

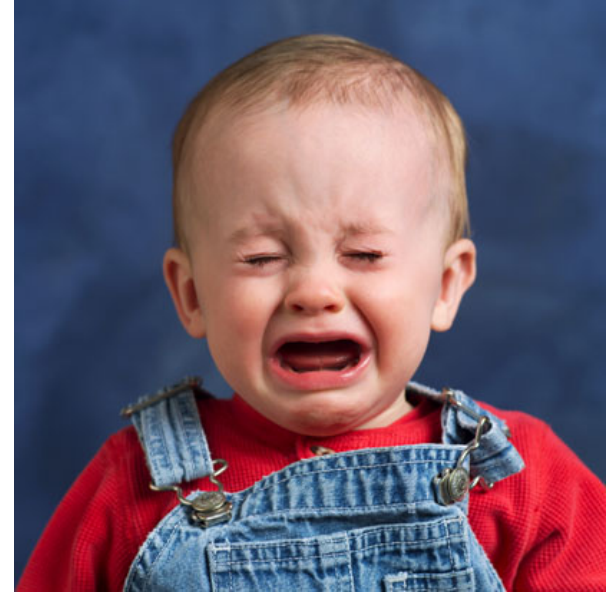
# Opportunity cost

Rush

September 2014

# Your chance to vent/gripe/whine

- Get out a piece of paper and write down two things:
- 1) What is something you HAD to do when you would rather be doing something else?
- 2) What was it you would rather be doing?
- Take a minute to do this ...



# Examples?

Did this:

Rather do:

# Scarcity

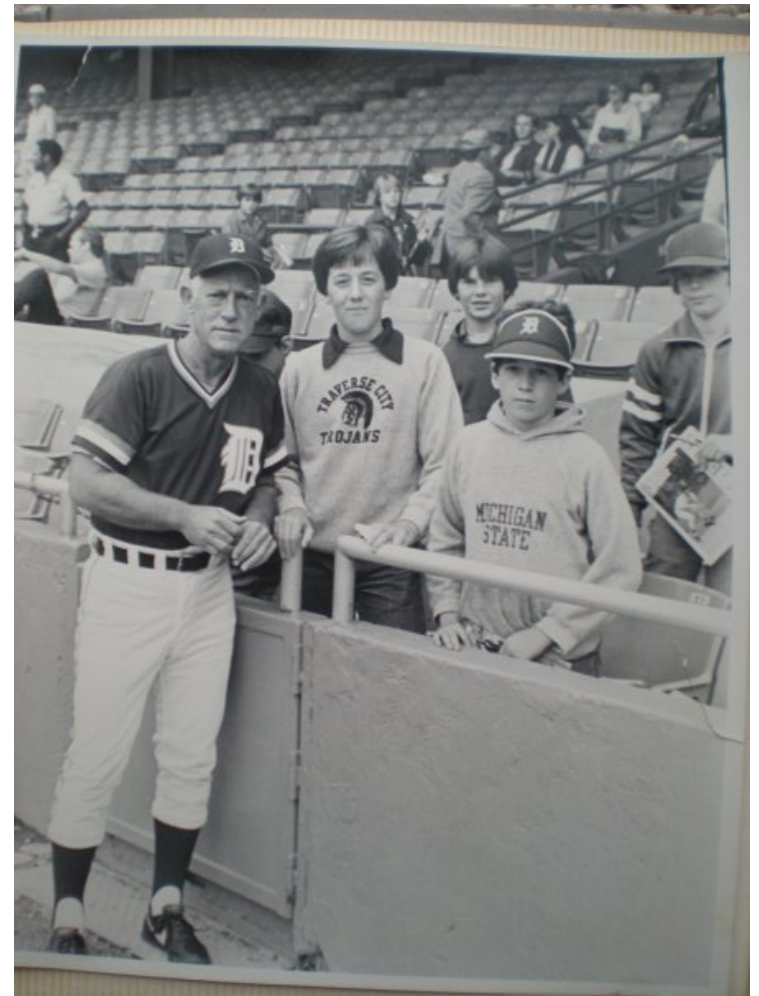
- What does it mean again?

