

Different choices involve different opportunity costs, with opportunity costs defined as what you have to give up to take advantage of an opportunity, or as the highest-valued alternative that has to be given up when a choice is made. Consider the opportunity costs for the following situations:

Studying for your economics assignments: Making the choice to study for your economics assignments generally requires giving up some other activities, such as spending time with friends, or watching television, or going to a movie, or any other activity that might stand as an alternative but which is foregone to study. Indeed, the choice might even be between studying economics and studying some other subject, a choice which has to be made on the basis of need (a test tomorrow, for instance) or personal preference or some other basis.

Spending two hours surfing the Internet: Spending two hours surfing the Internet means that you are not doing something else you might be doing for that two hours. You are not reading a book, for instance, or doing homework, or talking to a friend, or in any way relating to people. If you are surfing, you are also not going to a specific site for information or enlightenment and are not communicating with another person through email. For many people, they might not be sleeping and getting a good rest as they should be, depending on the time of day. Instead, they are surfing the Internet, meaning moving from site to site to see what can be found and then reacting accordingly.

Purchasing a new car rather than keeping the old one: This choice can mean giving up other things because you have to spend your money on the new car, while you might be better off economically by keeping the old car. It means adding costs such as higher insurance rates along with the payments that have to be made. The change can be to the good if the old car is an economic drain, in which case the opportunity costs are not so high. The new car will depreciate more rapidly than the old will, for it has already lost most of its value.

A local community voting to raise property taxes to increase school expenditures and to reduce class size: The community voting in this way has a laudable goal and is willing to trade higher tax payments for this benefit. Higher property taxes can have a lot of added costs that will make the decision more expensive, forcing the community to give up the arrival of some new business because it will be driven away by higher property taxes; the inability to upgrade some businesses because they will have less money to spend on improvements; fewer employees because businesses will not have enough money to hire more; lower wages for the same reason; and similar problems because of reduced capital.

A number of countries working together to build a space station: These countries are giving up a good deal of money to accomplish this task and will be giving up whatever they could

achieve with that money as well. They will be giving up a degree of control over their own scientific involvement even in the space station, for they will have to have a way of agreeing on actions to be taken with reference to the station and will not control the station alone. They may have to give up other ambitions because their money will be committed to this station and cannot be used as they wish.

Deciding to go to work for a start-up "dot-com" company in exchange for a very low salary and shares of stock that currently have little value: This individual is giving up a higher salary in the here and now and the opportunity to become part of an established company with a proven track record. He or she is also giving up being part of a different industry, one without the record of failure that plagues the dot.com type of business in recent years. The individual is giving up economic certainty for the chance that the company and its stock will be valuable at some time in the future.

Going to graduate school: Going to graduate school usually means delaying entering the workforce and achieving what you can in business as soon as possible. Instead, you are continuing your studies in preparation for a better future. It may also mean delaying such activities as marrying and having a family. It means waiting to use much of what you have already learned while you add to your knowledge for a better future. It also means spending more money on education while not yet being able

to work full time and make up for the costs.