

# Lesson Plan

**NEUROHEADWAY**

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Neuroscience Into Education

# Economics

## The concept of Opportunity Cost

In economics, opportunity cost is a very important concept. The economic problem is all about dealing with scarcity. Allied to this is making decisions by individuals, firms and governments. Any decision to do one thing will have an opportunity cost – decision makers have to make choices, a choice will necessarily mean the loss of an opportunity.

Definition of Opportunity Cost – The next opportunity forgone

### Exercise:

Imagine you had been lucky on the lottery and you are expecting a £100,000 in winnings. Draw up a list of how you would spend that money:

1. House £70,000
2. Boat £20,000
3. Clothes £10,000

The Cheque arrives and it's only for £80,000

I would give up the boat, therefore the opportunity cost is the thing we have had to give up – it has a cost of £20,000.

Governments may prioritise the economy over the NHS – what is the opportunity cost?

A firm may purchase a machine that replaces 10 people's jobs – what is the opportunity cost?

An individual buys a Mars bar rather than a snickers bar – what is the OP cost?