# Audio file

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# [Transcript](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[A lot of. The key takeaways are still. Pretty important in the field. One just. Quick definition that we'll talk about it here. But you will. See over and over if you move forward in economics. Is the idea of what we call the centers paribus condition? So if you change. Only one variable. At a time and hold other things constant. That is known as the ceteris paribus condition. Paris is like all else. Equal we have holding. Once we are holding everything constant and only allowing 1. Thing to change. Again in here. We're not gonna be doing a lot of this mathematically. But if you take for instance the matrix, you'll see how important this condition is. So we tend to drive. Models by how well they work. In real life. When we develop your. Models in economics we might be interested to see if. They really hold when you actually apply them to data. So that would be what? We call empirical analysis. Do they hold up so? 1st we have two types of variables here that we're going to define. So we have. Our public isogenous factors to your variables are inside of our. Models and then we have our public documents factors. These are variables outside of our models. The purposes of this course. We're going to think about these on a pretty basic level. But economics, when you get here. You will see that. Determining whether something is exogenous your model turn out. To be a fairly. Important piece of. Your research agenda, so these. Storms might seem kind of this like small definitions. But they're actually have very large locations. We develop our. Home so. When you come out running a model by. How well it works in our lives. We need to be careful about the assumptions. That we make when we actually add human. Behavior into the mix. And so there are many models iconics that before really well in theory and in other disciplines as well. Really well in theory and very poorly when we actually look at how humans engage with them so. We're gonna watch a quick clip. From the movie Sully. Which was about the landing on. The Hudson, a few years ago. And we're going to see how simulated something and real life. Don't always overlap.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[People actually have to make decisions like in a very high stress scenario. Like that where you have people. 'S lives on the line. They may not behave at all like a simulation. Because the conditions. That they're experiencing aren't at all like what a computer simulation looks like.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[And humans are also. Prone to error. Because we are computers, we are also subject to things like adrenaline. We make judgment calls. So all of the people on that plane were saved.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[By the way, it's like.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[A miracle plane landing and so there may their judgment was. Maybe the simulations actually didn't match. Very well. The real life condition. So when we create models, we want to think.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[About what they look like.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[In the real world to feedback. To evaluate whether our theoretical construction actually accurately reflects. The world. All right, so there's a little. You're looking for human error then.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Make it human.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[OK, so you're looking at this like oh. No, the \*\*\*\*\*\*\*\*\*\*\*\* don't panic. This is not an equation that you have to evaluate in any. Specific functional form. But just to give you a sense of how we build these models. We might say that you're. Wage is and that little. F This means is a function of. All of these different variables. So we're going to include as many of these as we can within. The model, so we might think. Before we sort of. Evaluate the impact of each of these. Variables in the model. We might get the education has a positive effect, right? Education level, probably higher wages. That seems like a reasonable correlation. To expect, I think age is a little bit more complicated. So ah. Probably has a non-linear effect. People are very young or significantly older than average is getting lower wages because of their. So not fair that would. Be positive or negative your. Experience certainly is a positive. Effect on your wages, right? The more experience. That you are the higher wages you would. Expect to receive same with your skills as you build your skill set and you would expect to. Receive a higher wage. Now pleasant. Working conditions, you might think are. Having a positive effect on your. But in fact. Our relationship tends to be the opposite. So if you wanna go work on an oil rig. You actually be pretty highly. Compensated for the education level. Required for those jobs. And that's because it's super, super unpleasant. So you're essentially being. And that would mean a pretty unpleasant environment. So very dangerous job, very high risk.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Jobs, jobs that are.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Unpleasant often have higher wages than the sort of. Skill level requires those. Jobs would success because they're simply compensating for the. Risk they're taking and engaging in that position. And being female based on data. I would like to have. A negative effect because we know that from the equivalent that women tend to be paid less. Than men on average. So if you found a negative effect here, that would be. Indicative of discrimination in our house? So this is just one way that we begin to. Build the model here of predicting or being to think about what drives which. And again in this. Class we are not going to specify. Function for this. We're not going to run any regressions. We're not going to be. Proficient, but I do want you to begin thinking. About OK. We're interested in how. These things relate to this other thing. How would we think about? That building a model. All right, before. We return the train, come back, opportunity costs. Because we're going. To need this context when we talk. About compared to the units in a few minutes. So opportunity cost is everywhere. We told you guys on the first day of. Class that I really. Enjoy opportunity costs because it's just. All over the place. And so this is one example from literature. So this is 1 by Robert Frost and I'll read if you're not familiar with it. It's very famous on the road not taken. Two roads divergences. Green yellow wood and sorry I could. Not travel, but if. You want traveler long. I stood and looked on one. Far as I could. To where it bent in the. Undergrowth, then, to the other as just as. Fair and having. Perhaps the better claim because it was grassy and wanted to.