

Chapter 2



Scarcity, Choice, and Economic Systems

Table 1: Average Cost of a Year of College, 2005-2006

Type of Institution	Two-year Public	Four-year Public	Four-year Private
Tuition and fees	\$ 2,191	\$ 5,491	\$21,236
Books and supplies	\$ 801	\$ 894	\$ 904
Room and board	\$ 5,909	\$ 6,636	\$ 7,791
Transportation and other expenses	\$ 2,791	\$ 2,545	\$ 1,986
Total out-of-pocket costs	\$11,692	\$15,566	\$31,917

Source: Trends in College Pricing, 2005, The College Board, New York, NY.

Notes: Averages are enrollment-weighted by institution, to reflect the average experience among students across the United States. Average tuition and fees at public institutions are for in-state residents only. Room and board charges are for students living on campus at four-year institutions, and off-campus (but not with parents) at two-year institutions.

Figure 1: Opportunity Cost


We're sending some money to you!

\$1 CASH BACK

OFFICIAL REBATE MAIL-IN REDEMPTION FORM

Please complete the following information:
Name _____
Address: _____
City: _____ State: _____ Zip: _____

Please mail this card along with the original UPC code and a copy of the receipt to the address on the back. Please allow 6-8 weeks to receive your rebate check.



The opportunity cost of this rebate (the value of the time lost plus the cost of a postage stamp) would exceed its benefit (one dollar).

