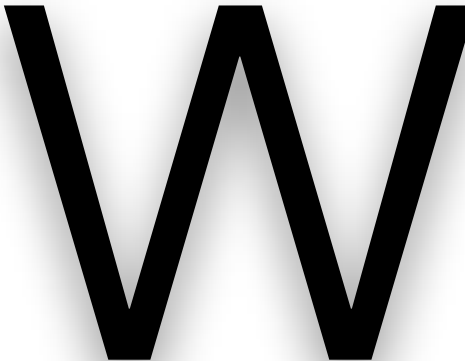
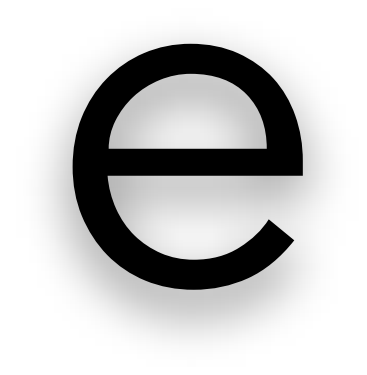
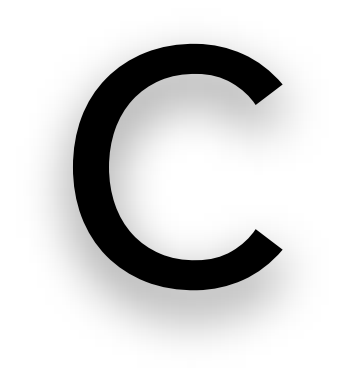
34

Once we have the Consumption Function…



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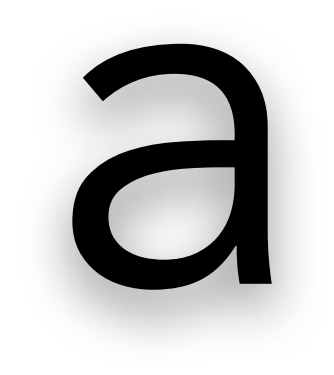
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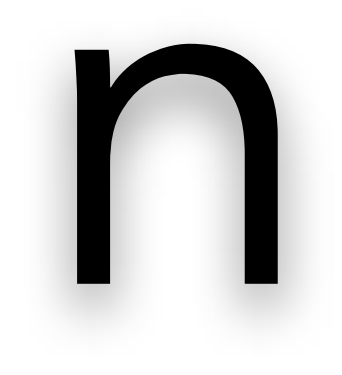

