

Making Economic Decisions | Worksheet



Matching

Match the definition in Column A with the term in Column B.

Column A

- _____ Factors influencing actions, like rewards or penalties.
- _____ Limited resources versus unlimited wants, driving choices.
- _____ Assessing added benefits and costs of one more.
- _____ Value of the next best option forgone.
- _____ "All other things being equal."

Column B

- a. Opportunity cost
- b. Marginal thinking
- c. Incentives
- d. *Ceteris paribus*
- e. Scarcity

Multiple Choice

1. **You have \$15 and are deciding whether to buy a book or go to the movies. What is the opportunity cost if you decide to buy the book?**
 - a. The \$15 you spent on the book
 - b. The enjoyment you would have gotten from the movie.
 - c. The time spent reading the book.
 - d. The cost of gas to get to the store.
2. **After eating one slice of pizza, you're considering getting a second. Which of the following is an example of marginal thinking?**
 - a. Wondering how pepperoni is made.
 - b. Comparing whether one more slice is worth the added fullness.
 - c. Thinking about how much pizza you eat each week.
 - d. Adding up how much you've spent on pizza this month.
3. **A store offers a discount if you buy three shirts instead of just one. This discount is an example of:**
 - a. Marginal cost.
 - b. Opportunity cost.
 - c. An incentive to encourage buying more.
 - d. A way to limit your clothing choices.
4. **A baker wants to increase the sales of his bread. He decides to just lower the price of his bread and nothing else. What is this kind of consideration called?**
 - a. Marginal thinking.
 - b. Opportunity cost.
 - c. Incentive-driven behavior.
 - d. *Ceteris paribus*.

Application

Think of a recent decision you made, whether it was about spending money, time, or choosing an activity. Explain the opportunity cost of that decision and describe any incentives or marginal thinking that influenced your choice.



Making Economic Decisions | Answer Key

Matching

Match the definition in Column A with the term in Column B.

Column A

- c. Factors influencing actions, like rewards or penalties.
- e. Limited resources versus unlimited wants, driving choices.
- b. Assessing added benefits and costs of one more.
- a. Value of the next best option forgone.
- d. "All other things being equal."

Column B

- a. Opportunity cost
- b. Marginal thinking
- c. Incentives
- d. *Ceteris paribus*
- e. Scarcity

Multiple Choice

1. **You have \$15 and are deciding whether to buy a book or go to the movies. What is the opportunity cost if you decide to buy the book?**
 - a. The \$15 you spent on the book
 - b. **The enjoyment you would have gotten from the movie.**
 - c. The time spent reading the book.
 - d. The cost of gas to get to the store.
2. **After eating one slice of pizza, you're considering getting a second. Which of the following is an example of marginal thinking?**
 - a. Wondering how pepperoni is made.
 - b. **Comparing whether one more slice is worth the added fullness.**
 - c. Thinking about how much pizza you eat each week.
 - d. Adding up how much you've spent on pizza this month.
3. **A store offers a discount if you buy three shirts instead of just one. This discount is an example of:**
 - a. Marginal cost.
 - b. Opportunity cost.
 - c. **An incentive to encourage buying more.**
 - d. A disincentive to shop elsewhere.
4. **A baker wants to increase the sales of his bread. He decides to just lower the price of his bread and nothing else. What is this kind of consideration called?**
 - a. Marginal thinking.
 - b. Opportunity cost.
 - c. Incentive-driven behavior.
 - d. ***Ceteris paribus.***

Application

Think of a recent decision you made, whether it was about spending money, time, or choosing an activity. Explain the opportunity cost of that decision and describe any incentives or marginal thinking that influenced your choice.

Example Student Response:

"Recently, I had to decide between going out to eat with my friends or saving the money to buy a new pair of shoes. I chose to go out to eat, so the **opportunity cost** was the new shoes I didn't buy. There was also an **incentive** that influenced my decision: my friends were excited about a special deal at the restaurant, which made going out more appealing. I also used **marginal thinking** when deciding whether to get dessert—since I already spent money on dinner, I thought about whether the extra cost of dessert was worth it, and I decided to skip it."

Guidance for Grading:

- Opportunity Cost:** Ensure the student correctly identifies what they gave up by making their decision (in this case, the shoes they didn't buy). Look for clarity in explaining that the opportunity cost is the next best option forgone.
- Incentives:** Check that the student explains an incentive (such as a deal, peer pressure, or other motivation) that affected their decision. The incentive should be clearly connected to their choice.
- Marginal Thinking:** Confirm that the student applies marginal thinking correctly by evaluating the additional benefit versus the cost of an extra action (like dessert in this case). The response should demonstrate that the student weighed the added benefit against the cost.