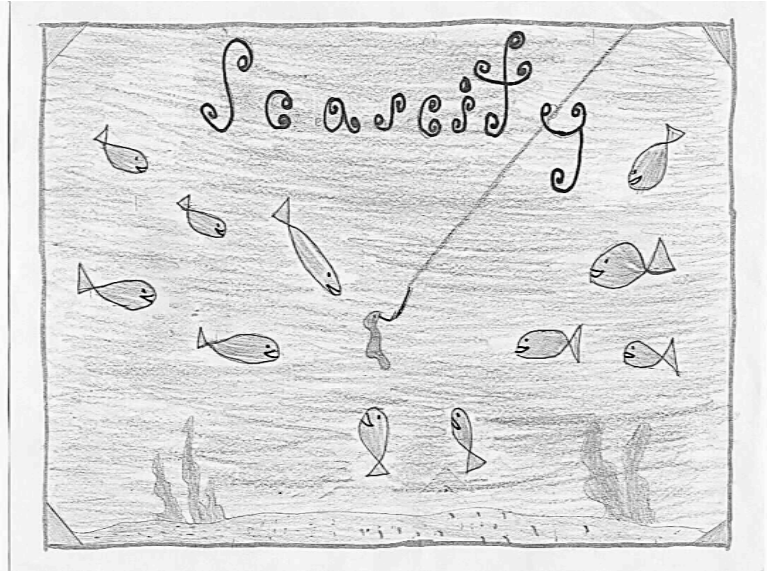


Scarcity and Opportunity Cost

Scarcity: When there is a **limited** amount of a given resource

Examples:

- A government works with a **limited** budget. The amount of money that it has is **scarce**.
- A state has a **limited** number of acres of free land to build upon. The amount of land is **scarce**.
- A teacher has one 90-minute planning period. The amount of time is **scarce**.



Opportunity Cost: What you give up when you have to make a choice between two things.

Examples:

- I have \$15.00 to spend. I decide to buy a baseball cap instead of a new DVD. **The DVD** represents the **opportunity cost**.
- A city government has \$20,000 to spend. They decide to spend it on new job programs instead of on trash collection days. **A clean environment** is the **opportunity cost**.



This smart kid chose the apple over the Hershey's Bar. The **Hershey's Bar** would be the **opportunity cost** in this scenario.

Socioeconomic Goals: There are things that the government tries to achieve through how it spends money and resources.

- **Equity:** Equality between people's opportunities. This can be achieved in several ways.
 - ✓ **Redistributing Income:** Taking from the rich and giving to the poor.
 - ✓ **Fair Wages for Workers:** Raising the minimum wage to account for inflation.
 - ✓ **Assistance for Homebuyers:** Giving loans to people who are buying real estate if they can't afford it.
 - ✓ **Equal Employment Rights:** Making sure that people have equal opportunities to get and keep a job.

Name: _____ Period: _____ Date: _____

SCARCITY AND OPPORTUNITY COST PRACTICE ACTIVITIES

Directions: For each of the following examples, underline what is scarce. Circle the opportunity cost.

1. Joey and Taniesha arrive to school thirty minutes early. Joey wants to go to the corner store. Taniesha wants to see if any of her teachers are at school early for extra help. They decide to go up to extra help instead of going to the corner store.
2. Davonte has \$150.00 to spend at the mall. He decides to buy a pair of New Balance sneakers instead of saving the money in his bank account.
3. The Maryland General Assembly has \$1 million to spend in designing the upcoming budget. State legislators decide to spend most of that money on new curriculum to be used in schools, rather than restoring vacant homes.

Directions: For each of the following scenarios, identify the opportunity cost by circling the correct choice.

4. A city government decides to spend money on new stoplights instead of new textbooks for schools.

What is the opportunity cost of this decision?

Protecting the safety of citizens

Promoting the education of citizens

5. A teacher decides to spend time grading homework assignments instead of making phone calls to parents.

What is the opportunity cost of this decision?

Giving students feedback

Communicating with the families of students

6. The United States Congress spends \$3.2 million on supporting our army, navy, marines, and coast guard instead of on public assistance programs.

What is the opportunity cost of this decision?

Our country's national security

Ensuring the welfare of all citizens

Directions: Answer each of the following scenarios by writing the letter of the correct multiple-choice question on the line.

_____ 7. The governor of Maryland chose to cut spending on road construction in order to increase spending for school construction.

Which economic principle is best demonstrated by this decision?

