

## ◆ SCARCITY IN THE REAL WORLD, AND THE RESULTING TRADEOFFS ◆

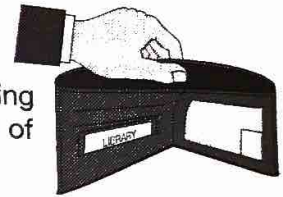


### *The Bottom Line*

In the imperfect world we live in, none of us, even the wealthy, have enough of the things we want. We seem to have **unlimited wants** (prosperity, clean air) and **scarce resources** (productive land, employable workers). Some people and countries, do, of course, have more than others. However, all of us feel we don't have enough of what we want. We are reluctant to make

tradeoffs. But getting one thing often means not getting something else. The value of the option you gave up is called **opportunity cost**.

Scarcity and tradeoffs are indeed an unfortunate fact of life.



### *Personal Economics*

Make a list of your wants—things you'd like more of, or just some of. Many people would say "money," but be specific. What things would you buy with more money? Use the line below and the back of this sheet, if needed.

Are there also things you'd like that can't be bought with money? What about time, or more knowledge? Anything else? List them below and on the back of this sheet, if needed.



### *Beyond the Bottom Line*

Did you know that the U.S. government spends well over \$1 trillion every year on goods and services and still doesn't have enough to satisfy everyone? Yes, even our government has to deal with scarcity and make tradeoffs. That's why Congress and the president have such a battle every year over the budget and who gets what. Consider this question: What are some of the competing demands for government money?

If you're stuck, look at the newspaper or news programs or the Internet. Invariably, you can find stories about people arguing about how government money—*your* money paid in taxes—should be spent. What is *your* opinion on some of these programs? Add more programs to the list below. Then say whether or not you think each one should be funded.

Government Program	My Opinion
1. Money to make health care more affordable for all elderly	
2. Money to increase our military security and international presence	
3.	
4.	
5.	



◆ **SCARCITY IN THE REAL WORLD, AND THE RESULTING TRADEOFFS** ◆ *(continued)*

Circle the programs you feel most deserve government money. Now, unless you want higher taxes or a budget deficit (where the government spends more money than it has) you'll need to make some tradeoffs. Which government

programs should be cut to pay for the ones you support? For every program you support, name an existing one that must be axed. Be specific. Make sure you explain *why* you want to make this tradeoff.

 **Internet Economics**

The federal budget is a great place to see unlimited wants fighting for scarce resources. As the budget takes shape, the two political parties battle daily over how our tax money should be spent. The Republican party has its own web page detailing and promoting its budget positions ([www.rnc.org](http://www.rnc.org)). So do the Democrats ([www.democrats.org](http://www.democrats.org)). There's also a nonpartisan group called The Concord Coalition ([www.concordcoalition.org](http://www.concordcoalition.org)). This group claims to analyze federal budget issues with more neutrality and a longer-term perspective. Check out these web sites. Then answer the following questions:

1. List five specific federal programs and the official Democratic and Republican positions on each.

Program	Democratic Position	Republican Position
1.		
2.		
3.		
4.		
5.		

2. What kind of programs do the Democrats tend to support? What kind of programs do the Republicans tend to support?

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3. What tradeoffs would the Democrats be willing to make in order to pay for the kinds of programs they support? What tradeoffs would the Republicans be willing to make to pay for the kinds of programs they support?

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