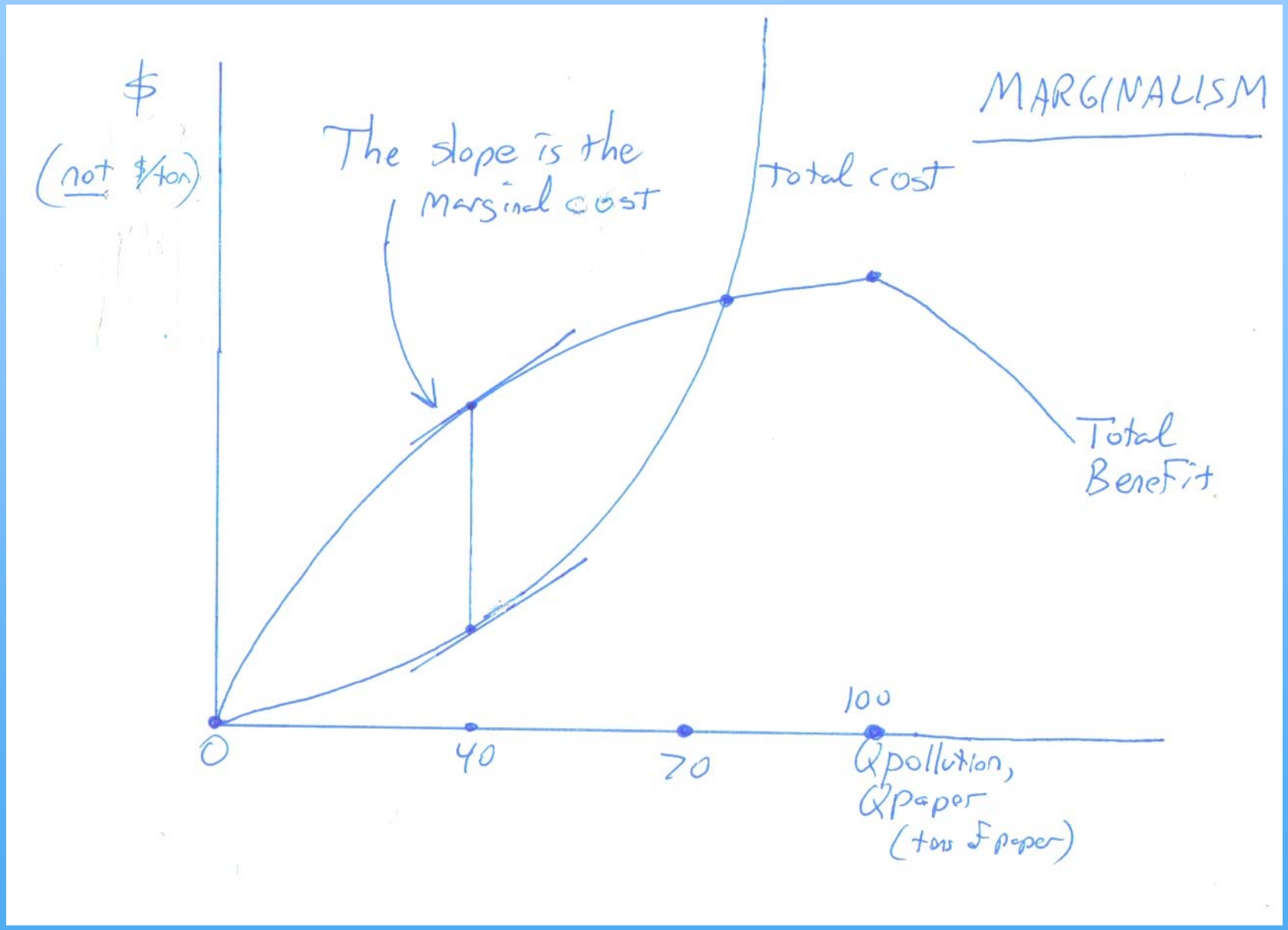
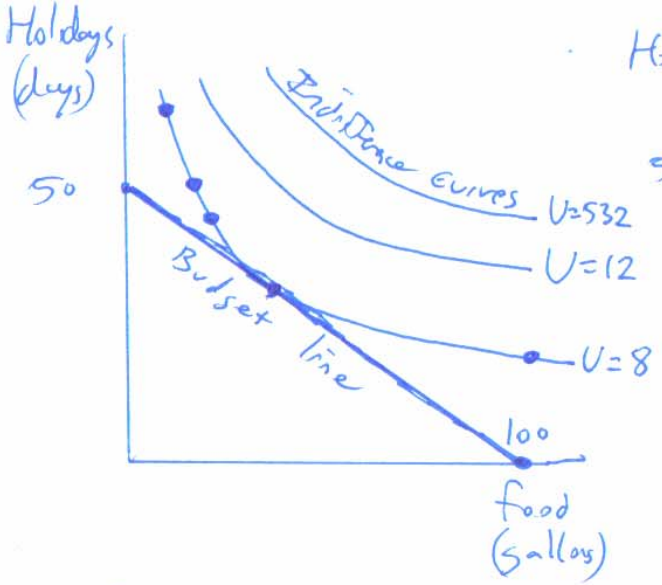

