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OH, MAN...  
IT'S EVEN  
WORSE  
THAN I  
THOUGHT



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# *Review of Last Section*

- *What 3 questions must every economy answer?*
- *What are the four factors of production?*
- *What is the study of economics?*
- *What is the basic economic problem in one word?*

# Key Terms



- Incentives:



– *What are some incentives you have for working, going to school, going to college?*



# Terms



- Economize:
- Utility:



# TANSTAAFL



- There ain't no such thing as a free lunch....
- Every choice costs something



- **Make a list of 5 things you could do this Friday night. The list should not include choices you could do consecutively. They should be options in which you have to make a choice.**
- **Put a number 1 by your first choice.**
- **Put a star by your second choice.**
- **The value of the starred choice is your opportunity cost.**

# Terms

- Opportunity Cost:
- Marginal cost:
- Marginal benefit:

# Opportunity Cost – 2<sup>nd</sup> Choice

(most important concept in economics)

[what you sacrifice when you make a choice]



Jen

“I’m in love with both, but can have only one.”



**The Bachelor**  
Lorenzo Borghese



Sadie





- Suppose you decide to attend a concert. The ticket cost \$30 and you already purchased it.
- On the same day, your best friend invites you to a party.
- If you decide to go to the concert, what is your opportunity cost?
- If you decide to go to the party, what is your opportunity cost?

# Choices aren't "All or Nothing"

- Study vs. work

Choice	Benefit	Cost	Marginal benefit	Marginal cost
One hour study	D			
2 hours study	C			
3 hours study	B			
4 hours study	B+			
5 hours study	A-			
6 hours study	A			

Choice	Benefit	Cost	Marginal benefit	Marginal cost
One hour study	D	One hour's wage (\$7)		
2 hours study	C	\$14		
3 hours study	B	\$21		
4 hours study	B+	\$28		
5 hours study	A-	\$35		
6 hours study	A	\$42		