Brefing: Personal Budgeting and Opportunity Cost

1. Budget Constraint & Scarcity

Income limits force trade-offs between wants (example 100$/mouth for gas or DVDs)

2. Budget Line Definition

Show affordable combinations at fixed income/price

Feasible on/below the line example

25 gallons + 5 DVDs = $100

Infeasible above the line

3 Budget Line Shifts

- Income ↑ / Price ↓ : Line shifts outward (more choices)

4. Opportum Cost Calculation

- 1 DVD = 5 gallon of gas (since $10 DVD = 5×2 $10 DVD

1 gallon gas = 0.2 DVD (since $2 gas = 0.2×$10 DVD

Depends on relative prices not absolute cost

zhouruibo 252 group