Production Possibilities Frontiers

- **Figure 2** The Production Possibilities Frontier

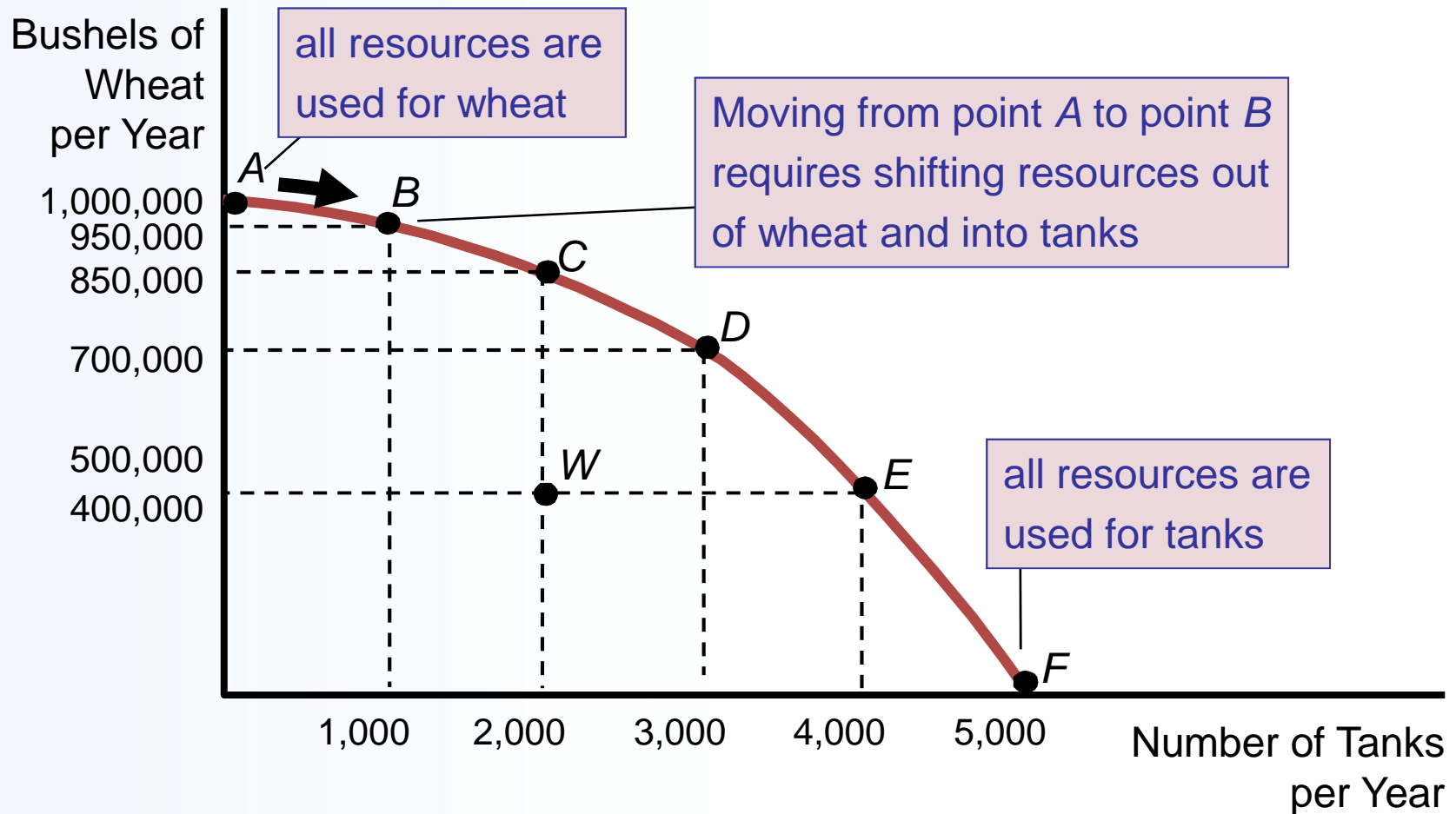


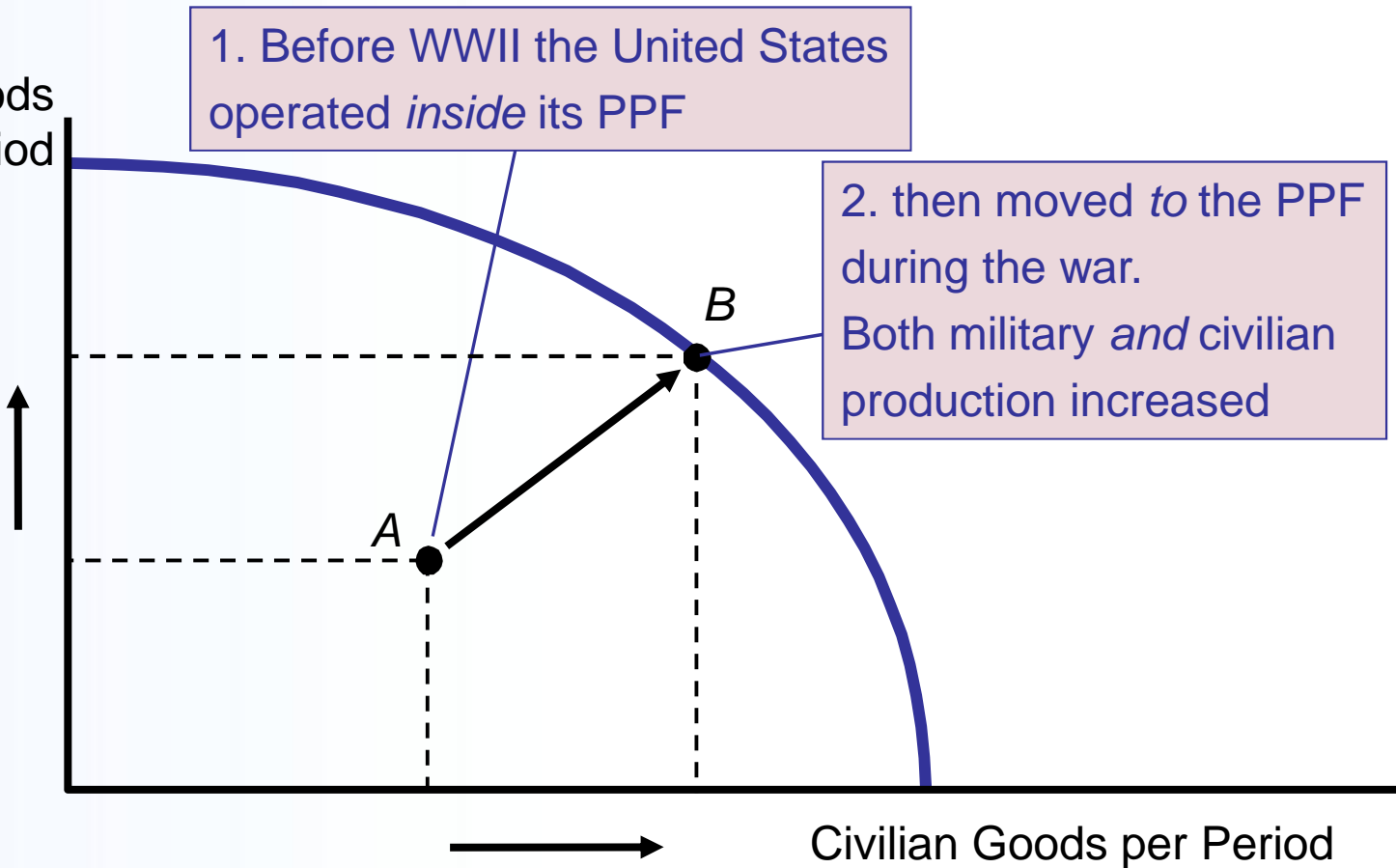
Table 2: Production of Tanks and Wheat

