

# Subsidies and Grants

- Subsidy – pay part of price
- Grant – give a chunk of money
  - Which is cheaper to institute?
  - Which generates higher utility?
- Graph of subsidy:

- What does program cost in diagram?
- Vertical vs. horizontal distances
  - Cost in food vs. cost in dollars



# Individual and Market Demand

- Market demand is the *horizontal* sum of individual demand curves
  - At any price  $P$ , how much does each consumer want to buy?

- $X_j(P_x, P_y, I) =$  person  $j$ 's demand for  $X$
- Market demand =  $\sum_{j=1}^m X_j = X(P_1, \dots, P_n, I_1, \dots, I_m)$
- We write as  $Q(P) = X_j = X(P_1; P_2, \dots, I_1, \dots, I_m)$