

Types of goods and scarcity

Name:

Date:



Private and Public Goods

Every morning, Sarah's alarm clock rings at 7 AM. She reaches for her smartphone to check the latest news updates. After a quick shower, she puts on her favorite pair of jeans and a t-shirt. In the kitchen, she prepares breakfast using fresh milk and cereal. Before leaving the house, she grabs her backpack, locks the door, and rides her bike to school. After a long day at school, she meets her friends at the local park where they enjoy ice cream and listen to music.

Goods are items or services that satisfy human needs and wants. They can be tangible, like a bicycle, or intangible, like a service. Among the types of goods, we distinguish between private and public goods. Private goods are products consumed by individuals that exhibit characteristics such as excludability and rivalry. This means that their use by one person prevents another from using them, and they can be withheld from those who do not pay for them, like Sarah's smartphone, clothing, food, and personal belongings. Public goods, on the other hand, are characterized by non-excludability and non-rivalry. These goods are available to all members of society, and one person's use does not diminish another's ability to use them, such as the local park, street lighting, and clean air.

The key difference between private and public goods lies in their accessibility and consumption. Private goods are intended for individual use and require payment or ownership, whereas public goods are available to everyone without direct payment and are often provided by the government or community organizations. Despite these differences, both types of goods are essential for a well-functioning society. Private goods cater to individual needs and preferences, driving personal consumption and economic activity. Public goods, meanwhile, ensure communal well-being and provide essential services and infrastructure that support the overall quality of life.

In the economy, both private and public goods play vital roles. Private goods drive market demand and stimulate consumption, while public goods ensure the collective welfare and provide the foundational elements necessary for societal prosperity. Balancing the provision and consumption of both private and public goods is crucial for maintaining a stable and thriving economy.

Rule to Distinguish Private and Public Goods

Private goods are excludable and rivalrous, meaning people can be prevented from using them and one person's use reduces availability for others. Public goods are non-excludable and non-rivalrous, meaning they are available to all and one person's use does not affect another's.

Examples: Private goods: food, clothing, cars. Public goods: street lighting, national defense, public parks.

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 Assign the terms to a specific type of goods.

Public Goods

Private Goods

National defense · Lighthouses · Clean air · Street lighting · Electronics · Clothing · Housing · Vehicles · Public parks · Food

Mark the correct answer with a cross.

What type of good is a lighthouse?

☐ Neither ☐ Private good ☐ Public good

What type of good is a sandwich?

☐ Private good ☐ Neither ☐ Public good

What type of good is clean air?

☐ Neither ☐ Public good ☐ Private good

What type of good is a toll road?

☐ Public good ☐ Private good ☐ Neither

What type of good is national defense?

☐ Neither ☐ Public good ☐ Private good

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The Concept of Scarcity

Scarcity means there isn't enough of something for everyone who wants it. Imagine Sarah has a box of chocolates, but she has ten friends who all want some. Since there aren't enough chocolates for everyone, they need to decide who gets a piece or how to share them. This is scarcity.

In economics, scarcity means resources like money, time, or materials are limited. For example, Sarah has only a certain amount of money to buy things like her smartphone, clothes, or food. She needs to decide what to spend her money on. Public goods like clean parks and street lighting also need resources like workers and money to stay nice and useful.

Scarcity makes us choose and prioritize what we need the most to make the best use of what we have. This way, we can try to meet our needs and wants as well as possible.

Rule for Remembering the Definition of Scarcity

Scarcity occurs when there are limited resources to meet unlimited wants and needs. It forces individuals and societies to make choices on how to allocate resources efficiently.

Examples: Water in a desert, clean air in polluted cities, and time for completing tasks.

Fill in the gaps with the matching words

Scarcity in _____ refers to the fundamental issue of finite resources unable to meet infinite human wants. It is a relative concept, meaning that the availability of goods is insufficient relative to the _____. This necessitates economic activity aimed at mitigating its effects and optimizing resource allocation. The consequences of scarcity for the _____ include increased prices and the need for efficient distribution. For individuals, scarcity can lead to _____ and limited access to essential goods. It drives innovation as people and businesses strive to overcome resource limitations. The concept of scarcity is _____ to economic theory and influences various aspects of human behavior. Understanding scarcity helps in addressing issues like _____ management and sustainable development.

resource, economy, competition, fundamental, economics, demand

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Put the paragraphs in the correct order.

- ☐ She needs to decide what to spend her money on.
- ☐ Sarah has a box of chocolates.
- ☐ In economics, scarcity means resources like money, time, or materials are limited.
- ☐ Scarcity makes us choose and prioritize what we need the most to make the best use of what we have.
- ☐ This way, we can try to meet our needs and wants as well as possible.
- ☐ Public goods like clean parks and street lighting also need resources like workers and money to stay nice and useful.
- ☐ Sarah has only a certain amount of money to buy things like her smartphone, clothes, or food.
- ☐ This situation represents scarcity.
- ☐ They need to decide who gets a piece or how to share them.
- ☐ There aren't enough chocolates for everyone.
- ☐ She has ten friends who all want some chocolates.



Example

The school canteen only serves 50 portions of the popular pizza every day, but 80 pupils want to buy it. Some students don't get a slice and have to switch to other dishes that they don't like as much.

 **How could the canteen solve the shortage of pizza? Consider whether there are ways to manage demand or increase supply.**
