



Worksheet 1.4

Rational Behavior, Opportunity Cost, Marginal Analysis - An Intro to the Economic Way of Thinking

Are humans always rational? Rational beings, it should be assumed, would always pursue activities that add to their happiness, or *utility*. Work, we could assume, is an activity that does not make us happy, while play makes us happy. Why, then, do some people willingly do what appears to be work when it could be done by someone else?

In the blog post, [‘Laid-back Labor’](#), this question is explored in some detail.

Since rational beings are interested in maximizing their happiness, work can be viewed as a means to an end, a way to make the money you need to do the things you enjoy, things which can be called *leisure*. So why do so many people willingly choose to spend so much time and money doing things like cooking, knitting, gardening, working in the yard, and other tasks that appear to be *work*, when they could easily pay others to do these menial chores for them, thus giving them more time for *leisure*?

Where does the line between work and leisure exist? This seems like an apt question to explore from an economic perspective. Below is some analysis of this question from the *Freakonomics* article, ‘Laid-back Labor’, read the first sentence in paragraph 4 and then paragraphs 5 and 6.

Why a professional (let’s say a lawyer) who spends 50 hours a week in his office, earning somewhere in the range of \$100 an hour for his labor, would *choose* to spend two hours mowing his lawn on a Saturday, rather than hiring his neighbor’s son to do it for him, truly poses an economic paradox.

Let’s see why: If this man’s labor is worth \$100 an hour, then we can calculate the *opportunity cost* of mowing his own lawn as \$200 plus the value to this man of the leisure he could have enjoyed by *not* mowing his lawn. The man probably could have hired his neighbor’s son to mow his lawn for \$20, which would have then freed him up to pursue his own leisure activities (reading, working out, golfing, watching a movie, etc.) during those two hours, and compared to the \$200 value of his own labor the \$20 seems like a bargain. So is a lawyer who mows his own lawn acting irrationally?

It would seem the line separating leisure from work has blurred in modern times. A hundred years ago an activity such as sewing or caring for a lawn would certainly have been viewed as *work*, but today the behavior of millions of people would indicate otherwise. As a science rooted in the belief that humans are rational pursuers of their own happiness and leisure, the paradox of the lawn mowing lawyer poses several interesting questions for students of economics.



Economics

Questions:

1. Is the lawyer who mows his own lawn defying a fundamental rule of economics, that people act rationally? Is he making a mistake by not hiring his neighbor's son to do it for him?
2. What is meant by *opportunity cost*? Give an example of a decision you have made recently that involved an opportunity cost.
3. How is the lawyer's decision whether or not to mow his lawn rooted in *marginal analysis*? Describe a choice you've made recently that involved marginal analysis.