

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?*
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Key Terms



- Incentives: methods used to encourage people to take certain actions.
 - *What are some incentives you have for working, going to school, going to college?*

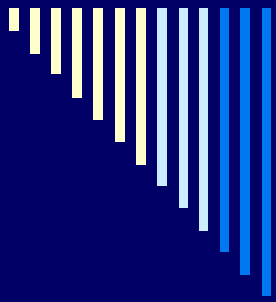


Terms



- Economize: make choices to maximize benefit, minimize cost
- Utility: how much benefit you get out of using a good or service





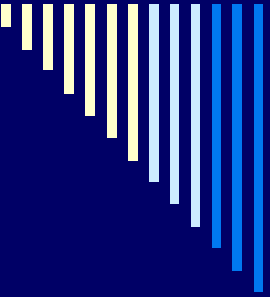
TANSTAAFL



□ There ain't no such thing as a free lunch!!!

□ Every choice costs something



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- 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 starred choice is your opportunity cost.**
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Terms

- Opportunity Cost:
 - Marginal cost:
 - Marginal benefit:
 - Trade-off:
-



Opportunity Cost

- The “price you pay” for each decision you make is called the OPPORTUNITY COST.
 - Opportunity cost is vital to the understanding of economics.
 - “The amount of a product or service that must be **forgone** (given up) in order to obtain **more** of the product or service”
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Trade-offs—decision (**choice**) to get more of one thing means to accept less of another.

Opportunity Cost – 2nd 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





Choices aren't "All or Nothing"

- Study vs. hang out
-

Can you do both?

Choice	Benefit	Opportunity Cost
One hour study	D in econ	One hour hanging out
2 hours study	C in econ	2 hours hanging out
3 hours study	B in econ	3 hours hanging out
4 hours study	B+ in econ	4 hours hanging out
5 hours study	A- in econ	5 hours hanging out
6 hours study	A in econ	6 hours hanging out