

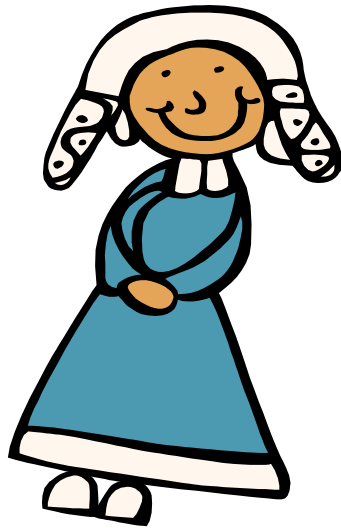


- Hi! My name is Stan and today I am going to teach you about ***economics***. ***Economics*** is the study of the making, buying, and selling of goods or services.

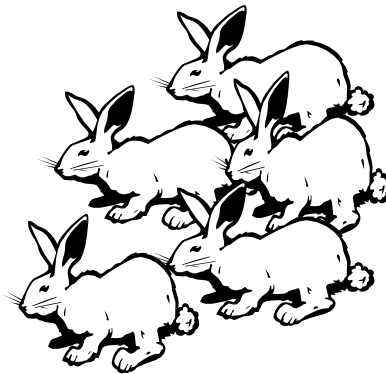
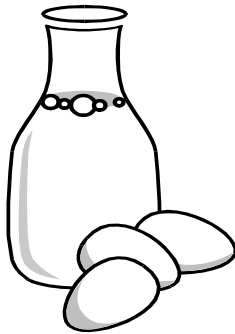


What does *barter* mean?

- These days people usually use money to get what they want. Before there was money, people had to *barter* to get what they wanted. To *barter* means “to trade”.



*Want
to
trade
with
me?*



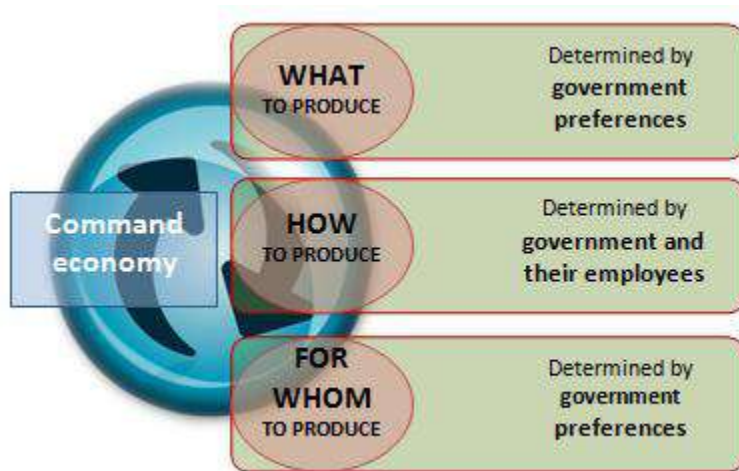
- Some people were good hunters, some were craftsmen, and some were farmers. One person might have traded five rabbits for milk and eggs. Eventually people wanted something smaller to carry around as money. People started using coins, as well as paper money for trade.

Traditional



- Traditional Economy – an economic system that is based on beliefs/culture of the group. Hunting and gathering is how people are able to survive. This is typically in small tribes living in remote areas.

Command



- If you live in a country with a harsh government, you most likely have a command economy.
- In a command economy, the government decides what is produced, how it is produced, how it is distributed, and how it is consumed.

Market



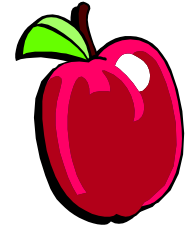
- In a market economy, the consumers make the decisions. The decisions are shown through supply and demand.

- Yesterday, when I was walking through town, I decided to go to “Bubba’s Ice Cream”. My friend Diana works there. Diana provides a **service** to me because she serves me ice cream. A **service** is any kind of work performed for others. The ice cream is a **good**. A **good** is something you can feel, or any kind of merchandise.



- Look at the pictures on the right. Which of these pictures show ***goods*** and which ones show ***services***?

