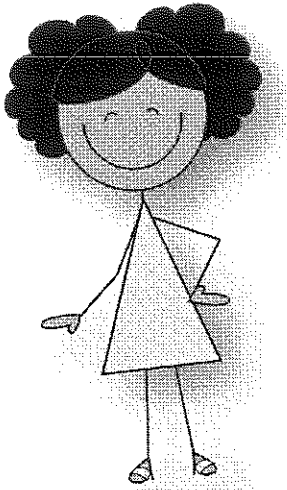


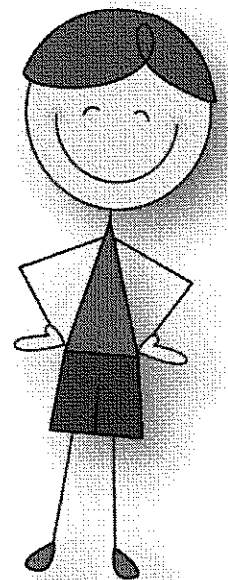
Economy

101



A Book All About
Economy and Me!

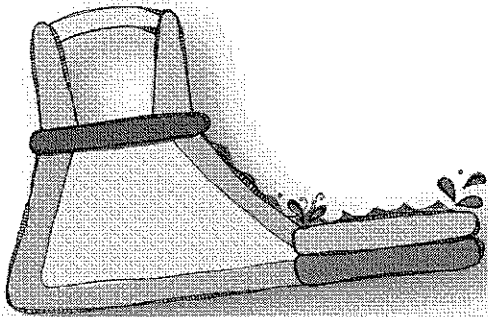
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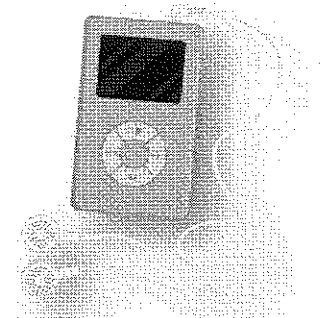
Consumers and Producers

Have you ever bought a toy or a candy bar? Or gone to an amusement park or to see a movie? Then you are a consumer! A consumer is a person who buys a good or a service. A **producer** is someone who makes a good or service

A **good** is anything that you buy that you can hold or touch. For example, if you go a toy store and buy a new puzzle. You just purchased a good. Can you think of any other goods you have bought or consumed?



You can pay to go to a water park. That is a service.



An iPod is a good that you can purchase.

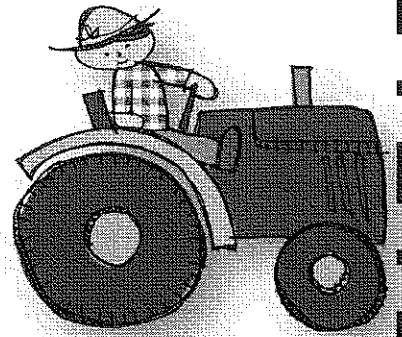
A **service** is something people do for money. For instance, if you go to a play, the performers are giving you a service. You pay to see their acting skills. Or if your parents pay someone to cut your grass. They are paying for a service. Can you think of any services you have paid for?

Interdependence

Do you rely on your teacher to help you learn? Do you need your parents to help you with your homework? Do you rely on your friends to make you laugh? Then you depend on those people.

In economy, people depend on each other. This is called **interdependence**. In other words, you can't produce, or make, everything that you need.

If you live on a farm, you might grow all your own fruits and vegetables. You might have cows and chickens to give you milk and eggs. You might have pigs to give you meat. You might not ever need to go to a grocery store for food. But you probably don't make your



own farm equipment. You are **dependent** on someone else for those things. If someone else didn't make the hoes and the rakes and the tractors that your family uses, you wouldn't be able to produce all that food.

And unless you live on a farm, you are dependent on others for all kinds of food. Farmers today usually **specialize** in one or a few kinds of food that they grow to sell to other people. Rarely do you see one farm that sells fruits, vegetables, meat, and dairy products. A farmer might grow several different kinds of fruits or a few different kinds of vegetables. This farmer then sells these fruits or vegetables to grocery stores or markets or even other countries.