Tank Production (number per year)	Wheat Production (bushels per year)
0	1,000,000
1,000	950,000
2,000	850,000
3,000	700,000
4,000	400,000
5,000	0

Recessions

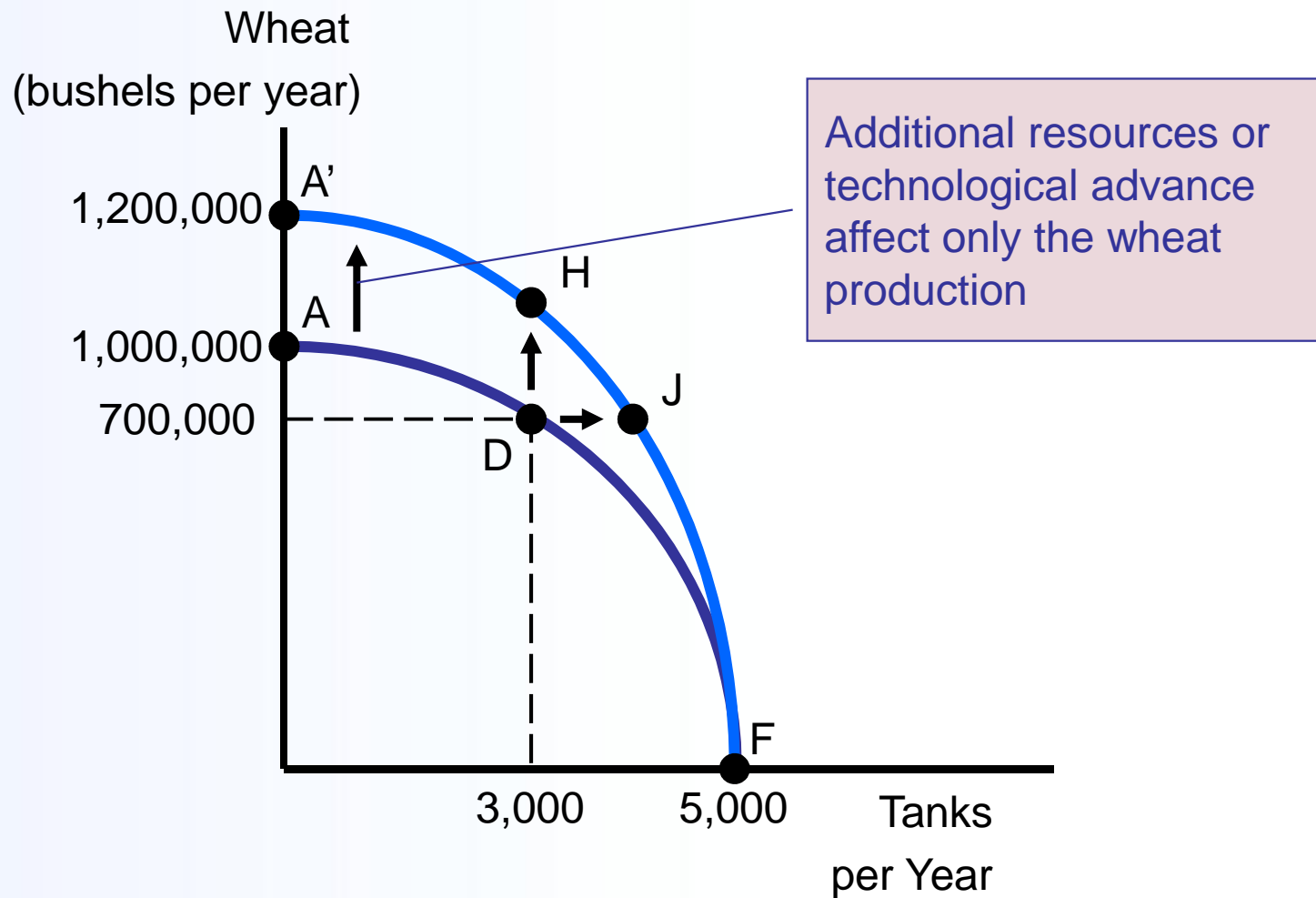
- **Figure 3** Production and Unemployment

