

A Study of Aggregate Consumption Functions,; Robert Ferber; 1966; University Microfilms, 1966

Start studying Aggregate Online Assignment. Learn vocabulary, terms and more with flashcards, games and other study tools. Shifts in aggregate demand against long-run aggregate supply affect both the price level and the quantity of output supplied. the aggregate price level. What is measured on the vertical axis when we draw a graph of aggregate demand and aggregate supply? If the decline in output had been accompanied by an increase in prices, then it was a supply shock. When the consumption function is plotted on a graph, the horizontal axis measures: expected future income and the level of household wealth. The position of the aggregate consumption function is determined by: decline in consumption spending. The consumption function relates the level of consumption in a period to the level of disposable personal income in that period. In this section, we incorporate other components of aggregate demand: investment, government purchases, and net exports. In doing so, we shall develop a new model of the determination of equilibrium real GDP, the aggregate expenditures model. This model relates aggregate expenditures, which equal the sum of planned levels of consumption, investment, government purchases, and net exports at a given price level, to the level of real GDP. We shall see that people, firms Implications of consumption function. If you cut income tax for those on low income, they tend to have a higher marginal propensity to consume this extra income. Therefore, there is a large increase in spending. People with high incomes will tend to have a lower marginal propensity to consume. If they benefit from a tax cut, they will save a greater proportion. Shift in the consumption function. In this diagram, the consumption function has shifted to the upwards (to the left. (C1 to C2). This means consumers are spending a higher % of their income. This could be due to a rise in property price This paper studies the role of fluctuations in the aggregate consumption-wealth ratio for predicting stock returns. Using U.S. quarterly stock market data, we find that these fluctuations in the consumption-wealth ratio are strong predictors of both real stock returns and excess returns over a Treasury bill rate. We also find that this variable is a better forecaster of future returns at short and intermediate horizons than is the dividend yield, the dividend payout ratio, and several other popular forecasting variables. erences, the log consumption-aggregate wealth ratio predicts asset returns because it is a function of expected future returns on the market portfolio. This result has been noted previously by Campbell and Mankiw (1989) and is the starting point of our theoretical framework.