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Wear those for.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[That was passing there had warm than really, about the same. And both that morning equally lay and leaves. No step without back. Oh, I kept the 1st for. Another day that knowing how wave on the way. I doubt it. If I should ever go back. I'll be talking with this on the side somewhere ages. And ages. Hence 2 rows by. Version of wood and I I took the. One less traveled. By and that wasn't all the difference. That opportunity comes. If you want to go. One way you cannot also go the other right. Every decision that you make has. A cost associated with it. So if you forgo, if you take one pass, you forgo. The other path that you did not. Make so the cost applies across disciplines and moves. All right, let's do. Another opportunity cost. Question you will help get you ready for training. So what do you think about the cost? Of traveling from Amarillo to Austin, you can. Either take a bus drive or you. Can go get on the. Flight and and travel by plane. So we take the bus $100 and it. Takes 16 hours of time. If you take the plane, it is 2. $100 and it is 6. Hours of time. So let's think about the cost to you. Of these two. Two checks and to do. That we need to know how much value your time. So let's imagine you value your time at. $12.00 an hour. So we want to think about which option has a lower opportunity cost. Let's do that. That's what 292. Yeah, 292.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[OK.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[And then the plane is $200. Plus 6 \* 12. So that's what 2. OK, so which one has more? Opportunity cost. The plane. The point is, you're in Commons, right? But you might before you took. This class and learn about opportunity cost. The bus is cheaper, the bus is not cheaper. You have to give. Up a lot of time to sit on that bus. Right. So when you evaluate how to get somewhere. It's not just the cost of the ticket. It's the cost of your time. Right now, you're all never flew away from opportunity cost. Will forever inform your decision making all.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[So you can ask another question here which I want you to do in our first think pair. Share the link for which I sent the Topper 2 links last month or I'm sorry yesterday. On other post on campus so. We are going to. Oh, I'll have to. Turn it on. Then we can read it together. Alright, I gotta. All right, so find the pay for. Hour that makes you wait. Will you scroll up a little bit? OK, so find the. Paper hour that makes traffic on the plane and. Bus travel equally attractive. The announcements on campus. It has a GPS for timber 2. Still be in there the first one. All right. What kind of the slide when you work? On it and we should be accepting.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Good afternoon. If you. And consistency. Which again. So that's from my sister location. So can you? They just. Asking this. Love you. Love you. Love you. You'll see. He looks. Miss Taylor.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[This is bad.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[OK. Getting anyone? And you get. I think when. El Rio.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[You don't get credit, so get something in there.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Remind me. Right. Right. But again, some of these because.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Sorry, I'm gonna do a countdown.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[10/9.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[I see. 4321.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[All right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Alright, alright, let's go over it. Well that. OK. All right. How many? Do you think when you? Take the plane. You save 10 hours. Jumping high. In my book 10 hours. How much more does the plane ticket cost compared to? The bus ticket. $100 you guys are. Doing great on these questions. What is your time worth in order for you to be in different between taking the bus and taking them? Plane $10.00 an hour is the correct answer. The way that you. Find that is this is that those two equations. Equal and solve for X fall for the team or TNK the time that would make you different. Between client and. Great work. It's like you're. Doing pretty well on this. Let's keep going. All right. OK, let's do one more. Last question, you probably do a whole nother lecture opportunity cost examples. Because there's so. Many alright. You're planning to buy tickets to see Taylor Swift, but a. Friend gives you a free ticket to see the weekend on the same night. What is your opportunity cost in? Dollars of paying the. Weekend so that the cost of that Taylor Swift to. Get was $99. I don't know where. You got this Taylor Swift tickets. I really like $99. But the value to you with $150.00 and the cause of the things. The weekend is 0. All right, So what is your opportunity cost in? Dollars of seeing the weakest. I'll come back to. This and read it. The way we're gonna do this one is just. Little old fashioned. In class. Noise making. I guess so. If you think it's zero, you. Will class if you think. It is the opportunity cost is. $51.00 will work. Like it off? If you think it's $99.00, people talk. Is $150.00. You will whistle.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[OK.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Alright so. Your answer in your head that. We will all make.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[The request. Alright, well. So it's.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[You have your voice prepared. Alright, I think everyone. Any casual conversation for this? Year, OK. I think the opportunity cost is. Go for it. Which one?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[What's happening this dog?