Interdependence is the idea that you as a person depend on other people for certain things. The same is true of families, towns, and even countries. Most people are like you, who get different things from different people.

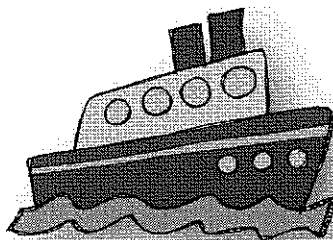
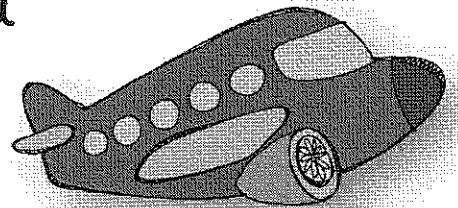
Trade

Have you ever given your friend a pencil, and they gave you an eraser in exchange? This is **trade**, or exchanging a good or service or another.

Along time ago, most people traded goods for what they needed among their friends and communities. Now people usually pay with money to get the goods and services we need. But, trade is still very important!

Since we usually buy our goods at a store, the owners of a store have to import goods.

Import means to bring in goods from other places. For example, a grocery store might import oranges from Florida or potatoes from Idaho.



When the farmers in Florida or Idaho send their goods to your grocery store, they are exporting. Export means to ship or send out goods to other places

Supply and Demand

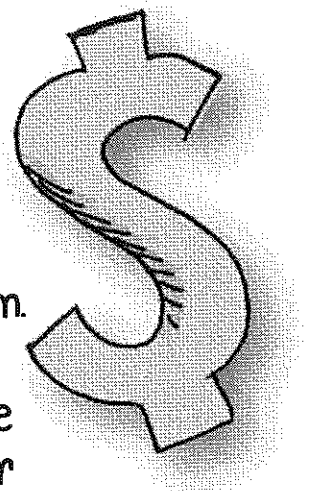
People or companies that export their goods, have to pay close attention to supply and demand, so they know how much of something to make and how to charge for their goods.

Supply is how much of something is available. For example, if you have 9 baseball cards, then your supply of baseball cards is 9. If you have 6 apples, then your supply of apples is 6.

Demand is how much of something people want. It sounds a little bit harder to measure, but it really isn't. To measure demand, we can use a very simple numbering system, just like the supply one. If 8 people want baseball cards, then we can say that the demand for baseball cards is 8. If 6 people want apples, then we can say that the demand for apples is 6.

Now, how do you show the relationship between the two? One way is to use the price of something. Generally speaking, the price of something will go up if the demand goes up. Why? Because the seller thinks he or she can get more money for whatever he or she is selling.

If more people want something, they will be willing to pay more for it. A good example is the newest basketball shoes. Everybody wants them, and they will be willing to pay more than they normally would to get them. The demand goes up. Why? Because more people want them. The price also goes up. Why? Because the seller knows he or she can get more money for the product because it is in demand.



Scarcity

Think of something that you like to have. Maybe a certain type of candy, or a type of clothes. What would your life be like if you could no longer get that product?

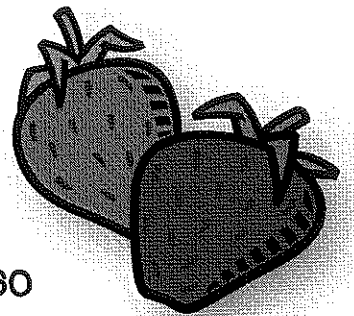
People deal with this kind of problem every day. It's called **scarcity**. It comes from the word scarce, which means there isn't a lot of it or it isn't always available.

Some fruits and vegetables are scarce in sometimes because those fruits or vegetables grow only at certain times of the year. Because the supply of fruits and vegetables is lower, there is a better chance that those fruits and vegetables will be scarce, or not always available. You may find that the market has no strawberries at all. Why?

Either no shipments of strawberries came in, or so few strawberries came in that by the time you got there, they were all gone.

