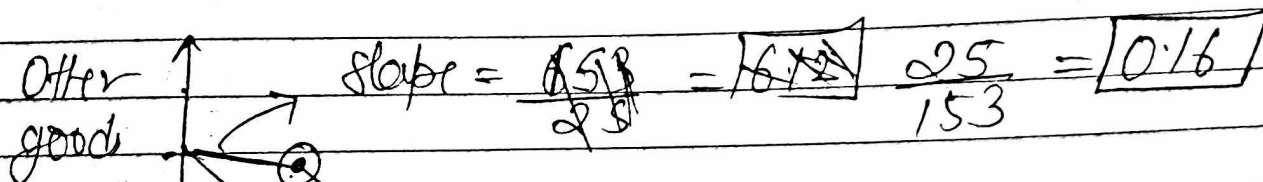


Also the slope of budget line, in the flatter segment, would be equal to $\left[\frac{83}{153}\right]$

$$\text{without sub slope} = \frac{\$153}{153} = 1$$

$$\text{with sub slope} = \frac{\$83}{153} = \$0.54 \quad \text{(flatter)}$$

In 2 Case:



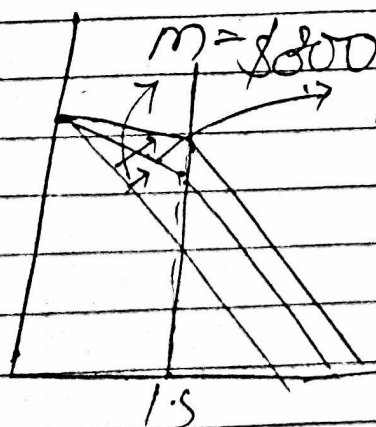
→ In above figure the effect of this prog. leads to a kink

In the budget budget constraint as shown in figure.

Household with higher income had to pay more

for their allotment of food stamps. Thus

the slope of budget line could become steeper as household income increases.



Slope is directly related with slope,

Post 1979 Programme [Per unit Subsidy]

Date:

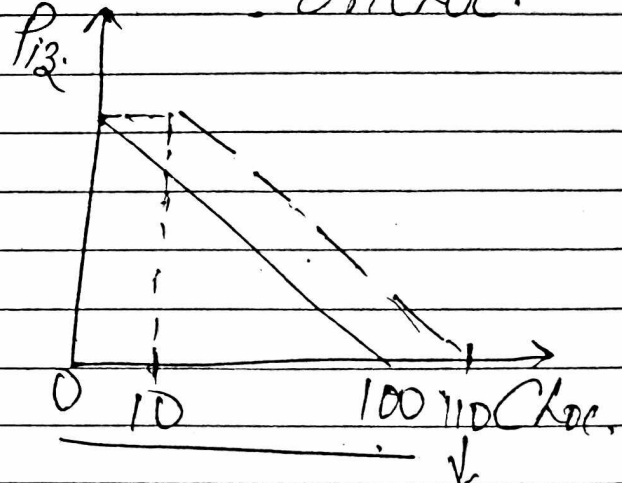
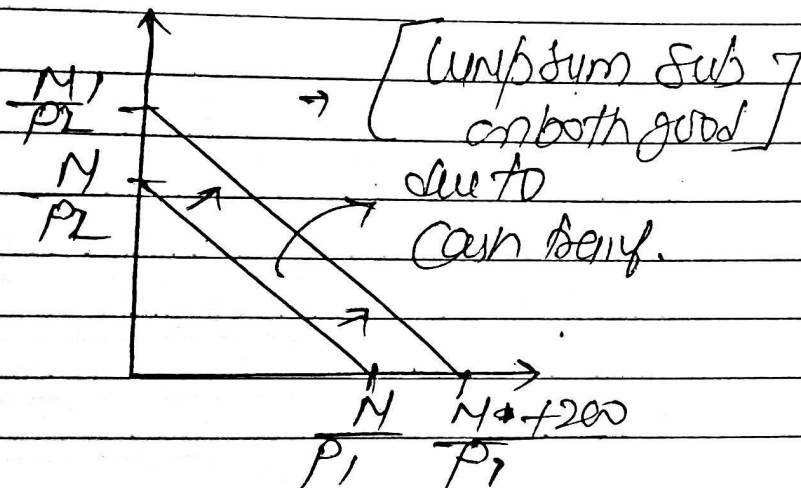
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Unit 8

The programme are modified, and instead of household requiring to purchase food stamps, they are now simply given to qualified household. Now, household receive a grant of \$200 of food stamp each month.

