

Understanding the Economics Standards for teachers in grades K–3

Economics studies how people, acting as individuals or in groups, decide to use scarce resources to satisfy wants. This fundamental economic concept of scarcity is at the core of the discipline. There are never enough natural resources, human resources, or capital resources (man-made goods such as tools, equipment, machinery, factories) to produce everything society wants. Therefore, choices must be made on what to produce, how to produce, and for whom to produce. Choices must also be made at a personal level. There never seems to be enough money or time to have or to do everything one wants.

Economics is a way of thinking, a science of making choices. Economists examine the decision-making processes of individuals, businesses, markets, governments, and economies as a whole.

An understanding of economic principles helps people to:

- Consider not only the short-term effects of a decision, but also its long-term effects and possible unintended consequences;
- See the connections between personal self-interest and societal goals in order to understand how individual and social choices are made in the context of an economy;
- Analyze how social goals, such as freedom, efficiency, and equity, impact public policies.

Because of increasing interdependence and globalization, everyone in the United States needs to be aware of the issues in the global economy, their role in that system, and be able to respond to changes so that they can effectively maintain or raise their standard of living.

Goal Statements for the Economics Standards:

- Students will learn to examine the relationship between costs and benefits, and the values associated with them.
- Students will understand economic principles, whole economies, and the interactions between different types of economies to comprehend the movement and exchange of information, capital, and products across the globe.
- Students will be able to assess the impact of market influences and governmental actions on the economy in which they live.
- Students will make personal economic choices and participate responsibly and effectively in social decision making as citizens in an increasingly competitive and interdependent global economy.

ECONOMICS STANDARD ONE: Students will analyze the potential costs and benefits of personal economic choices in a market economy [Microeconomics].

Enduring Understandings

Students will understand that:

- Due to scarcity, individuals as producers and consumers, families, communities, and societies as a whole must make choices in their activities and consumption of goods and services.
- Goods, services, and resources in a market economy are allocated based on the choices of consumers and producers.
- Effective decision making requires comparing the additional costs of alternatives relative to the additional benefits received.

How societies survive physically with a limited set of resources is the foundation for the discipline of economics. Because there are not enough resources to satisfy people's wants, decisions have to be made regarding how resources are going to be used and distributed. By learning to analyze how these decisions are made, students have greater knowledge that will allow them to use their own and society's resources to achieve the efficient use of resources and the maximizing of benefits relative to costs.

When economists refer to cost/benefit analysis, they mean comparing what one gains and what one gives up when making a choice. The term that describes this process is a **tradeoff**.¹ What is given up is the **opportunity cost**.² Gains and losses are not only monetary but also have psychological components based on what individuals and societies value. Every person beginning early in life has to make decisions about how to spend time, income, and energy. If one only has enough time to read or watch TV and chooses to watch TV, then the opportunity cost is reading. When people choose one activity rather than another, the next best thing they could have done with these resources is called the opportunity cost.

On a societal level, productive resources available are land, labor, and capital. Understanding that scarcity requires that choices be made and that for every choice there are costs means that people and society can be more deliberate about what to produce, how to produce, and for whom to produce. An economy requires everyone in a society to engage in activities that involve the pulling together of productive resources, the organizing of work, the generating of income, and the allocating and distributing of goods and services. In the United States' **mixed market economy**,³ these questions are answered through the interaction of consumers, producers, and government. Prices send signals and provide incentives that influence the decisions of both consumers and producers.

¹ **Tradeoff** means giving up one thing to get something else.

² **Opportunity cost** is the second best alternative given up when scarce resources are used to choose one action over another.

³ **Mixed market** is an economic system which answers the basic economic questions of what, how, and for whom to produce by individual decisions and some government involvement.

Economics Standard One K-3a: Students will understand that individuals and families with limited resources undertake a wide variety of activities to satisfy their wants.

Essential Question

- Why can't I have everything I want?

