Lesson Overview

This lesson takes a different look at consumer wants and achieving goals. The lesson is based on Dr. Julie Heath's *Cincinnati Enquirer* article, “Why It Matters: How to Keep Your New Year’s Resolutions.” Dr. Heath writes about New Year’s resolutions - why are they kept - or not?

Students read Dr. Heath’s article, discuss the goal setting process, and then complete a work sheet outlining a process for establishing and accomplishing a goal, such as a New Year’s resolution.

Lesson Introduction

People make economic decisions based on their perception of the benefits and costs of their alternatives. Costs and benefits can take many forms and arise from many different personal values, relationships, situations, or external forces – often called in economics “tastes and preferences.”

If you want someone to do some work for you, maybe all you have to do is ask. Some people are generous, have lots of time or just enjoy helping people. Others will ask, “How much will you pay me?” Their self-interest is a little bit different. Offer them enough incentive and they may choose to do the work.

When it comes to decisions like making and keeping New Year’s resolutions, the same factors are in play. I will “quit smoking.” I will “lose weight.” I will “study harder and get better grades.” Although most people will agree that these are good actions to choose, they are often easier said than done.

Late on December 31st, losing weight, stopping smoking, or getting better grades look pretty good. The New Year is a time for being a better person. Put the past year in the past and think about how you will benefit from your resolution. After January 1st is when you have to look more closely at the other side of the choice equation – the costs. The first time a dieter is faced with an offer of a desert, the cost becomes real. The first time the student is faced with the choice of going to a big concert or studying, the cost of better grades becomes real.

The real decision is not just one of “resolution,” it is one of comparing the benefits with the costs. Your willingness to incur the costs and overcome the obstacles to a achieving a goal will determine your success.
Key terms from this lesson:

**Wants**  Wants are desires that can be satisfied by consuming or using a good or service. Economists do not differentiate between wants and needs.

**Decision Making – Cost/Benefit Analysis**  Decision making refers to the process by which rational consumers seeking their own happiness or utility will make choices. The process begins by defining the range of options that are possible. The next steps are to evaluate the costs, benefits and trade-offs involved in each choice and to reach a decision.

**Incentives**  An incentive is a cost or benefit that motivates a decision or action by consumers, workers, firms or other participants in the economy.

**Opportunity Cost**  The second-best alternative (or the value of that alternative) that must be given up when scarce resources are used for one purpose instead of another.

**Trade-off**  The giving up of one benefit or advantage in order to gain another regarded as more favorable.

NOTE: Unless otherwise cited, the definitions of terms used in this lesson are from with the glossary of the Council for Economic Education’s Virtual Economics program. They are consistent with the National Voluntary Content Standards in Economics and the Ohio Academic Content Standards for Social Studies.

Learn More about Goal Setting Concepts


Lesson Objectives

The student will:

1. Define economic choices as those made to satisfy wants.
2. Explain the costs and benefits of achieving a goal.
3. Identify other factors that impact the achievement of a goal.
4. Outline a step-by-step process for setting and achieving a goal.
Lesson Materials

Handout/Visual 1: Why It Matters: How to Keep Your New Year’s Resolutions
Handout/Visual 2: Setting and Achieving a Goal

Lesson Preparation

Prepare visuals to project or print copies of the Handout/Visuals for each student:

Handout/Visual 1: Why It Matters: How to Keep Your New Year’s Resolutions
Handout/Visual 2: Setting and Achieving a Goal

Procedures

1. Introduce the lesson by asking the students: what is a resolution? [A promise or pledge to achieve a want, accomplish something or to make a change. A resolution is usually made with some determination, tenacity, or perseverance.]

Ask the students to think about New Year’s resolutions. What wants do people typically resolve to accomplish as a new year begins? [Lose weight, stop smoking, get a new job, save more, etc.]

Ask the students to offer examples of their New Year’s (or other time) resolutions. [Study more, get better grades, practice more, make a team, find a new boy/girlfriend, etc.]

2. Distribute copies of Handout/Visual 1: Why It Matters: How to Keep Your New Year’s Resolutions. Ask the students to read the handout.

After the students read the article by Dr. Julie Heath about New Year’s resolutions, review the main points.

a. Don’t make too many resolutions.
b. Put your resolutions in writing, make them public.
c. Work with a “buddy” or work with your friends.
d. Determine how you will accomplish your resolution, step-by-step.
e. Find or give yourself an incentive (reward) to accomplish the resolution.

Ask the students: What do you think is the real key to accomplishing a goal such as a New Year’s resolution? [Students may suggest incentives, how you will be better off, personal satisfaction, peer pressure, and many other possibilities. For each individual, these incentives may have different responses.]

Define incentives as benefits that encourage an action or choice of an alternative. People respond to incentives they value. People try to avoid “disincentives” or factors that increase the cost of a choice or action.
Generally discuss the goal setting and decision making process. Ask the students to offer their opinions about how to make more meaningful decisions.

3. Ask your students: why do you think only eight percent of New Year’s resolutions are kept after one year? [This data, eight percent, is cited in Dr. Heath’s article. Students may offer a variety of reasons. Focus the discussion on the “costs” of keeping a resolution, such dollar costs, time commitment, trouble, discomfort, other priorities, etc.]

Review the concept of costs, differentiating between dollar costs and other costs. If appropriate, add the concept of opportunity cost – the value of the next best alternative. [For example, the opportunity cost of losing weight may be giving up some foods you like or more exercise. The opportunity cost of getting better grades may be the time studying can’t be used to do other fun things.]

