



Bradley R. Schiller  
with Cynthia Hill & Sherri Wall



**YouTube Title:** Cosmo Kramer invention #11 [http://www.youtube.com/watch?v=KdsU\\_cn8u8E&feature=related](http://www.youtube.com/watch?v=KdsU_cn8u8E&feature=related)

**Video Length:** 12:32 minutes

***The Economy Today Chapter 22:*** The Competitive Firm

***The Micro Economy Today Chapter 8:*** The Competitive Firm

***The Economy Today Learning Objective 3:*** How a competitive firm maximizes profit.

**Key Terms:** Profit, economic cost, explicit cost, implicit cost, economic profit

### Summary

In this episode, Newman re-attempts an original (and refined) idea by Kramer: using a mail truck to take cans to a Michigan recycling plant, where the bottle deposit return is worth 10¢, as opposed to New York's 5¢.

### Economic Application

This video can be used to illustrate the difference between economic profits and accounting profits, and the link between implicit and explicit costs.

### Multiple-Choice Question

What is included in a firm's "economic costs" of production?

- a) All expenses directly paid by the firm
- b) Operating costs but not investment costs
- c) The real value of money costs
- d) The opportunity costs of all inputs

### Discussion Question

Does the availability of a "free" mail truck change accounting or economic profits for Newman and Kramer?