Topic 02.10.2025

- Budget Line Summary

- The budget line illustrates all combination of two good (Gasoline and DVDs) that an individual can purchase given a fixed income ($100) and fixed Prices ($2 per gallon of gas, $10 per DVD), assuming all income is spent. Points on the line (like C_1 to C_5) are attainable and use all income, points below (like C_6) are attainable with money left over, and points above (like C_7) are unattainable. The slope of the budget line represents the costant opportunity cost - in this case each extra DVD costs 5 gallons of gas.