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Is just one dollar. Difference between what we're gonna pay for the and the benefit you're actually. Receive was that. Like we saw last time. Plus, it's $51 in this case. All right. Oh I. There's one more. Opportunity cost example. Because I like this one. So this is a cafe. How do you go to? Pot shops and stuff. A lot of it right when you. Go to the coffee shop to study you. Buy like 1 cup of coffee and. Use a Wi-Fi for like 3 or. 4 hours, yeah. Yeah, that's what you do, right? You're using the space, so this. This campaign decided supporting you for. That cup of coffee before you then sit, they're actually just charge you for your time. So what they do, you walk in. The door and they give you a little. Clock that looks like that. One and you hit, you hit it and. It starts your time. The cost for each minute is pretty low. You know 86 cents or something, $0.10. And so you have to pay for the. Time that you spend there. Now the coffee is free. The muffins are. Free the Wi-Fi is free. The lovely, cozy place to stay, but they are monetizing essentially the. Thing that you are really after when you. Go to a coffee shop. Which is a place to spend time.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[And so I suppose you could game the system and like. Run in at the time of running. Grab coffee, run out and. Then your coffee would be really cheap. But really the. Idea behind this is that people generally go to. Cafes and coffee shops to. Study or meet with a friend or whatever. Something that involves spending time so they're. Going to charge you for the. Things that's really your gonna monetize your time. So my kick yourself, how long would I spend in the coffee shop that charged me for time? I don't do it on your value at the minute that you spend there. Right. All right. And the audience. There's never an opportunity about either. That actually into our examples for right. Now of opportunity cost. But we're gonna go back to Foundation 5, which? Was tripped, and we're gonna do some numerical examples examples to demonstrate how people trade. We're going to calculate. The opportunity cost, but before we do that, I just want to. Do a simple demonstration to. Show you a trade creates value and depends on specialization and comparative. Really going to? Focus on the first part for this demonstration. So since you volunteered for the demonstration that you. Can come up on stage. Your name is on the board. Please join me on stage. You have now changed your mind. Maybe this person?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[OK.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Alright, just stand right up here in.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[I'm looking at your insane.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Line in front of the table.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[So everyone.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[And it really. Thank you. No, she will take office.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Alright, thank you for volunteering podcasts. Very much appreciate you coming up on stage, so let's I have. A random assortment. Of stuff, for lack of a better word, I'm. Going to hand it out at random. Sweet of you. And then we're going to sort of all right. This is a tiny little sketch. A bracelet that light up has a little like.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Speed up.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[And agreed to slide up bracelet. Alright, now I want to know between. One and 10. With your value was a good idea. Are you ready? What's your value between? 1:00 and 10:00 and. Also tell us then. Three, OK. OK. You can see it works.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Thank you.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Alright, before. All right for my random brother stuff. Alright, mini oreos.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Probably can.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Not all right. An 8 or 9.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[And ask. Yeah, yeah. I'm bored.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[All right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Honestly, in this case it would. Be two, but like it's very.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Situational, but I mean you could take it. Home and use it another time.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Alright, so what's?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Your value for that good. Alright 4.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[My name.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Five, you have a tiny. Sketch look good. Alright, so now I want. The six of you to trade. Well, you'll have to. Trade, trade or not, talk to each other.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Alright, go for it.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[You can train more than just the person. Standing next to you. Are you baffled by the trade?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Have you? Is there?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Any more instant trading you can like people, yeah. All right. Are we done training? Getting interested in. Additional training. All right. Let's start over, shall we?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[All right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[What have you been up with us? How you value? That items. Oh, OK mine. It's all right. And so.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[All right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[And eight.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[And remind me of you. Amari alright, Martha. Thank you. Alright. For you.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[We're all. Welcome. Different preferences. OK, I think.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[You have to go up if you're sick. You're sick. OK, OK. Yeah. Many colors. We're now at 7, alright. Finally.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Solid 6.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[What do you end up with? You want to show the lights up. A little switch. They can evaluate your.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[There we go.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[One point for the cool. Alright, So what was our total? Oh, I'll. I'll let you add that up between the. Two and. For not math pressure we want. Alright, thank you for. Can keep the things that you gained through trade. You're you're welcome.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Thank you for volunteering.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[You sometimes you volunteering good money and sometimes you volunteering random cool things. Or dummy words? You never know. Alright, so before training the total value to all of our participants. With 28, right?