



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

C

=

a

+

MPCY

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

$$C = 500 + 9,000$$

$$C = 1000 + 9,000$$

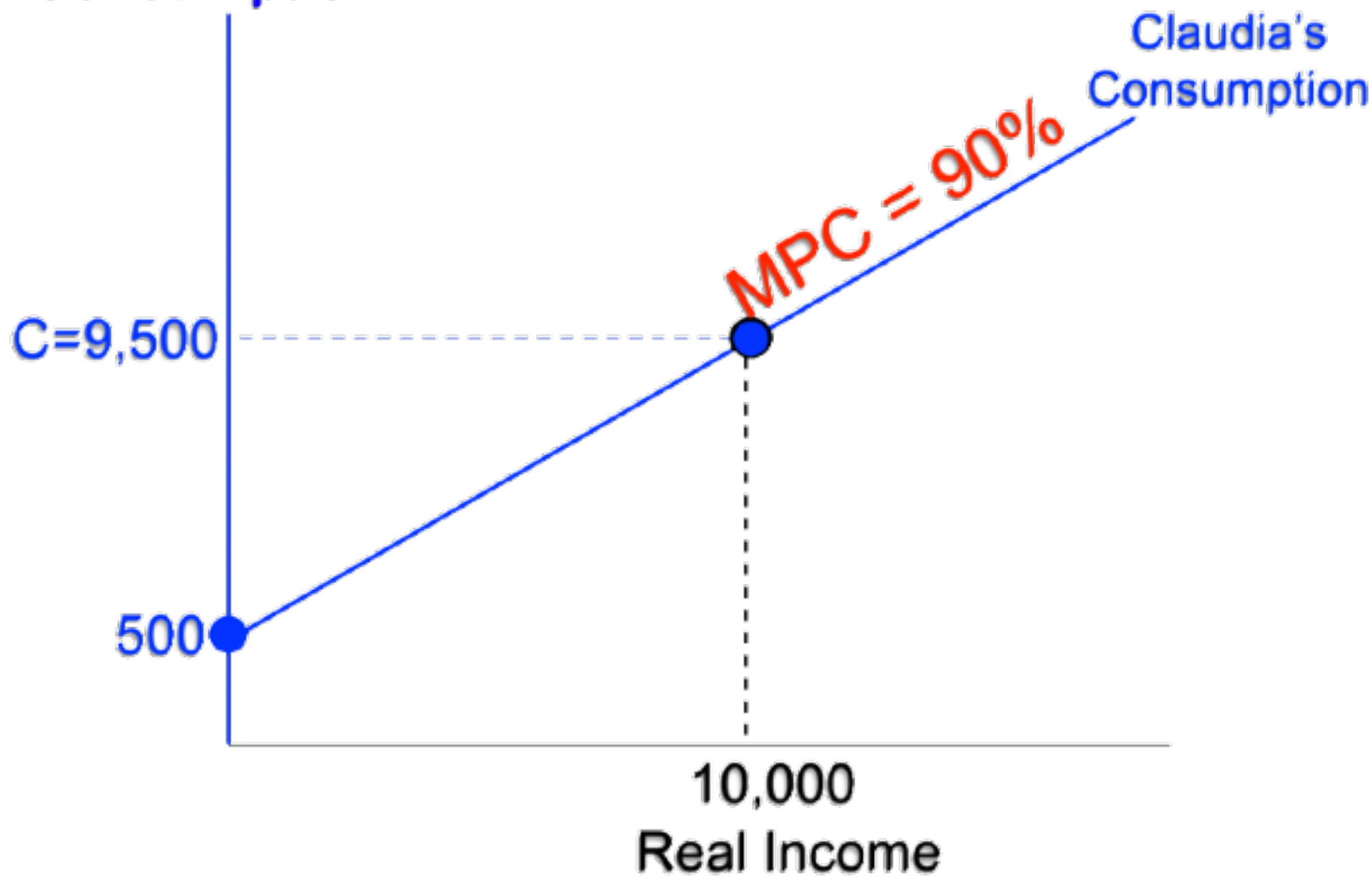
C = 9,500

C = 9,100

Claudia's old consumption

Claudia's income is still \$10,000/month, a decrease in wealth **decreases the**
intercept: her consumption drops

