

Basic Economics: Scarcity and Choices

Think of a thing that you like to have. What would your life be like if you suddenly couldn't get any more of it?

You might have a favorite hobby, like collecting toys or reading *Harry Potter* books. You might have a favorite food, like ice cream or a special kind of bread. What would you do if your favorite toys or books were no longer available? What if you couldn't get ice cream or your favorite bread anywhere?

People deal with this kind of problem every day. It's called *scarcity*. It comes from the word *scarce*, which means there isn't a lot of it or it isn't always available.

Some fruits and vegetables are scarce in markets sometimes because those fruits or vegetables grow only at certain times of the year. Because the supply of fruits and vegetables is lower, there is a better chance that those fruits and vegetables will be scarce, or not always available. You may find that the market has *no* strawberries at all. Why? Either no shipments of strawberries came in, or so few strawberries came in that by the time you got there, they were all gone.

What does this mean for the *demand* of strawberries? If enough people want strawberries when none are available, then the *demand* is quite high. And the demand is high not because the price is low (as is usually the case) but because the *supply* is low.

An older person in your family can probably tell you about a time 30 years ago when there was a gasoline shortage. At that time, in the 1970s, gasoline was *scarce*. Many people wanted to buy it, but only a certain amount was available. This is a great example of *scarcity*: Wants are more than what is available. The *supply* was low. Because the demand was greater than the supply, the gasoline was scarce.

So how does *scarcity* relate to *supply* and *demand*? *Scarcity* is a measure of *supply*. If strawberries are *scarce*, then the *supply* of

strawberries is low. And if many people want to buy strawberries when none are available, then *demand* is high because of a low *supply* caused by *scarcity*.

When things are *scarce*, we have to make choices. If the market doesn't have strawberries, you have to decide if you really want strawberries. If you do, then you will have to travel to different markets to try to find some strawberries. If you don't find any strawberries anywhere, then you will have to go without. *Scarcity* has forced you to go without strawberries.

In the same way, the latest *Harry Potter* book might be difficult to find because you weren't one of the early people at the bookstore the day the book came out. If your local bookstore ordered only 5,000 copies and 4,998 people bought the book before you got there, then you'd better hope you're one of the next 2 people through the door. The same is probably true at other bookstores in your area. We can say that the latest *Harry Potter* book is *scarce* because its supply is low.

Another choice you might have to make when something is *scarce* is how much you are willing to pay for it. If strawberries are normally a low price, then they might have a higher price when they are *scarce*. If that is the case, then you will have to decide whether you want to pay the higher price. You'll have to decide how badly you want those strawberries. If you have only a certain amount of money, then you'll have to buy the strawberries using some of the money you had planned to spend on other foods. *Scarcity* has forced you to make a choice between foods.

For many people, making difficult choices is a way of life. If you don't have enough money to buy all the foods you need (and many, many people don't), then you have to make choices. And the more *scarcity* you see on the shelves of the market, the more difficult choices you have to make.

The same is true if the *scarcity* is created only by a seasonal market, like the strawberries or other fruits and vegetables. Some crops grow better at certain times of the year, so they are harvested at those times and sent to market at those times. If you want

strawberries and it's not strawberry season, then the supply of strawberries is most likely *scarce*, if any are available at all.

Lastly, sometimes *scarcity* is created only because a supplier has sold out of a certain product. A sale on older *Harry Potter* books might result in a bookstore's selling all of the books on hand. And if other bookstores have similar sales, then it will be very difficult to find one of those older *Harry Potter* books. This is *scarcity* caused by too many people trying to buy too few things.

Scarcity can be a powerful thing. It can force you to make difficult choices. It can force you to go without. It can force you to pay more than you wanted to. It can force you to look elsewhere for the thing you want. The next time you discover that something you want isn't available, remember the idea of *scarcity*. What choice will you make?