

# Understanding Prosperity Through Scarcity, Price, & Economy

## Student Guide

How do prices reflect scarcity?

How do prices impact prosperity in society?

How does cooperation help mitigate scarcity?

In this activity, you will...

- ☐ will define prosperity, supply, demand, scarcity, shortage, surplus, price ceilings, and price floors.
- ☐ identify how prices serve as a signal in the economy.
- ☐ explain how supply and demand reflect the market and determine prices.
- ☐ identify how prices affect the availability of goods and services that are a part of their daily lives.
- ☐ analyze the impact the government has when setting prices above/below the market equilibrium.

**Engage:**

**Anticipate:**

**Directions:** As you watch the Prosperity video, think about what prosperity means or looks like to you or how it might be achieved.

**Directions:** The following quote is from Adam Smith's *The Wealth of Nations*, published in 1776. How does it relate to economics, prices, and availability of goods/services, and do you agree or disagree with Smith's views on self-interest? Record your thoughts below.

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“It is not from the **benevolence** of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest.”

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**Directions:** Watch the Economy video from the start to the 1:11 mark. Make a list of some of the things you may want to purchase in the near future. How effective would it be for the government to be in charge of deciding what is needed or what should be produced?

**Directions:** Continue playing the video from 1:11 to 2:44. Who decides what to produce? And what kind of impact do people like you have on the price of those goods and services?

**Directions:** Continue playing the video from 2:44 to the end. What is the

appropriate role of the government in the economy?

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**Directions:** Choose at least two of the following goods or services. Click on the link to review prices for those goods over the last ten years. Record the price of that service for this year, and for at least 3 additional years.

Good or Service	Price Chart	Reflections												
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**Directions:** Compare your prices with a partner who chose different goods and services. What similarities and/or differences do you notice? Brainstorm a list of factors of supply and/or demand that have caused changes to prices over time. What price change surprised you the most? Why? How do these price changes affect your prosperity?

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### Explore:

**Directions:** As you read about Hurricane Katrina, use the following questions to guide your reading and assess your understanding of the content.

What factors of supply and demand led to the shortages of products after Hurricane Katrina?
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How is this severe shortage of products during natural disasters, like Hurricane Katrina reflected in their new price? Discuss and explain your opinion of the “fairness” around the increase in prices of these essential products?

Are essential products going to be more available if prices are allowed to rise or if a mayor/governor mandates the prices of these essential products stay at or near the pre natural disaster price?

**Directions:** For each policy option, determine if it causes an **increase** or **decrease** in price, demand, and supply, and if it causes a shortage or surplus of a good or service.

Policy option	Effect on Price	Effect on Quantity Demanded	Effect on Quantity Supplied	Shortage or Surplus?
Store limit of 2 hand sanitizers per customer	<i>Increase</i>	<i>Increase</i>	<i>Decrease</i>	<i>Shortage</i>
Government declares the maximum price allowed to be charged for gasoline in post-hurricane recovery.				
Government declares the minimum price allowed to be paid to labor in post-hurricane recovery.				

Rent Control				
Minimum Wage				
Farm Subsidies				

### Analysis:

Explain who benefits and who is harmed by price floors.
Explain who benefits and who is harmed by price ceilings.
If economists are generally against price ceilings set below the market equilibrium for the shortages they create, why are such programs as rent control so popular with politicians?

### Assess & Reflect:

**Directions:** Select either assessment option to respond to. If you choose to write a response, do so in the provided space. If you record your response, provide a link to it in the provided space.



### Option 1

Select at least one of the lesson's guiding questions. Respond to the question(s) in writing or on video. Include a short reflection that includes your rating for how well you understand the lesson concepts.

### Option 2

Apply what you learned from the Hurricane Katrina case study to other product shortages such as during the 2020 COVID-19 pandemic.

- Create a dialogue between a parent and child or grandparent and grandchild comparing the pandemic situation to that of Hurricane Katrina. Be sure to include in your dialogue how you would address the problem of product shortages and ways to return product prices to equilibrium.
- Your response can be written or recorded in a video.