Consumption



Consumption

$$C = 500 + 0.9Y$$

$$C = 100 + 0.9Y$$

$C=9,500$

$C=9,500$

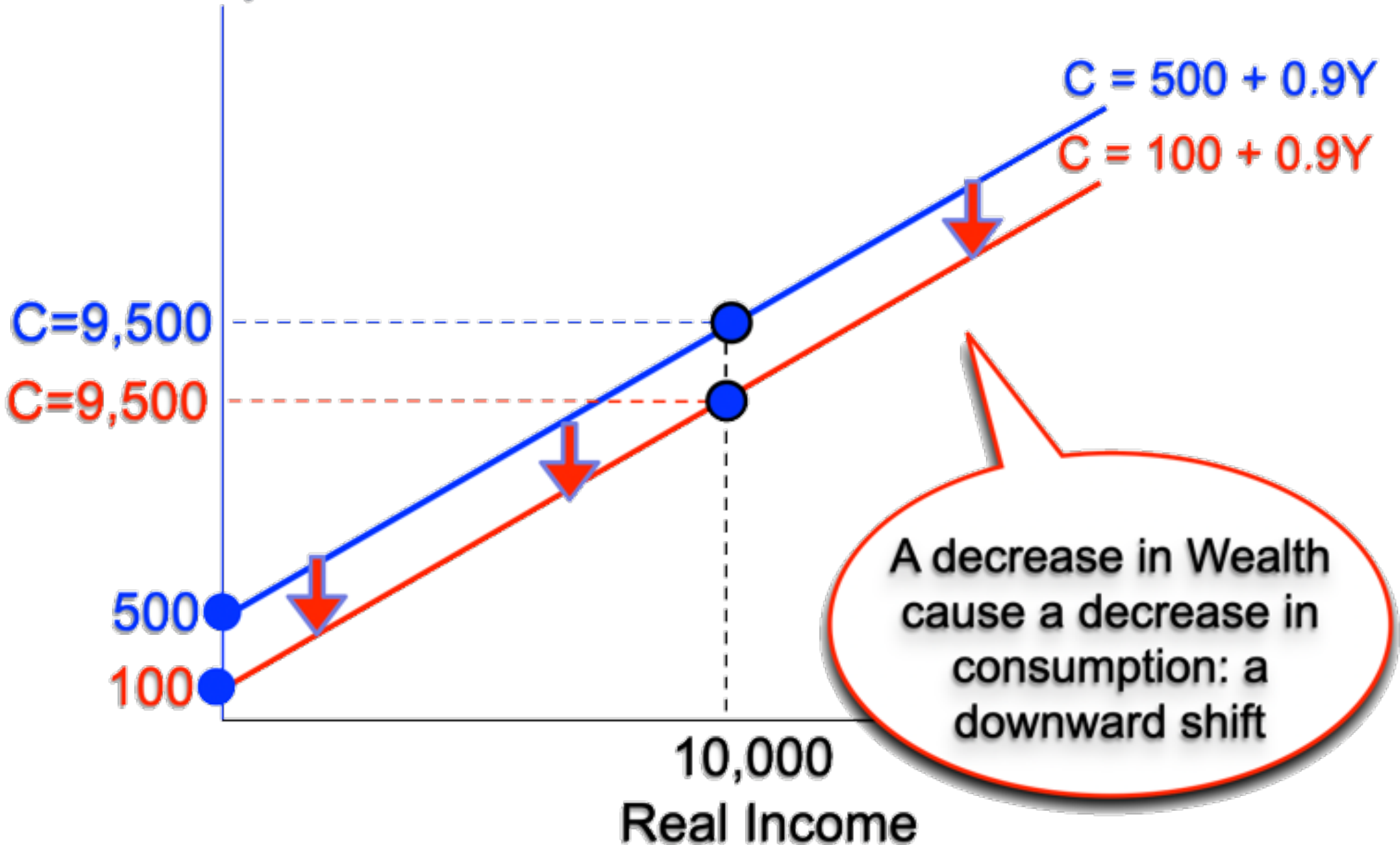
500

100

10,000

Real Income

A decrease in Wealth
cause a decrease in
consumption: a
downward shift



100

