



Unit 1, Lesson 3

Visual 1

OPPORTUNITY COST

As you make choices about how to survive, consider the consequences of each choice. These consequences include anything you might give up in making a particular choice. Economists call this an analysis of opportunity cost, because using a resource in one way may foreclose the opportunity to use it differently.

DEFINITION:

In any choice, the opportunity cost is the highest-valued alternative that must be forgone when another alternative is chosen.

EXAMPLES:

1. If you use the kayak paddle for firewood, you cannot use it as a fishing pole.
2. If you use the drinking water collected from the rain for taking a shower, you cannot use it to satisfy your thirst.