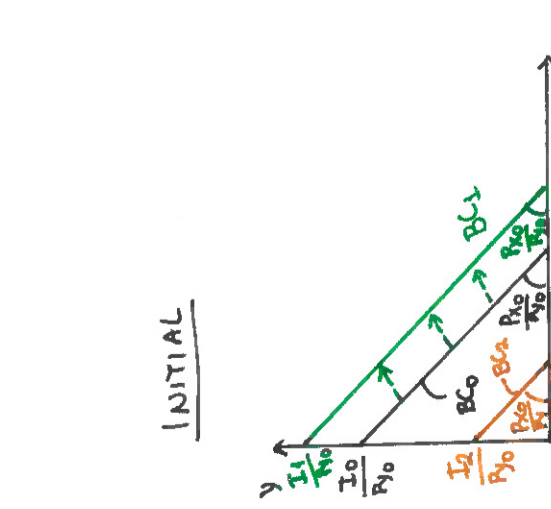
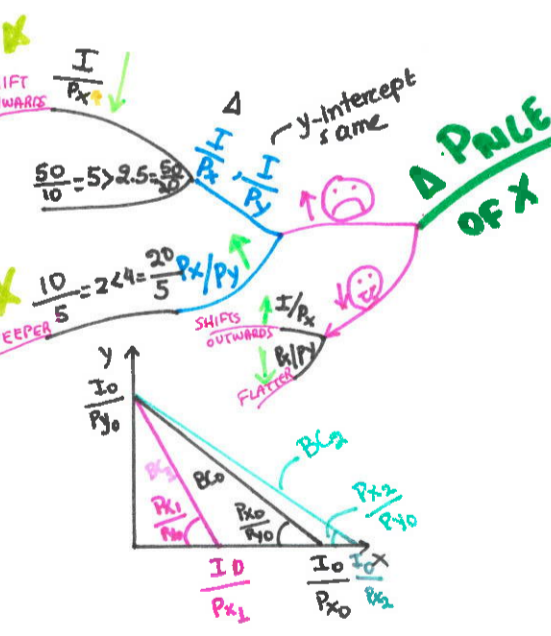
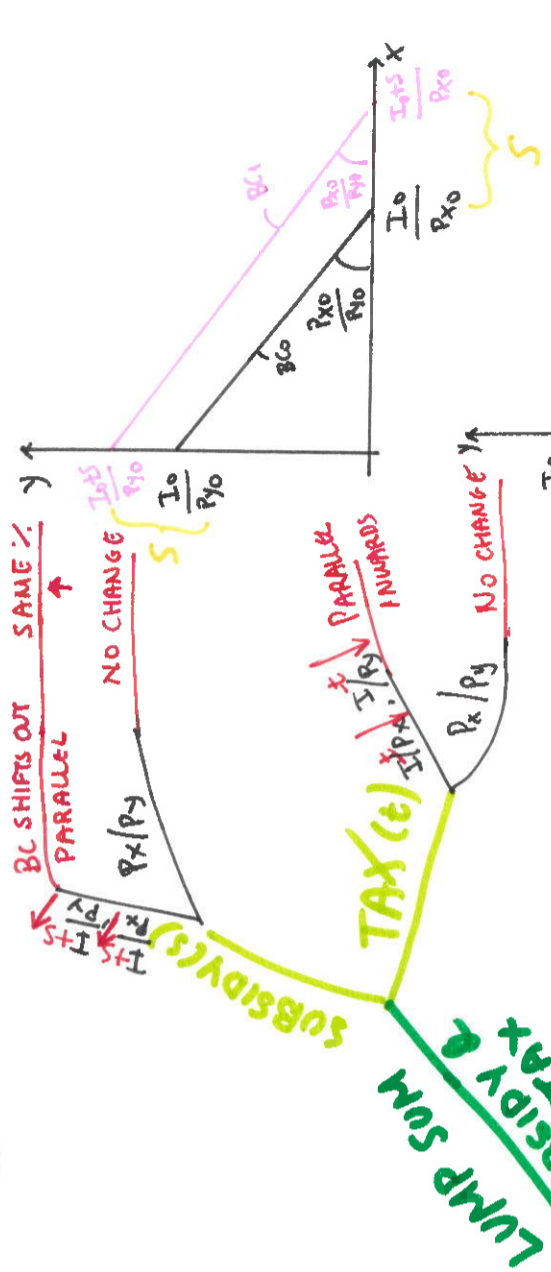
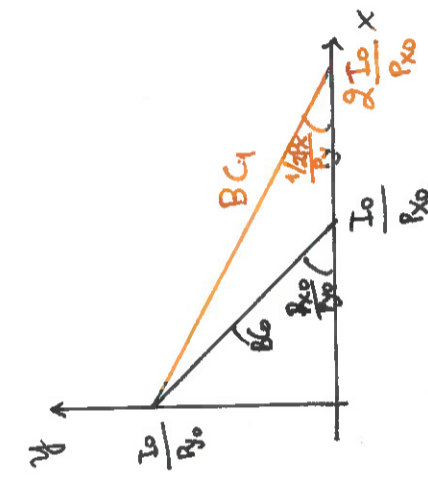
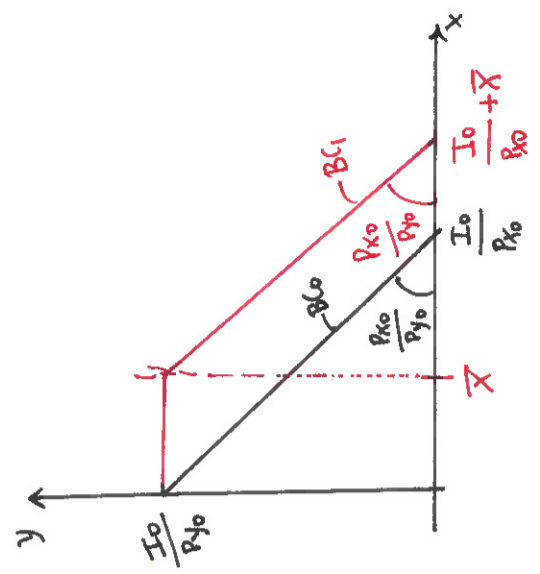


