

Scarcity.

Opportunity Cost.

Suppose:

baby sitting \$56
 or movie free.
 + (you know) (\$15)

Cost of Movie:

Explicit Cost: \$0

Implicit Cost: \$41
 (opportunity)

* Option 1	choose Option 1
or	
\$100 Option 2	} opp. cost of option 1 is the <u>most</u> amount you give up of Options 2, 3, 4
or	
<u>\$200</u> Option 3	
or	
\$100 Option 4	

Marginal Analysis

Marginal Cost of a unit:

the cost of one
additional unit

Marginal Cost of 3rd donut =
additional total cost of
making the third donut.

Marginal tax rate:
(progressive system)

0 - \$10,000 0%

\$10 - 20,000 5%

\$20 - 30,000 10%

←
marginal
tax rate
for person
making \$25,000

Property Rights - most important requirement for a working market system.

Land, labor, capital, "entrepreneurship":
?

factors of production
markets called factor markets.