



Making Economic Decisions | Lesson Plan

How do the decisions we make today affect our future economic well-being?

Students will understand the fundamental principles of economic decision-making, including opportunity cost, marginal thinking, incentives, and *ceteris paribus*, and how these concepts guide individuals and societies in making choices that optimize the use of limited resources.

Learning Objectives:

- Analyze the concept of opportunity cost by identifying the trade-offs in various everyday decisions and explaining how these choices impact future outcomes.
- Evaluate different scenarios using marginal thinking, determining the costs and benefits of additional actions or decisions to assess whether they are economically efficient.
- Apply the concept of incentives by predicting how changes in prices, taxes, or rewards can influence consumer and business behavior.
- Explain the principle of *ceteris paribus* and how holding certain factors constant can help simplify the understanding of cause-and-effect relationships in economic decision-making.

Key Vocabulary:

- **Opportunity cost:** The value of the next best alternative you give up when making a choice.
- **Marginal thinking:** Evaluating the additional benefits and costs of one more unit of something.
- **Incentives:** Factors that motivate or discourage certain actions, such as rewards or penalties.
- **Ceteris paribus:** Latin for "all other things being equal," used to isolate one variable in decision-making; pronounced SET-er-iss PAIR-ih-bus.
- **Scarcity:** Limited resources versus unlimited wants, forcing choices.

Educational Standards: CCRA.R.7, CCRA.R.10, CCRA.W.2, CCRA.W.4, CCRA.W.7, CCRA.SL.1, CCRA.SL.2, CCRA.L.6

Academic Subject Areas: Financial Literacy, Decision Making, Personal Responsibility, Personal Finance

What You'll Need

- Video: *Ca\$h Cour\$e: Making Economic Decisions* (Watch [Here](#))
- Worksheet: *Ca\$h Cour\$e: Making Economic Decisions* (Click [Here](#))
- Classroom whiteboard and dry-erase markers (or use a technology solution if available).



Lesson Plan (45 mins.)

Warm-Up: (10 mins.)

1. Invite students to reflect on a recent decision they made where they had to choose between two options. Encourage them to think about why they made that choice and what they gave up as a result. For example:
 - Going to the movies with friends or saving the money for a new pair of shoes.
 - Doing your homework or hanging out with friends after school.
2. After students share their experiences, write their decisions and trade-offs on the board. Label this section “Decisions and Trade-Offs.” Use their examples to introduce the idea of opportunity cost (what they gave up).
 - Example Board Layout:

Decisions	Trade-Offs
Go to the movies vs. save for a video game	Not saving for the game
Do homework vs. hang out with friends	Not completing homework
Buy lunch vs. save money for a new jacket	Not saving for a new jacket

3. Explain that every day, whether we realize it or not, we make decisions influenced by economics—specifically, how to use our time, money, and resources efficiently. Briefly introduce the key concepts:
 - Opportunity Cost: The value of what you give up when making a decision.
 - Marginal Thinking: Deciding whether the next step will provide enough benefit to justify the cost.
 - Incentives: Factors that motivate us to make certain choices.
 - *Ceteris Paribus*: A way to simplify decision-making by holding all other factors constant.
 - Scarcity: The condition of having limited resources but unlimited wants, which forces individuals and societies to make choices about how to allocate what they have.

Watch and Apply: (25 mins.)

1. Tell students they will be watching *Ca\$h Cour\$e: Making Economic Decisions*. Instruct them to pay close attention to how the video explains the five key concepts.
 - Before playing the video, provide students with a note-taking sheet that includes space to write down examples of opportunity cost, marginal thinking, incentives, scarcity, and *ceteris paribus* from the video.

2. After watching the video, hand out the worksheet for students to complete independently or in pairs.
3. Review the worksheet together as a class, asking students to share their answers and reasoning. Use this time to clarify any misunderstandings and reinforce the key concepts. Encourage students to ask questions or share additional examples from their own lives.

Wrap-Up: (10 mins.)

1. Return to the “Decisions and Trade-Offs” list on the board from the Warm-Up. Add a third column, “Concept,” to the list on the board and help students match each decision to the relevant economic concept. Ensure students now have a deeper understanding of their choices based on the economic principles introduced earlier (opportunity cost, marginal thinking, incentives, etc.).
 - Final Example on the Board:

Decisions	Trade-Offs	Concept
Go to the movies vs. save for a video game	Not saving for the game	Opportunity Cost
Do homework vs. hang out with friends	Not completing homework	Scarcity, Incentives
Buy lunch vs. save for a new jacket	Not saving for the jacket	Marginal Thinking, Scarcity

2. Exit Ticket: End the lesson by asking students to answer this question on an index card or on the back of their worksheet:
 - Explain the difference between opportunity cost and marginal thinking.
3. Collect the responses and completed worksheets as students leave to check their understanding and encourage them to reflect on the lesson.

Don't have time for the full lesson? Quick Activity (10-15 mins.)

Distribute the worksheet and allow students to complete it while they follow along with the video. Or, have students watch the video at home and use the worksheet as a quick quiz the next day in class.