Sometimes when things are scarce, you have to make a **choice**. If the market doesn't have strawberries, you have to decide if you really want strawberries. If you do, then you will have to travel to different markets to try to find some strawberries. If you don't find any strawberries anywhere, then you will have to go without. Scarcity has forced you to go without strawberries.

When you are a consumer, everything has an **opportunity cost**. Say you have \$2. and you decide to buy a chocolate bar. You are not buying a can of soda with that money. So the opportunity cost of the chocolate bar is whatever you could have bought - a can of soda, a bag of chips or a pack of gum. Isn't making choices with money a hard job?

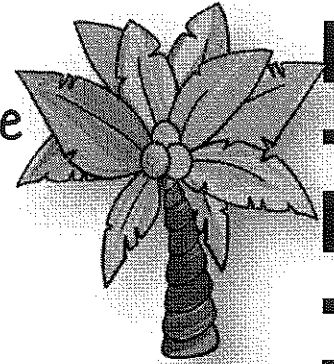


Resources

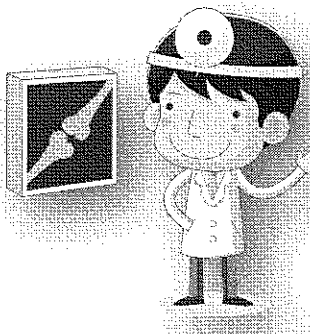
We all have wants and needs. A **need** is anything you need to survive, like food, water, clothes, shelter. A **want** is something you enjoy, like a new video game, a candy bar or a trip to the movies.

In order for producers to produce anything, they need resources. A **resource** is anything that helps us satisfy our wants and needs. There are three different types of resources.

The first is a natural resources. A **natural resources** is anything that is in nature that we can use to create a product. Such as lumber from trees, milk from a cow or diamonds from a mine. Can you think of any other natural resources people use?



Human resources are important too.



A **human resource** is a resource found in people. Such as a group of men who build a house, a mechanic's skill to fix a car, a doctor who helps you get well, or even an inventor's idea!

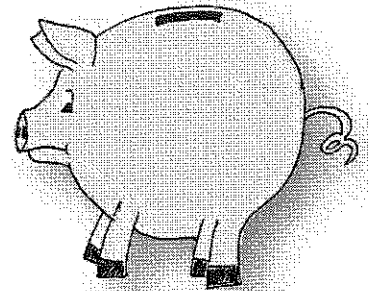
The last type of resource is a capital resource. **Capital resources** are goods that are used to make other goods or to provide services. Such as a money to buy small parts for a phone from another company or a machine that creates clothes.



Money

We can't learn all about economy, without learning about money! Today, in order to buy something, you have to have money! How do you get money? To get money, you have to work. When you work, you have an income, or money you earn. It is your responsibility to decide how you want to spend your income.

It is very important to save your money. Some of you may have a piggy bank, or even a savings account at the bank! The great thing about having a savings account, is that you can earn interest! Earning interest just means that the bank is paying you to keep your money in a bank.



One day you will probably borrow money from a bank or a credit card company. When you borrow money, you have to pay interest. This means that you are paying the bank or credit card company to use their money. So, if you borrow \$100 from the bank, you might have to pay back \$110.

Economy Vocabulary

1. capital resource: goods that are used to make other goods or to provide services (businesses, machines, money, etc)
2. consumer: a person who uses /buys a good or service
3. currency: the type of money that a country uses to buy or trade things
4. demand: people's willingness to buy goods or services
5. export: ship, or send out goods to other places
6. good: something people buy that you can hold or touch
7. human resource: resources found in people (people, skills, ideas, etc)
8. import: bring in goods from other places
9. income: the money you earn
10. interdependence: people depend on each other
11. natural resource: the many things nature provides that we use to satisfy our wants (lumber, animals, etc.)
12. producer: a person who makes a good or produces a service
13. opportunity cost: whatever you have to give up to get what you want or need.
14. resources: things we use to satisfy our wants and needs
15. scarcity: when there's not enough of something you need or want
16. service: something people do for other people for money
17. specialize: to do a certain job
18. supply: products and services business provide
19. trade: the exchange of one good or service for another

