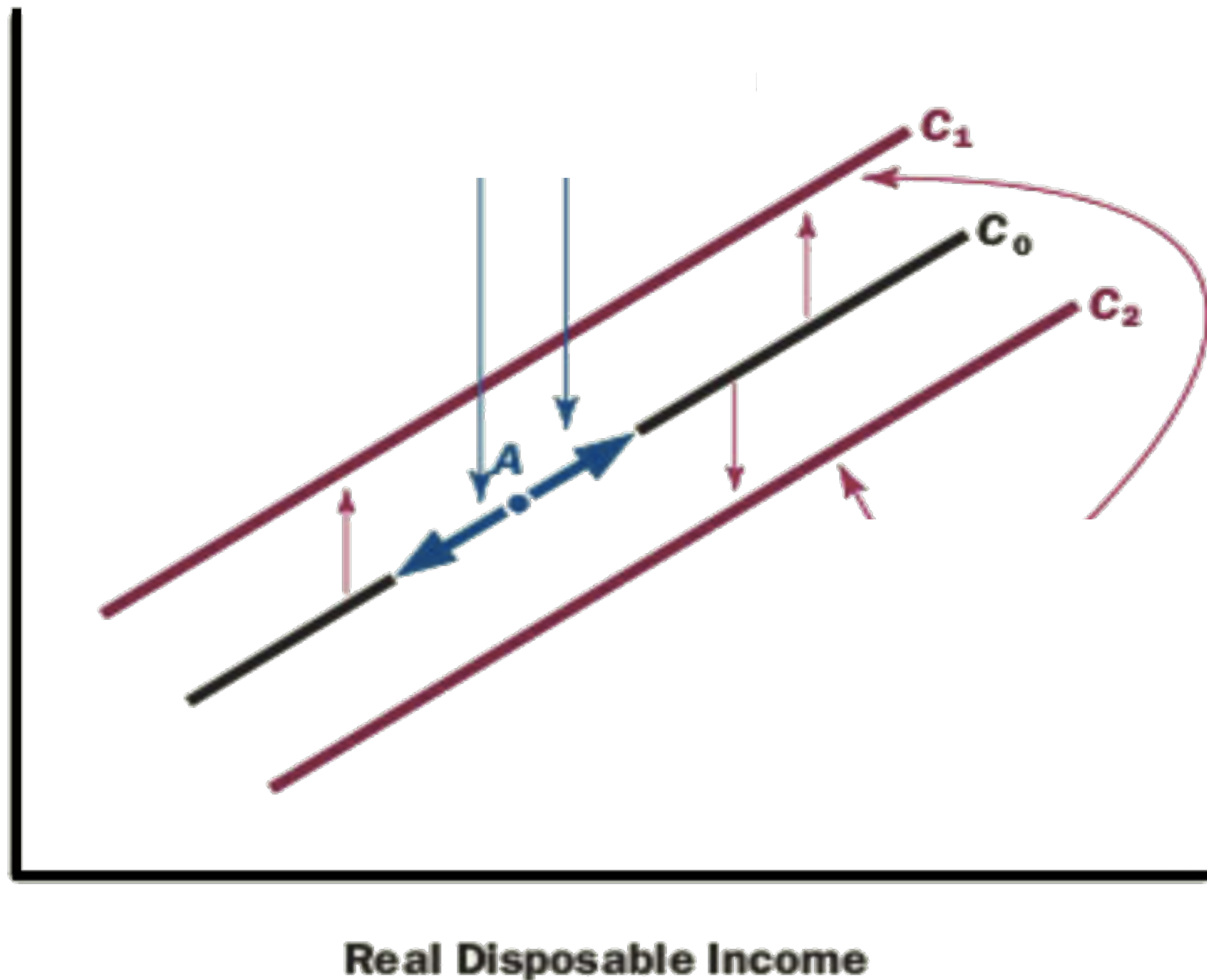
Real Income

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

What determines Consumer Spending?



Real Consumer Spending



Real Disposable Income