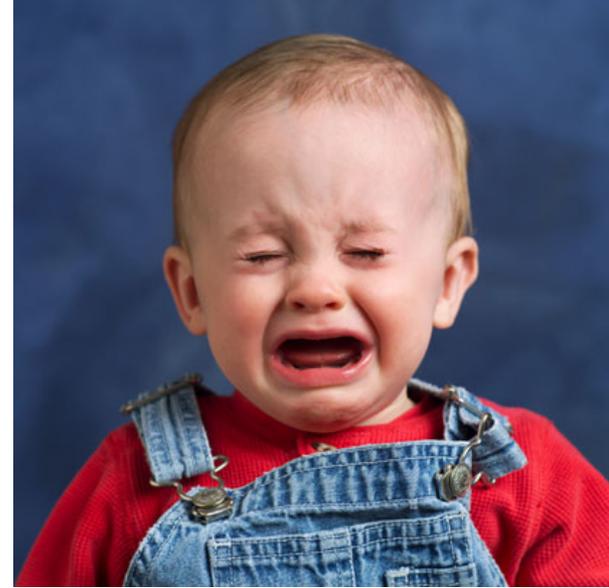


Opportunity cost

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

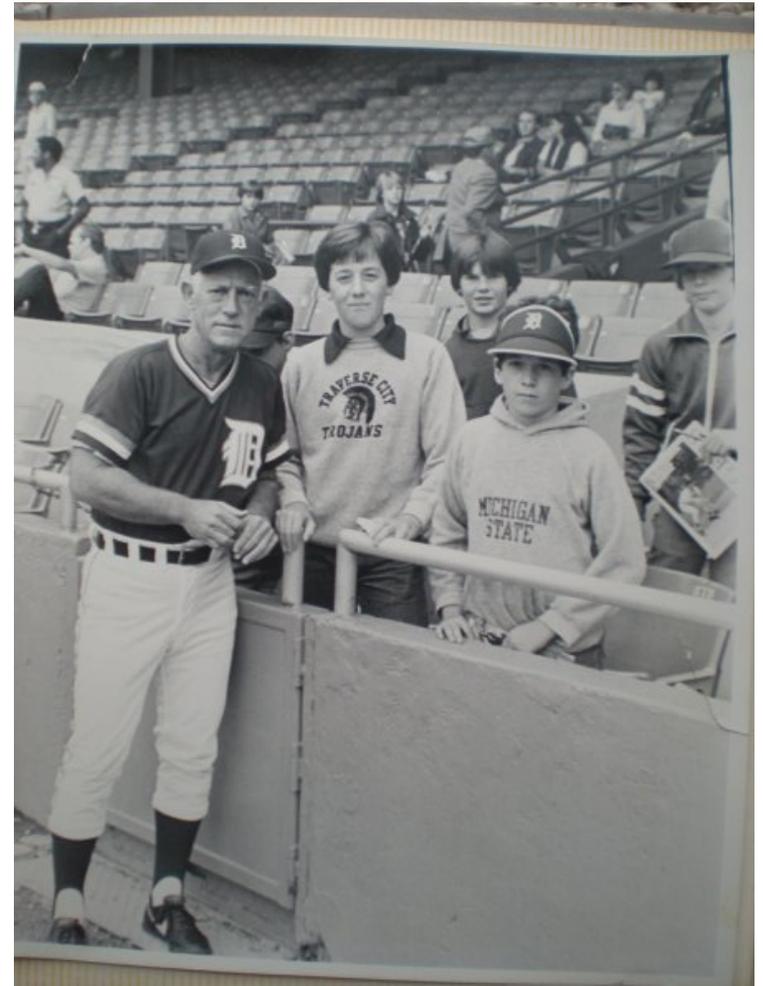
- What does it mean again?

Scarcity

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

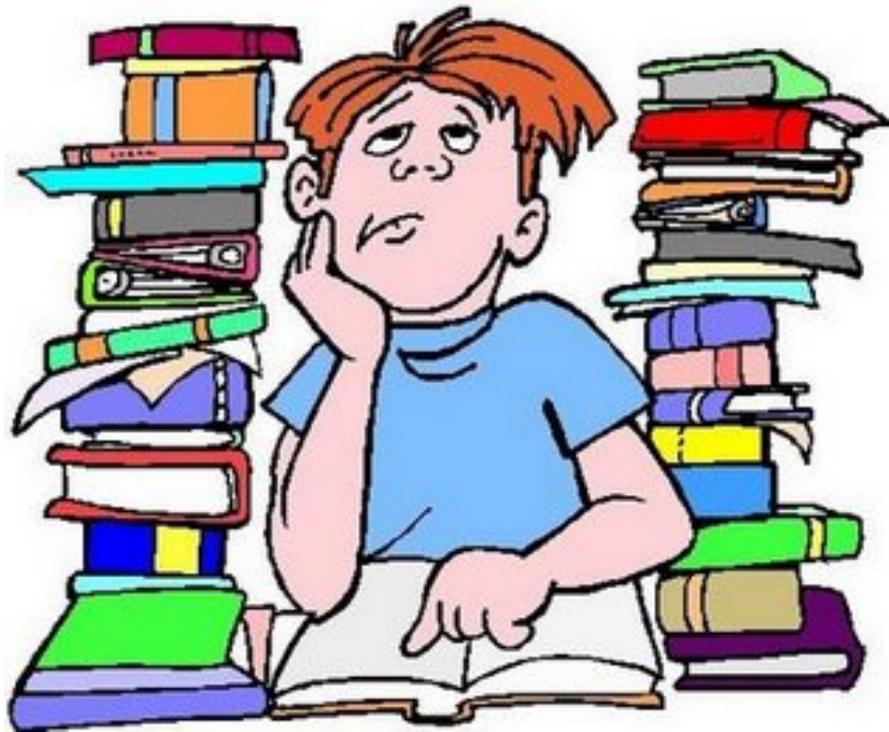
Rush's choices

- 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.

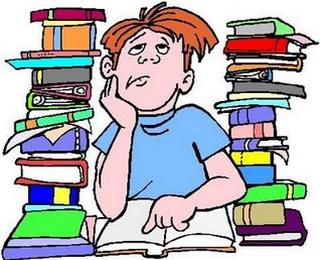


What would you do?

- 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 ...

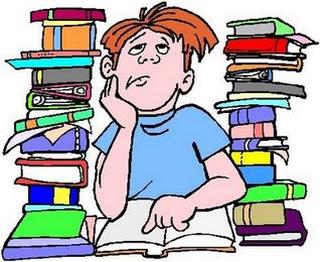
Survey says ...

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.