

Economic Thought in Personal Decisionmaking

Dallas

July 11, 2008

Economic Thought in Personal Decisionmaking

John Maynard Keynes

“Economics is an apparatus of the mind”

Decisions, Decisions, Decisions

- **Economic Concepts**
 - **SCARCITY**
 - **OPPORTUNITY COSTS**
 - **BENEFIT/COST ANALYSIS**
 - **CHOICE**
 - **VALUE**
 - **INCENTIVE/DISINCENTIVE**

Decisions, Decisions, Decisions

- **Economic Concepts**
 - **SCARCITY**
 - **Simply defined = “not enough”**
 - **The condition of not being able to have everything we want. Results from the imbalance between relatively unlimited wants and limited resources.**

Decisions, Decisions, Decisions

- **Economic Concepts**
 - **OPPORTUNITY COSTS**
 - What you can't get!
 - The highest valued alternative that must be given up because another option is chosen.

Decisions, Decisions, Decisions

- **Economic Concepts**
 - **BENEFIT/COST ANALYSIS**
 - A rational comparison of the value gained (benefit) and the value of what must be given up (cost) when a choice is made

Decisions, Decisions, Decisions

- **Economic Concepts**
 - **CHOICE**
 - A decision – the act of deciding

Decisions, Decisions, Decisions

- **Economic Concepts**
 - **VALUE**
 - **Non Economic** – something a person considers important which is supported by a set of beliefs.
 - **Economic** – a measure of the worth of a good, service, or resource. How much is it worth in the marketplace.

Decisions, Decisions, Decisions

- **Economic Concepts**
 - **INCENTIVE/DISINCENTIVE**
 - Incentive – something that encourages or persuades a person to act.
 - Disincentive – something that discourages or dissuades a person from acting.

Decisions, Decisions, Decisions

- **Economic Decision Making Model**
 - **P A C E D**
 - Problem
 - Alternatives
 - Criteria
 - Evaluation
 - Decision

Decisions, Decisions, Decisions

- **Economic Factors that Influence our Decisions**
 - People choose to do what is “best” for them
 - People’s choices have costs
 - People choose to do things for which they are rewarded
 - People’s immediate choices have future impacts

Decisions, Decisions, Decisions

- **Consumers with “Good” credit pay \$250,000 less over their worklife for loans and credit purchases than those with “Bad” credit.**

Decisions, Decisions, Decisions

- **Lessons Learned and Misapplied!**
 1. **Student debt is OK because college pays for itself – a fact but--**

Decisions, Decisions, Decisions

- **Lessons Learned and Misapplied!**
 1. **Student debt is OK because college pays for itself – a fact but—**
 - **We take away that ALL debt is Ok, regardless of the type, terms, or amount. Consequently, we charge gas and beer while in college – leave with large debts we call STUDENT LOANS.**

Decisions, Decisions, Decisions

- **Lessons Learned and Misapplied!**
 2. **College Grads Make A Lot More Money!**

Decisions, Decisions, Decisions

- **Lessons Learned and Misapplied!**
 2. **College Grads Make A Lot More Money!**
 - **I'll be rich and have no new expenses - It's as if we think that "extra" \$1 million is going to be stapled on our diploma.**

Decisions, Decisions, Decisions

- **Lessons Learned and Misapplied!**
 3. **Hard Work is Good and Rewarded.**

Decisions, Decisions, Decisions

- **Lessons Learned and Misapplied!**
 3. **Hard Work is Good and Rewarded.**
 - I can always “earn” my way out of overconsumption. Only 24 hours in a day!

Decisions, Decisions, Decisions

- You all have
\$10.00
to spend!!

Decisions, Decisions, Decisions

First Item!!

Decisions, Decisions, Decisions

First Item!!

A Special TCEE T-shirt

Decisions, Decisions, Decisions

First Item!!

A Special TCEE T-shirt

\$3.00

Decisions, Decisions, Decisions

Who wants one?

Decisions, Decisions, Decisions

- **Who has money left?**
- **Why didn't you buy?**

Decisions, Decisions, Decisions

Issues with your decisions:

Decisions, Decisions, Decisions

Issues with your decisions:

Partial Information

Decisions, Decisions, Decisions

Issues with your decisions:

Partial Information

Unknown Opportunities

Decisions, Decisions, Decisions

Issues with your decisions:

Partial Information

Unknown Opportunities

Limited Resources

Decisions, Decisions, Decisions

**Good decisions are based on facts with
economic concepts considered –**

GO MAKE A GOOD DECISION!!