In today's society, people have a wide variety of **economic wants**.⁴ These are wants that can be satisfied by consumption of a **good**,⁵ **service**, or leisure time activity. Some wants are individual, whereas others, such as a family's desire for a home or a club's desire for a recreation center, are group wants. Many economic wants are **private**,⁶ such as food, clothing, shelter, medical care, entertainment, and even leisure time, but others are **public**,⁷ such as society's wants for highways, education, and national defense, and are paid for with tax dollars. One fact that emerges when analyzing wants is that people's wants for goods and services exceed society's capacity to produce them. This problem is called **scarcity**,⁸

Scarcity necessitates **choice**.⁹ If we cannot have everything we would like, we must choose those things we want most. Thus, both **consumers** and **producers**¹⁰ must continuously make choices about how to use the scarce **productive resources** available to them to satisfy their wants.

Productive resources consist of what is required to produce the goods and services people want. Productive resources fall into three basic categories: human resources, natural resources, and capital resources (sometimes referred to as capital goods).

- **Human resources**¹¹ are the health, education, experience, training, skills, and values of people. The number of people available for work and the hours they work constitute only one dimension of human resources. Another dimension is people's human capital. Human capital refers to the quality of human resources which can be improved through investments in education, training, and health.

⁴ **Economic wants** are desires that can be satisfied by a good, service, or leisure activity. For very young children, define economic wants as things they would like to have. Economics does not make a distinction between wants and needs. Individuals cannot have everything they want due to scarce resources. Because resources are scarce, choices have to be made as to what wants to satisfy. In making choices, wants must be prioritized. For adults this usually means satisfying wants for such things as food, clothing, housing, transportation, and medicine before using scarce resources to satisfy wants for vacations, computers, electronic games, or new furniture.

⁵ **Goods** are objects that satisfy people's wants. They are things you can touch. **Services** are actions that satisfy people's wants. For young children talk about services as things people do for others. In providing a service, an individual uses goods. For example, a hair stylist provides the service of cutting hair. In order to provide this service, he or she uses a variety of goods such as scissors, blow dryer, chair, and shampoo. A chef provides food and uses goods such as an oven, bowl, mixer, and measuring cups.

⁶ **Private goods and services** are produced by private businesses and sold to consumers.

⁷ **Public goods and services** are provided by government.

⁸ **Scarcity** is the condition of not being able to have all of the goods and services one wants. It exists because human wants for goods and services exceed the quantity of goods and services that can be produced using all available resources.

⁹ A **choice** is the alternative that best satisfies a person's economic want. It is a decision that is made between two or more possibilities.

¹⁰ **Consumers** are people who buy goods and services to satisfy their economic wants. **Producers** are people who make goods and provide services.

¹¹ For young children define **human resources** as people working to produce a good or services.

- **Natural resources**¹² are gifts of nature that are used to produce goods and services. They are present without human intervention. Some examples are land, trees, fish, oil and mineral deposits, soil, and climatic conditions.
- **Capital resources**,¹³ also called capital goods, are the man-made goods used to produce goods and services. They include such things as buildings, equipment, machinery, roads, dams, and tools.

In order to satisfy wants, individuals undertake a wide variety of activities. Individuals and families sell their productive resources. For grades K–3, this means selling one’s labor. In return for selling one’s labor, workers receive an **income**.¹⁴ Individual consumers and families must decide after paying **taxes**¹⁵ how much of their income to **spend** and to **save**.¹⁶

Producers, too, must make choices on how to use the productive resources they buy. There are never enough human, natural, and capital resources to produce everything they would like to produce. For example, a producer might have resources to produce either paper party hats or paper name tents. Due to scarcity, the producer must make a choice as to which product will be produced.

Economics Standard One K-3b: Students will apply the concept that economic choices require the balancing of costs incurred with benefits received.

Essential Questions

- Is what I want worth the cost?
- How do I make informed choices?

Some students believe they can have all the **goods** and **services** they want from their families or from the government because they think goods provided by families and governments are free. But this view is mistaken. Nothing is free. Resources have alternative uses, even if parents or governments own them. If we use our limited resources for one purpose, we must give up the opportunity to use these same resources for other purposes. Thus, the term **opportunity cost** refers to the next best thing for which the resources could be used. If, for example, a piece of land could be used for an office building, a sports stadium, a department store, or a parking garage, the opportunity cost of using the land for a department store is only the loss of the next best alternative. It is the loss of the office building or of the sports stadium or of the parking garage, but not all three.

