

Is the Benefit of Doing Anything Worth the Cost of Doing It Well?

Bartlett's Familiar Quotations contains wisdom from writers separated by a millennium and a half. Whose wisdom best fits today's world?

Always take the short cut; and that is the rational one. Therefore say and do everything according to soundest reason.

Meditations iv.51
 Marcus Aurelius
 A.D. 120 to 181

Whatever is worth doing at all is worth doing well.

Philip Dormer Stanhope
 Earl of Chesterfield
 1694 to 1773

Between these two extremes, one discovers the economic way of thinking. We know that productive resources are limited, so we cannot have everything we want. We must economize by choosing among alternatives. We may want the very best product available, but we settle on a product with fewer features or less durability because the extra benefit of the product we would most like to have is simply not worth the extra cost. Resources that aren't devoted to making a good product perfect can be allocated to making other products.

Few choices we make in life are all-or-nothing decisions. We decide on the number of assigned chapters to read today based on alternative uses of our time. We frequently adjust the number of hours we study for each subject because of tests and nonschool uses of our day. Epidemic doses of "senioritis" — severely curtailing work for grades after college-acceptance letters are received — may suggest that the majority of students agree with Marcus Aurelius rather than the Earl of Chesterfield. Even the most severe victims of senioritis may admit that they are incurring a very different cost: the lost opportunities to learn the cultural and scientific knowledge that will be required in college.

An excellent academic record in high school expands the array of college choices for the graduating high school senior. "A" grades are preferred to "C" grades for reasons that don't warrant an explanation: The extra benefits of the explanation are not worth the extra costs of reading it.

This comparison of additional, or marginal, benefits and costs applies to production decisions, too. Of course, auto companies can make cars that work for a quarter century, but would the extra manufacturing cost be worthwhile over the product lifetime? Technical advances frequently lead to superior products at lower cost. Because of blindingly rapid changes in computer technology, the concept of an "old" computer is measured in months; so building a computer case that lasts for 50 years would be wasteful. Can you suggest services or products that are satisfactory, but not superior?

Thinking about the future requires that we acknowledge what we have and then make incremental changes so the marginal benefits of the changes exceed the marginal costs. Mechanical equipment in an aircraft must meet higher quality standards than the same product in a car. If the alternator fails in a car, one typically has enough time to pull off the road before the car stops. In an airplane, safe-landing options are fewer than those available to the motorist. Both quality decisions are correct because the added benefits from avoiding failure in a plane greatly exceed the marginal benefits from avoiding mechanical failure in a car.

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1. After reading in *Bartlett's Familiar Quotations* that "knowledge is power," a student decides to be as knowledgeable as possible by devoting the next 20 years, without interruption, to college. From the data below, how would you advise this person to reconsider a career as a professional student? (Write the correct answer in the space, or underline the correct word in parentheses.)



Figure 7.1

Degree Earned and Expected Lifetime Earnings

Degree Earned	Expected Lifetime Earnings by Degree	Expected Lifetime Costs by Degree
High School	\$ 800,000	\$ 0
Associate	1,200,000	25,000
Bachelor's	2,000,000	100,000
Master's	2,100,000	200,000
Doctorate	2,500,000	2,500,000

- (A) Would a master's degree and a doctorate degree be likely to build the human capital of the student? (*Yes / No*)

In the process of building knowledge, would the doctorate degree be the best example of doing a job well? (*Yes / No*)

- (B) Assuming that inflation and interest rates are considered in these data, what is the optimal degree for this person to earn at the university?
- (C) Which criterion did you use to determine the optimal degree this person should obtain? (*Total / Marginal*) benefits = (*total / marginal*) costs
- (D) Since inflation is already factored into the data, what is the most likely reason that the costs of a doctorate degree rose to such a high level?

2. Wrapping garbage neatly before taking it to the trash can, raking leaves on a windy day, hand-drying dishes after they have been run through a dishwasher's dry cycle and similar tasks seem to push the credibility of any value in doing a job well.
- (A) Give examples of job requests you have heard that illustrate severely declining marginal benefits.

- (B) Give estimates of the opportunity cost of accomplishing these tasks.
3. Consider a group of small or large electronic items that you have thought about buying. Do you always choose the highest-priced goods? Explain your answer.
4. If you wanted to eliminate “senioritis,” how would you change the college-acceptance process and/or the incentives offered by high school instructors?