

# IS THE TASSEL WORTH THE HASSLE?

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## INTRODUCTION

From 1970 to 1991, the percentage of the population in the United States who completed four years or more of college doubled, increasing from 10.7% to 21.4%. In 1990, in the United States, the average earnings of a male who had completed 5 or more years of college was \$55,831.00 (female, \$35,827.00); the average earnings of a male who had completed only 1 to 3 years of high school was \$22,564.00 (female, \$15,381.00).

Since 1970, the percentage of the population in the United States (aged 25 years and older, who completed 4 or more years of college) has doubled, and the percentage of the population completing only 8 years of elementary school has been reduced by 2/3rds.

## CONCEPTS

- Choice
- Opportunity Cost
- Incentives

## STANDARDS

### National Standard Number: 1

Productive resources are limited. Therefore, people can not have all the goods and services they want; as a result, they must choose some things and give up others.

### National Standard Number: 2

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.

### National Standard Number: 4

People respond predictably to positive and negative incentives.

## OBJECTIVES

Students will be able to:

1. Use economic reasoning to analyze both the short-term and long-term benefits and opportunity costs of educational choices.
2. Identify incentives that may influence students' career decisions.
3. Solve an economic mystery using the [Handy Dandy Guide \(HDG\)](#).

## TIME REQUIRED

One class period

## MATERIALS (see activities below)

## **PROCEDURE**

1. Ask students to identify their occupational aspirations and to explain why they are considering these jobs/careers. Ask them to explain what, if any, post high school education is necessary for these jobs/careers.
2. Ask them if they have considered the costs of further education. Students will probably not consider the opportunity costs of such education. Use Activity 1 to develop this concept.
3. After students understand the concept of opportunity costs, pose the following economic mystery. "When it takes, at least, an additional seven years of schooling, and over one hundred thousand dollars in costs and lost earnings, why would a person want to graduate from college instead of dropping out after the ninth grade?" Project Visual 2 "An Economic Mystery."
4. Divide class into small groups, distribute the Handy Dandy Guide; ask students to solve the economic mystery using appropriate information from the HDG. Visual 2 "Average Earnings of Females by Educational Attainment, 1990" can be used to begin the discussion.
5. Ask them to review the HDG to see if they can link the earnings data to #3 and #6 on the HDG. See if they can use #1 and #2 on the HDG to also help to solve the economic mystery. To conclude the lesson, ask students to relate the HDG and opportunity costs to their job/career plans.

## **CLOSURE**

Share with students the following: "People's educational choices are still influenced by family circumstances, costs, income level, role models, and social and economic rules and assumptions. Younger individuals, when making their choices, may not be fully aware of the long-term consequences of their selection. Young people, without a high school diploma, may also have inflated views regarding their personal income-generating ability. Likewise, many individuals place a premium on immediate gratification and consumer spending, as opposed to deferred gratification and an investment in human capital."

## ACTIVITY 1

### STUDENT'S CHOICE

Connie plans to attend a state college and study to become an elementary teacher. Listed below are the costs of her choice.

Year	Direct Costs of College*	Opportunity Costs (Lost Wages)
1	\$8000	\$16000
2	\$8500	\$16500
3	\$9000	\$17000
4	\$9500	\$17500
Total	\$35000	\$67000

Compute the total cost of Connie's decision (College Costs + Opportunity Costs)

\$ \_\_\_\_\_

\* Includes room, board, tuition, books and supplies, personal expenses, also includes projected inflation for each year.

## VISUAL 1

### AN ECONOMIC MYSTERY

**"When it takes, at least, an additional seven years of schooling, and over one hundred thousand dollars in costs and lost earnings, why would a person want to graduate from college instead of dropping out after the ninth grade?"**

## VISUAL 2

### AVERAGE EARNINGS OF FEMALES BY EDUCATIONAL ATTAINMENT, 1990

8 years or less	High School 1-3 Years	High School 4 Years	College 1-3 Years	College 4 Years	College 5+ Years
\$13322	\$15381	\$18954	\$22654	\$28911	\$35827

Source: U.S. Bureau of Census, Current Population Reports, series p-60, No. 174.

# Handy Dandy Guide (HDG)

1. *People economize.* People choose the alternative which seems best to them because it involves the least cost and greatest benefit.
2. *All choices involve cost.* Cost is the second best choice people give up when they make their best choice.
3. *People respond to incentives.* Incentives are actions or rewards that encourage people to act. When incentives change, people's behavior changes in predictable ways.
4. *Economics systems influence individual choices and incentives.* How people cooperate is governed by written and unwritten rules. As rules change, incentives change and behavior changes.
5. *Voluntary trade creates wealth.* People can produce more in less time by concentrating on what they do best. The surplus goods or services they produce can be traded to obtain other valuable goods or services.
6. *The consequences of choices lie in the future.* The important costs and benefits in economic decision making are those which will appear in the future. Economics stresses making decisions about the future because it is only the future that we can influence. We cannot influence things that have happened in the past.