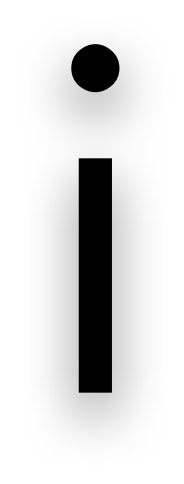

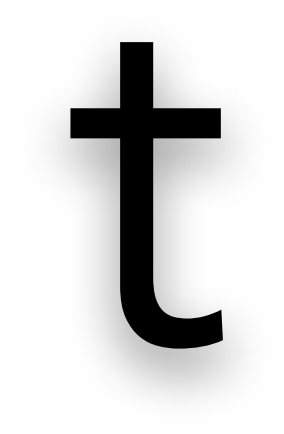

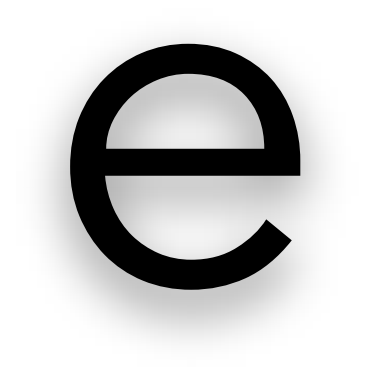

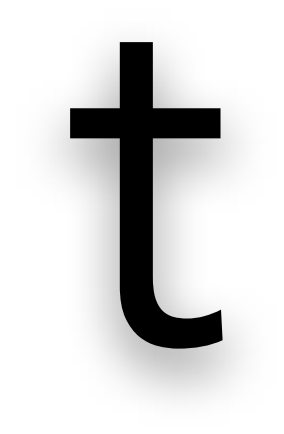

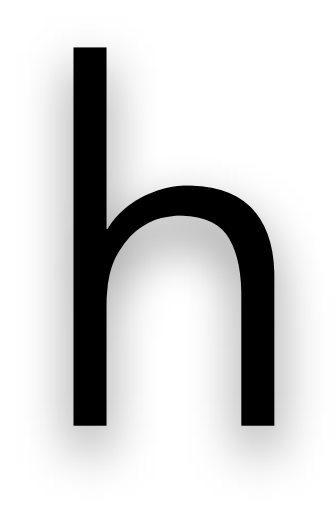

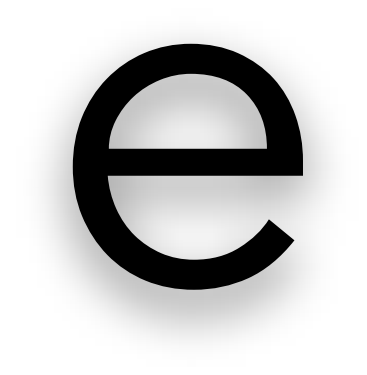

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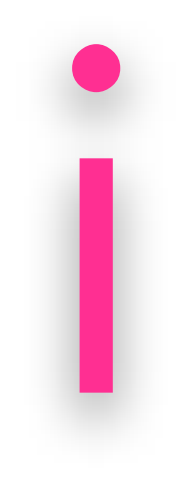
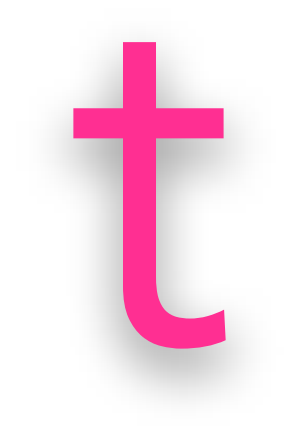
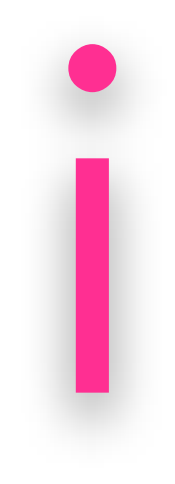
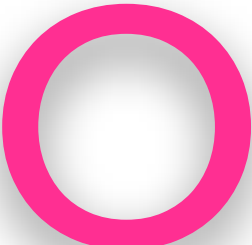




