Problem Set 1

Lecture 1: Foundations, PPF, Opportunity Cost, and Supply and Demand

1. For each of the following choices, identify the opportunity cost. Be explicit about what is being given up.

(a) You have $20 and you can buy either two movie tickets ($20) or a textbook ($20). You decide to buy the movie tickets.

(b) You have a free Saturday afternoon. You could either study for your economics midterm, work a shift at your part-time job ($75 in earnings), or go hiking with friends. You decide to study.