Explain that making a resolution to change something about yourself often requires a trade-off among goals. To achieve one goal can require you to trade-off or give-up another. You can’t eat everything you want and still lose weight. You can’t get all A’s and do all of the other things you want to do.

4. Distribute copies of Handout/Visual 2: Setting and Achieving a Goal. The students will use this handout to look at goal setting and achievement as a step-by-step process. Begin with these ideas:

• You have may have many short-term and a long-term goals.
• Incentives and obstacles influence achieving your goals.
• How you will know your goal has been achieved?
• What are the costs of achieving your goal?
• What are the benefits of achieving your goal?
• How will you be better off after you achieve your goal?

5. Suggest that there are some characteristics of good goals. Introduce the SMART goal concept. This is a well-accepted guideline for developing goals.

SMART goals are:

S = Specific. Be specific. The more details, the better.
M = Measurable. Can you keep track of your progress?
A = Attainable. Can you achieve the goal? Is it possible?
R = Realistic. Is the goal something you will really work for?
T = Timely. When do you want to achieve the goal?
6. Using the handout, students should write about a goal one step at a time.

   a. Write a very specific goal. Pairs can read each other’s goal to ask questions about the goals. Refer to the SMART goal characteristics.

   b. What are the benefits of achieving the goal? How will you be better off? What’s in it for you?

   c. What will be the costs? Money? Time? Trouble? Pain? Giving up fun things? Other wants - opportunity costs?

   d. What will be the obstacles to achieving the goal? Refer back to the costs. What can come up that will get in the way?

   e. How will you overcome the potential obstacles? Will this mean more costs?

   f. Last, but not least, how will you be better-off after achieving the goal? This is critical. It must relate directly to the purpose of the goal and the benefits – steps a. and b., above.

**Conclusion**

As the students tell about their goals, refer often to the SMART goal characteristics. Reinforce the ideas of being specific and knowing the real short-term and long-term benefits and costs.

Refer back to Dr. Heath’s article, Handout/Visual 1. Generalize that they if you write a goal that is very specific and SMART, and you follow Dr. Heath’s suggestions, it may be easier to achieve a goal or a New Year’s resolution.

**Assessment**

Give each student another copy of Handout/Visual 1. Students should be able to outline another personal goal. Suggest a financial goal, if appropriate.

Use the SMART goal outline as a rubric for assessing student understanding of the concepts of goal setting, benefits and costs.
Handout/Visual 2

Why It Matters: How to Keep Your New Year’s Resolutions
By Dr. Julie Heath

It’s the beginning of a new year, and along with confetti and parades, comes the making (and breaking) of resolutions. Only about 8 percent of people report that they have kept their resolutions a year later, which could understandably lead one to wonder, “Why bother?” In my ongoing effort to present economics as applicable to a wide range of issues, this column is about how behavioral economics can help you keep your New Year’s resolutions.

Limit the number. While you may have many resolutions, the longer the list, the lower your probability of success. In an experiment, subjects were divided into two groups. The first group memorized a two-digit number, while the second group memorized a seven-digit number. The two groups were then led into another room, where they had a choice of eating a piece of cake or fruit. Sixty percent of those who memorized the two-digit number chose fruit, while the same percentage of the seven-digit memorizers chose cake.

The conclusion? Like everything else, willpower seems to be a scarce resource, and our ability to focus on multiple goals simultaneously is limited. To increase your chances of keeping your resolutions, stick to one or two, not a long list.

Write down your goals. Taking the time to write down your goals constitutes an investment of your time. Often, people put too much importance on past investments when they are making current decisions (they shouldn’t—the past investment is a sunk cost, a topic for another column—but they do). Putting pen to paper can certainly help.

Buddy up. You can use the power of conformity to help achieve your goals. Years of research shows that telling friends about your goals, or better yet, enlisting their help can greatly increase your odds of keeping your resolutions. So, if you want to get fit or improve your grades, make a commitment with a friend for gym or study times.

Don’t be your own worst enemy. Sometimes motivation isn’t enough. In a study at Yale, students heard a lecture about the importance of getting tetanus shots. Afterwards, most students said they planned on getting one, but only 3 percent actually did so. Another group of students, after hearing the same lecture, was asked to pick a date and time to go, and plan out their route on a campus map. This group was 10 times more likely to get the shot. Why? Planning the small details made carrying out students’ motivation easier.

Break your resolution down into small steps and leave as little as possible for you to control. If you want to save more, sign up for direct deposit; if you want to eat more healthfully, throw away all the junk food. Getting “you” out of the equation makes it easier to succeed.

Create an incentive. Because everyone responds to incentives, you can go to www.stickK.com and purchase a commitment contract. You can put a value on achieving your goal that you and everyone else can see. For example, if you want to lose weight, you can pledge to lose a certain number of pounds per week. If you do not, then you make a contribution to a charity that fights world hunger, or to a political party you do not agree with.

It’s all up to you, and success or failure is self-reported. But as we know from economics, sometimes a little incentive is all it takes.
Setting and Achieving a Goal

My goal is...
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________

The benefits of achieving my goal are...
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________

The costs of achieving my goal are...
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________

The obstacles I may face are...
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________

I can overcome the obstacles by...
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________

If I achieve my goal, I can...
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________