



Scarcity, Tradeoffs, and Opportunity Cost

Objective: In this activity, students will explore the concepts of scarcity, tradeoffs, and opportunity cost.

Materials: Pen/pencil, blank grid attached.

Procedure: Explain to students that this activity will apply the concepts of scarcity, efficiency, tradeoffs, and opportunity cost.

To begin, offer students the following scenario: The city has just approved your proposal to build an amusement park. They have allocated you a parcel of land and have zoned it into 25 sections. Your job is to decide what attractions to build in your amusement park. Your goal is to make a profit. How will you bring customers into your amusement park? In addition, space is limited. You only have 25 sections. You will also need to consider concession stands and restrooms for your patrons. Take 10-15 minutes to build your amusement park based on the following:

Bumper boats – 3 sections	Kiddie ride – 1 section
Bumper cars – 3 sections	Mechanical bull – 1 section
Carousel – 2 sections	Pirate ship – 2 sections
Concession stand – 1 section	Restroom – 1 section
Drop tower – 2 sections	Roller coaster with loop-the-loop – 3 sections
Ferris wheel – 2 sections	Roller coaster without loop-the-loop – 2 sections
Flying machine – 2 sections	Teacups – 1 section
Fun slide – 2 sections	Tilt-A-Whirl – 2 sections

*Numbers above are sections required for **ONE attraction**. (Hint: to keep your customers happy, you probably should consider more than one restroom, concession stand, etc.) However, if you have more than one of every attraction, it will require over 30 sections, so you will have to make choices!

Discussion Questions:

1. Why didn't you put more than one of every attraction in the amusement park?
2. We had an **opportunity cost** problem. Explain why we had this problem.
3. Was there an attraction you left out? Why?
4. Why didn't you have an amusement park with only roller coasters?
5. Why might you consider putting a roller coaster without loop-the-loop instead of one with loop-the-loop?
6. What was the last attraction to make the cut for your amusement park?
7. What was the attraction that just missed the cut for your amusement park?

Model Answers:

1. Scarcity. In this case, land was the scarce resource.
2. If we wanted more of one attraction, we had to sacrifice more of another.
3. Cost vs. benefits. You must've concluded that the cost (land you'd give up) outweighed the benefit (attracting patrons to your amusement park).
4. Diminishing marginal utility. A person receives less satisfaction each additional time they use an attraction. Riding a roller coaster the first time will be great. It will not be as enjoyable the tenth time.
5. Cost vs. benefits. The roller coaster without the loop-the-loop takes up less land (benefit) at minimal cost (it is still a roller coaster after all).
6. You examined the additional benefits with the additional cost and decided which attraction would be most beneficial.
7. That attraction was your opportunity cost (think: opportunity lost)



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