MARGINALISM
$
(not $/ton)
The slope is the marginal cost
Total cost
Total Benefit
0
40
70
100
Qpollution, Qpaper
(tons Paper)

# Indifference Curves



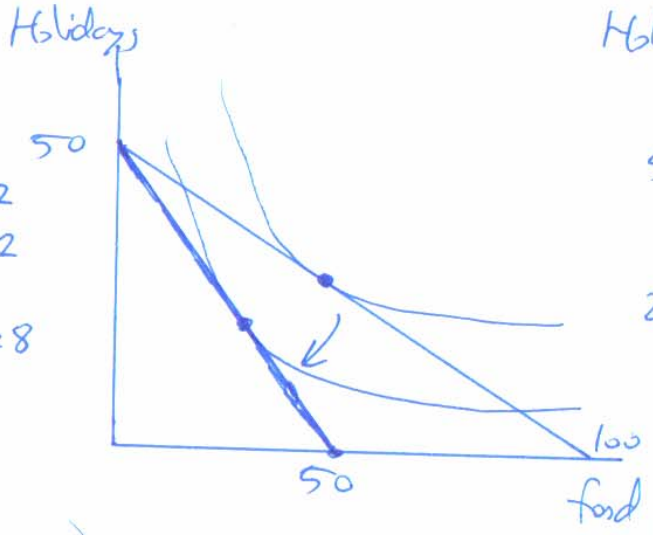

Budget = $P_{food} \cdot Food + P_{holiday} \cdot Holidays$

$\$100 = \$1/gallon \cdot gallons + \frac{\$1}{day} \cdot days$

Opportunity cost of holidays?

2 gallons/day

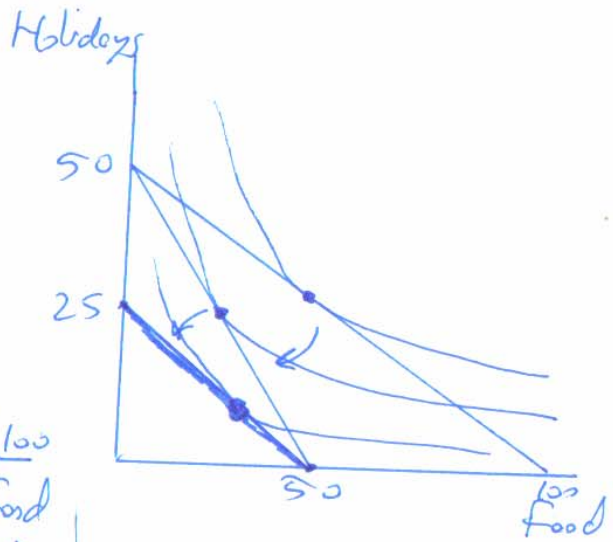
~~OC~~ of food? ½ day/gallon




New opportunity cost of holidays?

