

HW#1 Due January 18, 2022

HW: From the table given in the previous example,

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

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

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

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

Choice 1: A+B \Rightarrow Value is ^{Max value} 170 \Rightarrow Opp cost equals A+C = 150 ↗ minimize opp. 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 because next best thing is A+B = 170