

# Costs and Benefits

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# Thinking Like an Economist

- When is something worth doing to an economist?
  - If the benefit exceeds the cost
- Every choice can be looked at using Economics, not just "money" decisions
  - Ex: Thursday night and 10am Friday class

# Thinking on the Margin

- **marginal cost** - the additional cost to you over and above the costs that have already been incurred
- **marginal benefit** - the additional benefit over what you have already derived
- **sunk costs** - costs that have already been incurred and cannot be recovered
  - Ex: the cost of tuition when deciding to go to class
- **opportunity cost** - the benefit that you could have gained from choosing the next best alternative
  - Ex: studying, defense vs health care