Military Goods
per Period



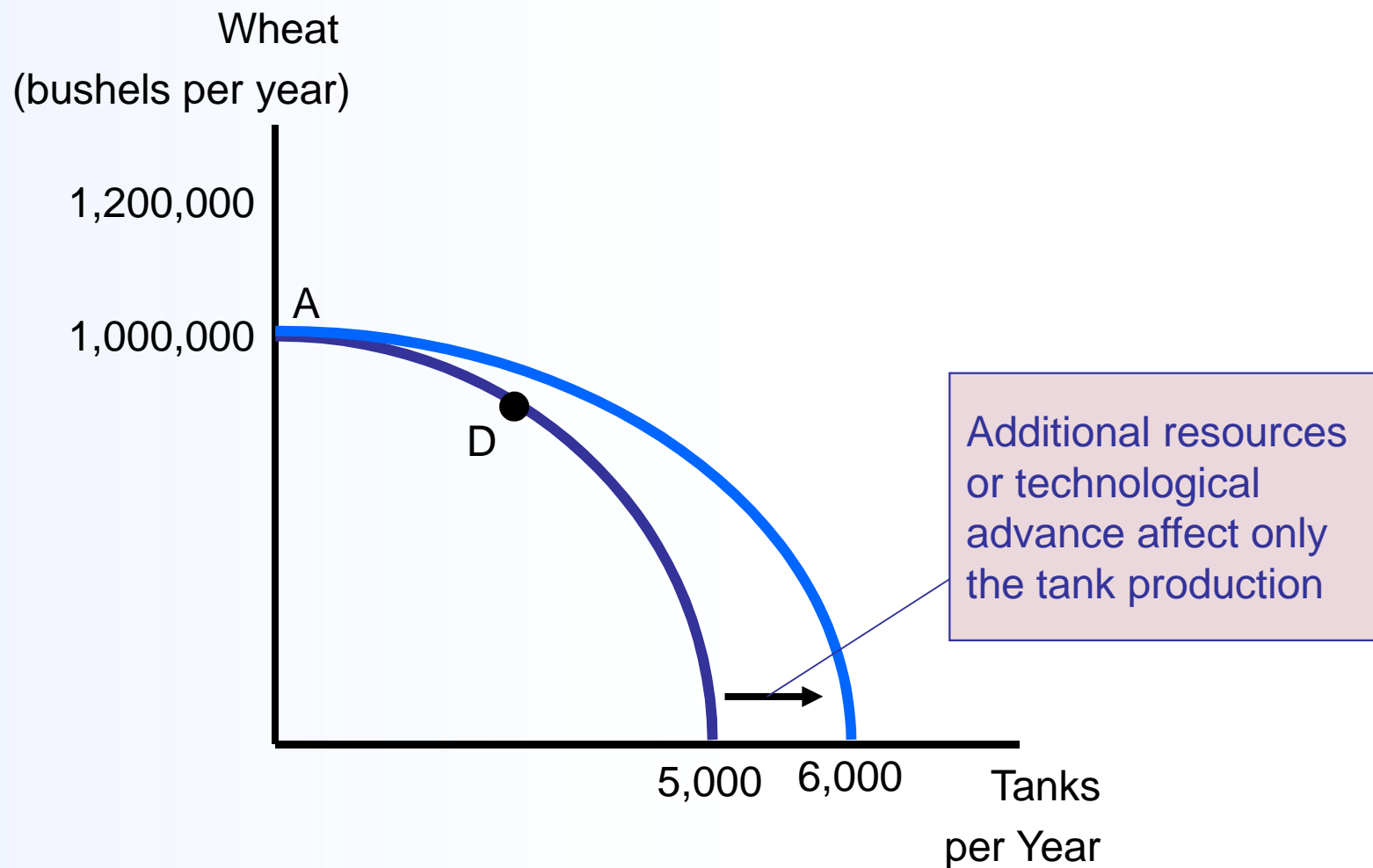
Economic Growth

- **Figure 4** Economic Growth and the PPF (a)