¹² For young children talk about **natural resources** as things that grow outside, things that come from the ground, or things that live outside, using examples such as animals, fruits and vegetables, sun, air, flowers, mountains, and water.

¹³ For young children define **capital resources** as goods produced and used to make other goods and services.

¹⁴ **Income** is the money people receive for the resources they provide in the economy. For young children talk about money received for working.

¹⁵ **Taxes** are payments that individuals and businesses are required to make to government. Taxes are collected by government to pay for goods and services it provides such as police protection, highways, public schools, school buses, mail service, bridges, and street lights.

¹⁶ **Spend** means to use money to buy something now. To **save** means not spending money now but instead keeping the money to use to buy things in the future.

To make decisions that provide the greatest possible return from the resources available, individuals, families, and groups must analyze the **benefits and costs**¹⁷ of using their resources to do a little more of some things and a little less of others. For example, to use their time effectively, students should weigh the benefits and costs of spending another hour reading rather than talking with friends. Analyzing issues by identifying the costs and benefits will help students make effective decisions in their adult roles as consumers, producers, savers, investors, and citizens.

¹⁷ **Benefits** are the positive things about a choice and **costs** are the negative aspects. Costs also include opportunity cost.

ECONOMICS STANDARD TWO: Students will examine the interaction of individuals, families, communities, businesses, and governments in a market economy [Macroeconomics].

Enduring Understandings

Students will understand that:

- A nation's overall levels of income, employment, and prices are determined by the interaction of spending and production decisions made by all households, firms, government, and trading partners.
- Because of interdependence, decisions made by consumers, producers, and government impact a nation's standard of living.
- Market economies are dependent on the creation and use of money, and a monetary system to facilitate exchange.

Unlike the study of individual markets, the total economy is the sum of all markets in a society. Understanding involves the ability on the part of the students to analyze how changes in one market will impact others. In a market economy, there are three major players in the economy: households, businesses, and government. What the society produces generates income for households. Households sell their productive resources (land, labor, capital, and entrepreneurship) to businesses in exchange for income (rent, wages, interest, and profit). Household income is spent, taxed, or saved. The money spent for private goods and services returns to businesses, while the taxes paid to the government fund public goods and services. Savings is money households do not spend on goods and services. Most households place this income with financial intermediaries such as banks and brokers. These financial institutions transfer the savings through businesses borrowing from banks, the buying and selling of corporate stocks and bonds, the funding of mortgages, and the buying of insurance. Businesses, from small to large, borrow to expand. This requires buying more productive resources from households, which in turn creates more household income. Additionally, goods and services are exported and imported by American households and businesses causing increases in consumption and production within the United States. Economists measure these activities by calculating the gross domestic product and measure a nation's standard of living by computing gross domestic product per capita.

Economics Standard Two K-3a: Students will understand how barter, money, and other media are employed to facilitate the exchange of resources, goods, and services.

Essential Question:

- How might the use of money affect the economy?
- Why is what we use as money valuable?

Individuals, groups, regions, and countries often specialize in the production of particular **goods**¹⁸ and in the performance of particular **services**.¹⁹ This leads to the output of more goods or services than the **producers**²⁰ themselves wish to consume. In such situations, producers **exchange**²¹ their surpluses for other goods and services produced by people located elsewhere. The respective traders are better off. The principle of **voluntary exchange**²² is based on the fact that both sides expect to gain from trade. If they did not, they would not trade.

The simplest form of exchange is barter. Barter is the direct exchange of goods and services without the use of money. For bartering to occur, there must be a coincidence of wants. That is, each trade participant must be willing to trade what they have in exchange for what the other participant is willing to give up. Students in this grade cluster may already do this at lunchtime. This means of exchanging goods and services is time consuming, greatly restricts economic activity, and limits specialization. The use of money solves these problems.

