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	$I_0^{net}$	$I_1^{net}$		PVI
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  $C_1$ :

$$C_0 + \frac{C_1}{1.05} = 55.7k$$