1)



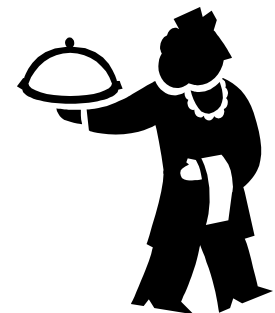
2)



3)



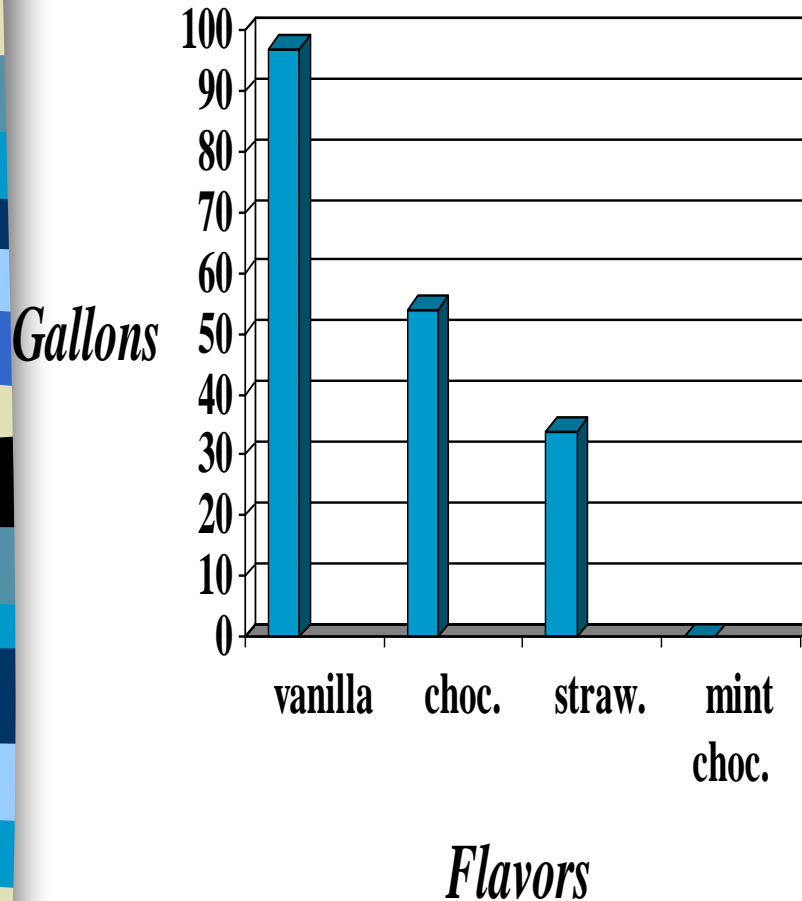
4)





- I asked Diana for a double scoop of my favorite kind of ice cream: mint chocolate chip. “I am sorry Stan, we are all out of that flavor”, she said. Disappointed, I settled for vanilla.

What is *supply* and *demand*?



- The **supply** of mint chocolate chip ice cream at “Bubba’s” was gone because it was in high **demand** (wanted) by many customers. Look at the chart on the left to see what flavors are in **supply** at “Bubba’s Ice Cream”.
- Supply – the amount of a good available
- Demand – the want for the supply



- Diana asked me if I would like my vanilla ice cream in a cup or a cone. I asked for a cone. Diana said I was lucky because there was only one more cone available. The little boy behind me in line wailed, “I wanted my ice cream in a cone!” I told Diana that he could have the last cone, and that I would have mine in a dish with chocolate syrup.

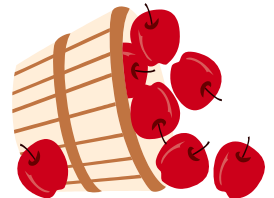
- There was a ***scarcity*** of cones at Bubba's.

Scarcity means that there are limited resources, and therefore, people must make choices. Look at the pictures on the right. Which pictures show a ***scarcity***?

1)



2)



3)



After I finished my ice cream, I said goodbye to Diana and left. In the street I heard two children debating what to do next.



- “We are consuming goods and services, But our wants just will not stop!”
- “I don’t know if we have enough money to buy everything though!”

I found myself wondering what they were talking about. When we were finished I asked, “Where are you two going?”

The boy, whose name was Andy, answered: “We’ve saved up all our money and today we are going to the toy store! My sister Sara wants to buy either a rabbit or a bike and I want to buy either a basketball net or a skateboard”.





What are *producers* and *consumers*?

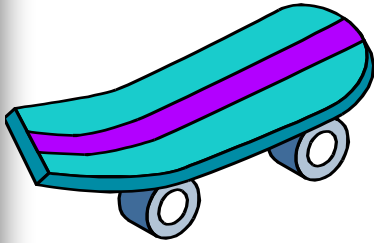
- The two children in this example are ***consumers***. A **consumer** is anyone who buys a good or a service.
- The toy store owner in this example is a ***producer***. A **producer** is anyone who makes or grows a good or performs a service.