A wide variety of items has been used as **money**²³ throughout history, and almost anything can serve as money so long as people are willing to accept it in exchange for goods and services. For example, tobacco, nails, farm goods, fish, salt, furs, and cows have served as money. When goods are used as money it is called **commodity money**.²⁴

Today's **United States money**²⁵ consists of currency, coins, checks, and electronic money such as debit cards. In the younger grades, it is sufficient for students to understand that today's money consists of currency or paper money and coins. It has value because of people's willingness to accept it in payment. Anything used as money must perform three functions:

1. Medium of Exchange – Money acts as a go-between to make it easier to buy things. Sellers agree to accept it in exchange for a good or service.
2. Unit of Account – Money serves as a way to measure and compare the values of goods and services in relation to one another. When comparing prices, individuals can determine if one good is a better buy than another. It also allows people to keep accurate financial records.
3. Store of Value – Money allows people to hold onto their money and have it maintain its value.

¹⁸ **Goods** are objects that satisfy people's wants. They are things you can touch.

¹⁹ **Services** are actions that satisfy people's wants. For young children talk about services as things people do for others. In providing a service, an individual uses goods. For example, a hair stylist provides the service of cutting hair. In order to provide this service, he uses a variety of goods such as scissors, blow dryer, chair, and shampoo. A chef provides food and uses goods such as an oven, bowl, mixer, and measuring cups.

²⁰ **Producers** are the people who make goods and provide services.

²¹ **Exchange** is trading goods and services with people for other goods and services or for money.

²² People willingly or **voluntarily exchange** goods and services because they expect to be better off after the exchange.

²³ **Money** is anything widely accepted as final payment for goods and services.

²⁴ **Commodity money** is a good that has value both as money and as a good.

²⁵ **United States money** today is called fiat money. Fiat money is money declared by government to be acceptable for the exchange of goods, services, and resources.

For anything to serve as a medium of exchange it must be durable, portable, divisible, stable in value, relatively scarce, and acceptable.

1. Durable – Money must be able to withstand the wear and tear of many people using it.
2. Portable – Money must be easy to carry.
3. Divisible – Money must be easily divided into small parts so people can purchase goods and services of any price.
4. Relatively Stable in Value – Money keeps its purchasing power over long periods of time.
5. Relatively **Scarce**²⁶ – What is used as money must be scarce or hard for people to obtain.
6. Acceptable – What is used as money must be accepted by consumers and producers as a medium of exchange.

The standard refers to other media that could be used to facilitate exchange. Other media at the K–3 level refers to commodity money.

Economic Exchange, an instructional unit for the Delaware Recommended Curriculum that measures Economics Standard Two K-3a, can be found at http://www.doe.k12.de.us/infosuites/staff/ci/content_areas/social_studies/standards/pilot.shtml.

²⁶ Students often think that **scarce** means rare, which is a misconception. Something can be rare but not scarce. For example, if a new rare metal is found but there is no use for it and no one wants it, the new metal is not scarce.

ECONOMICS STANDARD THREE: Students will understand different types of economic systems and how they change [Economic Systems].

Enduring Understandings

Students will understand that:

- Because resources are scarce, societies must organize the production, distribution, and allocation of goods and services.
- The way societies make economic decisions depends on cultural values, availability and quality of resources, and the type and use of technology.
- Changing economic systems impact standards of living.

Different economic systems—**traditional, command, market, and mixed market**²⁷—have evolved over time. Each of these systems has costs and benefits for its citizens. Students will be more empowered when they comprehend how interdependent the world has become and what their role in the economy is.

Underlying the choices and decisions for every economy are the goals of **efficiency, equity, freedom, growth, security, and stability**.²⁸ Understanding how a society uses its limited resources to achieve these goals involves understanding that tradeoffs have to be made. For example, in the United States, political debates about universal health care, social security, and environmental issues revolve around how people value the economic goals. Economic analysis of these issues examines benefits received and costs incurred. Economists utilize dollars and cents to quantify tradeoffs related to the use of productive resources. However, some goals, such as freedom and equity, are not easily quantified; yet, have to be considered when making these decisions. Therefore, elected representatives choose based on what they or their constituencies value.

²⁷ In a **traditional economy** the basic economic questions of what, how, and for whom to produce are answered by custom—the same way they have always answered them, and no one has ownership of the productive resources.

- In a **command economy** the basic economic questions of what, how, and for whom to produce are answered by government central planners and government has ownership of the productive resources.
- In a **market economy** the basic economic questions of what, how, and for whom to produce are answered through the interaction of consumers and producers with price acting as the rationing device. Resources are owned by individuals.
- In a **mixed market economy** the basic economic questions of what, how, and for whom to produce are answered through individual decisions of consumers and producers with some government involvement.

