UNIT III / LESSON 1

The Basic Economic Problem:
The Mismatch of Unlimited Wants and Needs and Limited Economic Resources; an Introduction to Sustainability

Time Frame
1 day

Standards
NES: Economics – Describe the nature of economics and economic activity
   Explain how society uses scarce resources to produce and distribute goods and services
NES: Skills – Follow directions
   Apply effective listening skills
   Make oral presentations
   Prepare written reports

Guiding Question
How is economics related to the problem of scarcity?

Materials
Handouts III.1.A-C

Objectives
Students will be able to:

- Define economics and explain how it relates to needs, wants, and scarcity.
- Explain and give examples to prove why everyone’s wants and needs cannot be satisfied.
- Discuss the importance of sustainability and how it relates to meeting people’s needs and wants.

Teacher Background
Economics has been defined as how people and societies use limited resources (both natural and human) to meet their unlimited wants and needs. The problem of meeting these wants and needs is one which all people face, no matter how wealthy or poor they are. It is a problem that requires us to make choices as to how we will use the factors of production (i.e., land, labor, and management). To ensure that we will always be able to meet our most vital needs and wants, humankind is studying sustainability, the effort to preserve and ration natural and human resources.

The lesson begins with a discussion of how humankind’s needs and wants are surpassing our limited resources. This concept is addressed in Handout III.1.A, in which students are asked to explain the illustration focusing on the concept of scarcity, the basis for the study of economics. In Handout III.1.B, students will read an explanation of scarcity, after which they will be asked to answer questions about how scarcity has affected their lives. Finally, Handout III.1.C presents an editorial about sustainability, which the class will be asked to analyze.
Teaching Strategies/Supporting Activities

- Write the following on the board:
  “Needs and Wants.” Ask students to explain their answers to the following questions:
  - What do these terms mean to you?
  - How would you identify your most important needs and wants?
  - Why do some say that people’s needs and wants are unlimited?
  - Explain some of the problems that arise when people try to meet their unlimited needs and wants.

- Distribute Handout III.1.A, “Illustration.” Have students complete the exercise on the handout, then have them explain their answers to the following questions:
  - What do we learn from this handout?
  - Why does “A” outweigh “B”?
  - Why don’t the scales balance?
  - Based on this cartoon, how would you describe the problem of scarcity? Can you give a real-life example to show that we have only limited resources to meet our unlimited needs and wants?
  - Why is this central problem so significant?
  - How does the fact that all your needs and wants cannot be met affect your life?

- Distribute Handout III.1.B, “Scarcity.” Have students complete the exercise on the handout, then have them explain their answers to the following questions:
  - What did you learn about scarcity from this reading?
  - What does the reading mean when it says that resources like land, labor, and capital are scarce?
  - Which of the following suggestions serves as the best way for dealing with the problem of scarcity?
    1) The government should determine who gets the scarce resources.
    2) Scarce resources should be given to those people with the greatest needs.
    3) Scarce resources should be given to people who have the money to pay for them.
  - In our economy, people who have the money get the scarce resources; is this the best way to deal with the problem of scarcity?
Distribute Handout III.1.C, “The Importance of Sustainability.” Have students complete the exercise on the handout, then have them explain their answers to the following questions:

- What did you identify as the major opinion stated in this editorial?
- What arguments did you find to support the opinion stated in this editorial?
- To what extent do you agree with the editorial writer about the importance of sustainability?
- How necessary do you think it is that we preserve resources today for future generations?
- What are some of the problems we face in trying to support the concept of sustainability in today’s resource-thirsty world?

Summary/Assessment
Ask students to explain their answers to the following question:

How should we deal with the fact that we cannot have all the things we need and want?

Follow-Up
Ask students to research the topic of sustainability. Have students bring to class an effective idea based on that research related to sustaining our precious natural and human resources. As part of the class discussion, ask students to explain their answers to the following questions:

- What is one effective idea related to sustainability?
- Why do you think this idea is so effective?
- Are we doing enough today to promote sustainability?
- What additional things can we do to promote sustainability?
Handout III.1.A, “Illustration”

Directions: Study the illustration below, including the title and caption, and answer the questions in the exercise.