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[So that.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Here, before trade and after trade. They're at 42. They have gained value.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Oh great.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Everyone is happier, right? All of you well, actually. Everyone in moved. Their value by being loud and trade. So they are all happier. Whoever got that tiny escape, you're not sick. Very small notes on there alright. So let's talk about this and an economy wide scale and that's. Going to bring us to the production possibilities frontier or the PDF? I'm not going to say production possibility Frontier coming. Missing it because. It's very long, so we call this the PPM. The PBS shows us the maximum amount of any 2. Products that can be produced from a fixed number of resources. So as we talk about female, we're going to. Do some simplified models in this class. Still using found something that we can address. Really mad. What madly? In here and so when we talk about PBS. There are countries. Trade lots and lots more than. Two goods, right? So these examples, maybe you'll find it. Stylized, but we are going to think about two goods.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[So that we can keep things simple enough. That we can come to.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Some conclusions knowing.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[That obviously trade in the real world involves many more. Just two guys. Alright, so let's imagine that our. Economy produces pizza and Gelato.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[This afternoon.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[So maybe a little hungry I did was came. Up with these kids. And So what I want you. To see here is that. If this economy. Devoted all of its resources to producing Gelato. Could produce 50. Units of Gelato and I, they produced all of their resources. They don't. Courses to producing pizza they could make. 60 slices of pizza. Now they might want. Consume at points between them. So when the production possibilities frontier shows us. Is all of the possible? Combinations of production that they can have get in their. Finding resources now. Remember from the definition. That this is a fixed number of resources. So you have a finite amount of resources. And because of. That you are constrained. As we know from our. Initial discussions and so. Let's just look at these points. So this. Curve demonstrates what we call increasing opportunity costs. I wanted to show. You that as we. Move down the curve so as we move from A to B. The opportunity cost of. 10 slice the pizza additional slice of pizza is only two. Servings I guess units. Whatever Gelato. But if we move from F to G look. How big that? Trade off cost. We have to. Give up a lot more. 23 servings of Gelato to get those. Last 10 units of pizza, right? So the opportunity costs? Are getting more pizza is in. So one thing just to note, the PM here is. If it were linear opportunity costs. Would be constant because the slope would be. Changing right the trade off would always. Be the same. But here we have a non-linear. And so that is.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Because of the law of increasing.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Opportunity cost, yeah. Why does opportunity cost increase opportunity cost increases because transport? Resources between two goods. It's not always straightforward, right? But first, if you want more pizza. You transfer your most adaptable. You know the subjects.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Easy to move when.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[You have a shot pretty good. Making both of these things, and so you move. Their crew first. By the time you. Get down here movie from F to G. You moved a lot of the stuff you. Could easily adapt. And now you've got to figure out how to. Change pizza ovens into. Something that can make. A lot of right. It's not a terribly adaptable resource, so for good to have. Constant opportunity costs. That generally tells us the. Resources are pretty adaptable between the. Two of them. They're going about increasing opportunity costs. Less so, right? Because you just as. You want more and more the good you. Have to give up more. And more the other because. It's hard to move resources between. All right. One thing to point. Out here. For the PBS. Contains all of all of these points on the. PPF archbishops they're not more efficient or less efficient. They're just all efficient. Where we actually end up producing is. A function of. This society preferences. All of them are efficient combinations of. Production the area inside. If you get here.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[These are.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Available to us, they're feasible, but they are sufficient and that's because we could have more without giving anything up. So just take a. Point right here at 30 units of DELOTTO at 10. Slices of pizza. We could actually go out. Here to the yeah. And yet still get 30 units of Gelato. We get a lot more. Pizza without having. To get into Gelato. So while we certainly could produce in here. And we might sometimes not be using. All of our productive resources. We don't want to be. Sufficient, right? We can produce more with the resources we. Have but out here beyond the PF. All of these points are not available to us. We cannot access them given. The resources that we have available to us if. We would like to produce out there. We have shifted to yes, which would require. Growth essentially our fine, so. Out here, not attainable in here. Attainable, but inefficient along the curve. Attainable ended. Alright, let's the hoop about.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Intersector we have. For Mama, OK.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[And you're actually.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[OK. Come on, come on.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Was the venue. You know. They're supposed to try out some ways. Do you know this?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[OK.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[OK.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Any move from point on the curve there will be. Point on the curve. The price of bicycle increases.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[OK.