²⁸ **Efficiency** – Refers to how well scarce productive resources are allocated to produce the goods and services people want and how well inputs are used in the production process to keep production costs as low as possible. **Equity** – Fair distribution of resources, goods, and services. The problem is that “fair” is differently defined by many individuals and groups.

Freedom – Owning, controlling, and making decisions about how to use one’s own resources.

Growth – Overall increase in the production of goods and services in an economy during a specific period of time (measured by gross domestic product adjusted for inflation).

Security – Knowing that one has a job and can support oneself and family (measured by the unemployment rate).

Stability – Overall general level of prices remains about the same (measured by the inflation rate).

Economics Standard Three K-3a: Students will identify human wants and the various resources and strategies which have been used to satisfy them over time.

Essential Questions:

- How should people use what they have to get what they want?
- Why have different ways to produce and allocate goods and services developed?

As consumers and producers, people use **productive resources**²⁹ in different ways to satisfy their **economic wants**.³⁰ Due to **scarcity**,³¹ societies must choose how to produce and **allocate**³² resources, goods, and services in order to satisfy their wants. To do this, individuals and societies must answer three basic economic questions:

- What goods and services will be produced?
- How will these goods and services be produced?
- Who will consume them?

There are essential differences in how different **economic systems**³³ answer these three economic questions. The three types of economic systems are:

- **Traditional economy** – In traditional economies, the three basic economic questions are answered based on custom or tradition. These societies tend to do things in the same way as their ancestors did. Resources are used and goods and services are produced and consumed in much the same way things have been done for generations. Examples of these types of societies are the Kalahari Bushmen, the Aborigines of Australia, Native American tribes, and the Amish.
- **Command economy** – In command economies, directives from the government or a central authority determine how basic economic questions are answered. Examples of command economies include Cuba, North Korea, and the former Soviet Union.
- **Market economy** – Market economies rely on signals from consumers and producers to determine what and how to produce and allocate scarce goods, services, and productive resources.

²⁹ **Productive resources** are the natural resources, human resources, and capital goods or resources available to make goods and services.

³⁰ **Economic wants** are desires that can be satisfied by a good, service, or leisure activity. For very young children, define economic wants as things they would like to have. Economics does not make a distinction between wants and needs. Individuals cannot have everything they want due to scarce resources. Because resources are scarce, choices have to be made as to what wants to satisfy. In making choices, wants must be prioritized. For adults this usually means satisfying wants for such things as food, clothing, housing, transportation, and medicine before using scarce resources to satisfy wants for vacations, computers, electronic games, or new furniture.

³¹ **Scarcity** is the condition of not being able to have all of the goods and services one wants. It exists because human wants for goods and services exceed the quantity of goods and services that can be produced using all available resources.

³² **Allocation** means how an economy will decide or determine who gets the goods and services produced. Different economic systems allocate goods and services differently.

³³ An **economic system** is the way individuals and organizations routinely organize themselves to make decisions to determine what should be produced, how it should be produced, and who will consume it.

At the K–3 level, students do not have to know the different types of economic systems. They do need to understand the three basic economic questions that all societies and individuals must answer when deciding how to use their productive resources.

How the question of what to produce is answered depends on the availability of **productive resources**.³⁴ Societies tend to produce goods and services when the resources needed for production are readily available and accessible. Size and skills of the labor pool (**human resources**),³⁵ quality and quantity of **natural resources** and **capital resources**, and access to **technology**³⁶ determine how goods and services are produced. Some nations with vast amounts of natural resources have less skilled labor and use little capital. Areas with poor capital resources, limited technology, and large populations tend to rely heavily on human resources in the production process using limited or poor quality tools and equipment. Countries with skilled labor, access to natural resources, and high-quality capital resources use less labor and more machines. However, the mix of resources may change dramatically over time.

In K–3, students should learn about different ways goods are produced and the **advantages and disadvantages of different methods**.³⁷ This usually includes producing something first using the craftsman method and then the specialization and division of labor method.

