



Cost is what you give up

Out of pocket  
expense

What Brent paid for the car

\$30,000

The interest he lost on the \$30,000:

\$587,298



# Explicit Cost

# Implicit Cost



Money you could have earned and  
you did not: a “missed opportunity”



Some costs are easy to see

Some costs are hidden

He gave up all the things he  
could have purchased with  
that \$30,000

He gave up all the things he  
could have purchased with  
that \$587,298



Cost of missed opportunity





p

p







u

n







Y







S







m

p

















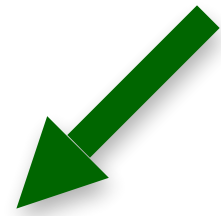
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# Cost is what you give up

Some costs are easy to see

Explicit Cost



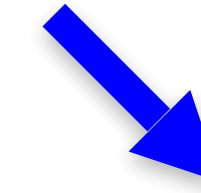
Out of pocket  
expense

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Some costs are hidden

Implicit Cost



Opportunity Cost  
Cost of missed opportunity

The interest he lost on the \$30,000:  
\$587,298

He gave up all the things he  
could have purchased with  
that \$587,298



Economists are  
painfully aware of  
Implicit costs

