

## Thinking at the Margins Activity

### Directions:

1. Choose a partner or two and **pick three** of the scenarios below.
2. Make a decision about what you would do in each of the selected scenarios. **Use the Marginal Analysis PowerPoint to help guide** your understanding of terms and types of costs.
3. Fill in the Thinking at the Margins Chart on the back of this page.
4. Explain your choices to the class.
5. Answer questions below the chart (on separate sheet).

- 1) **Favorite Band or Economics Test.** The good news is that you have been given free concert tickets to see your favorite band, which is performing tonight at the Palace. The bad news is you also have a big economics test on tomorrow. If you go to the concert, you will be gone the entire evening and have no time to study and will be very tired the next day. But the band may never come back to Michigan. Which alternative do you choose?
- 2) **New Outfit or Gas.** You're driving on your way to the mall. You have your last \$50.00 burning a hole in your wallet. You have the option of using all this money for gas for your car, which is almost on empty, or buy a new "outfit" (shirt, jeans, dress, etc.), on sale today only at your favorite store, to wear on your "hot" date tonight with someone you really like. You have enough gas to make it to the mall, but not back if you spend all \$50 on clothes. Which alternative do you choose?
- 3) **Clean House or Mad Parents.** You have two hours before your parents get back from their vacation. They had asked you to clean the house before they returned and you haven't quite gotten to it yet. In fact, the house is a complete mess because you had a few friends (like 20) over last night. Your parents are already "disappointed" because your last report card wasn't that good. However, to complicate your decision, a friend of yours just called with free Red Wings tickets for tonight's game. Which alternative do you choose?
- 4) **College Textbook or Winter Coat.** You are starting your second semester of your first year in college. Your mother gave you \$150.00 (just enough money) to buy your textbooks for your college classes. However, you really would LOVE to buy a new winter coat to keep warm while walking to classes. Your grades weren't that great last semester and you really want to do well this term. It is absolutely freezing out today and you have evening class, for which you have not yet bought a textbook. Which alternative do you choose?
- 5) **Save for Used Car or Fun Now.** You and your best friend both have part time jobs at Subway. You use your money for songs, shoes, and going out on the weekends. Your friend, however, never goes out on the weekend and is saving her money to buy a used car. You are now re-thinking what to do with your paycheck, since you always have to get a ride from friends or your embarrassing dad, who asks dumb questions, like what did you do in school today. Which alternative do you choose?

## Thinking at the Margins Chart

Topic of Analysis	Scenario _____	Scenario _____	Scenario _____
Your Choice			
Marginal Benefits			
Marginal Costs			
Sunk Costs (if any)			
Opportunity Cost (lost)			

**Discussion questions:**

1. Was there a common theme in your choices?
2. Was their disagreement within your group? How so? How did you resolve the differences?
3. Besides the two listed, were there other alternatives your group thought of? Did you choose this compromise? If so why?