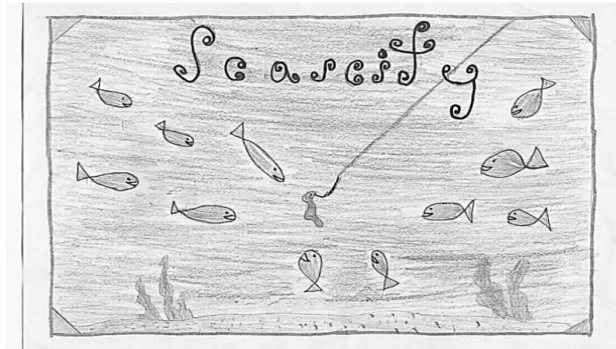


Scarcity and Opportunity Cost



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.