

1.3 Student Handout (Your Decision-Making Toolkit: Part 1)

Name: _____

Period: _____

Your Decision-Making Toolkit

Scarcity: the condition that exists because there are not enough resources to produce everyone's wants; requires us to make choices



Cost-Benefit Principle

"Benefits beat costs?"

Weigh the full costs and benefits of a choice. Pursue it only if the benefits are at least as large as the costs.

Key terms

preferences | utility | incentives



Opportunity Cost Principle

"Or what?"

When faced with a choice, your decision should reflect your opportunity cost, rather than just the out-of-pocket financial cost

Key terms

opportunity cost



Marginal Principle

"One more?"

Break "how many" decisions into smaller steps. Keep going as long as the marginal benefit $\geq$ marginal cost.

Key terms

marginal benefit | marginal cost | rational behavior



Interdependence Principle

"What else?"

Your best choice depends on your other choices, outside events, and expectations — and can change when those change.

APPLY IT: Should I keep scrolling?

One more?

Scroll 5 more minutes, or stop now?

Benefits beat costs?

Entertainment vs. time & attention lost

Or what?

Sleep

What else?

A friend texts; you go hang out instead