1 gallon/day

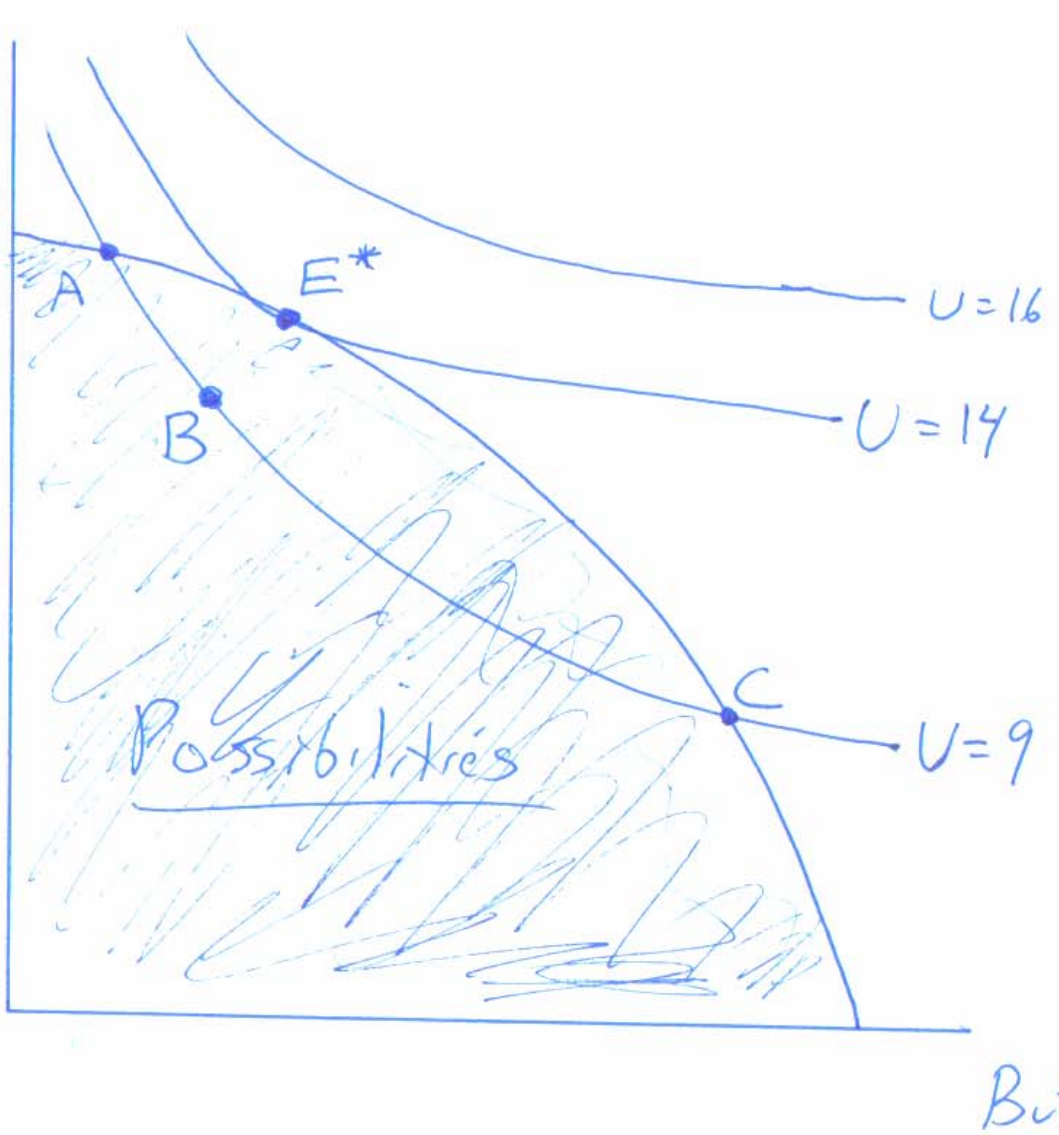
100% tax on food

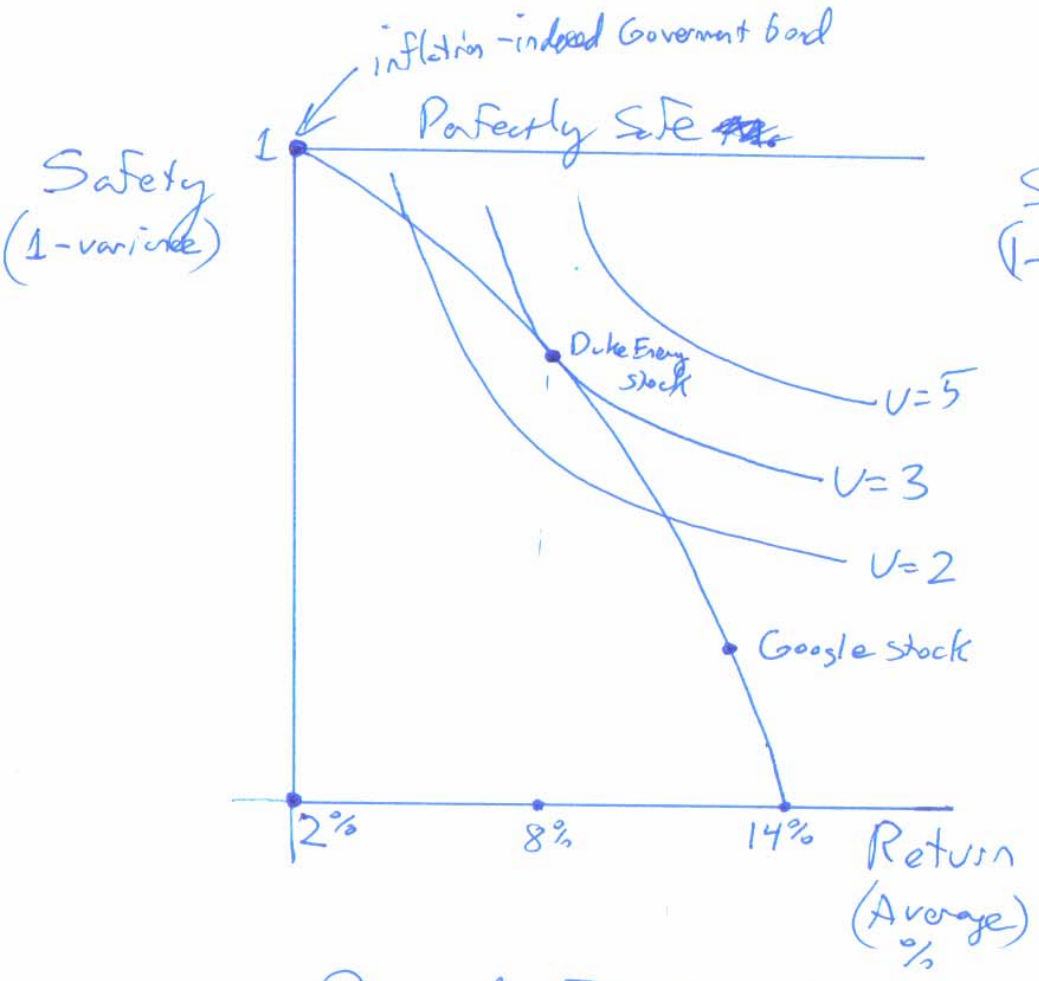



100% tax on everything – food and holidays