- Craftsmen produce goods but do not share the work. Each person produces his or her own good from the first step to the last. Craftsmen may share tools and equipment but not labor.
- Specialization is when people concentrate their production on fewer kinds of goods and services than they consume. For example, instead of producing several goods, a group or business will concentrate on producing just one good.
- Division of labor or specialization of labor means human resources (workers) perform only a single, or very few, step(s) in the production of a product, as they do when working on an assembly line. Specialization and division of labor usually increase the productivity of workers which means an increase in the number of goods produced per

³⁴ **Productive resources** are the natural resources, human resources, and capital goods or resources available to make goods and services.

³⁵ For young children define **human resources** as people working to produce a good or services.

³⁶ For young children talk about **natural resources** as things that grow outside, things that come from the ground, or things that live outside using examples such as animals, fruits and vegetables, sun, air, flowers, mountains, and water.

For very young children define **capital resources** as goods produced and used to make other goods and services. **Technology** is the operation and processes of how work is done. Students often have misconceptions about technology, thinking it refers to more recent advances such as robotics and computers. In fact, technology includes many ways of doing work. This includes a craftsman making goods by hand, the assembly line, and division of labor where the production of a good is broken down into numerous separate tasks, and new tools and equipment such as computers.

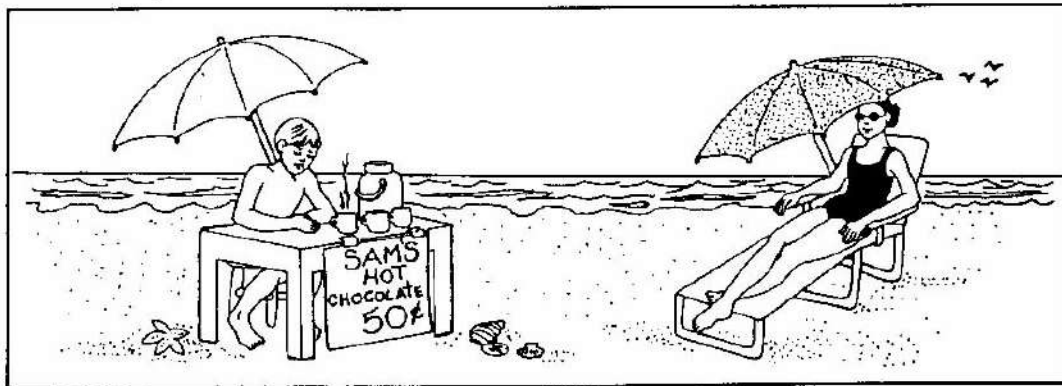
³⁷ **Advantages and disadvantages of different production methods** – Advantages of the craftsman method of production include the satisfaction of producing a product from beginning to end and variety during the workday. Disadvantages include learning and perfecting all the skills needed for production, slower production, and the need to stop and retool. Advantages of division of labor include speed and expertise from learning only one step of the process and not needing to retool or wait to use resources. Disadvantages include boredom from doing the same job all day and what to do when workers are absent and other workers do not have the same skills. An advantage of specialization is individuals become very good at what they do. A disadvantage is specialists must rely on others to produce the goods and services they do not produce.

worker. Productivity is a measurement of output per worker. Productivity can be increased through specialization and division of labor, by investment in human capital (education and training), and investment in capital goods (tools and equipment).

Due to scarcity, who gets the goods and services once they are produced requires some **method of allocation**.³⁸ In traditional societies or economies, this question is handled by custom. For example, in some societies, land is allocated to the oldest son when the father dies. In a command economy, a central authority or government makes the decision usually by setting prices on goods and services, often below the market price which results in shortages. This makes the goods affordable, but there is not enough for everyone who wants the good at that price. In a market system or economy, this question is usually answered by price. A consumer's income determines what goods and services one can purchase.

However, within any economic system, there are different ways to allocate goods and services. These include prices, command, majority rule, contests, force, first-come-first-served, sharing equally, lottery, personal characteristics, and others. No one allocation method can satisfy all wants. Advantages and disadvantages of each method must be analyzed before one is selected. For example, students can compare the advantages and disadvantages of different methods of allocating various goods and services such as treats, time on the classroom computer, use of classroom supplies, and playground equipment as well as goods and services that are scarce at home and in the community.

