

## Engagement Week 1

Name: \_\_\_\_\_

**Section:** \_\_\_\_\_

1. Describe a decision you made recently. Identify **one benefit** and **one cost** of that decision, and explain how the **cost-benefit principle** helps justify your choice.

Sample Response: I decided to cook dinner at home last night instead of ordering takeout. One benefit of cooking at home was saving money, since the ingredients cost less than ordering food. One cost was the time and effort required to cook and clean up afterward. According to the cost-benefit principle, I chose to cook at home because the benefit of saving money was greater than the cost of my time and effort.

1. Jenny values having a smoothie after a workout at \$7. The smoothie costs \$5, and walking to the smoothie shop has a time cost valued at \$1. What is Jenny's **economic surplus** from buying the smoothie?

(a) **-\$1** (c) **\$2**  
(b) **\$1** (d) **\$7**

Economic Surplus = Total Benefit - Total Cost  
Total Benefit = \$7 and Total Cost = \$5 + \$1 = \$6

2. A gym advertises the same membership using two messages:

- **Message A:** “With this membership, you can attend 20 fitness classes per month.”
- **Message B:** “Without this membership, you will miss out on up to 20 fitness classes per month.”

Marcus finds the membership more appealing after seeing Message B, even though the membership and price are unchanged. This behavior is best explained by:

- (a) Maximizing economic surplus
- (b) The cost–benefit principle
- (c) Voluntary exchange
- (d) **The framing effect**

Framing Effect: occurs when a decision is influenced by how choices are described rather than by their underlying outcomes. Message A was framed as a gain while Message B was framed as a loss.