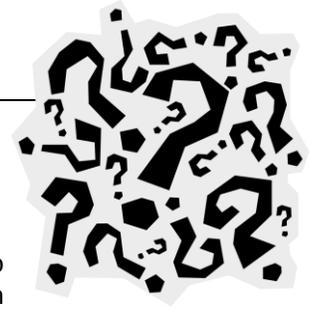


Opportunity Cost Mysteries



Small Group Discussion Problems

Review the concept of opportunity cost and then “solve” the following problems.

- 1) Use opportunity cost to explain why farmers often wait until a rainy day to do errands in town, while a man in a new suit will decide to forego his errands on the same day.
- 2) Suppose that there is a drastic reduction in the availability of gasoline and the price skyrockets to \$6/gallon. For whom is the cost of gasoline higher, a retired person living on social security or a prominent cosmetic surgeon? Suppose that in response to a gasoline shortage, the government placed a ceiling on the price of gas, at \$1/gallon. For whom is the cost higher in this situation?
- 3) Why do businessmen often buy full-fare airline tickets while people planning vacations fly when rates are lowest?
- 4) What is the cost per ticket to a professional baseball club that offers 50 free tickets to an orphanage? Does it matter for what game the tickets are offered? Why would it probably cost the ball club more to give the tickets to college students than to poor orphans?
- 5) TV and radio networks offer “free” air for public service announcements. What is the cost of this “free” time to the station? Why are there more public service announcements on Sunday than on any other day of the week?
- 6) Many Americans today seem to be much more “pressed for time” than were their grandparents. This is rather odd in view of the fact that today’s homes and workplaces are full of so many time-saving devices to which our grandparents had no access. How would you account for this?
- 7) Use the concept of opportunity cost to explain why the rate of divorce among show business celebrities is so high.
- 8) Teachers in eastern European countries frequently comment on the fact that they do not seem to have as much trouble getting their students to do homework as American teachers do. Is there some fundamental difference in character between American and eastern European students?