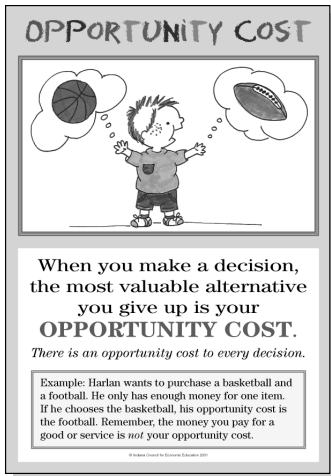


# National Content Standard in Economics



## Standard 1

*Productive resources are limited. Therefore, people cannot have all the goods and services they want; as a result they must choose some things and give up others.*

## Opportunity Cost

Because of **scarcity**, any time a choice is made there are alternatives that are not chosen. More precisely, there is always one next best alternative that is not chosen. The value of this next best alternative is the **opportunity cost**.

Both producers and consumers incur opportunity costs when making decisions. For example, a business person who uses a building to operate an insurance business cannot use the same business to produce pizzas. A consumer who uses income for purchasing a blouse cannot use that same income for purchasing a skirt. Because there are always alternative uses for limited resources, every decision has an opportunity cost.

It is important that you help your students recognize and

evaluate opportunity costs when making decisions. As consumers, students should realize that their opportunity cost is *not* the money they spend to buy something, but the value of the next best item they did not choose. For producers, the opportunity cost is the most valuable good or service that is *not* produced as a result of the decision to produce something else.

Opportunity cost can be related to decisions to save or consume. Choosing to save means giving up the opportunity to enjoy current consumption now. On the other hand, choosing to consume means giving up the opportunity for greater *future* consumption (as the result of accrued interest).

### Teaching Ideas

1. One at a time, have students select their favorite two items from a group of toys, candy, or other desired items. Then make the student choose the favorite item. Ask the student to identify his opportunity cost (the item not chosen!)
2. Ask students to draw pictures of everyday opportunity cost situations that do not involve a purchasing decision. (Pictures could show students making choices about what to wear, whether to walk or ride their bike, whether to make a ham or peanut butter sandwich, whether to do homework or play outside, etc.)
3. Have students write a short paragraph about this statement: When you make a decision, is there always an opportunity cost? (Yes – there is always another alternative you could have chosen!)
4. Use a simple decision model, such as the Decision Tree (from the *Econ and Me* series) to answer an issue of importance to students (where to go on a field trip, whether to build a softball field or soccer field on a particular piece of land, etc.)
5. Discuss the opportunity cost of saving versus consuming your income. (If you save, your opportunity cost is the satisfaction you lose from not buying something now. If you consume instead of save, your opportunity cost is giving up the chance to purchase more in the future – from interest you would earn.)

### Literature Connection

Use the children's literature books below to help teach the poster concept to your students. You will find guided questions on economics concepts as well as additional books and questions at the *KidsEcon Posters*® web site: [www.kidseconposters.com](http://www.kidseconposters.com). (Click on Literature Connection.) You will also find information on in-service training opportunities and additional *KidsEcon Posters*® curriculum materials.

*Mailing May*, by Michael O. Tunnell

In 1914, May really wants to visit her grandmother. Her parents had promised her a trip, but the train ticket costs a full day's work. So her parents "mail" her there, and she rides through the Idaho mountains in the Postal car of the train!

*Sam and the Lucky Money*, by Karen Chinn

When Sam realizes that his grandparents' gift is not enough to buy all the things he wants, he makes a surprising decision.

For more information or updated material, visit our website: [www.kidseconposters.com](http://www.kidseconposters.com)

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Indiana teachers, **Kathy Heyse** and **Ivy Young**, provided the original poster idea, wording, and artwork. (Used with their permission.)