

## Difference between Budget Line and Budget Set

| Basis of Difference             | Budget Set   | Budget Line  |
|---------------------------------|--|--|
| <b>Meaning</b>                  | It comprises of sets or bundles of goods and services which a consumer can purchase with his limited income. | It comprises of all those bundles of goods and services which costs equal to the income of the consumer. |
| <b>Deals with</b>               | It deals with all the attainable combinations of two goods, given the prices and income of the consumer.     | It deals with the limit up to which the consumer can buy a set of two goods with his income.             |
| <b>Equation</b>                 | $P_1X_1 + P_2X_2 \leq Y$   | $P_1X_1 + P_2X_2 = Y$  |
| <b>Relationship with Income</b> | The sets of two goods and its prices always fall under or equal to the total budget of the consumer.         | Here, the bundles of two goods and its prices are always equal to the budget of the consumer.            |
| <b>Inter-Relationship</b>       | It provides a basis to represent the budget line.  | It comprises of a different combination of two goods in a budget set.                                    |
| <b>Also known as</b>            | It is also known as Opportunity set.   | It is also known as Budget Constraint or Price Line.   |
| <b>Graphical Representation</b> | The consumption sets that lie under and on the budget line form the budget set.                              | The consumption sets that lie on the budget constraint itself form the budget line.                      |