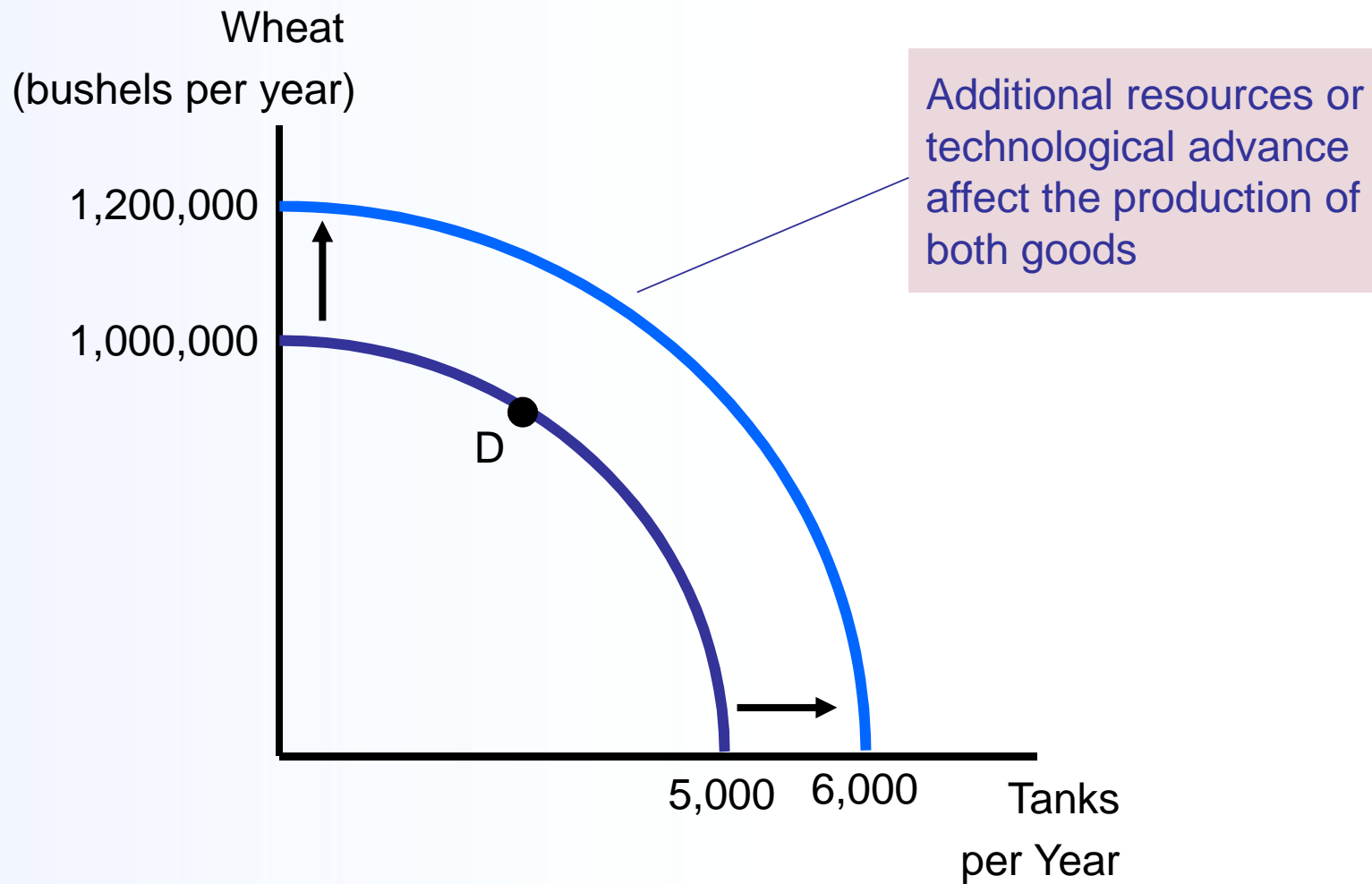
Economic Growth

- **Figure 4** Economic Growth and the PPF (b)



Economic Growth

- **Figure 4** Economic Growth and the PPF (c)



