

An Exercise in Economic Decision Making

You are a member of the Oliver Springs City Council. You have a budget of \$250,000 to spend in the coming year. The problem you face is that there are legitimate requests from the city agencies for more than \$250,000. The city needs each of these requests. There is a great deal of popular support for each of these requests. You must make a decision about how you are going to spend the money in the best way possible.

REQUEST	Unit Cost	Total cost	Priority (1= highest)	Decision Y or N
4 new police cars	\$25,000	\$100,000		
Remodel the Senior Citizen Center, which houses the Nutrition Center	\$70,000	\$70,000		
A new Animal Shelter	\$60,000	\$60,000		
3 New Tennis Courts	\$30,000	\$30,000		
A new Bookmobile for the public library	\$40,000	\$40,000		
An additional Fire Engine	\$95,000	\$95,000		
Additional Softball and Little League Baseball fields	\$70,000	\$70,000		
A Youth Detention Center to separate youth offenders from adult prisoners	\$60,000	\$60,000		
A Rails-to-Trails Program	\$45,000	\$45,000		

1. Fill out the Above Chart. (4 points)
2. Explain the rationale you developed for deciding what was most important and what was least important. (6 points)
3. Identify the Opportunity Cost of your decisions. (6 points)
4. What will be the effect of your decision upon the community? (4 points)