

ECONOMICS LABORATORY 1

ECONOMICS: NO FREE LUNCHES

The heart of economics can be summed up in just one word: TNSTAAFL. Of course, TNSTAAFL isn't a real word—just try to pronounce it! TNSTAAFL is an acronym. It stands for "There's no such thing as a free lunch."

How does TNSTAAFL explain economics? The answer is that economics is, above all else, about choices. It's the study of what people choose to do with limited resources. For example, if you decide to use your money (a limited resource) to buy a video game, you are making an economic choice.

Actually, you are making two choices. One, you are choosing to use your money on a video game. Two, you are choosing to *not* use that money for something else. Economists call this second choice the opportunity cost, because using a resource for one choice costs you the opportunity to use that resource for another choice. Every economic choice, no matter how beneficial, has an opportunity cost. In a word, TNSTAAFL.

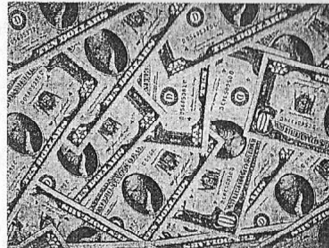
Instructions: Explore opportunity costs in your own life by completing the following activity. You will need a pencil or pen and your textbook. A calculator is optional.

STEP 1. IDENTIFY THE RESOURCE AND OPPORTUNITY COSTS OF AN ECONOMIC CHOICE

- One of the most fundamental economic choices you will ever make is to work. Like every other economic choice, choosing to work has opportunity costs. Think about what they might be. What will you have to give up if you work every day after school or on the weekends? List as many as you can in the chart below.

The Economic Choice You Make	What This Choice Forces You to Give Up
Working after school and on weekends	1.
	2.
	3.

- Nations may have limited natural resources, but the most limited resources of individuals are money and time. Look at your chart above. Which of these resources are you giving up when you decide to work?

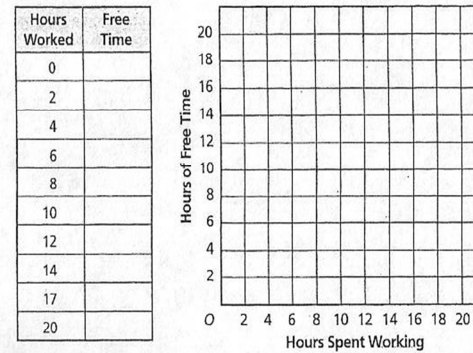


ECONOMICS LABORATORY (CONTINUED) 1

STEP 2. GRAPH THE RELATIONSHIP BETWEEN A CHOICE AND ITS OPPORTUNITY COSTS

Many or all of the items you listed in the chart in Step 1 involve spending your time. You can show your options for using this resource in a graph.

- Suppose you have a total of 20 hours of free time each week. You could work and earn extra money during part or all of that time. Complete the table below to show some options for spending your time. Then graph the data.



- Describe the relationship between work time and free time shown by the graph. Is the relationship direct or inverse?

- Explain how the graph illustrates the concept of TNSTAAFL.

- Does the graph show a single economic choice or a range of choices? How is it like a production possibilities curve? Explain your answer.

ECONOMICS LABORATORY (CONTINUED) 1

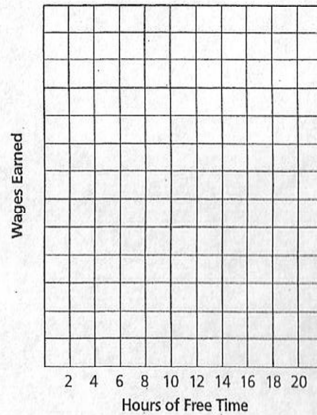


STEP 3. QUANTIFY THE GRAPH

Understanding a general relationship between choices and costs is important. But to make a good economic decision, you need hard figures.

- Conduct research to find out a typical hourly wage paid at places you work, or might work. _____
- Complete the table below. Then graph the columns "Hours of Free Time" and "Wages Earned."

Hours of Free Time	Hours Worked	Wages Earned
20	0	0
18		
16		
14		
12		
10		
8		
6		
4		
2		
0		



STEP 4. MAKE AN ECONOMIC CHOICE

The steps you have just taken—identifying an economic choice, considering its opportunity costs, quantifying their relationships, and comparing options—are the same basic steps used to make any economic decision.

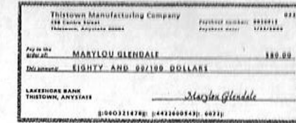
- Think about your work. For the purposes of this lab, how many hours do you choose to work each week? Why?

ECONOMICS LABORATORY (CONTINUED) 1

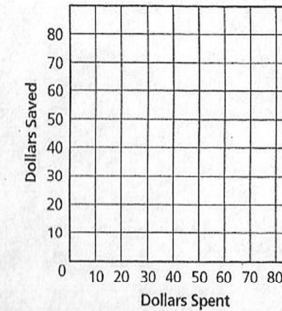


STEP 5. THINK ABOUT RELATED CHOICES AND OPPORTUNITY COSTS

Because you are working, you have money. What will you do with it? Will you spend most, and have less to save? Or will you save most and have less to spend? This is an economic choice and comes with opportunity costs.



- Make a graph below showing your choices for spending and saving your earnings, similar to the Free Time/Work Time graph. Use the pay stub at the right to find your earnings after deductions.



STEP 6. DRAW CONCLUSIONS ABOUT OPPORTUNITY COSTS

- What pattern do you see in the graphs you drew in this activity?

- Write a paragraph that explains this pattern and how "TNSTAAFL" is a fair summary of economic choices and opportunity costs.

