



POWELL CENTER FOR
ECONOMIC LITERACY

Lesson Plan

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What's it going to Cost Me?

Time Required

2 days to an entire year (intermittently)

Economic Concepts

Opportunity Cost

Scarcity

Trade-offs

Overview

People make decisions every day. For example, you decided to read this lesson plan. Your students decided to get up and come to school today (we hope). Maybe you decided on a muffin instead of a bagel. Those decisions affect the course of a day, a week, a year, and a lifetime.

Every decision also entails a decision not to choose something else. When we as individuals or societies choose to make something, spend money, allocate resources or time, we are diverting those energies away from alternative choices. Essentially, we are making trade-offs. With every trade-off, an opportunity cost is incurred. Because we are faced with the fundamental economic problem of scarcity, there is a cost incurred with every decision that is made.

History is a record of the chain of events that have brought us to the present and will guide us into the future. By examining the costs and benefits of decisions made in American history, students may gain a better understanding of how well integrated history and economics are as academic endeavors. In addition, students will observe how their decisions today will impact the lives of others tomorrow.

This lesson offers teachers a flexible platform on which to engage both the global and detail learner. The plan is adaptable to large or small classrooms. The assignment can be used with individuals or groups. The time frame can vary from two days to an entire school year — intermittently — if the teacher decides to address each era as it is encountered in the curriculum. The best thing about this lesson is that it provides a guided

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POWELL CENTER FOR
ECONOMIC LITERACY

Lesson Plan

learning experience for the students.

Objectives

- Students identify and research specific events in American history.
- Students relate fundamental economic concepts to specific historical events.
- Students apply the concept that all decisions involve trade-offs and opportunity costs.
- Students realize that decisions in American history determined the nation's path. Students analyze historical evidence to draw conclusions that may not have been apparent at the time of the events in question.
- Students apply knowledge of opportunity costs to future events.

Materials and Handouts

Handout 1 — **What's It Going to Cost Me?**

Handout 1 example

Internet access

History textbook

Teaching Activity

Day 1

Begin by leading a class discussion on opportunity cost. Be sure the students understand that every decision involves a trade-off. Getting more of "A" requires giving up some "B." The amount of "B" that was sacrificed is the opportunity cost.

Lead the students into a personal application of the above concepts by asking the following series of questions. Feel free to adjust the topic for your class needs.

- Who in this class has a car? (*Students will raise hands.*)
- How do you pay for your car? (*Some will say the parents pay and some will say they have jobs. Focus on those with jobs.*)
- What do you have to give up to have this car? (*Possibilities include time, money, energy, school work time.*)
- What is the benefit of having the car? (*Possibilities include transportation,*



POWELL CENTER FOR
ECONOMIC LITERACY

Lesson Plan

means for socializing with friends, freedom, job, ego, popularity, status.)

- So, what is the opportunity cost? *(Possibilities include lower grades, no money for other items, no time for other activities.)*

This will lead naturally into a discussion of current events ... for instance, the Iraqi War. At this point students should be able to identify the trade-offs for the war. Use the questions to lead them into the application of this understanding.

- What are the intended benefits of this war? *(Possibilities include oil, freedom, humanitarian aid for the Iraqi people, getting rid of weapons of mass destruction, increasing regional stability.)*
- What are we giving up for this war? *(Possibilities include money, domestic security, lives of soldiers, equipment and capital goods, other international issues, domestic issues.)*
- So, what is the opportunity cost? *(Possibilities include money spent on war that could have been spent to strengthen our economy, people of the nation divided, reservists lose jobs and homes, increased depression and anxiety.)*

Day 2 and Day 3

Now the students are ready to apply these concepts to history. One way to accomplish this is to assign a different era to each individual or group.

- Give each individual or group a copy of HANDOUT 1. The students may draw upon their prior knowledge or conduct the necessary research using textbooks or library resources, depending on your particular needs and timeframe.
- Students should identify an event from the assigned era. If all the groups are working on the same era, they may all choose different events.
- Students then list the persons involved in the event and the date(s) on which the event occurred.
- Students should then name the actual benefits the persons involved hoped to gain.
- Students will then identify the opportunity costs in the areas of personal, government, financial, and society. This allows them to broaden and classify their assessment of the costs.
- Finally, the students will list the benefits in the same areas.
- Presentations can take any form you desire, from posters to PowerPoint.



POWELL CENTER FOR
ECONOMIC LITERACY

Lesson Plan

Weighing opportunity costs is not just an economic skill; it's a life skill. Through the discussions described here, the students should become more comfortable drawing conclusions about opportunity cost and its implications for historical events. This knowledge will allow them to apply the concepts to future decision-making. To help students develop critical thinking skills, the teacher can make sure that the discussion includes some consideration of whether or not those making the decisions could have been aware of the likely ramifications. For instance, if automobile manufacturers had known pollution was to become such a serious problem, would they have tried to develop technologies to prevent it or might they have scrapped the entire concept of the automobile completely?

The activity and the concepts involved in it may also be used in other curricular areas, with new eras, events, and concepts added as necessary. An English teacher might use an adapted version of the activity to enhance writing skills, or a speech teacher might use it to help students formulate better informative or persuasive speeches.



HANDOUT 1 - EXAMPLE
 What's It Going to Cost Me?

Era	World War II	
Event	Rationing consumer goods in order to produce war goods	
People Involved	Consumers and government	
Dates	Entire war	
Opportunity	Increase production of war goods (tanks, missiles, ammunition, etc.)	
Cost of Opportunity		
	Having to sacrifice consumer goods (food, clothing, other essentials and luxuries)	Personal
	Increased government spending (deficit spending)	Government
	Short term deficits that can lead to larger future debt. Increase in price levels due to limited supplies.	Financial
	Sacrificing goods, quantity of goods, career opportunities, etc.	Society
Benefits		
	Creation of jobs, feelings of nationalism, patriotism (everyone does their part)	Personal
	Economic growth (GDP), lower unemployment, investment in capital goods (goods for tomorrow)	Government
	Increase in consumer incomes, financial security, etc.	Financial
	Sacrifice seen as a necessity in order to win a war (future generations benefit by having larger stock of capital)	Society