

Q2 - vacation cost } Decision
 " benefits } $B \geq C$

opportunity cost
 tradeoffs

cost - monetary cost travel

- travel time - modes

non-monetary cost travel time

benefits - psychic benefits

- new experiences

Revealed preference $\Rightarrow B > C$

assign values to non-market goods

Benefit-Cost Analysis

Forecasting

↳ "project evaluation"

Reagan exec order 12291

"full employment act for economists"

- pseudo price
 shadow price → on the job safety -
 value safety?
 $P_D \cdot VSL$ value statistical
 life
 $0.01 \cdot \$6 \text{ Mill}$

job risk → 2 identical jobs
(skill set)

- one safe

- one risky

$W_r > W_s$ $W = \text{Wage}$

risk compensation

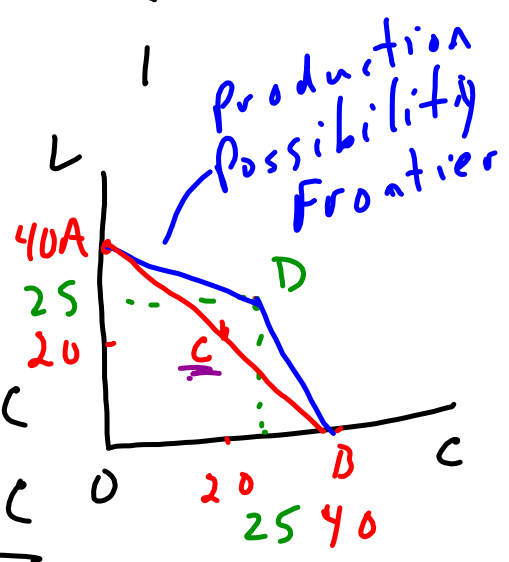
crane operator - < 5 stories
 ground op.
 > 6 stories - on top
 of building.
- if repair - crawl on boom

- amenities - for wage

Q4 p36		Lawn	car
	Larry	1	1
	Moe	1	2
	Curly	2	1

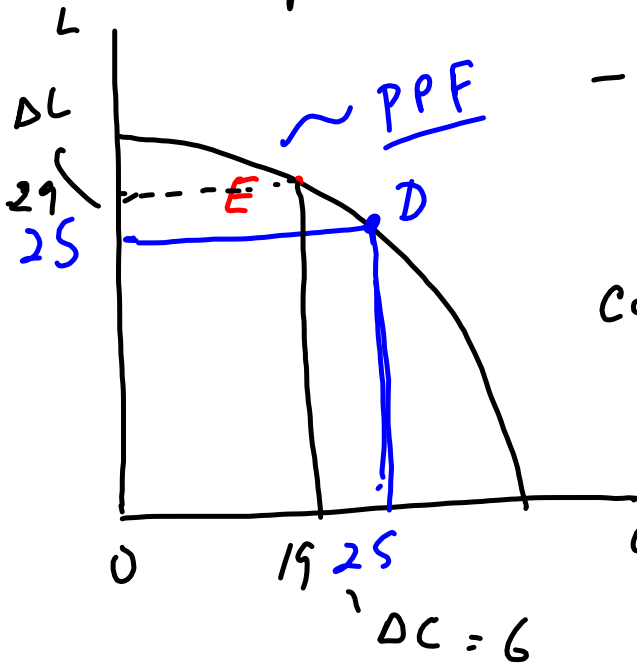
1 hour
10 hours
day

- (a) A. Lawns 40 only
 B. Cars 40 "
 C. L & C 20 L 20 C
 D. L & C 25 L 25 C
 M. C.
 C. L



comparative advantage

PPF bowed outward
 - comparative advantage
 + specialization



- trade off
 D → E → Curly
 toward Lawns

cost $\Delta L \rightarrow \Delta C$
 - E ^{not} max. comp. adv.

$$P_L > P_C$$

Gains from Trade → specialize
exploit comparative advantage
market allows trade -
without trade consume
what you produce

- Adam Smith 1776 -
Wealth of Nations

- coordinate system
p. 38 - 44 App to chapter 2