What is *opportunity cost*?

- Andy had \$65.00 to spend at the toy store. The basketball net cost \$50.00, so he had to buy that instead of the skateboard, which cost \$75.00.
- Sara had enough money for either the rabbit or the bike. She decided to buy the bike because then she could ride bikes with her friends after school.

Opportunity Costs



Purchases



- **Opportunity cost** is the process of choosing one good or service over another. The item that you don't pick is the ***opportunity cost***. The rabbit is Sara's ***opportunity cost*** and the skateboard is Andy's ***opportunity cost***.



What is a *profit*?

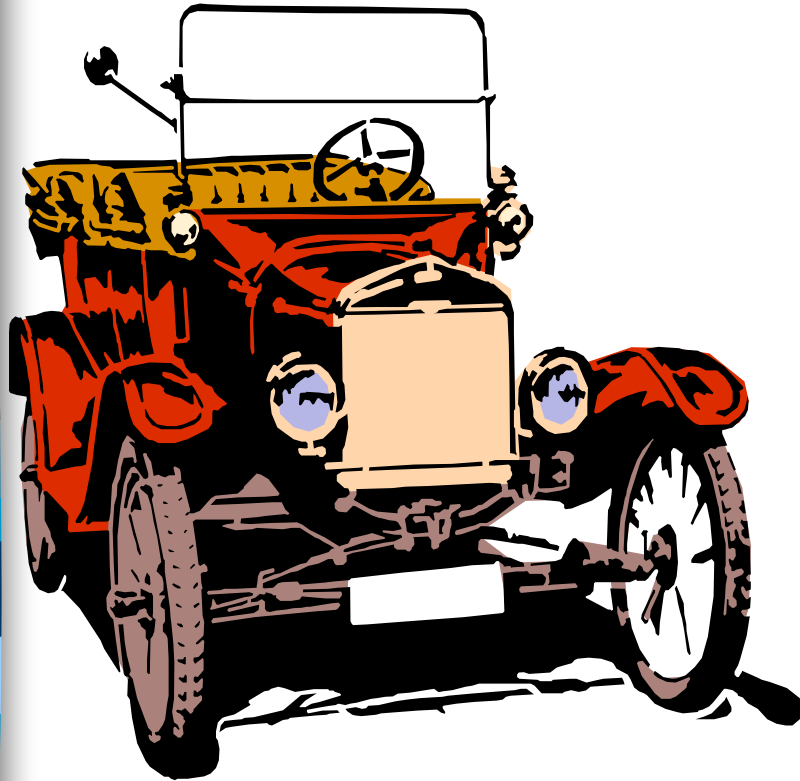
- What Andy didn't realize when he bought his basketball net was that the toy store owner made a large ***profit*** off of the sale. The toy store owner spent \$30.00 to make the basketball net. Andy bought it for \$50.00. The toy store owner made a ***profit*** of \$20.00.
- A profit is the money gained by the store after paying for things they need.



What is a *loss*?

- The toy store owner ***lost*** money when Sara purchased the bike. The owner made the bike for \$80.00, but sold it to Sara for only \$65.00. The toy store owner ***lost*** \$15.00.
- A lost is if the difference between the cost of an item and the sale of the item is a negative number.
- Stores may do this to get rid of items at the end of a season or if they have had them too long.

After the children left the toy store I decided to stay and have a look around. In the front of the store there was a magnificent toy car.



- “Wow”, I exclaimed, “what a neat car! Did you make it yourself?” The toy store owner explained that it was designed by a car company, put together by Mattel, a toy company, and painted by himself. “Painting is my specialty”, he said.



What is *specialization*?

