

Unit: 3 Principles of Economics**Lesson Title: Thinking on the Margin****How to make better life decisions****Fundamentals**

Steps #1-4

1.5 Class Periods

Context

Marginal thinking and opportunity cost are fundamental concepts in economic decision-making. Marginal thinking involves assessing the additional benefits and costs of any activity. For instance, when deciding whether to eat another cookie, one should consider the extra benefit and cost associated with that specific cookie. Similarly, in fundraising, it is crucial to focus on the marginal cost of each phone call rather than on sunk costs such as phone banks and computer systems. This approach aids in making more informed decisions by evaluating the additional costs and benefits of each action.

Opportunity cost is the value of the next best alternative that is foregone when making a decision. An example of this concept can be seen when choosing between two baseball bats: by considering the opportunity cost of not being able to buy a baseball glove if purchasing the more expensive bat, a more informed choice can be made. In another context, a team deciding whether to place ads on Facebook or Google would base the decision on the marginal cost of acquiring new users, highlighting the importance of using recent data for decision-making. These concepts of marginal thinking and opportunity cost demonstrate how economics applies to various aspects of life, making it relevant to everyone.

Lesson Outcomes

By the end of the lesson, students will be able to:

1. Define marginal thinking and understand how they would apply it to their own decision making
2. Define opportunity cost and understand how they would apply it to their own decision making
3. Understand the difference between a sunk cost and an opportunity cost

**The Videos**

There is 1 E4E video integrated into this lesson plan.

1. [Thinking on the Margin](#)

STEP #1	Activity: WORK OR NETFLIX? — YOUR WEEKEND TIME BUDGET (15 minutes)
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Teacher Instructions: Provide the students with the following instructions:

You have 5 free hours this weekend. You can choose how to spend them among several activities—but once those hours are gone, they're gone. Every hour you spend on one thing is an hour you *can't* spend doing something else. That trade-off is called your **opportunity cost**. Here are your options:

Activity	Description	Benefit
Part-Time Job	Earn \$15/hour by working at a local store	Money for future use
Study Time	Prepare for a test or complete assignments	Better grades and reduced stress
Hang with Friends	Social time—relax, laugh, connect	Fun, bonding, improved mood
Watch TV / Game	Binge your favorite show or play video games	Entertainment and relaxation

Have students decide how to divide up their 5 hours.



Teacher Reflection Question #1 to Ask: If you could get back just one of the hours you used, which one would it be—and what would you use it for instead?

*Explain that when a student chooses **not** to spend time on a particular activity, the benefit they would have gained from that option becomes the opportunity cost of their five-hour schedule.*

Teacher Reflection Question #2 to Ask: If you had one additional hour, what would you do with it? How did you decide upon this?

By asking, “If you had one additional hour, what would you do with it?” students are engaging in marginal thinking—a core concept in economics. They are evaluating the added benefit of spending one more unit of time (the margin) on a particular activity. Instead of rethinking their entire plan, they’re making a decision based on how the next hour would provide the most value. This mirrors real-world economic behavior, where individuals and businesses often make choices based on the additional (marginal) cost and benefit of a small change, not a total overhaul.

STEP #2	Watch the Thinking on the Margin Video & Answer Comprehension Questions (15 minutes)
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Thinking on the Margin 7:48

The video delves into the foundational ideas of economics and how they apply to daily life. It highlights essential concepts like marginal thinking and opportunity cost, showing how these principles aid in making well-informed decisions by evaluating the additional benefits and costs of various activities. Furthermore, it distinguishes between

total costs and benefits versus incremental changes, underscoring the significance of recent data over long-term historical trends. By applying these economic principles, the video illustrates how such thinking is instrumental in diverse contexts, ranging from everyday choices like purchasing goods to broad societal concerns, demonstrating that economics is universally relevant and beneficial.



Video Comprehension Questions

1. What does the concept of "marginal thinking" refer to in economics?
 - a. Considering the total costs and benefits of all possible options
 - b. Evaluating the additional benefits and costs of a decision or activity
 - c. Understanding the historical trends and their impact on current decisions
 - d. Maximizing net benefits through empirical analysis of large datasets

2. Jane has two hours of free time and decides to spend it watching a movie instead of studying for her upcoming exam. What is the opportunity cost of Jane's decision?
 - a. The enjoyment she gets from watching the movie
 - b. The time spent watching the movie
 - c. The potential improvement in her exam score that she would achieve by studying
 - d. The cost of the movie ticket

3. What is the definition of a "sunk cost" in economics?
 - a. A cost that varies with the level of output or production
 - b. A cost that can be recovered if a decision is reversed
 - c. A past cost that cannot be recovered and should not affect current decisions
 - d. A cost that depends on the future performance of a project or investment

Answer key: (b), (c), (c)

STEP #3	Check for Understanding: Jaden's Job Hunt (15 minutes)
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Provide the students with the following story. Let them know that there will be aspects of the story where an economic concept from the above video is illustrated. They will be asked to identify and explain the concept:

Jaden was a 17-year-old high school junior who had finally decided to get a part-time job. His weekends were mostly free, and he wanted to save up for a used car by the summer.

