

Objective 1: Scarcity/Opportunity Cost/Tradeoffs

Scarcity:

- Unlimited wants, limited resources
- People and societies must deal with scarcity
- Economics is the study the decisions people, businesses, governments make to manage scarcity

Tradeoffs:

- Economic decisions require trading one goal for another
- Example: how to spend income – food, clothing, vacation?
- Example: national defense vs. consumer goods
- Government policies often decide between efficiency (maximum benefits) vs. equality (equal benefits) – taxes, entitlement programs for example

Opportunity Cost:

- What is given up to get an item when making an economic decision (tradeoff)
- Example: college – not just tuition, etc, but wages you could have earned instead
- Example: athletes who stay in college give up (or delay) a potential pro salary