Chapter 1 Section 2

ECONOMICS -

Key Terms

Incentives:

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

Economize:

Utility:

TANSTAAFL

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 starred choice is your opportunity cost.

Opportunity Cost:

Marginal cost:

Marginal benefit:
Trade-off:

The “price you pay” for each decision you make is called the OPPORTUNITY COST.

Choices aren’t “All or Nothing”

Study vs. hang out

Can you do both?

<table>
<thead>
<tr>
<th>Choice</th>
<th>Benefit</th>
<th>Opportunity Cost</th>
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<tbody>
<tr>
<td>One hour study</td>
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<td>2 hours study</td>
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