A few weeks earlier, Jaden had spent \$50 on a fancy résumé-building course he found online. It had some helpful tips, but most of it felt like stuff he already knew. He now realized it probably wasn't worth the money—but he told himself, “Well, I already paid for it, so I have to apply to tons of jobs to make it worth it.”

STUDENT RESPONSE #1: Identify and explain the economic concept above. How should Jaden “think on the margin” about his \$50 spent on a resume-building course?

Jaden was offered two part-time jobs on the same day:

- One at a local **grocery store** for **\$14/hour**, a 10-minute walk from home.
- One at the **mall food court**, paying **\$16/hour**, but it would take 30 minutes on the bus each way.

Jaden made a pros and cons list. If he chose the mall job, he'd spend more time commuting—and it meant giving up time he usually used to study or hang out with his younger sister. Even though it paid more per hour, he realized the extra \$2 might not be worth it if it cost him that much personal time.

STUDENT RESPONSE #2: Identify and explain the economic concept above. What should Jaden consider before he takes the higher paying job?

After two weeks at the grocery store job, Jaden was offered the chance to pick up an extra Sunday shift. He already worked Friday nights and Saturday mornings, and Sundays were his one day to relax and catch up on homework.

At first, he thought about how tired he had felt the previous weekend, and how much he enjoyed his Sunday off. But then he caught himself—was it fair to let *past week ends* make the decision for him?

Instead, Jaden asked himself a better question:

“If I work just this next Sunday, will the extra \$56 be worth more to me than the rest I'd be giving up?”

He realized that just because he'd been tired last weekend didn't mean he'd necessarily regret working this one. He looked at the week ahead—he didn't have a test on Monday and had already finished most of his assignments.

So, he decided to take the shift—but only this one. He'd see how it went and decide from there whether more Sunday shifts were worth it going forward.

STUDENT RESPONSE #3: Identify and explain the economic concept above when Jaden considered how the next Sunday shift might impact him, putting less importance on past Sundays.



Teacher Answers Above:

STUDENT RESPONSE #1: (Sunk Cost: Jaden’s \$50 course is a sunk cost—no matter what he does now, he can’t get that money back, and it shouldn’t affect his future decisions. But it’s tempting for him to let it influence him.)

STUDENT RESPONSE #2: (Opportunity Cost: Choosing the mall job means giving up the convenience, free time, and family time the grocery store job would allow. Whichever job he picks, the benefits of the option he doesn’t choose become his opportunity cost.)

STUDENT RESPONSE #3: (Thinking on the Margin: Jaden made his decision based only on how **this next shift** would affect him—not how he’d felt in the past or whether he *usually* liked Sundays off. That’s marginal thinking: focusing on the **cost and benefit of one additional unit** rather than letting previous experiences dominate the decision.)

STEP #4

Activity: Practicing Marginal Thinking (8 minutes)

Place students into groups of three. Have them brainstorm ways to better reason out the following decisions, based upon using marginal thinking. When done, have each group share out.



Teacher Tip: Encourage the groups to disregard past experiences and focus on the pros and cons of the NEXT experience they are weighing.

#1: Studying for a Test: “I’m already in trouble because this test is two hours away and I haven’t done any studying yet...there’s no point in starting now.”

#2: Cleaning the House: “I know nothing makes my mom happier than having a clean bathroom, but I’ve already spent an hour cleaning the house...I don’t feel like spending ten more minutes cleaning the bathroom.”

#3: Going to the Gym: “I have been so lazy over the past month and haven’t been to the gym once...what’s the point in going today?”

#4: Spending Money: “I’ve already put \$200 more on my credit card this month than I can afford to pay off...what’s another \$100, I think I’m going to buy that new game.”

#5: How to get to the city: “It’s cheaper and faster to take the train to the city, but I bought this car for a reason...I should probably drive to make the car purchase worth it.”



Teacher Post-Lesson Additional Resources: [CLICK HERE](#) for definitions of key concepts used in this lesson.

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