Scarcity: The Central Problem of Economics

“Scarcity: The Central Problem of Economics

Exercise:

1. What is the title of this illustration? ________________________________________________________

2. What does the caption under the illustration say? _____________________________________________

3. Why does “A” outweigh “B?” ______________________________________________________________

4. Why don’t the scales balance? _____________________________________________________________

5. Based on the illustration, explain “scarcity.” ________________________________________________

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**Directions:** Read the Q&A below and complete the exercise at the bottom of the page.

**Q. What does economics have to do with scarcity?**

**A.** Economics is all about scarcity, a problem that has existed ever since the beginning of humankind, a problem faced by rich and poor, and a problem confronting both individuals and societies.

**Q. What is scarcity?**

**A.** Scarcity, in general terms, is basically a lack of supply or a shortage. According to economics, scarcity refers to the shortage of resources available to meet the unlimited needs and wants of the entire population. In other words, scarcity can be defined as the excess of human wants over what can actually be produced.

**Q. Are all resources scarce?**

**A.** The scarce resources we are talking about are the factors of production. Among the most important are:

- **Labor** – the workers available to produce goods and services.
- **Land & Raw Materials** – the raw materials, etc., used to produce goods and services.
- **Capital** – the amount of money available for investing.

In spite of all the above-mentioned resources, there are some resources that are considered to be unlimited and they are known as “free goods.” Air and water are considered to be “free goods.” This is because they are freely available to the population. However, it should be said that even though air and water are considered to be free goods, for some nations air and water are considered to be scarce. This is because the air and water around them are polluted, and in order to produce purified air and water they basically have to use resources. For those countries, air and water are no longer free goods but instead considered to be economic goods because they are scarce.

**Q. Why is scarcity called the central problem of economics?**

**A.** If all the resources were unlimited or, in other words, if there were sufficient amount of resources to fulfill all of the ever-changing demands of the people, then of course the people would have fulfilled their needs and wants without any problem. But in reality this is not the case. That’s why scarcity has become a problem, thus paving way for all of the economic issues faced by the world today.


**Exercise:** In the space below, suggest a question about scarcity that you would like to ask.

**Q:** ________________________________
Handout III.1.C, “The Importance of Sustainability”

Directions: An editorial is an essay expressing an opinion. Read the editorial below and complete the exercise that follows.

In the past, the entire human population was small and civilizations had very few needs. At that time, natural resources seemed limitless because the capacity of nature to regenerate was much higher than the rate at which human beings used up resources. Today, our needs are much greater—some would say our needs are unlimited—and we are painfully beginning to learn that environmental resources to meet those needs are limited and are quite sensitive to everything that we do. We are starting to experience the effects of the actions of generations that came before us.

To make sure that future generations will not experience a situation worse than ours, we need to be aware of the ideals and requirements of sustainability. Sustainability is the ability to maintain a certain status or process in existing systems. Sustainability is important because all the choices we pursue and all the actions that we make today will affect everything in the future.

For example, if we continue wasting water and polluting the dwindling supply of fresh water that we have today, we leave future generations with no other choice than to desalinate saltwater or treat contaminated water for their consumption and daily use. We can also be assured that, if that happens, all life that depends on clean fresh water will become extinct.

The same goes with the supply of soil that we currently have. Without proper care, our soils can easily lose quality enough that they will no longer be able to encourage growth and sustain life. If that happens, future civilizations will be void of crop and other natural sources of food. They will then have no other choice but to create man-made sources for nourishment and sustenance.

The two examples described above may seem frightening but, in fact, those are not the worst circumstances we can leave the future of mankind. If clean water and good soil become scarce enough, all life on Earth can become extinct. Keep in mind that this does not just apply to soil and water. The fact is that all resources, including human resources, are becoming scarce and being outweighed by our unlimited needs and wants.

As we become aware, we need to put what we learn into action, as that is the only way we can allow nature to catch up with the rate at which our requirements grow. This does not mean having to stifle human development. On the contrary, it means sustaining the supply of resources so that we can, in turn, sustain human development.

We need to make sound decisions at present in order to avoid limiting the choices of generations to come. Understanding and valuing sustainability will help us make those sound decisions.

Adapted from: http://www.benefits-of-recycling.com/whyissustainabilityimportant.html
Exercise: In the space below, identify one, major opinion stated in this editorial. Then, list two arguments offered in the editorial to support the opinion you identified.

Opinion stated in the editorial:

Argument #1 supporting the opinion stated in the editorial:

Argument #2 supporting the opinion stated in the editorial: