

HW#1 Due January 18, 2022

HW: From the table given in the previous example,

Choice	Value	Opportunity Cost
A	100	$B = 70$
B	70	$A = 100$
C	50	$A = 100$

if the decision maker can choose 2 out of 3 choices, fill in the following table

Choice	Value	Opportunity Cost
A + B	170	$A + C = 150$
A + C	150	$A + B = 170$
B + C	120	$A + B = 170$

Show that the decision to maximize value will give the same decision as the one to minimize opportunity cost.

Max. Value → other next best thing you have to forego.
 Choice 1: $A + B \Rightarrow$ Value is 170 $\Rightarrow$ Opportunity Cost equals $A + C = 150$ minimize opportunity cost
 Choice 2: $A + C \Rightarrow$ Value is 150 $\Rightarrow$ _____ $A + B = 170$
 Choice 3: $B + C \Rightarrow$ Value is 120 $\Rightarrow$ _____ $A + B = 170$ same b/c next best thing is $A + B$ (170)