Economic Growth

- **Figure 5** How Current Production Affects Economic Growth

(a) High Consumption, Low Growth

(b) Low Consumption, High Growth

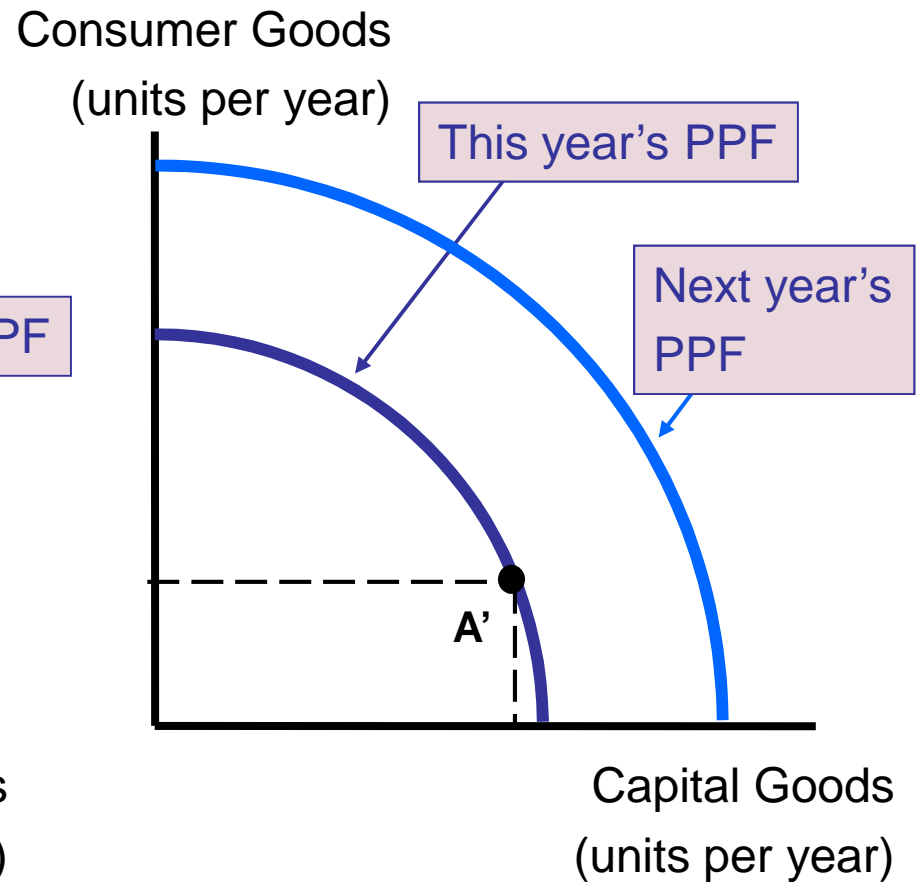
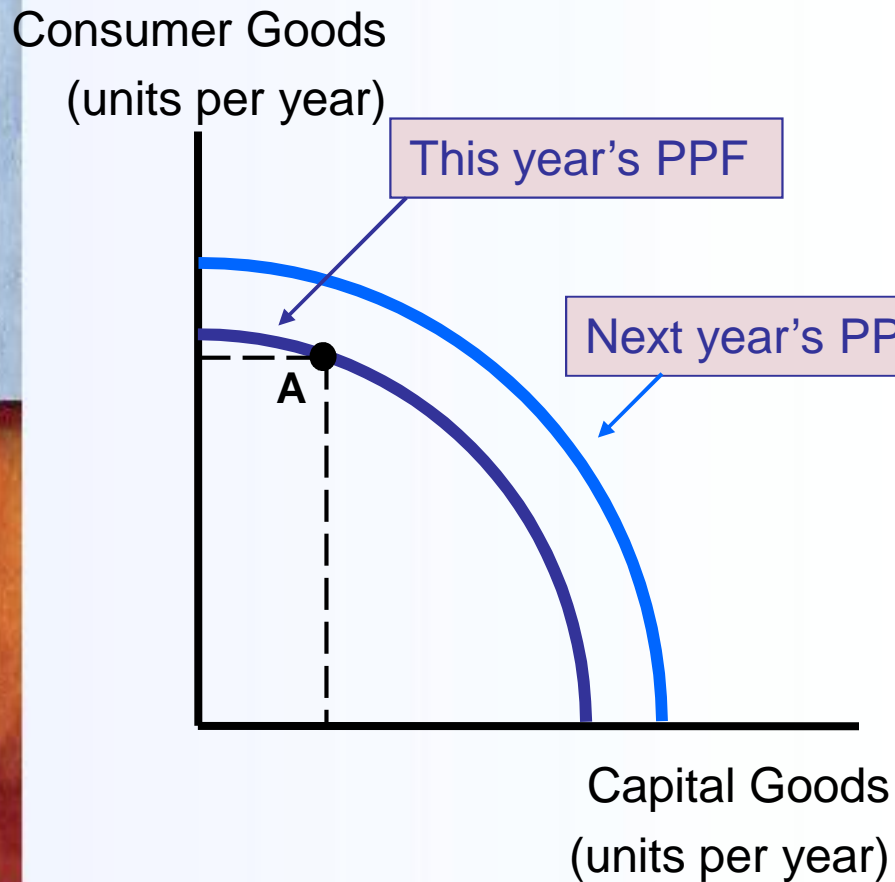


