

How Do I Make a Decision?

The Economic Problem

Scarcity

We live in a world with unlimited wants and scarce resources.

Choice

Scarcity means we must choose.

Opportunity Cost

Choices mean that we have costs.

Opportunity Cost

Opportunity cost is the value of the next best alternative when someone makes a choice. The opportunity cost is what someone gives up.



Should I spend the next hour running drills or doing homework?



Should I spend the next hour practicing or studying for my test?

PACED Decision-Making Process



Criteria	Flavor	Sweetness	Texture	Total
Alternatives				
Cake	3	2	1	6
Ice Cream	2	3	3	8
Pie	1	1	2	4

I'm choosing ice cream!

PACED after High School

Problem: What post-secondary education should I choose?

Criteria	Degree or certificate for my career goal	Desirable location	Cost after financial aid	Total
Alternatives				
Community College				
Vocational School				
State University				
Private University				

Evaluate

Score the alternatives on each of the criteria.

Decision

Total the points and make a decision.