- A. economic freedom
- B. opportunity cost
- C. price controls
- D. supply and demand

_____ 8. A local government has a limited amount of money to spend. It decides to spend the money to support local businesses instead of to remove trash from unused buildings and vacant lots.

Which of these is the opportunity cost of this decision?

- A. tax revenue
- B. jobs for local residents
- C. a clean environment
- D. profits for business owners

Directions: Read the passages below. Then, answer the short answer questions that follow.

Read:

In 2002, the Maryland General Assembly voted to purchase undeveloped land on the Chesapeake Bay before a construction company could purchase it. The state plans to use the land as a park for recreational activities instead of letting it become developed.

9. Describe the opportunity cost of the purchase.

10. Do you think that it is beneficial for the government to buy underdeveloped land? Explain.

Read:

In 2009, Governor O'Malley proposed that several billion dollars be made available to create a new juvenile detention center in Maryland. With that money, he could have employed every high school student in Baltimore City for a year.

11. Describe the opportunity cost of the purchase.

12. Do the benefits of O'Malley's proposal outweigh the costs? Explain.

Read:

In 2005, the state government of Louisiana had to spend money cleaning up after Hurricane Katrina. This meant that other services had to be cut from the state budget.

11. Describe the opportunity cost of the purchase. Be specific about what "other services" might include.

12. Explain how scarcity affects the state government's decision making.

Directions: Identify the socioeconomic goal that the government is trying to achieve in each of the following scenarios. (Redistributing income, Assistance for Homebuyers, Equal Employment Rights, Fair Wages for Workers)

13. _____ The government raises taxes for the rich and cuts taxes for the poor.

14. _____ Congress increases the minimum wage to keep up with inflation.

15. _____ The City Council decides to increase funding for first time homebuyers.

Name: _____ Period: _____ Date: _____

SCARCITY AND OPPORTUNITY COST EXIT TICKET

1. Read the headline below and answer the question that follows.

“Plans to Increase Alaskan Oil Drilling”

What is an economic cost most directly associated with the headline?

- a) less undeveloped land
- b) increased fuel prices
- c) decreased tax revenues
- d) greater job opportunities

2. The governor of Maryland chose to cut spending on road construction in order to increase spending for school construction.

Which principle is best demonstrated by this decision?

- a) economic freedom
- b) opportunity cost
- c) price controls
- d) supply and demand

3. A local government has a limited amount of money to spend. They decide to spend more money on cleaning up pollution than on public assistance programs.

Which is an opportunity cost of this decision?

- a) environmental protection
- b) the welfare of citizens
- c) national security
- d) protection against natural disasters

4. Which of these is an economic benefit of lower tax rates?

- a) more consumer spending
- b) expanded government programs
- c) better public services
- d) a greater number of government employees

5. Read the newspaper article excerpt to the right:

The action described in the article above is intended to

- a) support local businesses
- b) generate revenue for the city
- c) promote economic equity in the area
- d) limit support for local businesses

LEGISLATURE TO PROVIDE ASSISTANCE TO FIRST TIME HOMEBUYERS

In response to rising housing costs, the state legislature has voted to provide financial assistance to low-income families to help purchase their first house.

6. The federal minimum wage in 2001 was \$5.15 an hour.

Which of these best describes why the federal government would raise the minimum wage?

- a) to help workers find employment
- b) to help worker's wages keep up with inflation
- c) to increase the tax on workers' wages
- d) to make sure all workers receive the same pay

7. Which of these is an economic benefit of the federal minimum wage law?

- a) Workers are guaranteed a certain income.
- b) Employers are encouraged to hire more workers.
- c) Employers are required to train more workers.
- d) Workers are allowed to organize into unions.

8. Which of the following scenarios would illustrate the principle of opportunity cost?

- a) a boy has only three dollars to spend when going to the mall
- b) Congress reviews its annual budget
- c) Governor O'Malley spends money on crime prevention rather than the environment
- d) A lobbyist persuades Congressmen to support new legislation

9. A school district has a limited amount of money to spend. They decide to spend money fixing the school buildings rather than providing new textbooks.

Which of the following is the opportunity cost of this decision?

- a) new textbooks
- b) new school buildings
- c) increased transportation between schools
- d) new school roofs

10. What is the opportunity cost for state governments that spend state money during natural disasters?

- a) main highways between states may be blocked
- b) prices for snow removal equipment may increase
- c) other services offered by the states may have to be cut
- d) state governments may receive additional highway funds

Stop! Teacher or TA fills out below:	
Total Score:	Mastery?
If you mastered the objective, you can move on to your next CLG. If not, you need to redo the station.	