**Scarcity and Choice**

**Scarcity** means that people want more than is available. Scarcity limits us both as individuals and as a society. As individuals, limited income (and time and ability) keep us from doing and having all that we might like. As a society, limited resources (such as manpower, machinery, and natural resources) fix a maximum on the amount of goods and services that can be produced.

Scarcity requires **choice.** People must choose which of their desires they will satisfy and which they will leave unsatisfied. When we, either as individuals or as a society, choose more of something, scarcity forces us to take less of something else. Economics is sometimes called the study of scarcity because economic activity would not exist if scarcity did not force people to make choices.

When there is scarcity and choice, there are **costs**. The cost of any choice is the option or options that a person gives up. For example, if you gave up the option of playing a computer game to read this text, the cost of reading this text is the enjoyment you would have received playing the game. Most of economics is based on the simple idea that people make choices by comparing the benefits of option **A** with the benefits of option **B** (and all other options that are available) and choosing the one with the highest benefit. Alternatively, one can view the cost of choosing option **A** as the sacrifice involved in rejecting option **B**, and then say that one chooses option **A** when the benefits of **A** outweigh the costs of choosing **A** (which are the benefits one loses when one rejects option **B**).

The widespread use of definitions emphasizing choice and scarcity shows that economists believe that these definitions focus on a central and basic part of the subject. This emphasis on choice represents a relatively recent insight into what economics is all about; the notion of choice is not stressed in older definitions of economics. Sometimes, this insight yields rather clever definitions, as in James Buchanan's observation that an economist is one who disagrees with the statement that whatever is worth doing is worth doing well. What Buchanan is noting is that time is scarce because it is limited and there are many things one can do with one's time. If one wants to do all things well, one must devote considerable time to each, and thus must sacrifice other things one could do. Sometimes, it is wise to choose to do some things poorly so that one has more time for other things.

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