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A budget shows possible combinations of two goods a person can buy with fixed income at current price

→ with $100/month gas at $2/gallon and DVD at $10 each the budget line ranges from buying 50 gallons of gas to 10 DVDs

→ points on the line use all income points below leave leftover money, points above are unaffordable.

opportunity cost is what you get more of one good

→ Moving along the budget line each extra DVD costs 5 gallons of gas

→ the opportunity cost depends on relative price not money alone If both price double, the trade off stays same 1 DVD = 5 gallons of gas.

shifts in budget line occur if

Income changes (more income shift line out less shifts it in)

Price changes

If both price fall you can buy more of both

Inflation (both price rise) reduce purchasing power harming those on fixed income.

the budget illustrats scarcity and trade off in personal spending showing how limited income force choice with real opportunity costs.