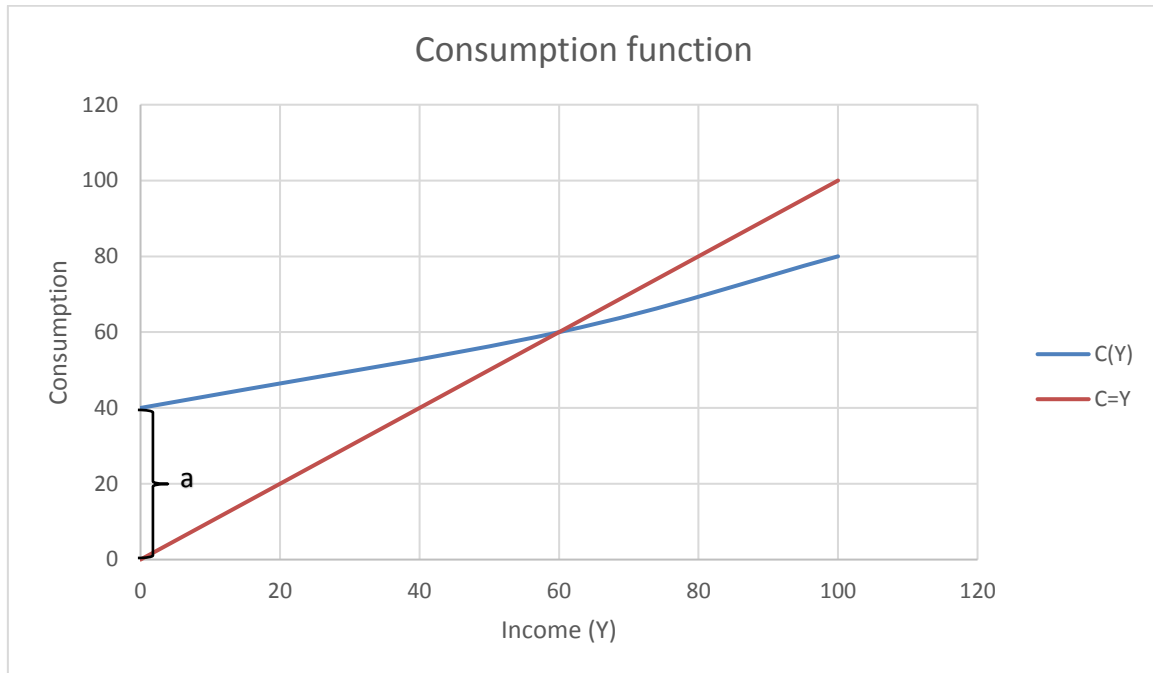# Answer on Question #70044 – Economics – Macroeconomics

Question:

with the aid of a properly labelled diagram, explain the three main characteristics of the consumption function

Answer:

The consumption function means a relationship between consumption and income.

Main characteristics of the consumption function:

1) There is autonomous consumption (a) , even when the income is equal to 0, consumption is positive.
2) The slope of the consumption function is marginal propensity to consume (MPC) MPC=$\frac{\Delta C}{\Delta Y}$ – the change in consumption over the change in income.
3) C(Y)=a+b*Y, where b = MPC