



# Economics Vocabulary



# What is Economics?

- The study of production (making of), distribution (selling of), and consumption of (using of) goods and services.
- Before we can really get started, we must first understand what are **goods** and **services**.
- **Goods**- products; things you can see and touch and use.
- **Services**- things people do for someone else.



# How does it all work?

- Economics is a part of almost everything we do.
- Economics influences where you live, what you eat, the clothes you wear, the way you earn money, the kinds of transportation you use, even how you spend your time.
- Think about one day last week. Consider all the goods and services you were involved with in just one day.



# Choices

- Economics is all about making choices.
- Every day we must consider how to use our *scarce resources* to satisfy our *needs* and *wants*.
- First, we must now consider what the difference is between *needs* and *wants*.



# Needs v. Wants

- **Needs**, or **Physical Needs**, are things necessary for life.
  - What are some examples of physical needs?
  
- **Wants**, or **Psychological Wants**, things that are not necessary for life, but will make them happy or give them greater comfort of mind and body.
  - Wants of the people change depending on when we live and where we live.
  - Can you give me some different examples of wants?



# So How Do We Satisfy Our Needs and Wants?

- **Resources** are what people use to make things that satisfy their needs and wants. These are also referred to as our **factors of production**.
  - **Natural Resources (LAND)**
    - Things found in nature (air, water, land, plants, animals, minerals, raw materials).
  - **Human Resources (LABOR)**
    - The work that people can do, their energy, their ideas, their training and skills.
  - **Capital Resources (CAPTIAL)**
    - The tools, factories, machinery, computers, and other equipment needed to turn raw materials into finished products.
  - **Entrepreneurship (MANAGEMENT)**
    - Raise the money (capital) and organize the other factors of production. Usually the owners of the business.



# Do We Use All the Resources?

- Think about the desk you're sitting in right now. What factors went into the production of the desk? Did it include ***natural, human, capital, and entrepreneurship resources***?
- Which resource do you think is the most important of all?



# Scarcity

- **Scarcity** is when there is not enough resources available to meet the needs and wants of the people.
- In order for something to be scarce, people must first want it.
  - Scarcity= Wants > Available resources/goods/services





## Let's Look at an Example:

- A clothing factory makes 100 shirts of a new design. Are the shirts scarce?
  - We can't tell. It depends if anyone wants to buy the shirts or not.



# Opportunity Cost

- Every day we must make decisions in life. Sometimes we don't even realize that we're making decisions. However, each time we make a decision to do something, we're making a decision not to do something else. This is called *opportunity cost*.
- *Opportunity Cost* is the best choice *NOT* taken when making a decision.



# Examples of Opportunity Cost

- Should I go to work today?
- Should I go to college after high school?
- Should the government spend money on a new weapon system?



# What is the Opportunity Cost if...

- You have a job, what do you give up to go to work?
  - Sleeping in
  - Taking my dog to the park
  - Spend the day looking for a better job



# What is the Opportunity Cost if...

- You choose to go to college?
  - Money spent on college could have gone to something else
  - Working and earning money
  - Free time



# What is the Opportunity Cost if...

- We spend 150.7 million for a ballistic missile defense system (Center on Arms Control and Nuclear Proliferation) in Colorado?
  - 27,547 people could get health care
  - 37,384 scholarships for university students
- This represents real choices that the government must make with our tax dollars.
- The opportunity cost in this situation depends on what you value more: military spending, health care, or education.



## Other Examples:

- You are a personal trainer who makes \$75 an hour training. Tonight, you have the option of staying at home and resting or going to train someone at the gym. What is your choice? What is the opportunity cost?
  
- Soccer practice tonight v. Favorite t.v. show



# Real Life Examples

- What are examples of opportunity cost in your life. Take a few minutes and make a list of examples of opportunity cost in your life. Remember, **OPPORTUNITY COST** is the most desirable choice not taken in order to get what we want.



# Practice

<b>Good</b>	<b>Price</b>
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Gum	\$ .50
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Soda	\$1.00
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Movie Ticket	\$5.00
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You have five dollars, what would you like to spend it on? There are a million things you would love to spend five bucks on, but let's imagine there are only three things out there you really want to buy: gum, soda, and movie tickets. Look at the price chart below and answer the questions:

1. What would you spend your five dollars on?
2. What would you be willing to give up?

# Practice



- In the first panel, what does Calvin want to do with the ball?
- Using the idea of opportunity cost, explain why Calvin gives Hobbes the ball.



# Supply and Demand

- Write your own definition for supply and demand.
- Supply
  - the total amount of a specific good or service that is available to consumers.
- Demand
  - a consumer's desire and ability to pay a price for a specific good or service.



# Hula Hoops

- <https://www.youtube.com/watch?v=Ng3XHPdexNM>



# Hula Hoop Scenario

- On your paper, discuss what happened in the hula hoop video to the price of hula hoops and why.
  
- At first he had \_\_\_\_\_ hula hoops.
  - Called a surplus
  
- In the end, he had \_\_\_\_\_ hula hoops.
  - Called a shortage



# Examples

- What are examples of a good or service that you can think of from elementary school or 7<sup>th</sup> grade that have had to deal with supply and demand issues?



# Silly Bandz

- <http://abcnews.go.com/Nightline/video/silly-bandz-latest-fad-11686769>



# Silly Bandz

- With other groups coming out with generic versions of Silly Bandz, how might this become a problem for Silly Bandz?
- What options should the owner of Silly Bandz consider to make sure his product is selling?





LEARNING THE FIRST LESSON OF SUPPLY *and* DEMAND...

How does this cartoon deal with supply and demand?

JUST WHY  
IS GAS SO  
EXPENSIVE?

SUPPLY



How does  
this cartoon  
deal with  
supply and  
demand?





How does  
this cartoon  
deal with  
supply and  
demand?



# Assessment

1. When supply goes up and demand goes down, what will happen to the price?
2. When supply goes down and demand goes up, what will happen to the price?
3. When supply and demand are equal, what will happen to the price?
4. Who or what sets the price of goods and services?
5. Explain how supply affects the price of goods and services.
6. Explain how demand affects the price of goods and services.