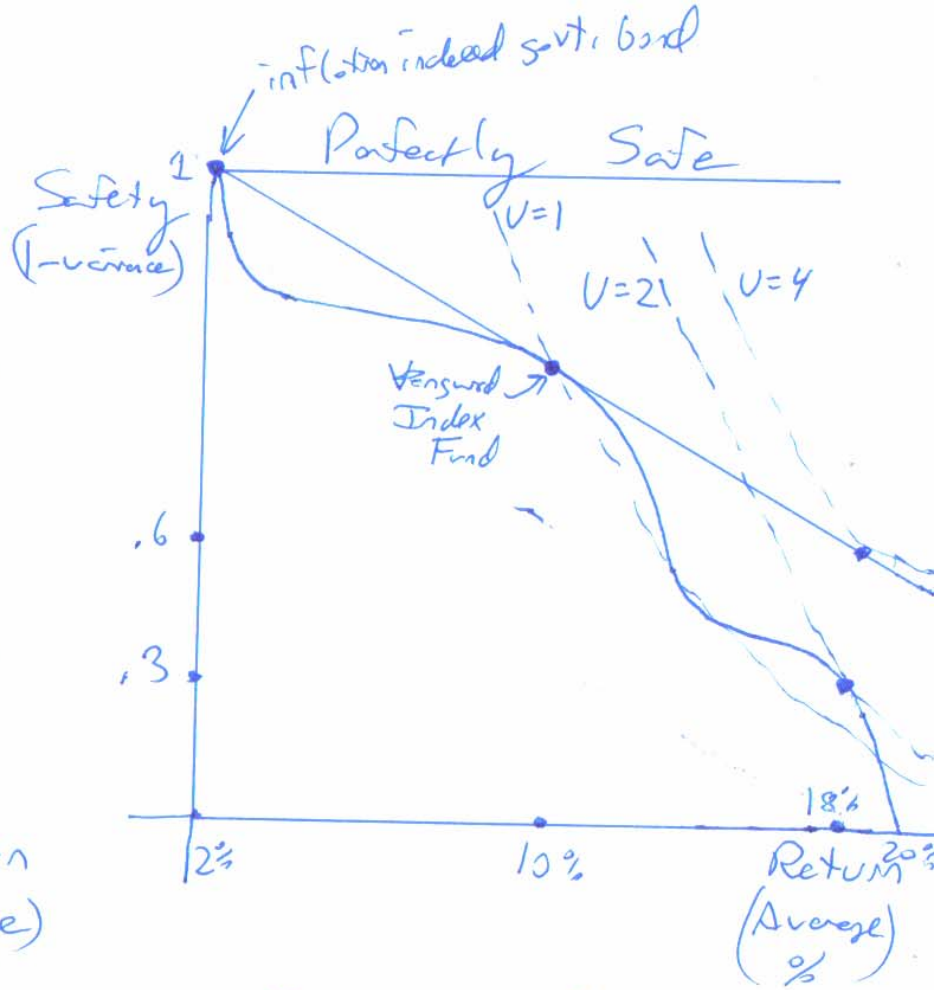
Income Effect: real income has fallen in half.

Hitler's Indifference Curves for Germany






Personal Investment




Borrowing Helps - Leverage