# Human Capital: Finding the Best Option 

Finishing the example:
What's the best N ?

The N that pushes the BC furthest out:


Finding it is surprisingly easy:

It's the net income bundle with the largest PVI:


Computing the PVIs:

| Classes |  | $I_{0}^{\text {net }}$ | $I_{1}^{\text {net }}$ |  |
| :--- | :--- | :--- | :--- | :--- |
| 0 | 25 | 25 | $25+\frac{25}{1.05}$ | 48.8 |
| 1 | 20 | 35 | $20+\frac{35}{1.05}$ | 53.3 |
| 2 | 15 | 42 | $15+\frac{42}{1.05}$ | 55.0 |
| 3 | 10 | 48 | $10+\frac{48}{1.05}$ | 55.7 |
| 4 | 5 | 53 | $5+\frac{53}{1.05}$ | 55.5 |
| 5 | 0 | 57 | $0+\frac{57}{1.05}$ | 54.3 |

For all sets of preferences, $N=3$ is best:


Gives the BC for choosing the consumption bundle $C_{0}$ and $C_{1}$ :

$$
C_{0}+\frac{C_{1}}{1.05}=55.7 k
$$

