

## Lesson 6 Choices and Trade-Offs

**Focus Questions:** What individual economic choices and trade-offs do people make? What are the benefits and costs of the tradeoffs?

### Activity # 1 Making Choices

Materials needed: Harcourt *Reflections: Communities* Chapter 12, Lesson 2, pages 458-461

#### Procedure:

Step 1: Ask students: Why do people work? What do they do with the money they earn?

Help students realize that people earn money by working. **The money people are paid for the work they do is called their *income*.**

Point out that people have jobs to earn money, or an income. They use the money to buy the things they need and for the things they want. People use most of their income to pay for things they use every day. The part of the income that people do not use to buy goods and services is called **savings**. People often keep their savings in a bank, or they invest it. Ask students to explain the benefits of saving money.

Step 2: In *Reflections: Communities*, read Chapter 12, Lesson 2 “Making Choices” pages 458-461. As you read the lesson, look for the choices people have for using their money: spend, save, invest, and share.

Step 3: Take a Survey. Have students ask adults in their family how they earn their income. Find out if they provide a product or a service. (For confidential reasons, this does not need to be shared in class.)

### Activity # 2 Make an Economic Choice

Materials needed: Harcourt *Reflections: Communities* “Make an Economic Choice, pages 466-467.

Background information for students: Explain that people have to make choices about what to do with their income. Most people do not have enough money to buy everything they want, so they must make choices. They have to learn how to make good decisions about how to spend their money.

Each of these individual choices involves **trade-offs** and **opportunity costs**.

- **trade-off - the giving up of one thing in return for something else.** When you buy or do one thing with your money, you have to give up the chance to buy or do something else. This is a *trade-off*.
- **opportunity cost - what you give up to get what you want.** When you spend part of your income on certain things, you give up spending it on other things. What you give up is the *opportunity cost*.

Buyers make choices regarding what and how much of a good or service they will purchase. Their choice depends on how much money they have; how valuable they think the good or service is to them; and, their opportunity costs, or the next best alternative they give up.

In *Reflections: Communities*, read “Make an Economic Choice” pages 466. Complete the activities on page 467.

### Activity # 3 Consumers and Producers

Materials needed: One set of **Producer Cards** (Handout #6.1); For half of the students, a copy of the **Consumer Card** (Handout #6.2) and **Handout #6.3** (a set of twelve one-dollar bills), scissors, crayons

In this activity, students will pretend to be producers and consumers in Communityville.

**producer** - someone who makes and sells a product

**consumer** - a person who buys a product or service

Activity: Students will take a make-believe trip to a mini-mall. Some students will be **producers**, and some will be **consumers**. If time allows, the activity may be repeated so all students will have an opportunity to be both a consumer and a producer.

#### Directions to the Teacher:

1. Divide the class in half, making one half producers and the other half consumers.
2. Break the **producers** into 6 groups and assign each group one of the 6 producer work-places. Give each producer group a sign naming the good or service they are selling (Handout #6.1). Have the producers decorate their store sign and set-up their store location.
3. Give each consumer a Consumer card (Handout #6.2) and a set of twelve \$1 bill to cut apart (Handout #6.3).

#### Procedure:

- The producers will take up positions at 6 locations around the classroom. The producers will have signs at their locations naming the good or service they are selling (**Handout # 6.1**).
- Each consumer should have a **Consumer Card (Handout # 6.2)** listing all the choices available at the Communityville Mini-Mall.
- Each consumer should have \$12 (in one-dollar bills) to spend (**Handout # 6.3**).
- When the mall is open for business, the consumers will choose the goods or services they want to buy. (They may choose more than one good or service.)
- The consumers will then go to the producer (or seller) of the good or service they choose and buy it with their “money.”

Note: Be sure to instruct the consumers to record each decisions to buy or not-to-buy in the separate columns of the Consumer Card. The consumers will not have enough money to buy all the items on the Consumer Card. Consequently, the consumers will be forced to make **choices**.

- When the consumers have made all their choices, all students will return to their desks. If time allows, instruct producers and consumers to EXCHANGE roles and REPEAT the simulation.

