Name:______________________________ Student ID:____________ Section:_____

INTRODUCTION TO ECONOMIC ANALYSIS
WORKSHEET 1

Below, you will define the terms marginal benefit and marginal cost. You will also identify the marginal benefit and marginal cost of spending an additional hour studying for your economics class.

Part 1: Complete the statement below.

The marginal benefit is the ________________ (total, incremental increase in) benefit associated with an increase in the activity.

Part 2: Complete the statement below.

The marginal cost is the ________________ (total, incremental increase in) cost associated with an increase in the activity.

Claire is deciding whether to continue studying for an upcoming exam in her economics course. She has already studied quite a bit and knows the stuff pretty well. She already knows to "think at the margin" and thus is considering whether to spend one additional hour studying.

Part 3: Which of the following captures the marginal benefit associated with Claire's decision to continue studying : *(i)* her score on the upcoming exam, or *(ii)* the amount by which her score will increase if she studies for one additional hour?

Part 4: Which of the following captures the marginal cost associated with Claire's decision to continue studying : *(i)* the opportunity cost of the total amount of time she spends studying for the upcoming exam, or *(ii)* the opportunity cost of the additional hour of studying?

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INTRODUCTION TO ECONOMIC ANALYSIS
WORKSHEET 2

Below, you will be presented with two hypothetical decisions that college students might need to make. You will identify the marginal benefit and marginal cost associated with each of these decisions.

Jonathan is deciding whether to purchase a mid-afternoon pizza in the college meal hall. He has already spent $350 of the $1,280 on his annual meal plan. This pizza would cost $5.50.

Part 1: Which of the following captures the marginal benefit associated with Jonathan's decision to purchase a mid-afternoon pizza: *(i)* the benefits associated with total amount of food that he will purchase on his meal plan this year, *(ii)* only the benefits associated with the food that he has purchased on his meal plan up until now, or *(iii)* the benefits associated with this mid-afternoon pizza?

Part 2: What the marginal cost associated with purchasing this mid-afternoon pizza?

Alisha is deciding whether to study abroad next semester, but she has to pay for her entire college education using student loans. If she does not study abroad, she will have a total $37,000 in student loans. If she does study abroad, she will have a total $49,000 in student loans.

Part 3: Which of the following captures the marginal benefit associated with Alisha's decision to study abroad next semester: *(i)* the additional value of her semester abroad, relative to spending another semester at her home institution; or *(ii)* the total value of her college education?

Part 4: What the marginal cost associated with studying abroad next semester?