

## Standard 2 : Marginal Cost/Benefit

### Students will understand that:

Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Most choices involve doing a little more or a little less of something: few choices are "all or nothing" decisions.

### Students will be able to use this knowledge to:

Make effective decisions as consumers, producers, savers, investors, and citizens.

### Benchmarks

#### Grade 4

At the completion of Grade 4, students will know that:	At the completion of Grade 4, students will use this knowledge to:
Few choices are all-or-nothing decisions; they usually involve getting a little more of one thing by giving up a little of something else.	Analyze how to divide their time on a Saturday afternoon when the possibilities are raking leaves to earn money, going roller skating with friends, and shopping at the mall with their aunt. Students will identify the possible uses of their time and explain how devoting more time to one activity leaves less time for another.
A cost is what you give up when you decide to do something.	List the costs of buying and caring for a pet.
A benefit is what satisfies your wants.	List the benefits of buying and caring for a pet.

#### Grade 8

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also that:	At the completion of Grade 8, students will use this knowledge to:
To determine the best level of consumption of a product, people must compare the additional benefits with the additional costs of consuming a little more or a little less.	Solve the following problem: Your grandmother give you \$30 for your birthday and you are trying to decide how to spend it. You are considering buying compact disks (\$12 each), going to the movies (\$5 per ticket), or taking some friends out for pizza (\$7.50 per person). You do not have to spend all your money on one thing. You can use some money for

	one thing, and some for another. How would you spend your money to get the greatest satisfaction?
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## Grade 12

<b>At the completion of Grade 12, students will know the Grade 4 and Grade 8 benchmarks for this standard, and also that:</b>	<b>At the completion of Grade 12, students will use this knowledge to:</b>
Marginal benefit is the change in total benefit resulting from an action. Marginal cost is the change in total cost resulting from an action.	Explain why beyond some point they are unwilling to buy and consume an additional slice of pizza.
As long as the marginal benefit of an activity exceeds the marginal cost, people are better off doing more of it; when the marginal cost exceeds the marginal benefit, they are better off doing less of it.	Apply the concepts of marginal benefit and marginal cost to an environmental policy to find the optimal amount of pollution for two firms that have substantially different costs of reducing pollution.
To produce the profit-maximizing level of output and hire the optimal number of workers, and other resources, producers must compare the marginal benefits and marginal costs of producing a little more with the marginal benefits and marginal costs of producing a little less.	Decide how many workers to hire for a profit-maximizing car wash by comparing the cost of hiring each additional worker to the additional revenues derived from hiring each additional worker.
To determine the optimal level of a public policy program, voters and government officials must compare the marginal benefits and marginal costs of providing a little more of a little less of the program's services.	Use the concepts of marginal cost and marginal benefit to evaluate proposals for a pollution control ordinance aimed at maximizing economic efficiency; then select the best proposal, and explain why it seems best.