#### Discuss the results of the simulation:

To increase participation, students will first share their responses with a partner and afterward discuss their decisions with the class. Ask students the following questions:

- Did you have enough money to buy all the items on the card? (No.)
- What did this force you to do? (Make choices.)
- How did you decide what to buy? (Personal liking, expected satisfaction, favorable prices)

- What did you not choose? (Answers will vary.) Why? (Did not suit personal preference, not enough money, wanted one of the other choices, too high a price)

#### Discuss the Consumer Cards:

Help students understand that when they made one choice, they gave up the opportunity to enjoy the benefits of another choice. They gave up the chance to buy one thing when they chose the other.

- What things did you give up? (Answers will vary, but should include one or more of the six possible choices or the “save” option.)
- Did some of you decide to save your money for a future choice? Why? (Did not like all of the choices or did not have enough money left to buy any of the remaining choices.)

Make the following chart on the board or chart paper:

Bowling alley	
Toy store	
Restaurant	
Amusement arcade	
Candy shop	
Movie theater	

Ask, “How many of you chose the bowling alley in today’s game?” Have students raise their hands to answer. Count the responses and record the number in the box. Repeat this procedure for the toy store, restaurant, amusement arcade, candy shop, and movie theater.

#### Discuss the results on the chart:

- In today’s marketplace, what items did consumers buy the most?
- Why did some producers sell more items than others? (More students chose one good or service over the others in the market place.)

Explain that what consumers buy helps tell businesses what and how much to produce. Businesses produce goods and services they know or hope people will buy.

#### Relate the simulation to the students own lives:

- What goods and services do you buy?
- What influences your choices? (price, quality, the kinds available, personal likes)
- What will happen if nobody buys the products a local business offers? (The business will close or change the products it sells.)

