

## Day-27

- Temporary shock accounted in income but not permanent shock.
- Permanent income → determinant of consumption  
This is a hypothesis  
All temporary shocks may not be responded to.
- Loss of job - rethinking about permanent income till next job
- Promotion - Permanent positive income shock
- Revising permanent income when permanent shock happens, not temporary shocks.
- wealth effect: another determinant of consumption