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Nothing to do with the. The price. Of goods.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[OK, that's good. Yes.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Productive trade off alright. Which of these points is most efficient?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Yeah, let's get it. How much?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Against me are both positions.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[OK.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[They're just both positions.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[All right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Next question. For point to point at the office.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Thank you.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Yeah, that's OK. The speech.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[They they there were 2420, we. Get up and get more.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[So that.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Of the other good. All right. Next question. Give me a high unemployment. That the curves just in.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[OK.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Right. It's it's, it's big.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Productivity is the same as before.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Now it's.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[They were older than a bunch of people died. Then our productive capacity save anymore, right? But those people are just out of work. They haven't changed the potential activity of the economy. All right. Next question.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Last question.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Improved process remaining. Back to bicycles. Entire curve. Be careful on this one. Police said data.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[OK.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[All right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[When you go to the.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Move further down the. The intercept on the other.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Yeah, like.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[So here. All right, let's draw. Graph or on the top part. What happened is you have bicycles and cars, right? This is the old PDF. And you can make more bicycles. It would be like that if you devote all your resources. Cars and silicate intercept. So for the whole curve shifts this intersect with.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[You know.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Alright, let's check out the code that.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[#5.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[We are for the boots. The top floor on this boat MC5383. Good work.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[And then.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[And this is.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[All right, let's.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Go back to. OK. Or a little. OK, so let's talk. About growth and how we move. Like that in our PPT. So if we think about, we can actually. Model the trade off between. Our current consumption goods and capital goods. So capital goods are goods that are introduce other goods. Consumer goods are produced for personal satisfaction, so they're a bit. So we could produce at a where we devote. Resources equally to capital goods and correct consumption. So if we do that, we. Can actually move. The GPS out so we. Devote our resources to capitalists in the next period. Because you consume more.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Because we have devoted.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Those two resources that are connected that actually produce other goods. Now if we don't. If we do about 100% of our current consumption of our resources to current consumption. Then we don't experience that with in our. OK. When we. Talk about growth. There's a sort of natural tendency. Well, we've been economically think about. Population growth about limited resources and unlimited wants, and so there's a somewhat famous debate about. Whether infinite population growth will just complete resources and leave poverty or not treating people wanting. To mount this in one neighbor Carlos, we're going to. Watch from maybe of interest movies. Exactly illustrates this point. Of this one, Sir.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[You know.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Let's start. There we go.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[You would have.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Children born. No, nothing. Yeah. It's like. You don't know that.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Other please.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Be I don't know. The sound and brightness was off there, but the point that I think or the idea that. He is the founding is that that. In a world of finite resources, we are. Poverty and population growth is allowed, or population is allowed to grow. Better and in fact that. Turned out to not be true at all. So amounts did not win this argument. If you look at human history. As population grows, we do not actually end up with higher levels of poverty. Or starvation or even like that. What we have? Is more innovation more? Technology to use our finite resources and ever more productive ways. So this debate is pretty much settled by. Historical records, but it still gets excited. Like by super. Or super villains in. Alright, let's think about that investment from our pizza example. So let's imagine in our information we have two. Have the orange one and. That sort of remove color. Over there. And so we can produce two pizzas. In every period in these simple world.