Here is a released item from the Social Studies DSTP that illustrates the assessment of this benchmark. This test item asks students to look at the information presented in the picture and to first explain why the seller, Sam, is having difficulty selling his hot chocolate. The student should then give a change that Sam would make in order to solve his problem.



Why is Sam having difficulty selling his hot chocolate? How might he solve his problem?

³⁸ An **allocation method** is a way to determine who gets the goods services, and resources produced.

A student must explain why there are few or no sales of hot chocolate. The item is open-ended, which means that there is more than one way to answer this question correctly. However, the answer must reflect an understanding of the relationship between wants and resources and the strategies used to satisfy those wants. A student would also need a way to solve this problem. The solution must be accurate to the understanding of the standard and must be a solution that is relevant to the explanation given by the student about why Sam is having difficulty selling his hot chocolate. Providing the solution would show a deeper understanding of the standard.

See the DSTP webpage for more items and sample, annotated student responses.

http://www.doe.k12.de.us/aab/social_studies/Social_Studies_item_samplers.shtml

Resources and Production, an instructional unit for the Delaware Recommended Curriculum that measures Economics Standard Three K-3a, can be found at

http://www.doe.k12.de.us/infosuites/staff/ci/content_areas/social_studies/standards/pilot.shtml.

ECONOMICS STANDARD FOUR: Students will examine the patterns and results of international trade [International Trade].

Enduring Understandings

Students will understand that:

- Individuals and nations trade when all parties expect to gain.
- Nations with different economic systems often specialize and become interdependent as a result of international trade.
- Government actions that promote competition and free trade among people and nations increase the health of an economy and the welfare of nations.

As specialization and the division of labor have increased, individuals, communities, and nations have engaged in trade which increases the standard of living. By specializing in what one can produce at the least cost and trading that with others, efficient use of resources can be attained and overall benefits increased. Economists call this process comparative advantage. Costs incurred by international trade include unemployment increases in the short run as labor resources are reallocated. Benefits from that trade are lower prices and better quality to consumers whose purchasing power increases. As a result of international trade, people on the planet have become more and more interdependent. Economics as a discipline provides the lens for focusing on how best to use the world's limited resources.

Economics Standard Four K-3a: Students will understand that the exchange of goods and services around the world creates economic interdependence between people in different places.

Essential Question:

- Why does trade create interdependence?

International trade is based on the idea that people and businesses should specialize and produce those goods and services they can produce at the lowest cost. Then they trade for those goods and services which are more costly for them to produce. Such **specialization**³⁹ creates **interdependence**⁴⁰ between individuals and businesses both within a country and internationally.

Students can observe how people specialize in their classroom, school, and community. For example, specialists in the school include teachers, custodians, cafeteria workers, the nurse, and the bus drivers. These workers are interdependent. They each perform a specific task that contributes to the running of the school. They all depend on one another to complete their jobs so the school will run smoothly. If one group of specialists fails to do their work, then there will be problems.

³⁹ **Specialization** occurs when a group or individual produces a smaller range of goods and services than they consume. For example, teachers specialize in providing education. Teachers usually do not cut their own hair or repair their own cars. They depend on a hair stylist and a mechanic for these services. A country might have the resources to produce cell phones and microwave ovens. It decides to specialize. It can produce cell phones at a lower cost than it can produce microwave ovens. It uses its resources to produce cell phones and trades with another country for microwave ovens.

⁴⁰ **Interdependence** occurs when people rely on other people to get the goods and services they want.

In addition, grade 3 students must understand the principles of specialization and interdependence in a broader context beyond their immediate environment of family, school, and community. The standard requires that students see that exchanging goods and services by individuals from different countries creates interdependence. In other words, when people in one country specialize and produce specific goods, they depend on other countries for goods they do not produce. This results in more goods being available for consumers. It also means that individuals rely on others from different places to trade with them to obtain goods they want and do not produce.

Trading Partners, an instructional unit for the Delaware Recommended Curriculum that measures Economics Standard Four K-3a, can be found at http://www.doe.k12.de.us/infosuites/staff/ci/content_areas/social_studies/standards/pilot.shtml.