

**This document contains "Lesson 4: Opportunity Cost: Part I - Consumers" from the publication *Play Dough Economics* from the National Council on Economic Education (NCEE).**

**If you are interested in purchasing this publication, visit <http://store.ncee.net>.**

**If you are interested in learning more about NCEE, visit <http://www.ncee.net>.**

**Below is the recipe for Play Dough from the back portion of the publication.**

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## **PLAY DOUGH RECIPE**

1 cup flour  
1 T. oil  
1 cup water

1/2 cup salt  
2 t. cream of tartar  
food coloring

**Directions:**

Combine the ingredients and cook over medium heat until a ball forms. Knead in a large zip-lock bag for a few minutes. Remove air from bag and zip shut. Makes enough play dough to fill a typical zip-lock sandwich bag.

# Lesson 4

## Opportunity Cost: Part I - Consumers

### The Best Alternative Not Chosen

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#### Teaching Objectives:

1. To teach what opportunity cost means
2. To teach that there is an opportunity cost to every consumer choice
3. To teach students to identify the opportunity cost of a consumer choice

**Economic Concepts:** Scarcity, Trade (exchange), Opportunity Cost, Consumer, Producer



**Time Allowed:** 30-40 minutes

#### Materials:

- Enough play dough modeling clay for each student to produce a small sculpture
- Small articles of "capital" (pencils, scissors, rulers, etc.)

#### Discussion of Economic Concepts:

When individuals produce **goods** or **services**, they normally **trade (exchange)** most of them to obtain other more desired goods or services. In doing so, individuals are immediately confronted with the problem of **scarcity** - as **consumers** they have many different goods or services to choose from, but limited **income** (from their own production) available to obtain the goods and services.

Scarcity dictates that consumers must **choose** which goods and services they wish to purchase. When consumers purchase one good or service, they are giving up the chance to purchase another. The best single alternative not chosen is their **opportunity cost**. Since a consumer choice always involves alternatives, every consumer choice has an opportunity cost.



### Teaching Tips:

1. Important! Students frequently think that the sum of their various alternatives is their opportunity cost. This is incorrect since only one alternative choice is actually forgone. For example, suppose John is willing and able to purchase good A, B, or C, in that order of preference. He will purchase A. Good B, not B and C, is his opportunity cost. Step 6 in the Teaching Procedure below teaches this important point.
2. Do not introduce the concept of money in this lesson. Students need to understand that the ability to purchase (income) typically comes from prior production of actual goods and services.
3. Make sure students understand that the good they produced to make a trade is not their opportunity cost. Rather, their second choice from the goods they want to trade for is the opportunity cost.



### Teaching Procedure:

1. Briefly introduce the concept of opportunity cost, giving several examples. Tell students that the play dough activity they will do next will help them better understand this concept.
2. Ask students if they have ever purchased something at a store. Ask them if they would like to have a store in their classroom. Identify a table in the classroom to serve as a store. Point out that there is one major problem - there are no products in the store! Ask students if they would like to produce some products for the store.
3. Tell students that they are now producers. Briefly explain this concept. Pass out a small amount of play dough to each student. Tell students to use the productive resources (natural, human, capital) to produce one good similar to the one they produced in Lessons 2 and 3. Tell them to do good work since their products will be sold at the class store!
4. After 5-10 minutes, each child describes his or her product and places it in the store.
5. Tell the students that now they will be **consumers**. Briefly explain this concept. Choose a student volunteer, say John, to shop at the store. (John must prefer at least two of the other goods to the one he has produced himself.) Ask John to identify the two goods produced by other classmates that he most wants and would

be willing to trade for. Place these two goods on the store "counter." John then must trade his own good for one of these two goods. (He can't purchase both because of scarcity!) Identify the good not purchased as the student's opportunity cost. Ask, "What would be the opportunity cost if you chose the other good instead?" (The good not chosen). Let John take the good to his desk. Ask other students if they would like to shop at the store. Repeat as time permits.

6. Next, ask some of the student consumers to identify three goods (instead of two) that they most want and would be willing to trade for. The opportunity cost will then be the one good that was their second choice. (See Teaching Tip 1.)
7. Conclude the activity by summarizing the concepts identified in the Teaching Objectives above.



### **Follow-up and Extension Activities:**

1. Show and discuss the video, "Opportunity Cost," from the Econ and Me video series.
2. Use the concept of opportunity cost as much as possible in your classroom. E.g. "If we go to the zoo on our field trip, we can't go to the Children's Museum. The visit to the Museum would be our opportunity cost."



### **Worksheet Answers:**

1. The best alternative you give up when you make a choice
3. Whatever the second choice was
4. Perhaps not; people have different consumer preferences.
5. No, your friend's second best choice (opportunity cost) may be different.
6. a. Read a book - her next best choice!  
b. No, in that case, she is giving up the opportunity to either read the book or bake a cake. She can't do both at the same time. What she would have done if she had not played the game is her opportunity cost.



**Literature Connection:** Use the following books to reinforce the economic concept. Lessons with questions to ask students can be found at the KidsEcon Posters® website ([www.kidseconposters.com](http://www.kidseconposters.com)). Click on Literature Connection.

- *Tops and Bottoms* by Janet Stevens
- *Erandi's Braids* by Antonio Hernandez Madrigal

## OPPORTUNITY COST - CONSUMERS



1. In your own words, write what **opportunity cost** means.

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2. Your uncle just gave you \$15.00 for your birthday. You want to spend it on either a soccer ball, a large box of candy, or a new T-shirt. (Each costs \$15.) Put 1 under your first choice, 2 under your second choice, and 3 under your third choice.



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3. What is the opportunity cost of your first choice above? \_\_\_\_\_

4. Were your choices the same as those of your classmates? \_\_\_\_\_

Why not? \_\_\_\_\_

5. Suppose your friend has the same first choice as you. Does this mean his or her opportunity cost is the same as yours? Why or why not?

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6. Sarah has 1 hour until bedtime. She can read a book, play a game, or bake a cake. She decides to play a game. Her second choice is to read a book, and her third choice is to bake a cake.

a. What is the opportunity cost of her decision to read?

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b. Can Sarah's opportunity cost be reading the book and baking a cake?

Why or why not? \_\_\_\_\_

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