What is scarcity?

1.1 Scarcity is a relative concept. Scarcity means that resources are insufficient to satisfy all our wants. In other words, scarcity means that *we want more than we have* or *quantity demanded is greater than quantity supplied at price zero*. Scarcity implies that:
   (i) we have to make choice among options, and
   (ii) competition in a world of more than one person (i.e. non-Robinson economy).

1.2 Scarcity is a universal
   (i) Scarcity exists in every society. Even people in the wealthiest societies are in a state of scarcity.
   (ii) Scarcity cannot be eliminated

1.3 Scarcity does not apply to all kinds of goods. Economic goods are scarce while free goods are not scarce.

<table>
<thead>
<tr>
<th>Free Goods</th>
<th>Economic Goods</th>
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<tbody>
<tr>
<td>- The amount available is sufficient to satisfy all people’s wants</td>
<td>- The amount available is less than that people wants</td>
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<tr>
<td>- More of it is not preferred</td>
<td>- More is preferred to less</td>
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<tr>
<td>- Do not subject to competition</td>
<td>- Subject to competition</td>
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1.4 Scarcity is NOT the same as Shortage
   Scarcity refers to the situation that resources are insufficient to satisfy all our wants. In other words, scarcity means quantity supplied is less than quantity demanded at price zero.

On the other hand, shortage means quantity demanded exceeds quantity supplied at the prevailing price (a price lower than the equilibrium price). So, they are different!

1.5 Scarcity is implied by the existence of price
   In other words, any goods that commands a price must be scarce. However, it should be reminded that “scarcity does NOT imply the existence of a price”.

Scarcity, Choice and Cost

Because of scarcity (i.e. the fact that resources is insufficient to satisfy all our wants), we have to choose which wants to be satisfied and which to be given up. When we make choice, some wants must have to be given up. So, cost is implied.

In economics, we predict human choices based on the postulate of constrained maximization / selfishness. So, the study of economics is to study how people make choice subject to constraints (e.g. income, prices, costs, etc.). In other words, economics is to investigate the constraints one faces in making a choice and how people’s choice would be affected when those constraints change.

Scarcity, Competition and Discrimination

3.1 Competition is an inescapable consequence of scarcity
   With scarcity, resources / goods are not enough to satisfy all human wants. So, in a non-Robinson economy, people have to compete with one another for scarce resources / goods. When two or more individuals want more of the same good, competition is implied. Competition, therefore, is an inescapable consequence of scarcity in a social context. That is, scarcity implies competition in a non-Robinson economy.
3.2 **Competition exists in every economy**
Because scarcity exists not only in capitalist countries but also exist in socialist states. So long as scarcity exists, competition is inescapable.

3.3 **Price and Non-price competition**
In competition, competitive criteria are required to decide who will win and who will lose. As mentioned above, both capitalist countries and socialist countries have to face competition. However, competition can be taken place in many forms. In other words, different countries may have different competitive criteria to determine who will win and who will lose.

**Price competition**
Under private property rights system, (or in capitalist countries, more precisely, market economies), like Hong Kong, the major mode of competition is **price competition**. In other words, under private property rights, the major competitive criterion is the ability and willingness to pay (i.e. whoever able and willing to pay a higher price wins!)

**Non-price competition**
All forms of competition other than price are called **non-price competition**. In many socialist countries (or planned economies), like China, where private property rights and price mechanism is being suppressed, competition may exist in the forms other than price (e.g. rank, i.e. whoever in the higher rank wins). Competition can also in the form of physical forces, waiting in line, gender, etc. Non-price competition will occur when:
1. there is price controls;
2. price is set below the market-clearing price due to the presence of transaction costs;
3. private property rights or price mechanism is being suppressed;

3.4 **Competition and Discrimination**
Whatever the form of competition is, discrimination is implied. **All competitive criteria are discriminatory** as they serve to separate the winners from losers. That is, someone must be discriminated by some criteria. In fact, the purpose of competition is to discriminate. In competing for scarce resources, those who fail to get what they want are said to be being discriminated.

For instance, if price is used as the competitive criterion, those who does not willing to pay the price (not necessary the poor!) are being discriminated. In the competition of senior posts, if experience is used as the competitive criterion, those who have less experience are being discriminated. Even drawing lots is discriminatory as those who are not lucky enough are being discriminated.

3.5 **When competitive criteria change, behaviors may change accordingly**
When competitive criteria change, different people will win because different people may have different advantages in winning under different competitive criteria. Besides, **human behaviors will change accordingly** so as to increase the chance of winning.

For example, in our school, the main criterion of allocating S.6 places is the HKCEE results. So, students spend a lot of time in studying text (mainly those within the examination syllabus), going to tutorial schools, doing past paper questions, and so on, in order to get better grades in HKCEE. Suppose places are now allocated to students based on the scores they can get in playing Pac-man. Obviously, different students will be able to get into S.6 and students will have different set of behaviors (e.g. they will spend more time in playing Pac-man instead of studying).

(Note: We are not interested in whether a certain form of competition, or certain competitive criterion, is good or bad, fair or not because economics, as a science, is strictly positive.)