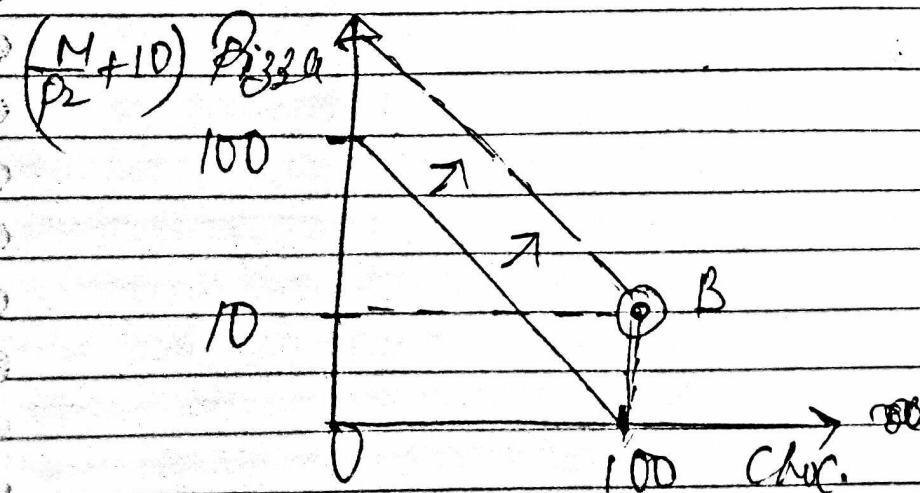
→ Cash transfer (M↑)

→ Kind transfer.
(every month)
on choc.

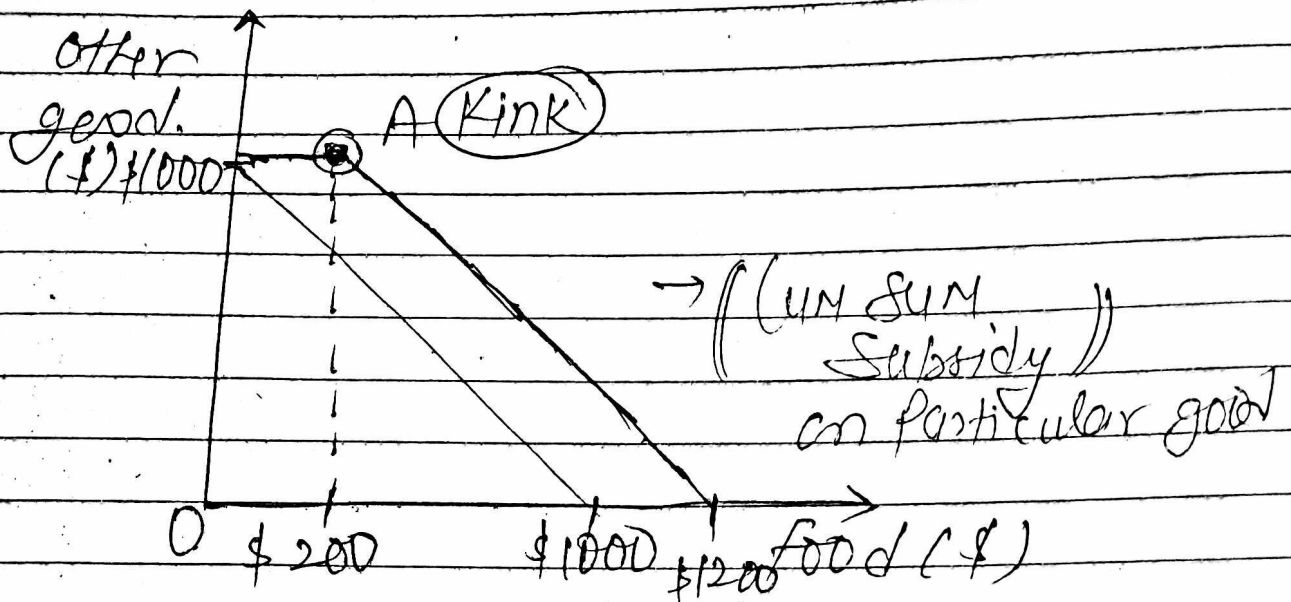


[every month on
Pizza → 10 units]
Kind transf.