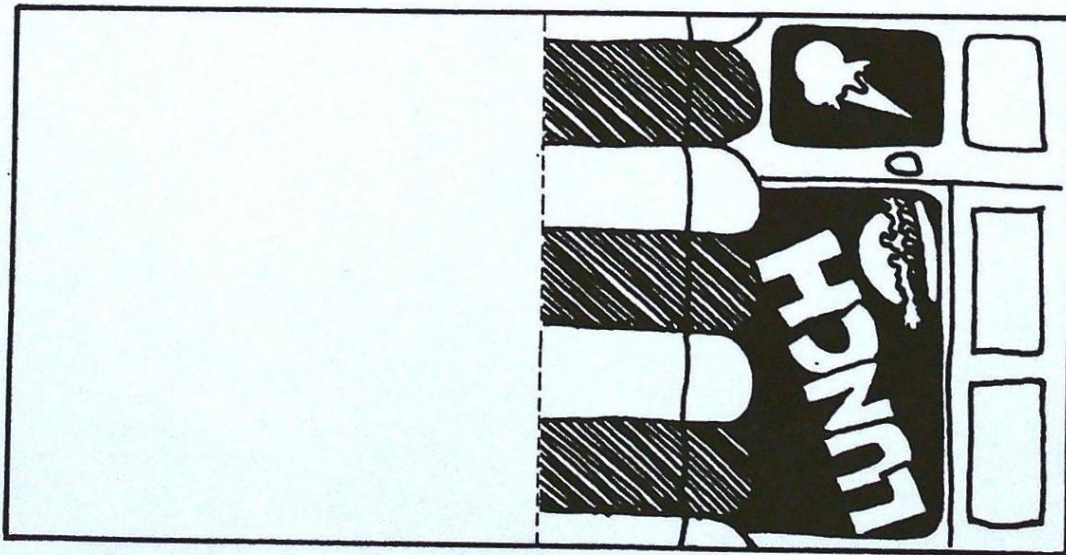
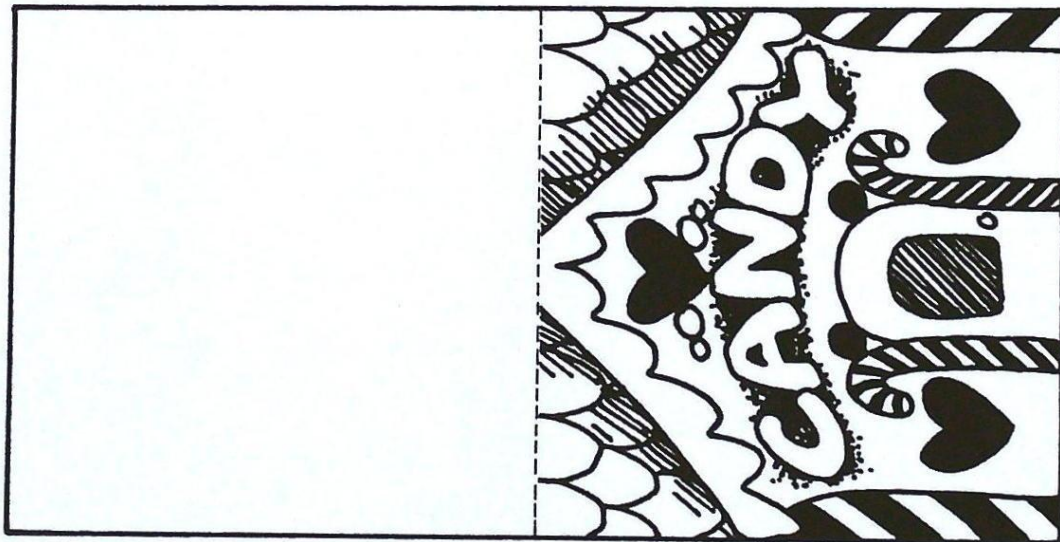
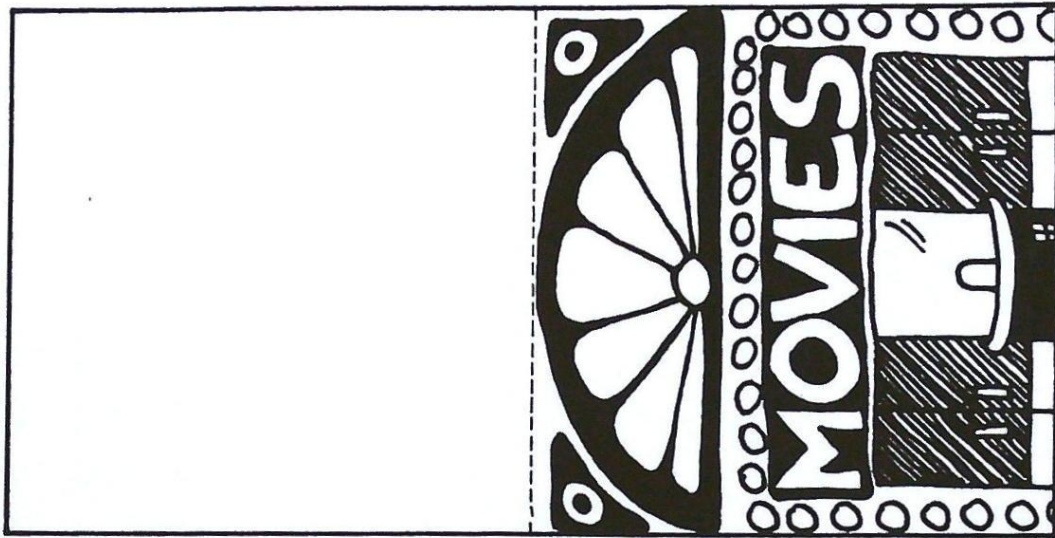
### **Assessment**

The focus questions provide a framework of the evaluation of the lesson. The consumer simulation is completed by groups of students. Student work to be assessed includes:

- Take part in a simulation as a producer and as a consumer; complete the Consumer Card (Handout #6.2); and, discuss the choices made.

# PRODUCER SIGNS

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## Consumer Card

<b>My Choices Are:</b>	<b>Price</b>	<b>I Chose to Buy</b>	<b>I Gave Up the Chance to Buy</b>
Bowling	\$4.00		
Toys	\$4.00		
Restaurant (lunch)	\$2.00		
Amusement Arcade	\$5.00		
Candy	\$1.00		
Movies	\$5.00		
SAVE			

Name \_\_\_\_\_ Date \_\_\_\_\_



