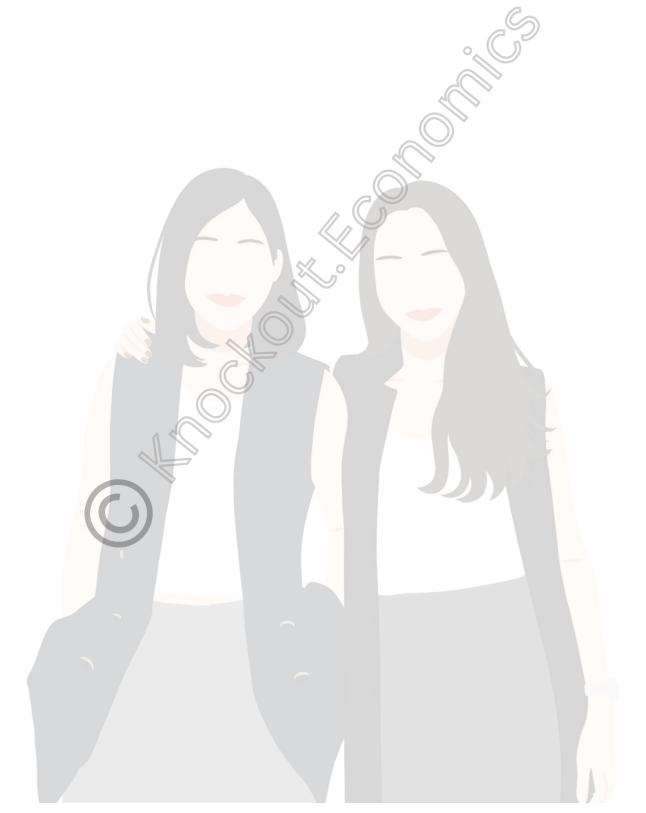
CHAPTER 3 : Opportunity cost

Key terms

1. Opportunity cost : the next best alternative foregone

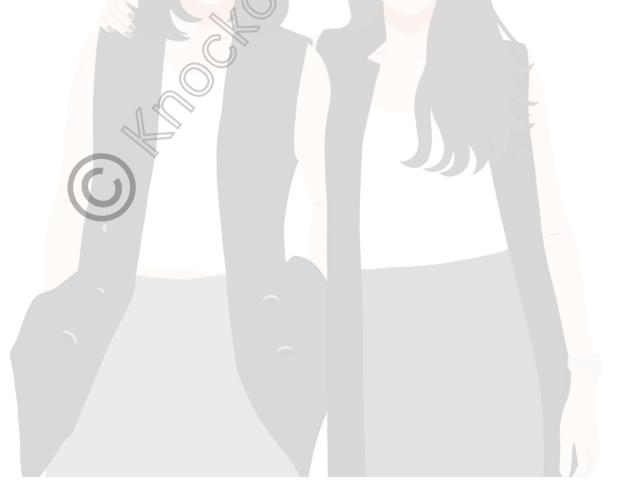


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1. Definition of opportunity cost

: 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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