

Making Decisions

LESSON DESCRIPTION AND BACKGROUND

This lesson builds on Lesson 1, introducing students to points 3 and 4 of The Economic Way of Thinking: People must make choices, and Every choice involves a cost. In activities related to these points, the students practice using the PACED decision-making process:

- State the **P**roblem.
- List **A**lternatives.
- Identify **C**riteria.
- **E**valuate alternatives based on criteria.
- Make a **D**ecision.

By explicitly identifying the alternatives and criteria for particular decisions, the students will gain skill in making decisions thoughtfully.

Lesson 2 is correlated with national standards for mathematics and economics, as well as national guidelines for personal financial management, as shown in Tables 1-3 in the introductory section of this publication.

ECONOMIC AND PERSONAL FINANCE CONCEPTS

- Alternatives
- Cost/benefit analysis
- Criteria
- Decision-making
- Opportunity cost
- Trade-offs

OBJECTIVES

At the end of this lesson, the student will be able to:

- Explain the purpose of a **decision-making** strategy
- Analyze a problem using the PACED **decision-making** process.
- Explain why some **criteria** are more important than others when using the **decision-making** process.
- Identify the **opportunity cost** of a decision.

TIME REQUIRED

Two 45-minute class periods

MATERIALS

- A transparency of **Visual 1.4** (from **Lesson 1**)
- A transparency of **Visual 2.1** and **2.2**
- A copy of the **Introduction** and **Vocabulary** sections from **Lesson 2** of the *Student Workbook* for each student.
- A copy for each student **Exercise 2.1, 2.2,** and **2.3** from the *Student Workbook*
- PACED grid sheet (available in **Visual 2.2** or in exercises from the *Student Workbook*)
- A copy of **Lesson 2 Assessment** from the *Student Workbook* for each student
- Product advertisements from newspapers or magazines
- 4" x 6" index cards (one per student)
- Construction paper and crayons or markers
- Three brands of graham crackers (or pretzels, soda crackers, etc.)
- Approximately 24 sandwich-sized plastic bags (Mark the bags A, B, and C. Place 4-5 crackers of one brand in each bag. Be sure to note which brand is A, which is B, and which is C.)
- Paper cups (one per student) and water.

ADDITIONAL RESOURCES

To download visuals, find related lessons, correlations to state standards, interactives, and more, visit <http://fffl.councilforeconed.org/6-8/lesson2>.

PROCEDURE

1. Introduce the lesson by telling the students you have noticed that people often make impulsive decisions about what to buy. Provide an example or two—perhaps people buying magazines or candy bars at the grocery store check-out counter. Explain that impulsive buying may not seem to be a big problem when the product in question is an 80-cent candy bar, but it certainly would not be a good idea to buy a big-ticket item—a \$1,000 computer, say, or a \$30,000 car—on impulse.
2. Assign the students to read the Introduction and Vocabulary sections for **Lesson 2** from the *Student Workbook*. Discuss the readings. Emphasize the importance of learning to make decisions thoughtfully, with careful attention to information related to each decision. Tell the students that if they begin to use sound decision-making strategies in minor situations, they will be better able to handle major decisions when they come along.
3. Tell the students that they will participate in a decision-making simulation. The purpose of the simulation is to demonstrate that good decisions are a result of identifying alternatives and evaluating those alternatives according to stated criteria.
4. Display **Visual 2.1**, The PACED Decision-Making Process, and review the five steps. Discuss the example on the visual, and ask the students to provide other examples of alternatives and criteria.
5. Emphasize the point that making a decision is the last step in the PACED process; the decision itself should come after identifying alternatives, identifying criteria, and evaluating alternatives against the criteria.
6. Introduce the graham-cracker-tasting activity. Tell the students that they will use a decision-making process to select their favorite graham cracker. (Other items could be used, such as pretzels, vanilla wafers, or soda crackers.) After they identify their criteria, they will test several crackers to decide which one meets their criteria for the best graham cracker.
7. Divide the class into groups of three or four students. Distribute a copy of **Exercise 2.1** from the *Student Workbook* to each student. Display **Visual 2.2**. Direct the students' attention to **Exercise 2.1**; tell the students to list (in the first row of the grid on **Exercise 2.1**) characteristics they would look for when choosing a graham cracker. These characteristics are called "criteria." (**The students will propose various criteria, probably including taste, color, aroma, crunchiness, price, and nutritional content. If the students choose price as a criterion, tell them that you will reveal the price of each cracker after the test. If they knew the prices before the test, price might influence their decision.**)
8. Show the students the bags of graham crackers. Point out the three brands: A, B and C. These are the "alternatives."
9. Distribute three bags of graham crackers (one bag each of brand A, B, and C) to each group; also distribute a small cup of water to each student.
10. Have the students taste the three different crackers. Instruct the students to "cleanse their palates" with some water between tastings of each alternative. Begin the evaluations with the criterion of taste. The alternative that best satisfies the taste criterion should receive a score of 3; the next-best alternative should receive a 2; and the third alternative should receive a 1. (These evaluations should be group decisions.)
11. Show the students how to complete the grid in **Visual 2.2**. Then have them continue to evaluate the crackers according to each of the other criteria, using the same "3-2-1" marking system. After they have assigned a number for each of the criteria in each of the alternatives, tell them