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[But let's imagine in the second period. That we invest our pizza, making resources and building a new kind of pizza oven that lets us make more pizza. Factor maybe with the resources that we. Have and. So actually if we do that. We get to consume 3 pieces in every three and so you could see before we invested in this. New capital goods and we get to consume more and every period that follows with the same. Resources that both of. The economy started with together, right? So actually with. Productivity gains with technological innovation, we can consume or produce spore with the same. Set of resources that we started with, we just have to use some of them to invest in those types of goods. Yes, it's equal. Please please. I only. Which one? Any more pieces on this line? Are you alright right now? Yeah, but if you said that before. Where you have more reason? All right. OK, so let's talk a bit about compared to the advantage start moving into widening trade. So actually I wasn't. Just think about this. So I don't have you ever seen a photo? Of Jason very fit. Man, it looks like you could. Probably defend himself, right? And in this photo like you can see. He has bodyguards that look. Less good bodyguarding than he would be himself. So the question you might wonder if you see a photo like this. Is why would he ever hire a buffer? Compared to the. Manage. So the law has the absolute advantage in both. Filling the movie stars and in Bodyguarding. Self-defense or whatever you call it. But he's not going to do both. He's going to specialize and he's going to specialize in. Movies because that is where he does the comparative. Advantage and he will hire. Fires, so this is one of the things that we have in our two. 1003 for the rest. So we went outside. That and pay for trade. His money for the services of a bodyguard so we can focus on his. Comparative advantage, which is making movies all right. So that example in this example. I hope they'll you thinking about these concepts before we do our more stylized numerical examples. So before we do that, let's. Just think about trade. I think about. A world in which you don't. And you have to. Make everything yourself. So let's watch a little video. There we go.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[So let's go.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Something like that. Read it.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Which takes.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Compressive that.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[That would. Yes, I did.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[My life. All right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Crazy journey to make sandwich. And the point there if you. Have to do all this stuff yourself. It would be really difficult. What else? If you want to make. A sandwich. Do you have to go out and kill a chicken?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[No, no, no.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[There is someone who does that, they. Specialize in a raising chickens and butchering them, right? So we go to the grocery store. You don't buy a ticket with all the feathers on it. Right, he's already butchered for you. And if you want to have some cheese on your. Sandwich you have to make.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[These at home.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Bake the breads. No, you have to grow your own lettuce. No, you certainly could do any of these. Things, but there is something specializes in producing all of those goods so that when you want to. Make a sandwich.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[You either.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Go to the grocery store and buy the components. Which is you go to HEB. That will pretty quick. Trip, right? And you assemble it at home. Doesn't take you six months to make an OK sandwich. Or you go to a restaurant where they made it for you. So specialization is very important for all of the things that you get to. Enjoy with me because someone else has specialized in those things. Someone grows tomatoes.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[And ships them.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[To the grocery store for you so that you. Don't have to grow them yourself. That is a result of specialization and trade that. It is easy to make chicken. All right, let's do. A one of our. Numerical examples from economics and I would say we're gonna walk through. This because examples tend to.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Post a lot of confusion.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Or same path they put a lot of confusions. You do not. Find this confusing, but let's walk through them. So let's look at Charlie and. Frida, and let's imagine they could spend their time. Producing apples or rabbits. And so Charlie can make 10 apples per hour. Every day to make 15 and Charlie can. Make two rabbits per. Hour and we can make. One and so it's.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Say something.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[If they had a 10 hour work day, they could allocate some. Of their resources to making each. That's what they can consume. Again, these examples of those. Two guys feel a little silly because nobody. Just eating apples and rabbits. But let's imagine that's all the pretty. In this economy, and So what we want to do is have them specialize and we want them to specialize. In their comparative advantage so far. Has compared to the rabbits and three dots compared to. The advantage in apples? And if you're wondering how I found outlooks, walk through it really. Let's make sure. You can see this. All right, so OK. Alright, so Charlie, the opportunity cost of Charlie of Apples is 2/10 of a rabbit the opportunity cost. Of rabbits is £10 of an apple, so the opportunity cost for apples is 1/5 of a rabbit and. The opportunity cost of a rabbit is five apples. We can do the same calculation for freedom. Here with us and we can see. The opportunity cost of. An apple is 116th of a rabbit. And the opportunity cost of a rabbit is 15 apples and so we can see that the opportunity. Cost of rabbits is lower for Charlie and the opportunity costs of apples is lower for freedom. So they will specialize in the good to have the lower opportunity cost for. And you can see. That with their production. After specialization, they actually have more production available to them. Right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[And they.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[Do when they each. Produce both goods. And so. Let's now. Let them trade. Let's not let the. Trade and we. Can see that when they trade, they can each business. Just I just picked 2. I just picked some exchange between the two of them. There are many points where they could trade, but.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[When I get.