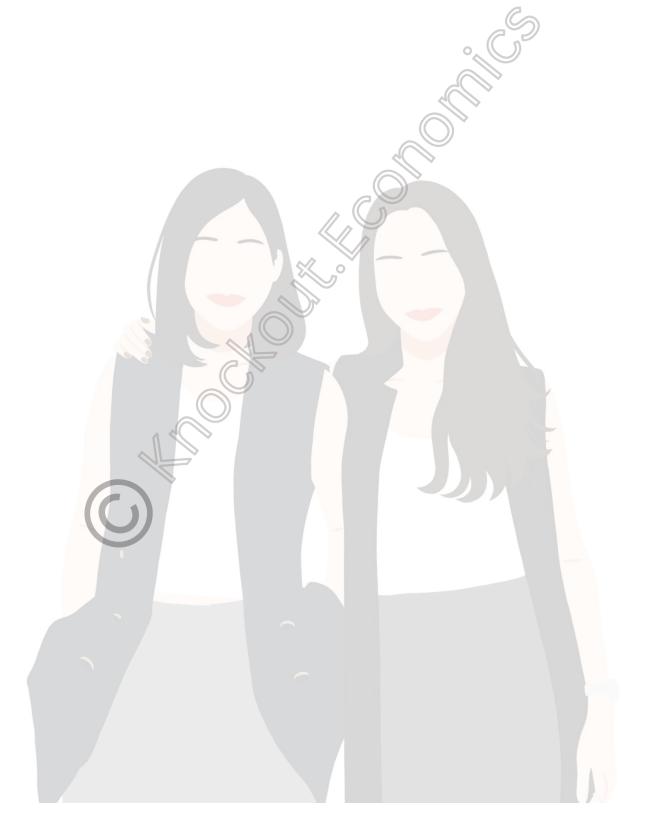
CHAPTER 3 : Opportunity cost

Key terms

1. Opportunity cost : the next best alternative foregone

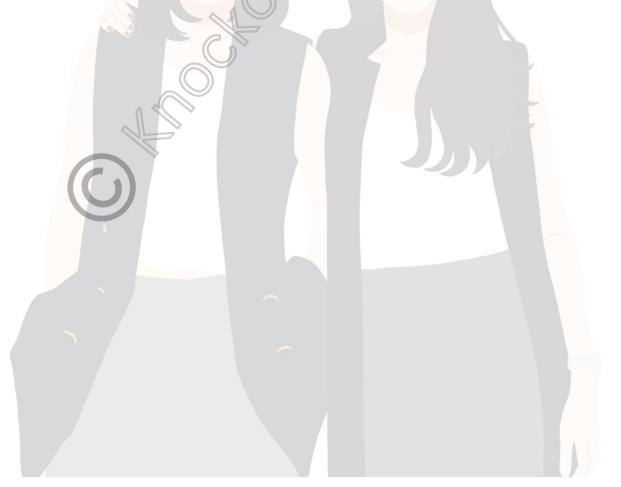


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1. Definition of opportunity cost

: Opportunity cost is the next best alternative given up when a choice is made.

Opportunity cost to consumers	Opportunity cost to producers	Opportunity cost to government
 Consumers have limited budgets. 	 Producers have limited workers in companies. 	 Government has a limited budget.
 If they decided to spend money on a car, they lost the opportunity to buy a house. 	 If they decided to allocate workers to produce cars, they lost the opportunity to produce houses. 	 If the government decided to allocate the budget to build roads, there would not be enough money to provide education for poor people.



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