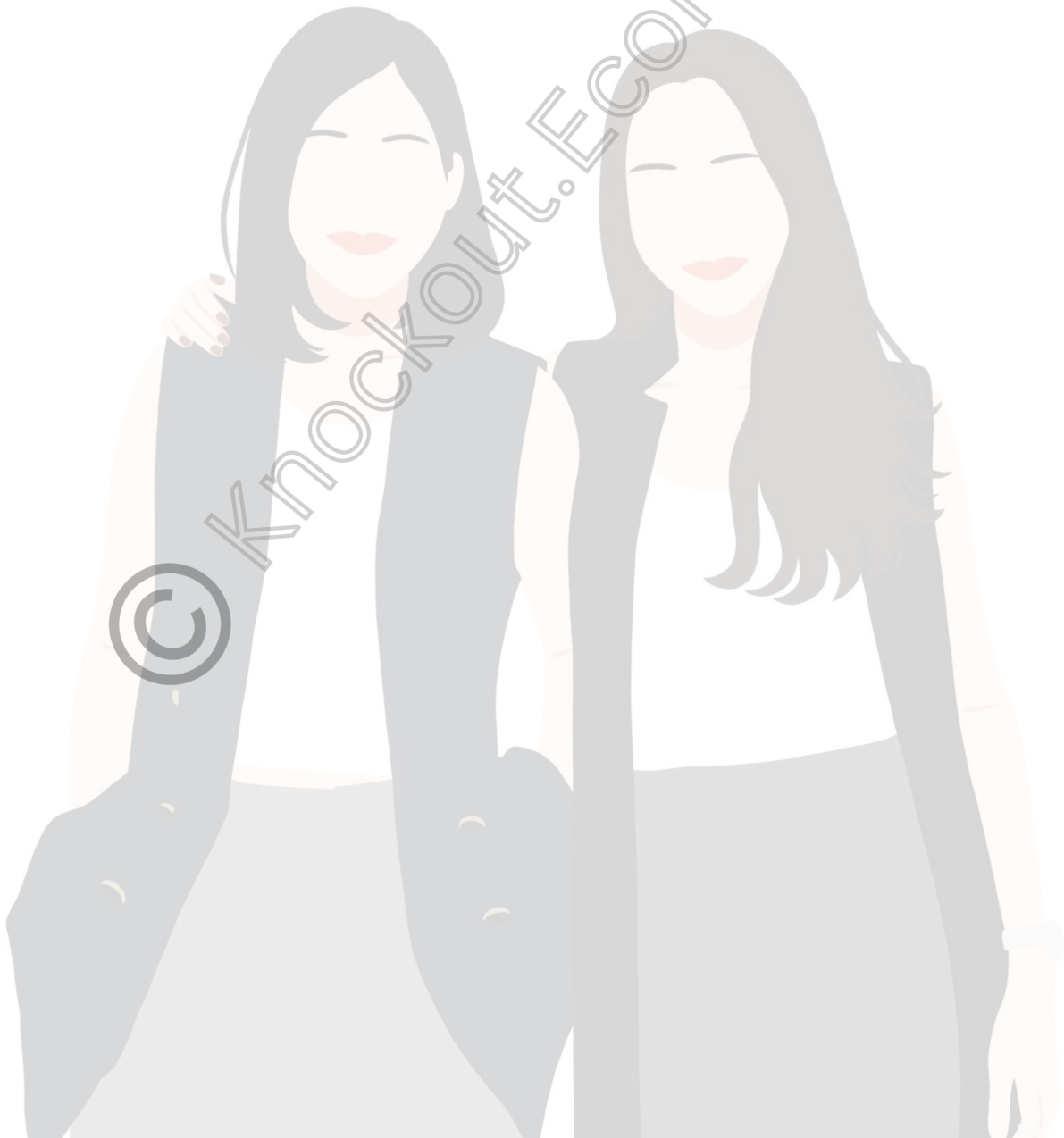


CHAPTER 3 : Opportunity cost

Key terms

1. Opportunity cost : the next best alternative foregone



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
<ul style="list-style-type: none">• Consumers have limited budgets. <p style="text-align: center;">↓</p> <ul style="list-style-type: none">• If they decided to spend money on a car, they lost the opportunity to buy a house.	<ul style="list-style-type: none">• Producers have limited workers in companies. <p style="text-align: center;">↓</p> <ul style="list-style-type: none">• If they decided to allocate workers to produce cars, they lost the opportunity to produce houses.	<ul style="list-style-type: none">• Government has a limited budget. <p style="text-align: center;">↓</p> <ul style="list-style-type: none">• If the government decided to allocate the budget to build roads, there would not be enough money to provide education for poor people.

