

## **Analyzing the Presence of Economies of Scale in Household Consumption**

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### **ABSTRACT**

*Basic economics theory always teaches us that an individual given his/her own budget constraint will choose to maximise their utility. But with household scale economies, the larger households will always be better off in case of public goods with the same amount of per capita resources. Therefore, the larger households must have higher consumption of private goods, provided they do not choose substitute towards more cheaper public goods. The findings of this paper are completely opposite of this. Data from Indian Human Development Survey (IHDS) indicates that, at constant per capita income / expenditure, the per capita demand for food decreases with household size. Our study also looks into a more commodity specific one, where we find out that for basic commodities like rice and wheat, the members will look for better quality of rice / wheat rather than a higher quantity of rice / wheat. This extended study is an excellent way of showing that developing countries have “economists” in each and every household.*