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[The night the nice thing about this one is that you can see. That they both have access to more. Votes than they did before they specialized in traded, so they're both. Draw from that exchange here. All right, let's do. Another numerical example. All right, we should do the dishes. So let's imagine that Sarah and. Ann have just moved in together. Is it their first? Their best friends, and they have just moved their first UT. As roommates and you know when you have a new roommate. You have to figure out. Who's going to clean the apartment? The masks that no one enjoys doing. And we can see here that Ann is is better at doing both things. And has the absolute. Advantage she does better. After completing so why do picking you're Sarah? Let's let him do everything that is not. Allowing your usual benefits from specializing in your comparative advantage. And also you probably have a very. Angry roommate. If you just said look. You're better. You should do all of it. All right, so let's walk through.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[I think you should do.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

[I'll put this back on there. Stopping that can all right. So Anna has. Absolute advantage. In both those. So you might be thinking how am I going to? Figure out. Comparative advantage. From that table. That seems really tricky and I don't. Know how to do it so. On our table on our.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording.wav)

# Audio file

[Your Recording 1.wav](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

# [Transcript](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[That you may not.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Even be aware of. Just like with the chicken sandwich or that you don't. Think about because. Of all this?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Specialization that happens.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[It all comes together to make. The good that you're consuming.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[So a quick video about how that.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Works for a. Cup of coffee.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[You've said for fall at Target. With low prices and great deals.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Over 2 billion cups of coffee are. Consumed every day and. It takes a lot of people. To make just One Cup. One man without quest to figure.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Out what it's like. To thank each and every one of them.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Lives in New York City.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Hi, honey.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[And he's the first we met.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[He can be a bit of a branch.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[My default state is grumpiness.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[I am very good and. Noticing all things that go wrong.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[So to make a change, he started getting.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[I would say thank you to help to make my meal.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[OK.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Until one night.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[I was like, yeah, man.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Those people can't hear you.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[If you really care, you would go and. Think these people?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Paper. And that's when the light bulb went off.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[You decided to come in on something.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Took for granted every day.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[My morning.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Cup of coffee.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Over the next 12 months, AJ said, Ash saying every single person waiting. In the small school in this morning on the job.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[All these.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[First, it was a global reset. The roster and the coffee shop.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Source whenever I think one person, they would say well. I could do my job without this person so. One person led to another, led to another led to another event.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[You're outside the city and eventually the country.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[And for folks to provide electricity. To the coffee shop, the engineers who provide the water.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[The people who make the steel the farmer.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[And importer.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Truck drive the person to take the road even.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Into the yellow lines.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[So that my coffee beans could safely arrive. I remember I called the one that does pest control. For the warehouse. And I said. I know this sounds.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Strange, but I want to thank.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[You for keeping the.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Insects out of my coffee and she said well.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Sounds strange but.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Thank you.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[You know, I don't get a lot of appreciation. My job.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[All they ended up taking over 1000 different people.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[They making. And while most were pleasantly surprised by gratitude. Benefited the most.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Has made me grateful for the. Hundreds of things that go right every day as opposed. I tell my friends. That they should try these gratitude. Trails themselves. It could be sending. A quick note to the. Designer of a logo blah. I will tell you that. It will make it like. That it's changed.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[All right. That's nice. Uh, gratitude at the end because there are.