

Smaller intercept



Higher intercept

C1

Co

S1



S

o

Intercept = 500

Intercept = -500



Intercept = 300

Intercept = -300



13,000



13,000







Consumables

Save more

Simultaneous  
opposite shifts in  
C and S

P



e



**S**



m



**S**















**n**



u



m





**S**

S

p



n



d



e

S

S

a

**n**

d





a





m





e









h

e



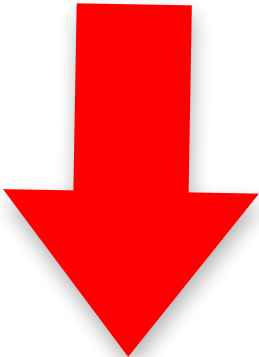






m

e



C

h

a

**n**

g



e





**n**

**E**



**p**

e



C



a







**n**

**S**





C



**n**

S

u

m

e



**r**

S

**b**

e

C



m

e



**p**

e

**S**



m



S

t





C

Income did not change

# Change in Expectations:

Consumers become pessimistic

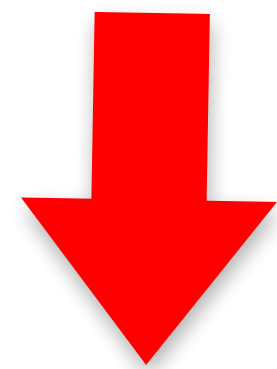
# Pessimistic Consumers

spend less and save  
more of their income

## Change in Expectations:

Consumers become pessimistic

Pessimistic Consumers  
spend less and save more of their income



Simultaneous  
opposite shifts in  
C and S

Smaller intercept

Intercept = 500

Intercept = 300

Higher intercept

Intercept = -300

Intercept = -500

