

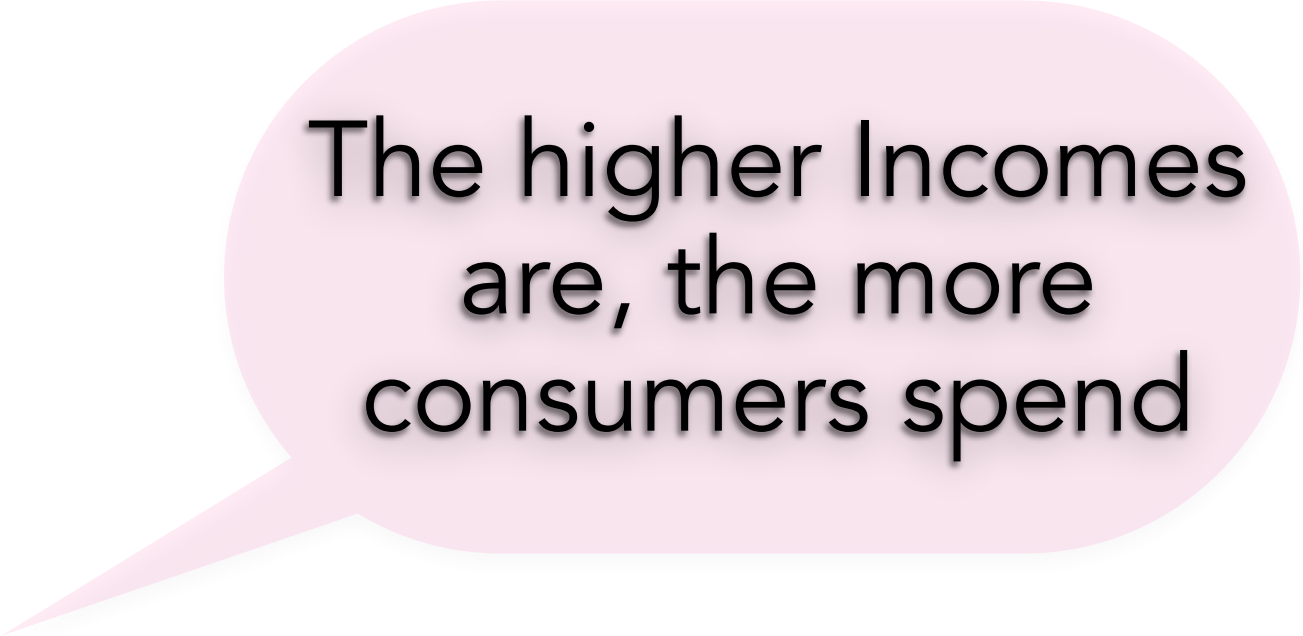
What determines Consumer Spending?

Real Income

Real Wealth

Expectations

Prices



The higher Incomes
are, the more
consumers spend



Optimistic
consumers spend
more: higher
intercept

Higher prices,
decrease the real
value of wealth
consumers spend
less: lower intercept



Wealthier
individuals spend
more: higher
intercept



[REDACTED]

[REDACTED]






















M

P









Portion of
consumption
induced by
income



Portion of
consumption
independent
from income

induced
consumption

Autonomous
consumption

2

b

C = NRCxy

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

What determines Consumer Spending?

Optimistic consumers spend more: **higher intercept**

Real Income

Real Wealth

Expectations

Prices

The higher Incomes are, the more consumers spend

Wealthier individuals spend more: **higher intercept**

Higher prices, decrease the real value of wealth consumers spend less: **lower intercept**

$$C = \underbrace{^a \text{intercept}}_{\substack{\text{Portion of} \\ \text{consumption} \\ \text{independent} \\ \text{from income} \\ \text{Autonomous} \\ \text{consumption}}} + \underbrace{^b \text{MPC} \times Y}_{\substack{\text{Portion of} \\ \text{consumption} \\ \text{induced by} \\ \text{income} \\ \text{induced} \\ \text{consumption}}}$$

INTRODUCING THE GOVERNMENT