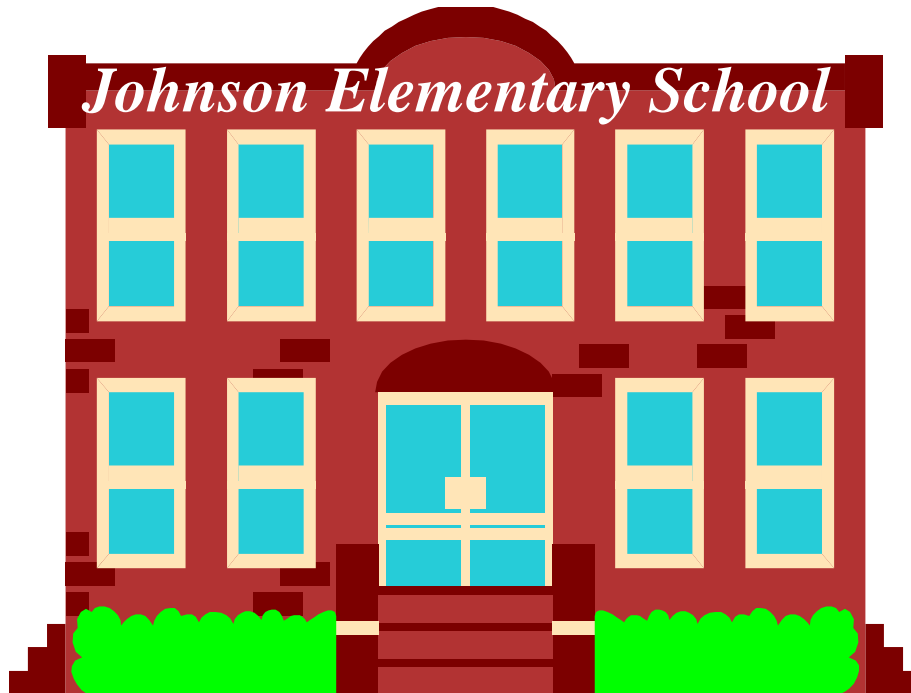
- The toy store owner counted on others to do the necessary work to construct the toys he sold, but then he would paint the toys himself.

Specialization is when an individual or a company ***specializes*** in doing one part of a task, and relies on others to complete the other parts.



What is *interdependence*?

- **Interdependence** is when people depend on one another. ***Specialization*** results in ***interdependence***.



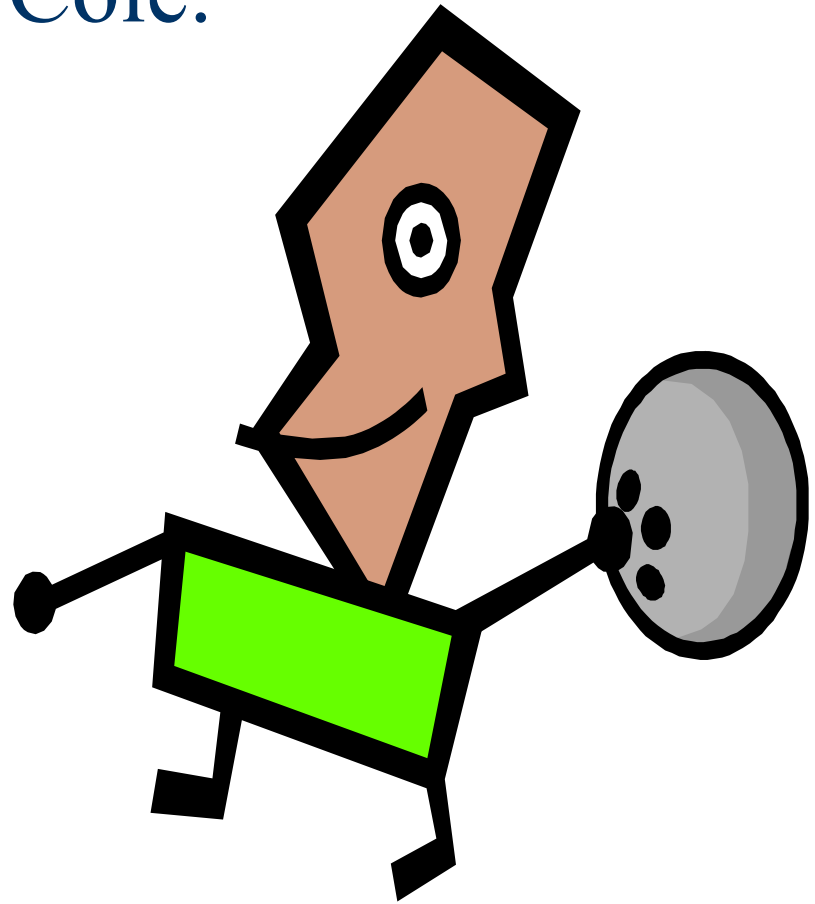
- I said goodbye to the toy store owner and continued on my walk through town. I passed the elementary school as I rounded the corner. Public schools are services provided by the government and paid for by taxes.

What are *taxes*?

