

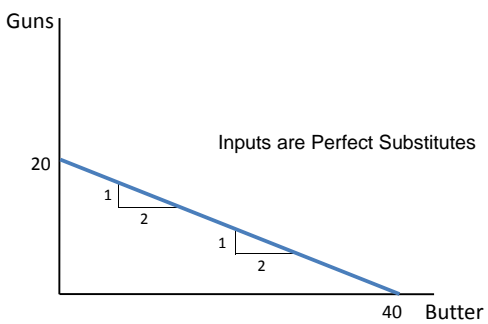
Production Possibilities Frontier

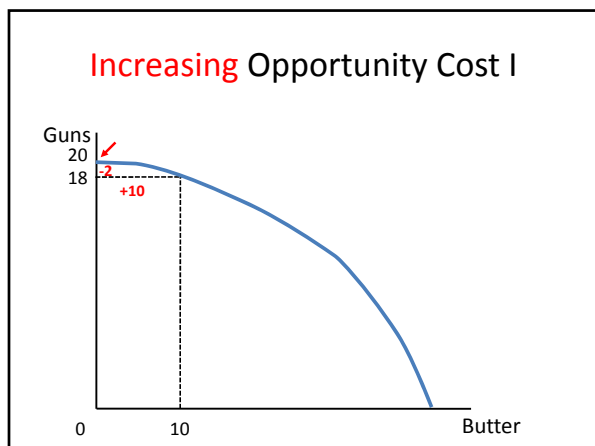
Opportunity Cost:
Increasing vs. Constant

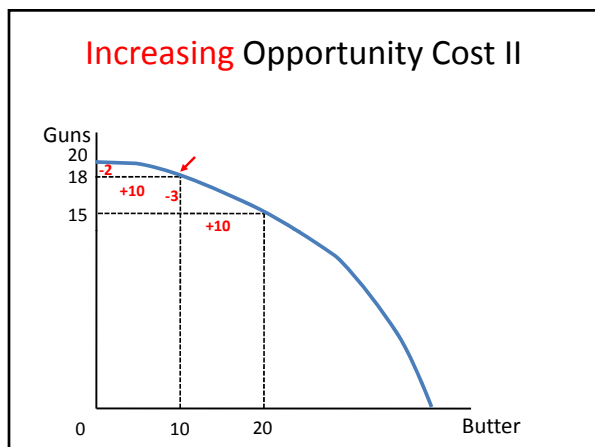
Opportunity Cost

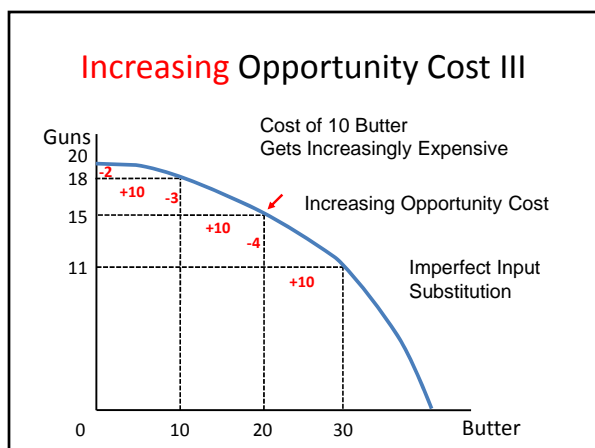
- A Reflection of Trade Offs
- A Measure of Costs
- Cost of What is Given Up
- Value of Next Best Alternative

Constant Opportunity Cost









Wrap Up:

- Define Opportunity Cost
 - Foregone Alternatives
 - Next Best Alternative Sacrificed
 - “Opportunity Cost is Opportunity Lost”
- Constant Opportunity Cost
 - Inputs Perfect Substitutes: Constant Trade Off
- Increasing Opportunity Cost
 - Imperfect Input Substitution
 - More & More of a Good Increasingly Costly
