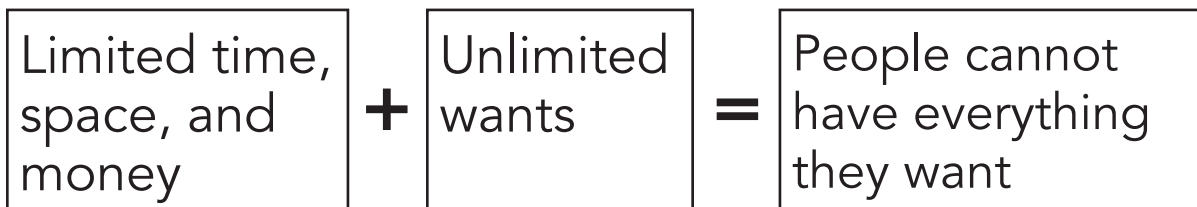


Why Must We Choose?



Every Choice Has an Opportunity Cost

Because resources are scarce, people can't have everything they want; they have to make choices. Every choice involves an opportunity cost—the next-best alternative not chosen.

Because time is limited, people have to make choices.

- Example: Sofia must decide whether to finish her math assignment or read a book right after dinner. If she chooses to use her limited time to do the math assignment, the opportunity cost is reading the book.

Because space is limited, people have to make choices.

- Example: Maurice must decide whether to put books or gym shoes on the shelf in his locker. If he chooses to use the shelf space for books, the opportunity cost is space for his shoes.

Because money is limited, people have to make choices.

- Example: Nguyen must decide whether to spend his allowance for snacks or a movie ticket. If he chooses to buy snacks, the opportunity cost is the movie ticket.

Incentives Matter

Choices	Monetary Incentives	Non-monetary Incentives
Save half of earned babysitting money in a savings account	<i>Parents agree to match your savings, dollar for dollar</i>	
Buy a new bike		<i>You can get exercise by riding the bike (physical)</i>
Lend \$10 to a classmate		
Join a walk-a-thon for charity		

Lesson 3 Assessment: Answer Key

A. Examine the decisions made by the people in the following situations by using the economic way of thinking. Answers may vary. Some possible answers include:

1. Instead of putting an extra \$3,000 in their retirement fund, Florence and Joe decided to fly from Chicago to Florida for a week of golf and relaxation.

Choice: **(Fly to Florida.)**

Opportunity Cost: **(Add \$3,000 to their retirement fund.)**

Incentive: **(Chance to play golf and relax.)**

Consequences of their choice: **(Won a tournament; lost a golf club.)**

Benefits: **(Met new friends at the tournament; had a relaxing vacation.)**

2. Brian and Sheryl paid their credit card debt instead of making a down payment on a new convertible.

Choice: **(Paid credit card balance.)**

Opportunity Cost: **(Enjoyment of new convertible.)**

Incentive: **(Eliminate monthly payments and high interest charges.)**

Consequences of their choice: **(Had more money to save or spend on other purchases.)**

How did Brian and Sheryl benefit from their choice? **(Had more disposable income to spend or save because they no longer had to make monthly credit card payments.)**

3. Su-Zee, Lorena, and their friends went to the beach instead of working at the school book sale last weekend.

Choice: **(Weekend at the beach.)**

Opportunity cost: **(Spending time with other friends at the book sale.)**

Incentive: **(Get a suntan; enjoy time at the beach.)**

Consequences of their choice: **(Sunburn; friends at book sale angry that Su-Zee, Lorena, and friends didn't help at the book sale.)**

How did Su-Zee, Lorena, and their friends benefit from their choice? **(Nice tan, day of fresh air and exercise, fun at the beach.)**

B. Using the economic way of thinking, answer this question: Why do math teachers give homework every day?

Teacher's Choice: **(Give homework, have to check it.)**

Opportunity Cost: **(Free time with no homework to check.)**

Incentives for Making the Choice: **(Students will learn more; students will do better on tests.)**

Consequences of Choice: **(Missing good TV shows; less time with family.)**

Who benefits? How?: **(Students learn more, teachers get good evaluations from parents and administrators, teacher has a feeling of accomplishment.)**