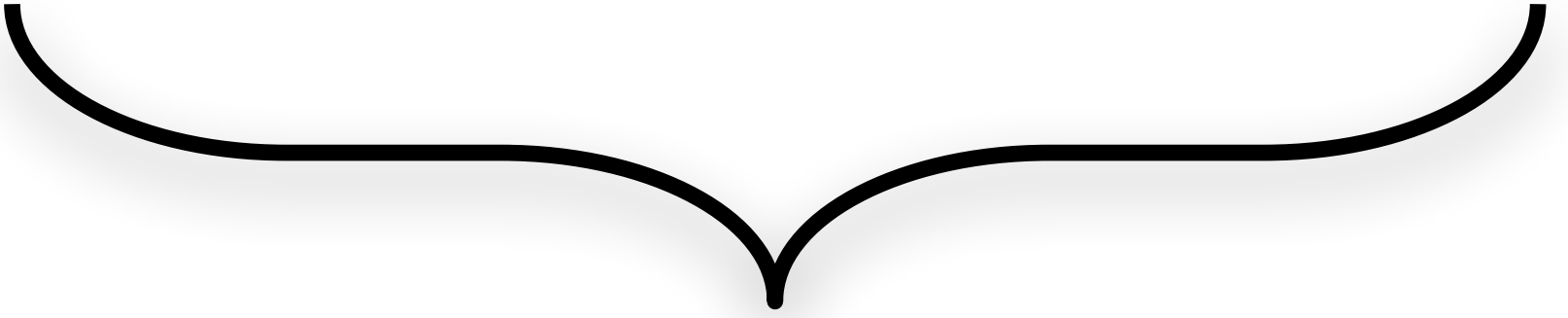




$$C = a + MPCY$$

$$S = -a + (1-MPC)Y$$

Intercept



Slope

Same intercept but negative

1 - MPC = MPS

Marginal
Propensity to
Save

We can write the Savings Function…

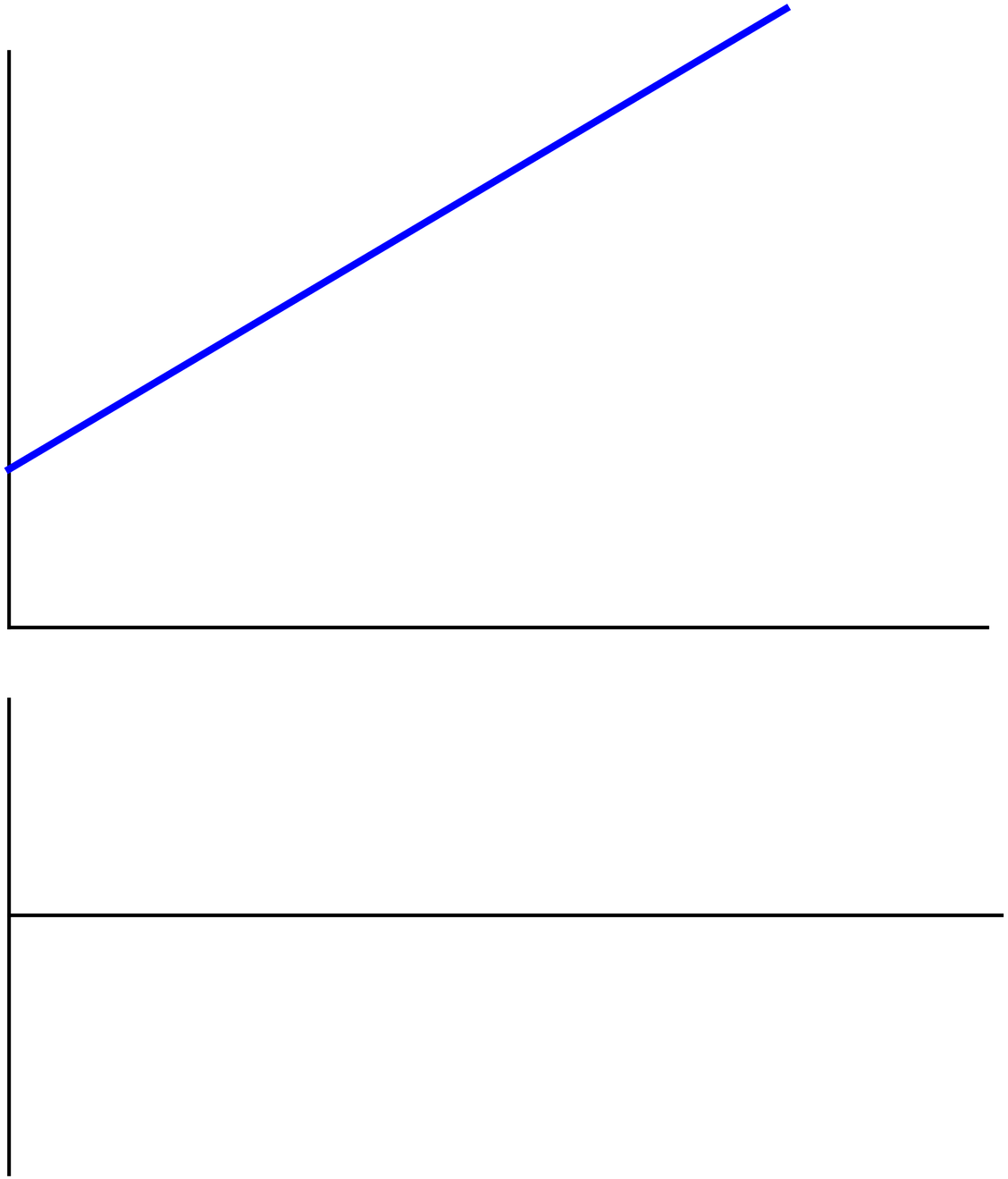
Once we have the Consumption Function…

$$C = a + MPCY$$

Same intercept but negative

1 - **MPC** = **MPS**

Marginal **P**ropensity to **S**ave

$$S = \underbrace{-\ a}_{\text{Intercept}} + \underbrace{(1\text{-}MPC)}_{\text{Slope}}Y$$

We can write the Savings Function…