to sum up the rankings for each of the alternatives. The alternative with the highest total is the best choice for them.

12. When the groups have completed their evaluations and made their decision, discuss the simulation with the class, emphasizing again the importance of identifying criteria before evaluating alternatives and making a decision.

13. After each group has expressed its preference and stated its reasons, reveal the brands and the prices to the class, and allow time for discussion and reactions. Show prices both as price per box and unit price. Show the students how unit price is calculated by dividing the price of the box by the weight (in ounces, in this case). Often the students are surprised to find out that a less-expensive brand meets their criteria as well as, or better than, a higher-priced one.

14. Explain that some decisions, such as choosing the best graham cracker, are all-or-nothing decisions. (For example, if they were going to buy graham crackers, they would probably buy one brand and not another.) In an all-or-nothing situation, when a consumer chooses one alternative, she or he gives up another alternative. The next-best alternative given up is the “opportunity cost.” (Suppose Brand A is Jane Doe’s favorite cracker, followed by Brand C and Brand B; then, if she buys Brand A, Brand C is her opportunity cost—the next-best alternative.)

15. Introduce a new application of the PACED decision-making process, based on **Exercise 2.2** in the *Student Workbook*.

a. Distribute a copy of **Exercise 2.2** from the *Student Workbook* to each student and have them complete the exercise by working independently or in small groups.

b. Discuss the students’ responses to the questions posed. (**Problem: At which store should I buy a new mp3 player? Alternatives: Party Time or Music Now. Criteria: large GB capacity, holds many songs, many hours of music playback, headphone jack, black finish, voice recorder. Evaluate: Answers will vary. Accept any reasonable explanations. Decision: Answers will vary. Opportunity cost: If they buy the mp3 player at one store, the mp3 player available at the other store is the opportunity cost. A completed decision-making grid is shown below.**)

c. Here again, explain that some choices, such as which mp3 player to buy, are likely to be all-or-nothing. If you buy an mp3 player at one store, you probably won’t buy another mp3 player at another store. However, many choices involve “trade-offs”—i.e., giving up a little of one thing in order to get a little more of something else. Point out that if the students have ever studied for one hour instead of two, they have traded off one hour of studying for one hour of another activity, such as watching television.

16. Introduce the point that in some decisions, not all criteria are equally important. For a consumer buying a new music CD, for example, price may be important, but it may not be as important as the type of music. A loyal fan of a certain folk music group might choose to buy that group’s latest release even if it costs more than a new release by a rap performer, or vice versa. Have the students suggest other examples of this point. (**Many possible responses: When buying a new bike, price may be more important than color. When choosing a hair stylist,**

Answers to Exercise 2.2

Criteria ➡ Alternatives ↓	Large GB capacity	Holds many songs	Many hours of music playback	Headphone jack	Black finish	Voice recorder
Party Time	no	no	no	yes	yes	no
Music Now!	yes	yes	yes	no	no	yes

quality of work may be more important than price. When shopping for groceries, a wide selection of food products may be more important than a store's location, etc.)