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[A lot of people who work very hard to make.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[All of the things that we consume every day.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[But also we should be grateful for.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[The economy and the way it.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Coordinates all of these specialized individuals who portray allow us to all consume things that we would. Not be able to access.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[All on our own.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[But it's very hard to have to make every part of everything. And you can. See, there are some of that seems very like very granular. Like those strides in the road. But when you start thinking about how good it actually. Reach you and how they come together. There's a lot to the. Fact that you might even. Think about that. That don't matter for.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Making sure that you can consume the thing. That you want to.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Consume that made your day better.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[I know Cokes might be better.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[But if I didn't.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[All right, let's think about this with another example.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[So I'll you.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Look at the tag on your T-shirt.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Or maybe have your friend next to you. Look the tab on your.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[T-shirts you want to do something. Strange contortion, but I want you to.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[See what you made your T-shirt.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[This is Gina.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[I have chicken just like what?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Thank you. I'm glad. All right. OK.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Nicaragua, El Salvador.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Alright anywhere center area. Anyone, anywhere?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Honduras, alright, come back here.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Anyone back here? In America.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[That would be the.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[All right, a lot of different places globally, representative.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Who made your teacher?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[But actually that's. What I want to tell you the whole story about who your T-shirt. So I picked a random T.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[And if you look at how T-shirts are. Made the scenes to grow cotton.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Are often made in the US and then.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[The cotton weight grown in India because there. Are large cotton producers. The dyes that major T-shirt, the color that it is. Might be manufactured the.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[India or Germany?](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[The color lining for your T-shirt might be made in Brazil.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[The machinery to actually put all this together and.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Leave your T-shirt. And you need in Germany.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Because that's where. Its final finally assembled.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Right.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[So all of those pieces along the way, all of those goods that are. Traveling all over the world as countries specialize in different things don't really get reflected in. That tag that you see on your T-shirts. So trade is everywhere. And the specialization is. Part of what makes the economy that we see. When we provide goods, what let's it's worth all. Right. One more example on. That maybe isn't one that would. Come to mind immediately. Because we often talk about trade, but actually. Specialization and compared the benefits. You had a roommate example. Last class. Us a little, you know, for day-to-day life. Because benefit you but it. Also, benefits organizations that are trying to help people to make sure that they. Optimize their resources. So this is a. Group call that way home in Houston and Houston. Like many cities. Has struggled with. Homelessness and house populations. And so they are. Trying to figure out how to solve that. There's a lot of agencies that you did that. Help people to do a variety of different. Things now. Placements work. House Private, Placeable and how they help with substance abuse and mental health. But most of these agencies all do all. Of those things. So when people need help, it's hard to know. I need a job. Who do I want to talk to? Well, in a lot of different groups that are. All trying to help people, but they're all doing. Repeat things. So what? The way home did is they created an umbrella agency and they have all. Of these groups specialized. So they're gonna be. One group that helps, one organization that helps people. With job placement, they're going to specialize in that one organization that helps place people in housing. They're specialize in that one organization that. Helps with subsidies. They're going to specialize in that one organization that helps with mental health resources. They're going to specialize. In that and this actually was very successful because it both is a much more efficient use of resources.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[You don't have.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Duplicates of the same function but. Also, it makes it easier for people to get the help. So this organization has. Actually been quite successful addressing homelessness and on how people in. So you can use. Compared to the management specialization to address all. Kinds of different things. Not just. For tracking. All right, let's do 1 train.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[I'm off.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)

[Your big.](https://utexas-my.sharepoint.com/personal/abdonmorales_my_utexas_edu/Documents/Transcribed%20Files/Your%20Recording%201.wav)