- **Taxes** are the money that the government collects from individuals and businesses to pay for public goods and services.
- Andy and Sara both paid a 4.5% sales **tax** when they bought their toys. Andy paid an extra \$2.25 in **tax**, for a total of \$52.25. Sara spent \$2.93 in sales **tax** for a total of \$67.93.
- People also pay an income **tax**. An income **tax** is a percentage of money taken out of your income.

I passed the school and saw my friend Cole walking down the street. “How are you today?”, I asked Cole.

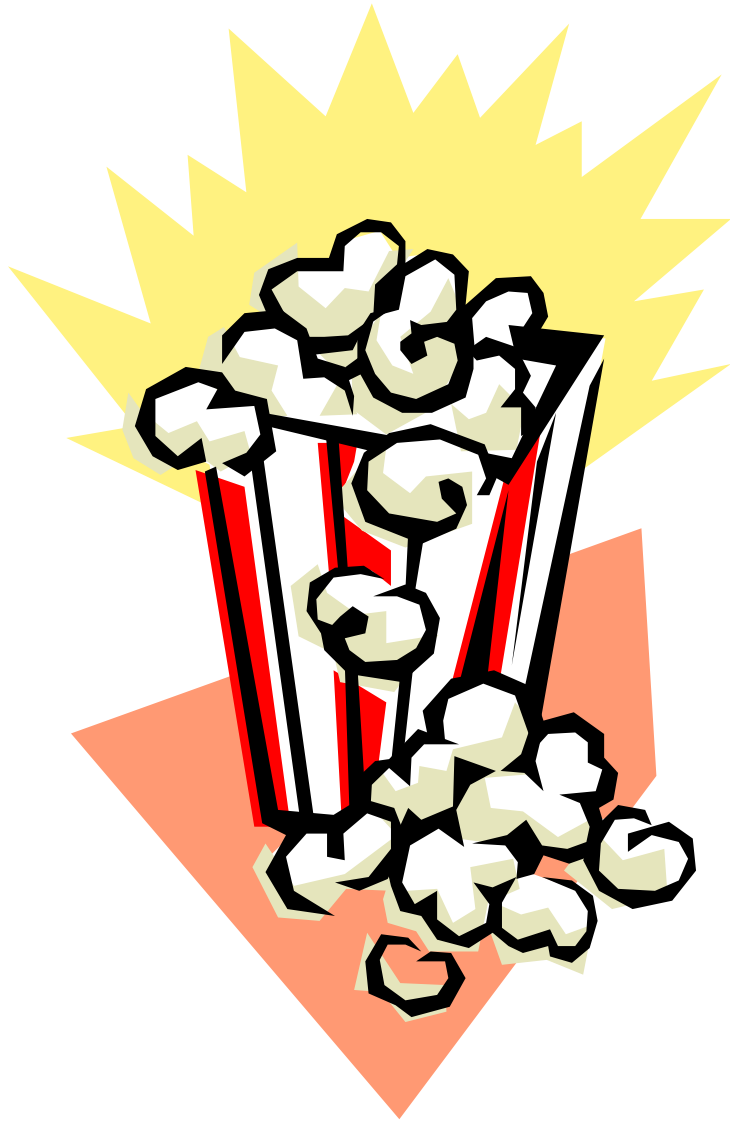
- “I am fantastic! I just thought of a new idea: a bowling ball that expands as you throw it so that it is guaranteed to knock down every pin! I am going to be famous!”





What is an *entrepreneur*?

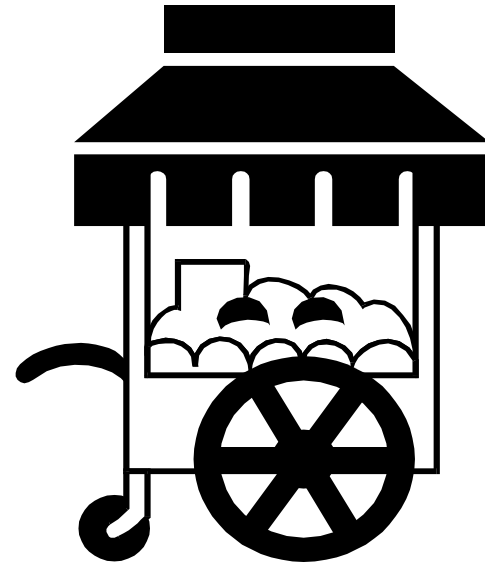
- Cole is an *entrepreneur*. An *entrepreneur* is a person who comes up with a product or service, or a better way to produce one. He found the resources, the money, and the time to produce a new product.