# Scarcity

- Limited resources, unlimited wants.
- It means we have to make CHOICES, all the time.
- Today we're going to talk about OPPORTUNITY COST.

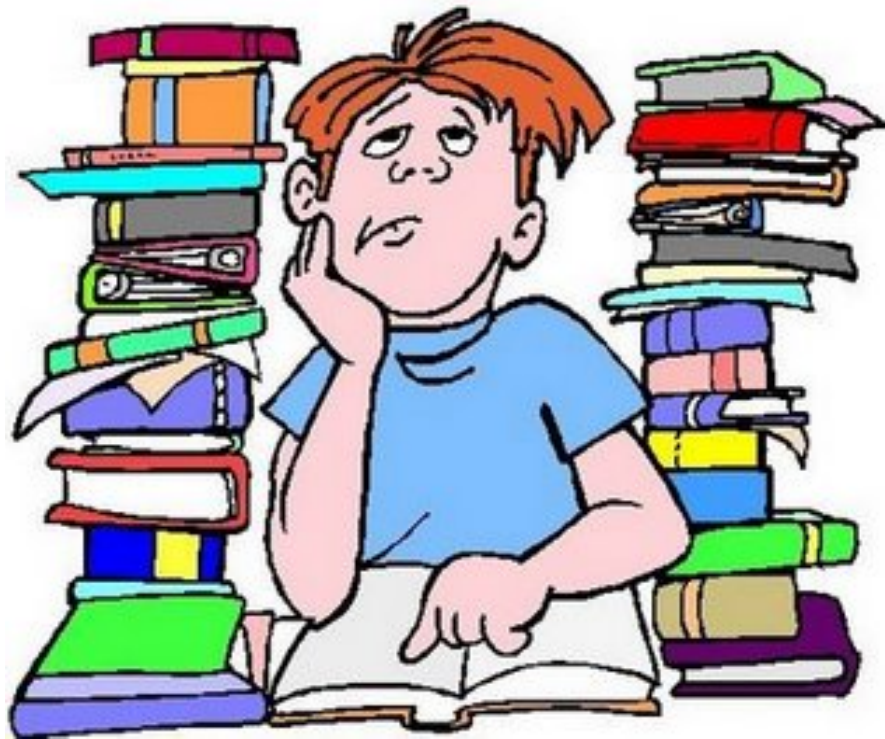
# Rush's choices

- Let's consider some choices from one Friday night during my senior year in high school.



# Rush's Choice A

- Stay home and have a friend over and study for the SAT the next morning.



# Rush's Choice B

- Go to the football game with other friends, and go out with them after.





# Rush's Choice C

- Go to work at my job at the pizza place, and earn \$4 an hour for eight hours for a total of \$32.

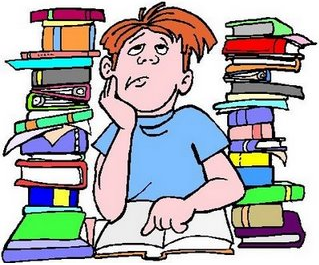


# What would you do?

- Rank the choices in order.  
Write a 1 next to your top choice,  
a 2 next to your second choice,  
and a 3 next to your last choice  
for how you would spend that evening  
if you were in my shoes.
- Take a minute to do this ...

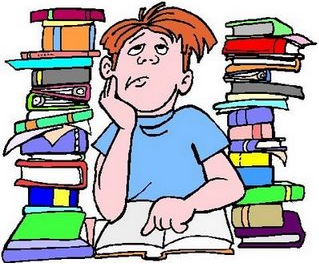
# Survey says ...

## Top choice?



# Survey says ...

## Second choice?



# Opportunity cost

- The choice you ranked second is your opportunity cost. It's what you gave up when you made your choice.
- Write down definition from next slide.

# Opportunity cost

- The VALUE of a second choice that is given up when a first choice is made; the highest-valued alternative that must be given up because another option is chosen.

# Production possibilities curve

- A graphic representation of the different combination of two products that can be made from a finite set of resources.