

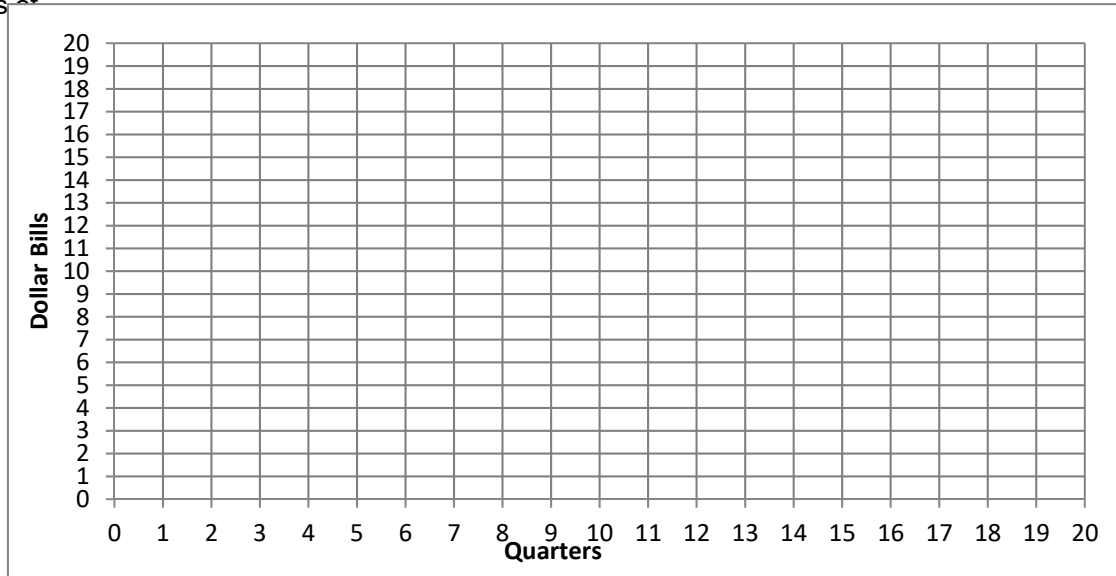
## Budget Lines and Opportunity Cost

Let's Start off with a Simple one: Suppose you have \$5 in the bank. Graph a line showing all of the combinations of dollar bills and quarters you could take out of the bank.

What is the equation of this line?

What does the slope of this line mean?

Suppose you only have \$3. How would the line change?



## OK, now you have \$100 in your pocket.

Suppose that X rays cost \$10 and Yellow Pills cost \$5.00 each.

Graph the budget line.

What is the equation of this line?

What does the slope mean?

How does the line change if you now have \$120?

How would the line change if the price of Yellow Pills increased to \$10?