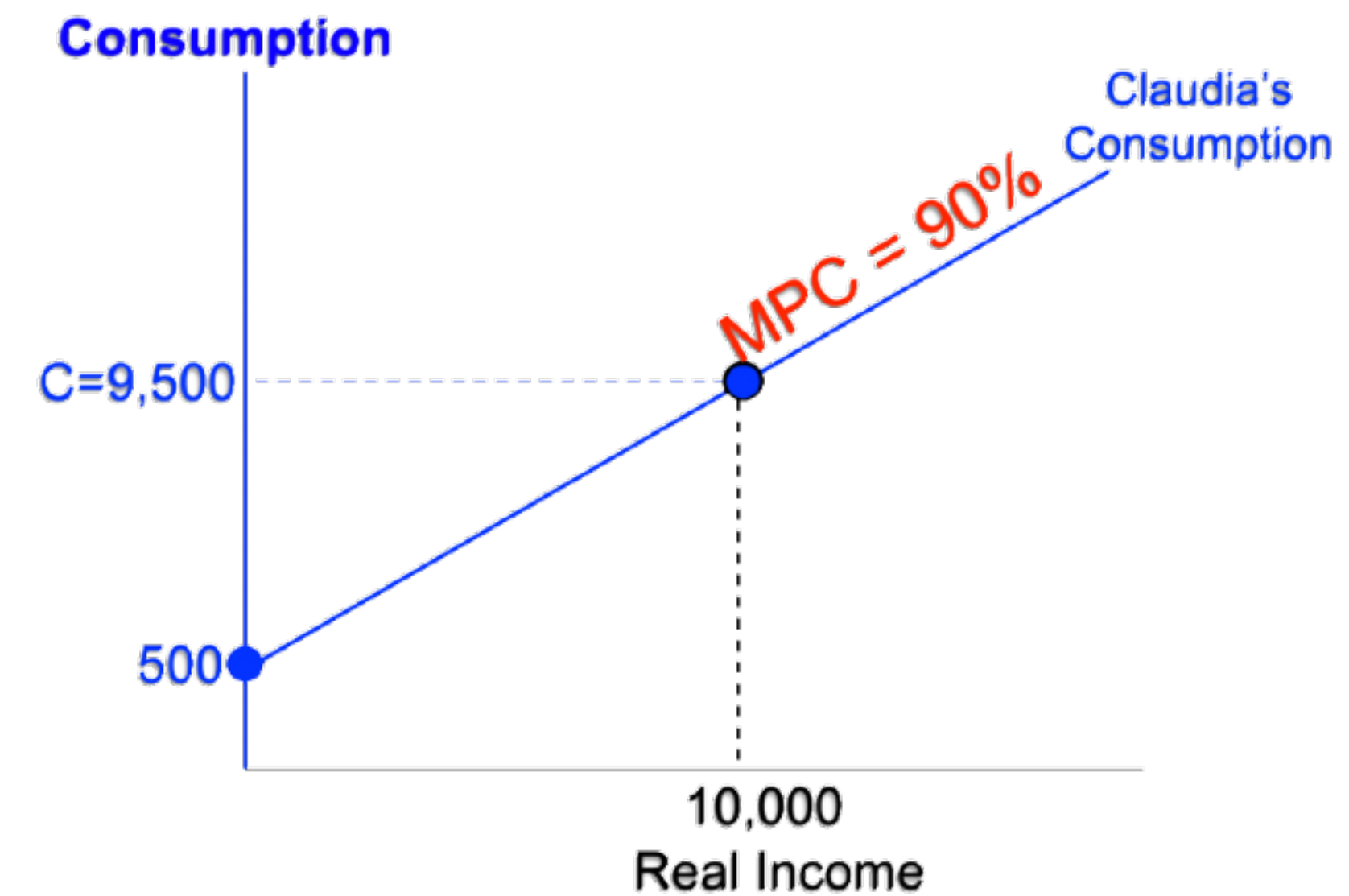
$$C = a + MPCY$$

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, a decrease in wealth **decreases the intercept**: her consumption drops

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

$$C = 100 + 9,000$$

$$C = 9,100$$