17. Explain that when criteria have different degrees of importance, they can be given different values in the PACED grid. To develop this point, distribute a copy of **Exercise 2.3** from the *Student Workbook* to each student and have them read the opening paragraph.

18. Have the students complete **Exercise 2.3**, using the grid to record their answers. **(A completed grid for laptop computers is shown below: Row D is shaded; it shows the choice.)**

19. Discuss the second question posed after the grid in **Exercise 2.3**: Why should the Noga family buy the laptop computer you suggested? **(The students' explanations should include a discussion of how this particular product meets the Noga family's criteria better than other alternatives do.)**

CLOSURE

1. Display **Visual 1.4**, from **Lesson 1**. Reveal points 1 and 2 of the economic way of thinking and review them briefly, reminding the students

that resources are scarce, and therefore we cannot have everything we want. Then reveal point 3: People must make choices.

- Ask the students to list the choices they have made through the exercises in this lesson. **(They have made a choice about graham crackers, mp3 players, and computers.)**

- Review the steps used in the PACED decision-making model and point out that following those steps allowed them to make a careful decision.

2. Still using **Visual 1.4**, reveal point 4: Every choice involves a cost. Ask: What were the opportunity costs you experienced in making these decisions? **(The students' answers should reflect in each case the next-best alternative to the choice they made.)**

3. Distribute a 4" by 6" index card to each student. Also distribute construction paper and markers. Then display a number of advertisements from newspapers or magazines, pointing out the criteria stated or implied in each ad. **(e.g., An ad for a sports drink might mention taste, vitamin content, price, quick thirst-quenching, etc.).**

- Ask each student to write on his or her card a good or service he or she has purchased in

Answers to Exercise 2.3

Criteria ➔	Under \$1,000	Minimum 15-inch screen	Minimum 2.5 hours battery run time	Green compliant	250 GB hard drive	Built-in camera	Total Value
Value Alternatives	5	4	3	4	4	2	
A	5	0	0	4	0	0	9
B	5	4	0	0	4	2	15
C	5	4	3	0	0	0	12
D	5	4	3	4	4	2	22
E	5	0	0	0	0	0	5
F	5	0	3	4	4	0	16

the past month. The students should also list the criteria that influenced them in the purchase of that product.

- Have the students exchange cards and use construction paper and markers to design an advertisement for the product on their cards, making sure to highlight and illustrate the criteria. (For example: If the item is a CD player, the advertisement might highlight criteria such as size, price, sound quality, number of functions, and portability.)

ASSESSMENT

Distribute **Lesson 2 Assessment**, Panel Discussion, from the *Student Workbook*.

Divide the class into three groups - Groups A, B, and C. Allow time for the students to conduct research and prepare their panel discussions.

(Responses will vary; assess each group/individual based upon the following: facts presented; relevance of facts to demographics of Group A, B, or C; appropriate use of the PACED decision-making process; clear, concise communication of information.)

EXTENSION

Have the students look through their local newspapers for examples of decisions made by others. In particular, have them search for decisions that have been made regarding community goods and services (e.g., park or playground improvements, road repairs, new streetlights, etc.) Help students brainstorm alternative activities to those that were chosen and state what the criteria must have been in choosing the good or service.

The PACED Decision-Making Process

P State the **P**roblem.

A List **A**lternatives.

C Identify **C**riteria.

E Evaluate alternatives based on criteria.

D Make a **D**ecision.

Problem: I don't have enough time to finish two big assignments.

Alternatives: I can do my math homework or finish my science project.

Criteria: I have an A average in math and a C average in science. The math assignment is worth 10% of my math grade; the science project is worth 35% of my science grade. I've missed two assignments in math; I haven't missed any assignments in science.

Evaluate: Because I'm not doing so well in science, and the science project is worth more, it's more important for me to finish the science project.

Decision: I'll finish the science project.

Which Graham Cracker Is Best?

Criteria → ↓ Alternatives					Totals
A					
B					
C					