

What Is Economics? A Lesson on Choice and Scarcity

SUBMITTED BY: Michael Ryan Moore, University of Pennsylvania, GSE

SUBJECT(S): Economics, Personal Finance

GRADE LEVEL(S): 9, 10, 11, 12

≡ OVERVIEW:

This lesson provides a brief introduction to formal economic theory. Using the article “Red Velvet Revolution: The Rise of the Cupcake Entrepreneur,” students will role play as small business owners in charge of a cupcake store. Students will make choices about location, inventory, equipment and sales. Throughout the lesson, students will think about economics as the study of choice under scarcity.

≡ NBEA STANDARD(S):

- Economics, I. Allocation of Resources
- Personal Finance, I. Personal Decision Making

≡ RELATED ARTICLES:

- [“Wharton Insights on the Impact and Implications of Coronavirus”](#)
- [“Red Velvet Revolution: The Rise of the Cupcake Entrepreneur”](#)
- [“Inside Health Economics and the Forces that Influence Health Care”](#)
- [“GDP: The Rock Star of Economic Indicators”](#)
- [“Exploring the Economics of Everyday Life”](#)
- [“Career Insight: Ama Egyaba Baidu-Forson’s Economist Life”](#)
- [“Are We Sinking into an Economic Recession?”](#)

- “An Intern’s Deep Dive into Behavioral Economics”
- “3 Things You Can Do with an Economics Degree”

Common Core Standard(s):

- Mathematics (N-Q), “Reason quantitatively and use units to solve problems.”

Objectives/Purposes: The purpose of this lesson is to introduce students to the basics of economic theory. By definition, economics is the study of choice under scarcity. Before moving on to more complex topics, students must firmly grasp the concept of scarcity and the relationship between scarcity and business decisions.

- Students will understand how limited resources affect decision-making
- Students will compare multiple decisions, providing rationale for each.
- Students will be able to define *scarcity*, and describe the relationship between economics and scarcity.

Other Resources/Materials:

For Teachers:

- Internet Access (Outside of the Classroom)
- Printer/Copier
- Access to Chalkboard/Whiteboard

For Students:

- Pen
- Paper

Tying It All Together:

The lesson is divided into five parts: (1) Introduction, (2) Guided Reading, (3) Role play (4) Class Discussion and finally (5) Closing

Introduction (1-5 mins)

At the beginning of the lesson, ask students if they've ever heard the term *economics*. By a show of hands, how many students have taken an economics class? By a show of hands, how many students know what supply and demand are? Ask a volunteer to define *economics* for you. What do economists study? Use probing questions to encourage students to think about economics in terms of *choice*.

Once students start thinking about choices—whether the choice to buy something, or the choice to sell something, etc.—provide student with a formal definition of economics. *Economics is the study of choice under scarcity*. Again, ask students what they think this definition means. What is scarcity? What does it mean to make choices under scarcity?

Guided Reading (5-10 mins)

After this short class discussion, tell students that we will be looking at choice and scarcity from a business perspective. Have students read through the article “[Red Velvet Revolution: The Rise of the Cupcake Entrepreneur](#).” As the students read, provide them with a few guiding questions: (1) What are the scarce resources involved in running a cupcake store? (2) How does scarcity affect customers? (3) How does it affect the store owner?

Role Play (15-20 mins)

Once students have finished reading, ask a volunteer to summarize the article. After a short summary, repeat the guiding questions. What are the scarce resources? How does scarcity affect consumer choices? How does it affect business decisions?

Next, tell students that they will be splitting into small groups. Each group will be in charge of its own cupcake store. Limit each group to three or four members. Explain to each group that they each have a limited budget, and they must decide what to spend it on. At the end of class each group will give a short presentation, showing their decisions, and offering an explanation for each one.

Give each group a copy of [Worksheet 1: Cupcake Costs](#).

Class Discussion (5-10 mins)

Once groups finish their worksheets, invite each group to present to the class. Encourage each group to explain how they came to their final decisions. Make sure groups not only explain why

they made a certain choice, but also why they chose *not* to take other courses of action.

Closing (1-5 mins)

After all the groups have presented, ask student for feedback on the role-play scenario. How realistic do they think it is? Was it easy to make these decisions? How did they know what the “right” decision would be?

Assessment & Extension

During the role-play time, teachers can listen in on group conversations. This is a good time to listen for misunderstandings. Make sure each team recognizes that their budget is limited, and that they must make trade-offs. The group presentations should provide an excellent means of assessing how, and to what degree, students came to terms with *scarcity*, and mutually exclusive decision-making

Practice Outside of the Classroom:

Encourage students to look for examples of scarcity outside of the classroom. What products and services are abundant? What are hard to find? What distinguishes the two?

What Worked and What I Would Do Differently:

During the group activity, have each group put their completed budget up on the chalkboard or an overhead display (e.g. I had students fill out an Excel spreadsheet). Having each group’s work on the board makes it easier to compare and contrast. Encourage each group to offer a rationale for their decisions. What were the tradeoffs involved in each decision?

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