

Economics in 30 Minutes — Part 4

worksheet

Thinking tools and evidence. Watch Part 4, pause where it says to, and write your answers here before you read the hints on the companion page.

Name _____

Date _____

Opportunity cost (first short stop)

1. What job would you have had if you hadn't gone to college, or what job do you have now? Was it really available to you?

2. How does that alternative change the cost of college for you? Which earnings would you give up, what work could you keep, and which expenses would you pay either way?

3. In a recession, what happens to the opportunity cost of college? What would you expect enrollment to do?

Comparative advantage (second short stop)

4. Leo is worse at both jobs and his coconut is still the cheaper one. Does that feel wrong? Say what each person gives up to pick one coconut.

5. Specializing produced two extra fish with no extra hours. Where did they come from?

6. Two coconuts trade for three fish. Why can both gain? What happens at one fish per coconut? At two? At two and a half?

7. The surgeon's lawn: when should she mow it herself?

Sunk cost

8. Something you continued because you'd already paid for it. What part was unrecoverable? What were your remaining choices at that moment?

Correlation and causation (the pause)

9. "Most crashes happen near home." Does that show driving near home is more dangerous? What would you need to compare?

10. Ice cream sales and shark attacks rise and fall together. Should we ban ice cream? What could make both go up? What would separate your explanation from an effect of ice cream itself?

11. Name another pair that move together without one causing the other. Common cause, coincidence, or something else?

12. Bigger fires have more fire trucks. What is wrong with cutting the trucks? Which way does the cause run, and what else moves both?

13. "Everybody dies, so smoking can't hurt me." What kind of mistake is that?

14. Pick one of the three experiments. What was the question, what was assigned at random, and what was measured? What could still go wrong after the assignment?

15. List Snow's clues. For each, say which explanation it fits better: pump water, or bad air.

Your turn (closing pause)

16. The 90-percent-cheaper world from Part 1. Which of your predictions would you change now? Which line moved, in which markets?

17. What is still scarce? How would it be allocated? How should it be? Keep the prediction and the recommendation apart.

18. Your biggest opportunity cost this year: the best alternative you gave up, rather than what you spent. Was it worth it?