- I wished Cole good luck and continued on my way. On the next two blocks were two popcorn stands. They both lowered their prices!

What is *free enterprise*?

- Both popcorn stands lowered their prices because of ***free enterprise***. **Free enterprise** means competition. Companies compete with one another to get the most customers, and therefore, make the most money. I decided to buy popcorn from the first popcorn stand, because their price was the lowest.



Popcorn

\$0.50---

Now

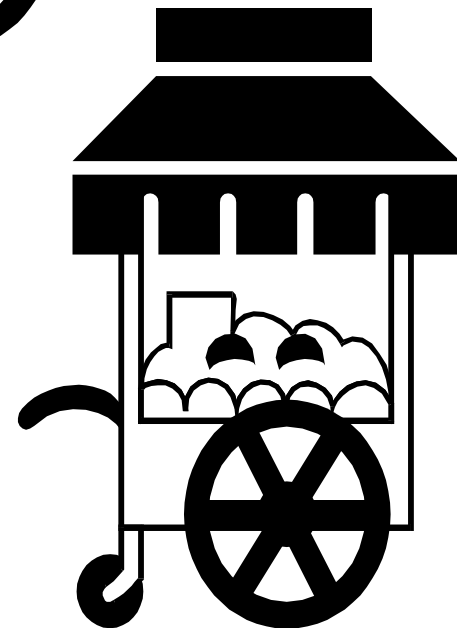
\$0.25!

Popcorn

\$0.50---

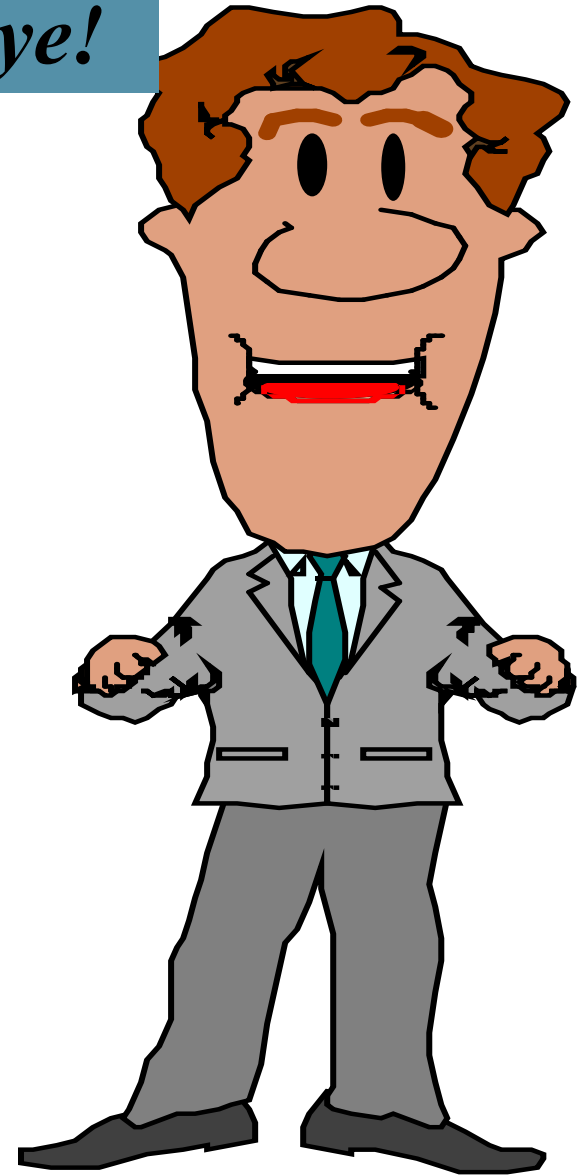
Now

\$0.30!



Goodbye!

- This completes my lesson on economics! I hope you enjoyed the tour. Economics is an important part of our lives. Think of all of the ways you use economics everyday!





References

■ **Text Information:**

- Think Quest Junior: “Econopolis” [Online] Available <http://tqjunior.advanced.org/3901/> Copyright 1997. Advanced Network and Services, Inc.
- Pocket Dictionary for Economics. Available through Virginia Commonwealth Center for Economic Education (no copyright).
- The Economic Songbook: Old Tunes with an Economic Twist. “We Are Consumers!” Copyright 1997, Martha C. Hopkins. James Madison University Center for Economic Education.

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