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The text discusses how individual face constraints in satisfying their desires due to limited income and the price of goods. It uses a simple example of a $100 monthly allowance spent on gas and DVDs to illustrate the concept of a budget line, which shows the combinations of two goods that can be purchased given income and prices.

The budget line is affected by changes in income and prices, and it helps to understand opportunity costs.

which depend on the relative prices of the goods. The opportunity cost of a good is the quantity of the alternative good that must be given up to purchase it.