

The Value of Time

$$t_x X + t_y Y + T_w = T$$

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- Add the time cost, valued at the consumer's wage rate, to the cost of the product; and
- Add the value of time, **again valued at the wage rate**, to the budget constraint.

Hiring A Mowing Service

Hiring a Mowing Service		
	Wilson	Smith
Mowing Service	\$500	\$500
Out of Pocket, Self Mowing	\$100	\$100
Time Cost	\$300	\$4,000
Savings from Self Mowing	\$100	(\$3600)

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20 hours at the value of their time

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$$t_x X + t_y Y + T_w = T$$

$$T_w = T - (t_x X + t_y Y)$$

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$$F_x = p_x + wt_x$$

$$F_y = p_y + wt_y$$

The Formal Model

$$F_x X + F_y Y = wT + V$$

An Illustration

Commodity	Wage Rate	Time	Out of Pocket Cost	Cost
X	\$10	2 hours	\$15	\$35
Y	\$10	3 hours	\$5	\$35

An Illustration

Commodity	Wage Rate	Time	Out of Pocket Cost	Cost
X	\$15	2 hours	\$15	\$45
	\$10			\$35
Y	\$15	3 hours	\$5	\$55
	\$10			\$35

Some Applications

- Shopping
 - Why do senior citizens shop on weekdays and working people on weekends? Different values of time?

Some Applications

- Shopping
- Dinner Reservations
 - Restaurants that take reservations must charge more
 - Thus students will favor restaurants that don't take reservations
 - High wage earners will favor a policy of reservations.

Some Applications

- Shopping
- Dinner Reservations
- Automobiles or Mass Transit
 - Mass transit is cheaper but slower, hence its appeal to low income households.

Some Applications

- Shopping
- Dinner Reservations
- Automobiles or Mass Transit
- Convenience Foods
 - Time is money

End

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