



6th Grade Social Studies

Blizzard Bag Day 3 Directions

Learning Target: The interaction of supply and demand, influenced by competition, helps to determine price in a market. This interaction also determines the qualities of outputs produced and the quantities of inputs (human resources, natural resources and capital) used.

Please read over “Lesson 14 Economics Basics.” While you are reading, focus on key vocabulary words. On pages 143, 145, and 146, answer the Quick Review questions. On page 147, answer the questions in detail based on your reading. Answer all questions in complete sentences on the lines provided.

If you are unable to print these pages, you may also ask your teacher for a paper copy of this assignment. Make sure to turn this assignment in by the due date that is announced.

LESSON



Economic Basics

IT'S IMPORTANT:

- ★ Goods and services are sometimes scarce.
- ★ There are several ways to allocate scarce goods and services.
- ★ Producers make goods and services, and consumers buy them.
- ★ Producers must decide what to produce, how to produce it and who to produce it for.
- ★ Consumers must decide what goods and services to buy.



You learned in Lesson 5 about problem solving. Mindy, Jackie, Matilda and Junior needed to find a way for the cafeteria to serve more green vegetables. In the end, they decided to serve a salad every day. Principal Bogtrotter was pleased . . . until the first day, that is. There were only 100 salads for 200 students.

"Oops," said Junior.

Economics is a kind of problem solving. All economies are made up of goods and services. **Goods** are things that we make that can be held or touched. Baseball caps, computer games and cans of spinach are goods. **Services** are things people do for each other. When you get a haircut and have your bicycle fixed, you buy a service. Here's the problem: Goods and services are sometimes **scarce**. That means that there is not enough to go around. (A **surplus** is when there are too many goods and services.) Economies must figure out how best to **allocate** (pass around) goods and services.

Quick Review 1: Is Mindy's Jessica Highnote CD a good or a service?

The students have a good that is scarce. What is it?

It's Getting Scarce Around Here

Principal Bogtrotter has announced that the students must figure out what to do about the salad shortage. Luckily, economics gives them several options for how to allocate their scarce good.

- **command** - one person decides
- **sharing equally** - everyone receives same amount
- **lottery** - everyone picks number or name out of a hat
- **rationing** - there is a limit to the amount or time each person can have
- **first-come-first-served** - the first people in line receive good or service
- **prices** - people are charged money for goods and services

Command

One way to allocate goods and services is by command. One person (or government or company) decides who gets what and how much. One advantage of command is that it is simple and quick for one person to make a decision.

"This is definitely my favorite," Junior said. "I command that I will eat no salad!"

The disadvantage is that it's not always fair. "Why do I have to eat salad?" Jackie complained.

"It was your idea!" Matilda pointed out.

Prices

The final option is to charge money for the salads. Whoever can pay for a salad can have one. "What if I have money but I don't want a salad?" asked Junior. "And what if I want a salad but I don't have money?" asked Mindy. "And what if everyone has money and everyone wants a salad?" asked Jackle.

Quick Review 2: Which option for allocating the salads would you choose? Be sure to explain why.

Producers and Consumers

Decisions are important in all parts of an economy. People must decide how to allocate goods and services. There are also **producers**. These people make or offer goods and services. They must decide how to make them and who to make them for. **Consumers** are people who must decide what goods and services to buy.

Producers are usually people who own businesses. In order to stay in business, they must make money. So the decisions they make are important. When deciding what to produce, they think about the following.

Demand – When business people create a new product, they must ask themselves: Who wants this product? How much will people be willing to pay for this product? Will we sell enough of this product to make money?

Competition – Businesses are usually in competition with other businesses. Competition means trying to sell the same goods or services to the same consumers. Competition affects the kind of products businesses make. For example, many companies make athletic shoes. To stay in business, a company might try to make shoes that are better than its competitor's shoes. Or it might try to make shoes that are less expensive than the competitor's.

Is there competition for your stand? Explain why or why not.

What resources do you need for your lemonade stand?

Are those resources available? Explain why or why not.
