

3

3

Once we have the Consumption Function...

W





a



W















S

a







e

S

F

U















C

=

500

+

0.75Y

S **=** **-500** **+** **0.25Y**



Intercept



Slope

Same intercept
but **negative**




$$1 - 0.75 = 0.25$$

We can write the Savings Function...

Once we have the Consumption Function...

$$C = 500 + 0.75Y$$

Same intercept
but negative

$$1 - 0.75 = 0.25$$

$$S = \underbrace{-500}_{\text{Intercept}} + \underbrace{0.25Y}_{\text{Slope}}$$

We can write the Savings Function...