Table 3: Labor Requirements for Fish and Berries

	Labor Required for:	
	1 Fish	1 Cup of Berries
Maryanne	1 hour	1 hour
Gilligan	3 hours	$1\frac{1}{2}$ hours

Table 4: Opportunity Costs for Fish and Berries

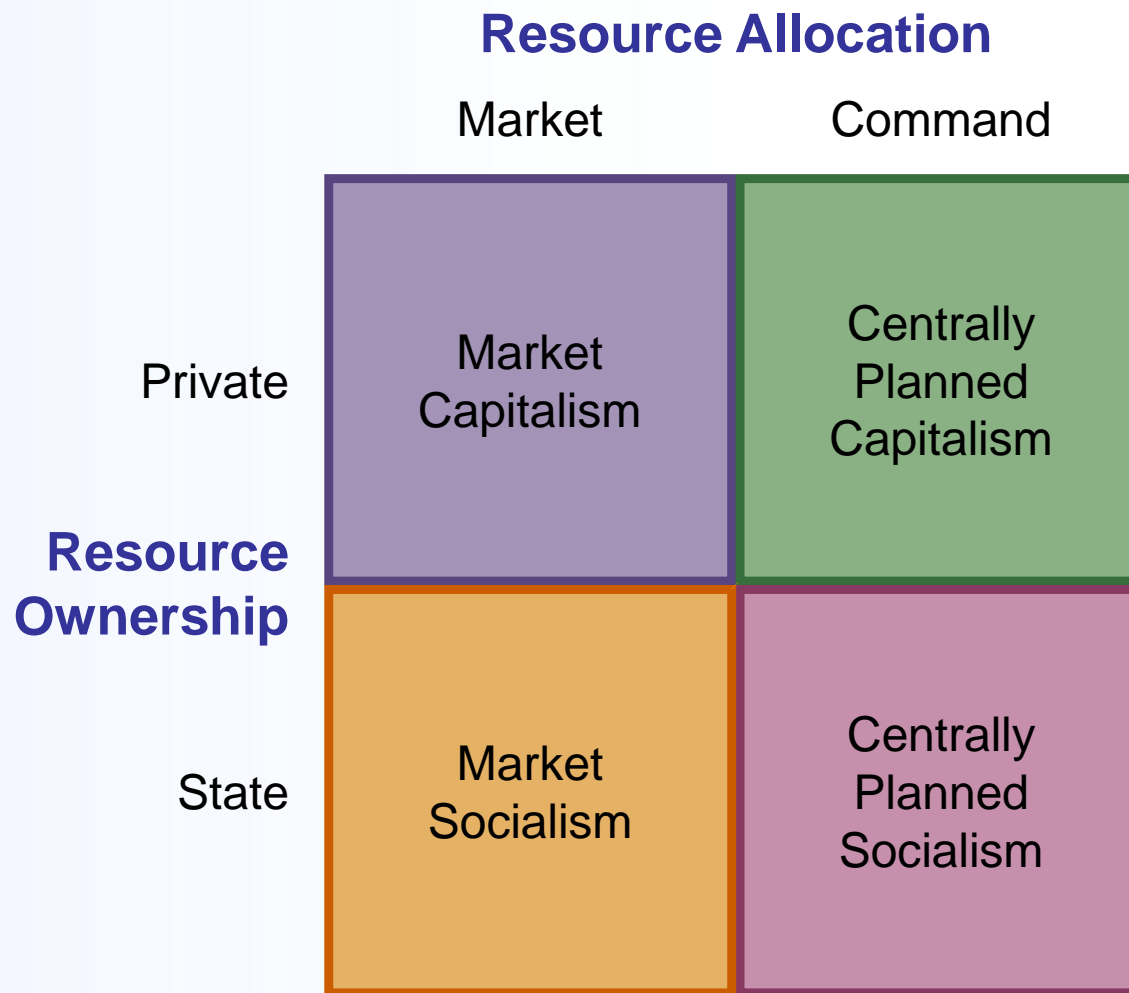
Opportunity Cost of:		
	One More Fish	One More Cup of Berries
Maryanne	1 cup berries	1 fish
Gilligan	2 cups berries	$\frac{1}{2}$ fish

