

Economic Decision-Making

Objectives

1. Apply the five-step decision-making process to a decision.
2. Quantify the steps in their decision.
3. Determine the opportunity cost of the decision.

This lesson provides students with a systematic process for making personal choices and for the identification of the resulting opportunity cost. This five-step process can also be used to making social decisions.

From National Standards:

Students face many choices every day. Is watching TV the best use of their time? Is working at a fast-food restaurant better than the best alternative job or some other use of their time? Identifying and systematically comparing alternatives enables people to make more informed decisions and to avoid unforeseen consequences of choices they or others make.

Some students believe that they can have all the goods and services they want from their family or from the government because goods provided by family or by governments are free. But this view is mistaken. Resources have alternative uses, even if parents or governments own them. For example, if a city uses land to build a football stadium, the best alternative use of that land must be given up. If additional funds are budgeted for police patrols, less money is available to hire more teachers. Explicitly comparing the value of alternative opportunities that are sacrificed in any choice enables citizens and their political representatives to weigh the alternatives in order to make better economic decisions. This analysis also makes people aware of the consequences of their actions for themselves and others, and leads to a heightened sense of responsibility and accountability.

Lesson Overview

This lesson is about decision-making and opportunity cost. The lesson introduces a five-step process for decision-making that can be used to make all kinds of decisions. The steps are:

- 1) Define the problem
- 2) Identify possible alternatives
- 3) Develop criteria and a ranking system
- 4) Evaluate alternatives against the criteria
- 5) Make a decision.

Process

Assign students an economic decision or let them identify one of their own. (Generally its best to allow them to select a real-life economic decision.) It is also valuable for students to consider a governmental decision under consideration by their school district or local government. This allows them to do community research and affords them the option of sharing the results of their decision in a presentation to local officials.

1. What are their alternatives?
2. What criteria could they use in considering his alternatives?
3. Are all criteria of equal important? If not how should they be ranked?
4. How will the rankings be represented? How can the results be accurately quantified?
5. Evaluate each alternative according to the criteria.
6. Make your decision and be prepared to justify it in a presentation to class.

	Criteria				
	1	2	3	4	5
Alternative 1					
Alternative 2					
Alternative 3					
Alternative 4					