BUDGET CONSTRAINT DYNAMICS



TRANSFERS
 Get X
 CONSUME FREE X, THEN BUY Y

PRICE!
 BUY 1, GET 1
 SLOPE = $\frac{I}{P_x}$ = x-intercept
 OUTWARD
 FLATTER



Δ INCOME

SMC % INCREASE
 $\frac{50}{10} = 5 < 10 = \frac{100}{10}$
 in terms of X

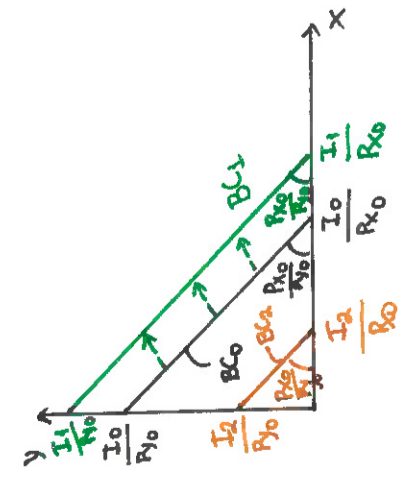
SMC % DECREASE
 $\frac{50}{5} = 10 > 30 = \frac{100}{5}$
 in terms of Y

NO CHANGE
 NO CHANGE % SMC %

SHIFTS
 SHIFTS OUTWARD X & Y INTERCEPTS
 SHIFTS INWARD X & Y INTERCEPTS
 SHIFTS OUTWARD X ONLY
 SHIFTS INWARD X ONLY

PRICE RATIO
 $\frac{P_x}{P_y}$

VERTICAL & HORIZONTAL INTERCEPTS
 SLOPE BC
 Y = steeper
 X = flatter



Think about the per unit subsidy effect