Table 5: A Beneficial Change in Production

	Change in Fish Production	Change in Berry Production
Maryanne	+1	-1
Gilligan	-1	+2
Total Island	+0	+1

Types of Economic Systems

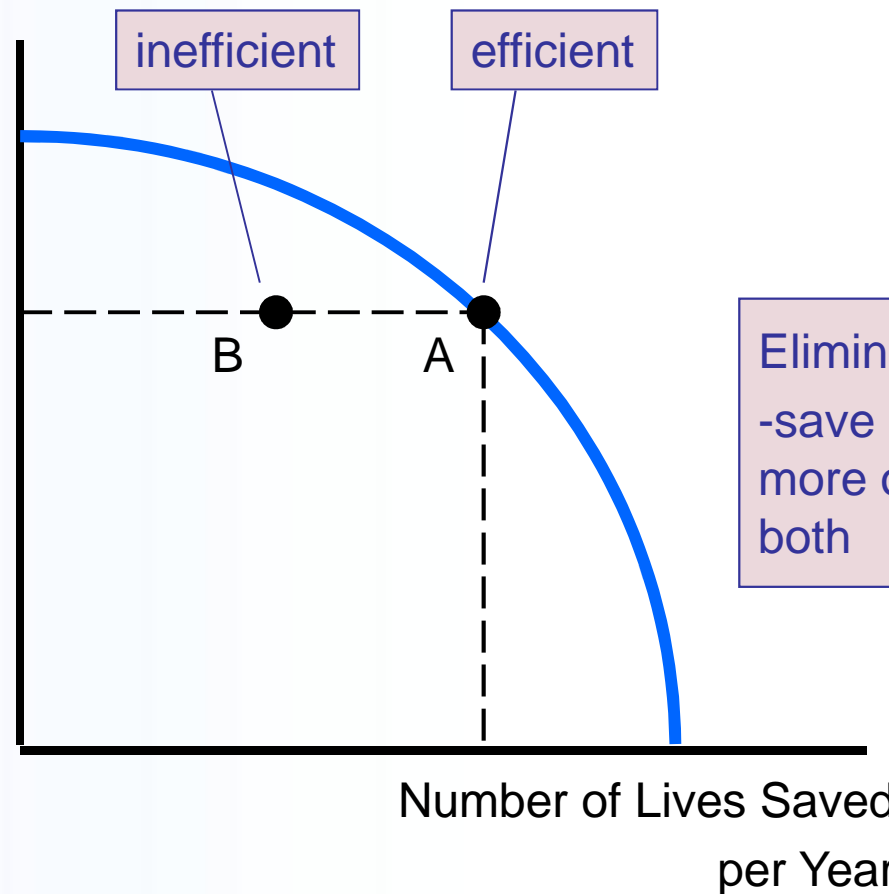
- **Figure 6** Types of Economic Systems



Are We Saving Lives Efficiently?

- **Figure 7** Efficiency and Inefficiency in Saving Lives

Quantity of
All Other Goods
per Year



Eliminating inefficiency:
-save more lives; have
more of other goods; or
both

Table 6: The Cost of Saving Lives

Method	Cost per Life-Year Saved
Brief physician antismoking intervention:	
Single personal warning from physician to stop smoking	\$150
Sickle cell screening and treatment for African-American newborns	\$236
Replacing ambulances with helicopters for medical emergencies	\$2,454
Intensive physician antismoking intervention:	
Physician identification of smokers among their patients; three physician counseling sessions; two further sessions with smoking-cessation specialists; and materials—nicotine patch or nicotine gum	\$2,587
Mammograms: Once every three years, for ages 50–64	\$2,700
Chlorination of water supply	\$4,000
Next step after suspicious lung X-ray:	
PET Scan	\$3,742
Exploratory Surgery	\$4,895
Needle Biopsy	\$7,116
Vaccination of all infants against strep infections	\$80,000
Mammograms: Annually, for ages 50–64	\$108,401
Exercise electrocardiograms as screening test:	
For 40-year-old males	\$124,374
Heart transplants	\$157,821
Mammograms: Annually, for age 40–49	\$186,635
Exercise electrocardiograms as screening test:	
For 40-year-old females	\$335,217
Seat belts on school buses	\$2,760,197
Asbestos ban in automatic transmissions	\$66,402,402