$\left[\frac{M+10}{P_1} \right]$



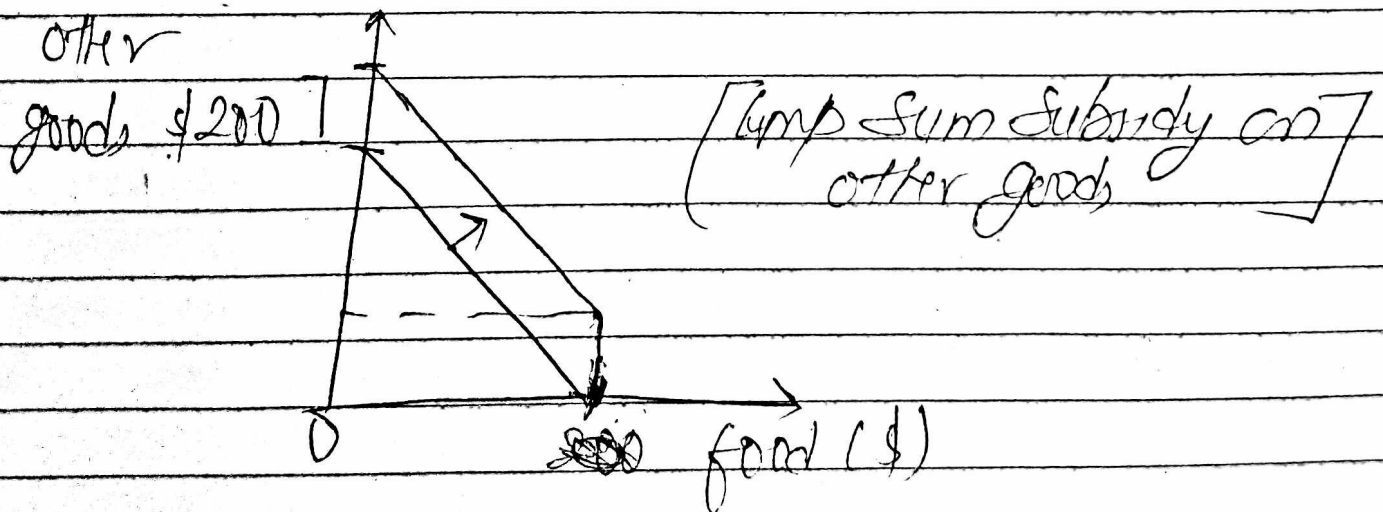
→ grant of \$200 given for food grant.
 $m = 1000$



(2/1 Aug/15)

\$200 → Price [Assuming $P_1 = 1$]

→ when grant on other good \$200



[food stamps cannot be sold or exchange with other goods]

Note:- The food stamp programme is effectively a lump sum subsidy on food. (Post 1979), except for the fact that the food stamps cannot be sold.

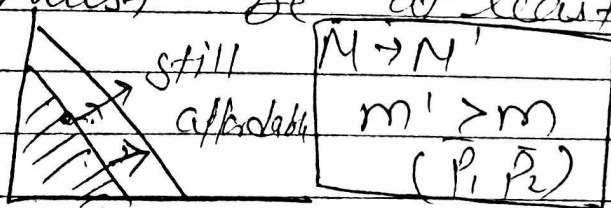
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Summary (Observations): →

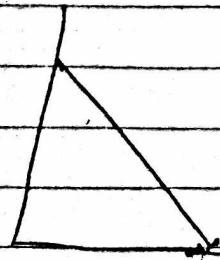
i) we conclude that in a perfectly balanced inflation, (All prices and income rise at same), doesn't change budget set and hence cannot change optimal choice.

(ii) If consumer's income increase and prices remain same then every consumption bundle that consumer was consuming at a low income is still a possible choice at the higher income then the consumer must be at least as well off.



at lower higher income as at lower income.

(*)



$$\text{slope} = -4 \Rightarrow 1 \text{ good-1} = 4 \text{ good-2}$$

→ opportunity cost 1 unit of good 2

→ 4 units of good-1

→ opp. cost of 2 units of good 1 = 4 units of good 2.