

Lesson 3

Scarcity

We Can't Have Everything We Want



Teaching Objective: To teach the concept of scarcity

Economic Concepts: Scarcity, Wants, Price



Time Allowed: 25-30 minutes

Materials:

- Enough modeling clay for each student to make a small sculpture

Discussion of Economic Concepts:

We live in a world of **scarcity**. This means that the collective desire of individuals for **goods and services** exceeds the **productive resources (natural, human, and capital)** available to satisfy those desires. In other words, the things of **value** that people **want** are virtually unlimited, while the productive resources necessary to produce these things are limited. Every society, rich or poor, must determine how to best use its scarce productive resources to produce goods and services. This is the **basic economic problem**.

The goods and services that are produced from scarce productive resources are themselves scarce. Furthermore, they differ in their degree of scarcity. Those which are highly valued and which are more limited in supply are relatively more scarce than those which are not highly valued and which are more abundant in supply. Differences in **prices**, which measure the exchange value of one good or service compared to another, reflect relative scarcity. This is why automobiles cost more than pencils and why the salary of basketball star LeBron James is higher than the salary of a teacher or electrician.



Teaching Tips:

1. The concept of scarcity is a challenging one. A simple rule to help children determine whether an item is scarce is this: If the item is made *freely* available, does more than one person want it? If the answer is "yes," then the item is considered scarce. For example, a teacher who offers a free pencil to the class will discover that more than one child wants the pencil. In this situation the pencil is scarce. If a piece of gold were offered, the same thing would happen. However, if students are freely offered a pencil *or* the gold, most will choose the gold. In economics, *both* items are considered scarce, but since gold is relatively more scarce, it commands a higher price.
2. Don't expect all of your students to master the concept of scarcity the first time. It's not that easy! However, if you make the effort to use the concept in your day-to-day classroom routine (Six students want the playground ball. We have a scarcity problem!) and in future economics activities, your students will grasp the concept.



Teaching Procedure:

1. To motivate and challenge your students, ask them if they would like to do an activity using modeling clay that will help them learn a concept that high school and college students learn.
2. Ask students to identify various things (goods) at home that they value highly. Briefly discuss student responses.
3. Display an inexpensive good (pencil, eraser, etc.) to the class. Ask students if they would like to have the good (apply the "scarcity rule" described in Teaching Tip 1).
4. Explain that this good and other goods are scarce (write on board). Explain scarcity giving other examples.
5. Ask students to identify things that are not scarce (the air we breathe, snow in a blizzard, salt water at the beach, etc.) Be careful - in certain situations air is scarce (under water, in outer space). Also, clean air is scarce since it takes scarce productive resources to clean it.

Teaching Option I: Ask students if they would like to produce some scarce goods out of modeling clay. Tell students to use their productive resources (natural, human, and capital) as in Lesson 2 to produce their scarce good. Allow 5-10 minutes for each child to make a sculpture. You might have to give students some suggestions. Walk around the room and encourage the students. Don't forget to make something yourself!

Discuss the students' sculptures, analyzing if each is scarce. You can apply the "scarcity rule" here too. (Just hold up a sculpture and ask who wants it. If at least two students do, you have a scarcity situation!)

Teaching Option II: Ask students if they would like to learn more about scarcity using modeling clay. Tell students to create a scarcity situation using modeling clay. For example, they could create two people who want one candy bar. Walk around the room and let students explain the scarcity situations they created.

Attention! This simple activity is trickier than it may seem. For example, two people and three candy bars could still be a scarcity situation! This is because each person could want all the candy. Or, two people and one candy bar might *not* be a scarcity situation if neither person wants the candy. Another example: If a student leaves the school, the teacher may want to remove a desk from the classroom. From an economic point of view, the desk is still a scarce good, but in that particular situation there is no "scarcity" of desks in the classroom. Discuss these and other possibilities with your students.

6. Ask students to make something that is *more* scarce than the first item they produced. Discuss relative scarcity and how prices reflect relative scarcity.
7. Write "scarce" and "scarcity" on the board and practice spelling these words with the students. Then have students close their eyes and spell them out loud. Have students write the words several times on scrap paper or in their economics notebook.
8. Review the meaning of scarcity one more time. Congratulate students on learning "what older students learn."



Follow-up and Extension Activities:

1. Create a "Scarce and Not Scarce" bulletin board, showing things that fit both categories.
2. Include the word "scarce" or "scarcity" on the next spelling test.
3. Discuss whether or not **services** are also scarce. They are, since the services that people provide are valuable, and other people are willing to pay to gain the benefits of the services. The "scarcity rule" applies in this instance, too. If the service were free, more than one person would want to obtain the service.
4. When reading stories or social studies lessons, note scarcity situations that people face. They're everywhere!

5. Do Lesson 4, Scarcity, in the Herschel's World of Economics DVD.
(See www.kidseconposters.com.)



Worksheet Answers:

2. garbage, air in the mountains, sand in the desert, saltwater at the seashore
3. A very scarce good will have a high price; a good that is not very scarce will have a low price.
4. Price is the clue that shows relative scarcity.



Literature Connection: Use the following books to reinforce the economic concept. Lessons with questions to ask students can be found at the KidsEcon Posters© website (www.kidseconposters.com). Click on Literature Connection.

- *Bringing the Rain to Kapiti Plain* by Verna Aardema
- *The Doorbell Rang* by Pat Hutchins

SCARCITY

1. Draw a **scarcity** situation in the space below. Below your drawing, explain *why* it is a scarcity situation.

2. Circle the items below that economists would say are not scarce.

Shirt	Garbage	Automobile	T.V. Repair	Sand in the desert
Book	Gold	Air in the mountains	A nurse's services	
Bananas	Shoes	Pencil	Air in Space	Saltwater at the seashore

3. Draw, label, and color a picture of a good that is very scarce and a good that is not very scarce.

4. In economics, what "clue" tells you if an item is more scarce than another item?
Give an example.
