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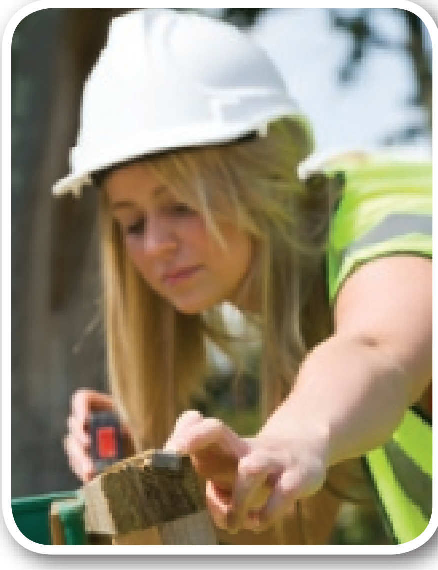
Lessons in Economics

Human resources



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Lessons in Economics

Core Knowledge®

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What Is an Economy?

All societies have an economy. An economy is all the ways people exchange goods and services. This means the economy includes the jobs that people do. Some jobs in your community might be teacher, chef, or farmer. In our society, people are paid money for the jobs they do. They use that money to buy the things they need. You, too, might be a part of the economy. You may do chores at home for an allowance.

Some people make and sell goods. Goods are items that people can buy. Goods include clothes, toys, food, and books. Most goods are things you can hold in your hands. Others are digital, like a movie you watch online.

Some people provide services. Services are tasks that people do for each other. Doctors, nurses, and plumbers all provide services. Your teacher provides a service each day by helping you learn.

When we buy goods and services, we fulfill our needs or wants. Needs are things people must have to survive. Wants are things that are nice to have. In some places, most people can meet their needs and wants. Goods and services are mostly available. In those places, most people have the money to pay for them. But this is not true for everyone everywhere.

In other places, people struggle to meet their everyday needs. These needs include food, shelter, and clothing. Everyone needs these things each day to survive.

Most people have wants, too. Some wants are things such as TVs and video games. Many services are wants as well. For example, getting pizza delivered is a service that is a want, not a need.

It's good for the economy when people are able to buy what they need and what they want. When people buy things, they are supporting businesses.

CHAPTER 2

We Need Resources

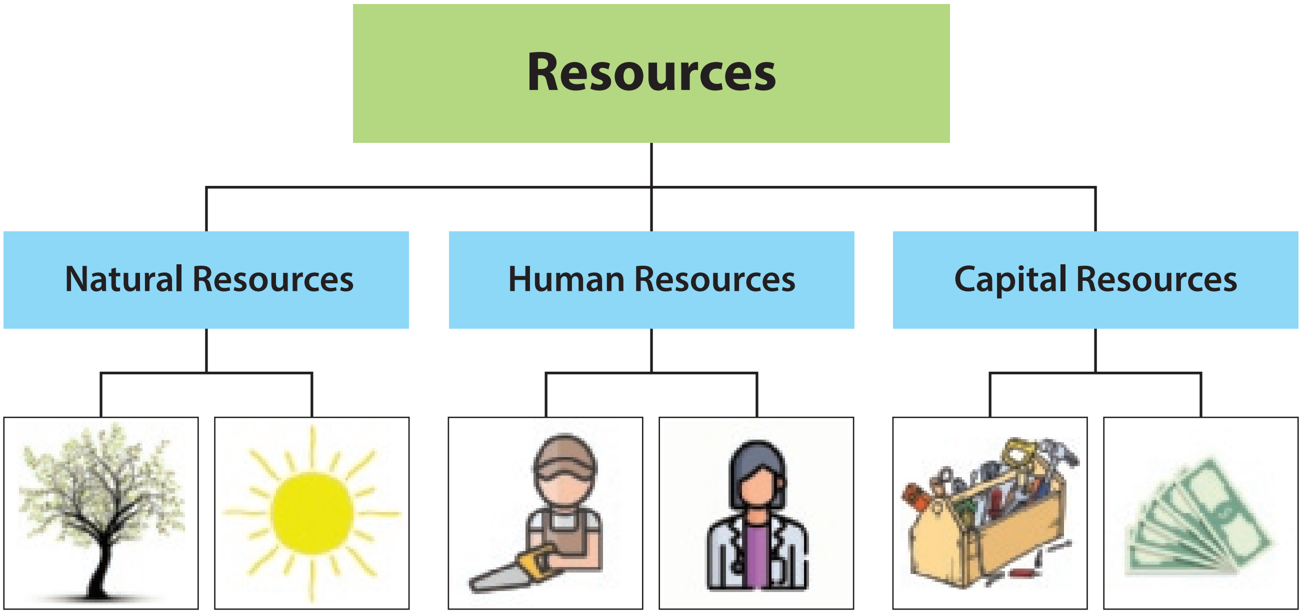
To make or provide goods and services, people use resources. There are three types of resources. They are natural resources, human resources, and capital resources.

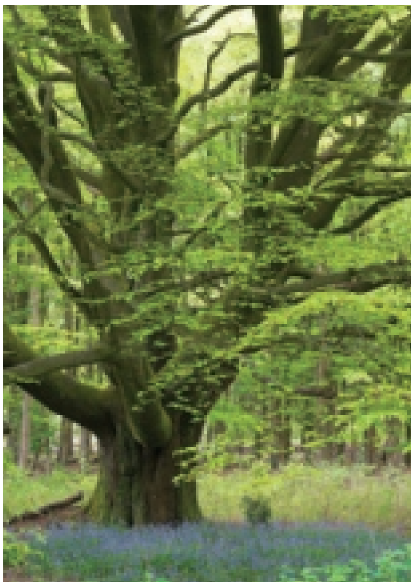
There are many natural resources on Earth. Natural resources come from nature. One example of a natural resource is wood from trees. Forests can grow all on their own. People cut down trees to build houses and make goods. It's important that humans replace the trees they use.

Another example of a natural resource is sunlight. Light from the sun helps plants grow. The sun also provides energy that people can use. This is called solar power. Some homes and businesses get their electricity from solar power.

Another type of resource is human resources, or people. They are the workers who use their skills to make goods and provide services. For example, the person who cuts your hair is a human resource. They use their learned skills to provide a service.

The skills people provide have a positive effect on the economy. An economy needs a combination of natural and human resources to work well.





Capital resources are the third kind of resource. Capital resources include money and tools. People need money and tools to produce goods and services. They also need buildings in which to work. These are all examples of capital resources.

Think back to the example of trees and the wood they provide. This will help you understand how the three kinds of resources are used to produce the lumber needed to make buildings. First, you need a lot of forests to provide the wood. Forests are a natural resource. Second, you need skilled workers, the human resources who cut down trees and plant new ones. Finally, you need tools such as chainsaws and heavy machinery. These tools are used to cut down trees and shape them into lumber. They are capital resources.

CHAPTER
3

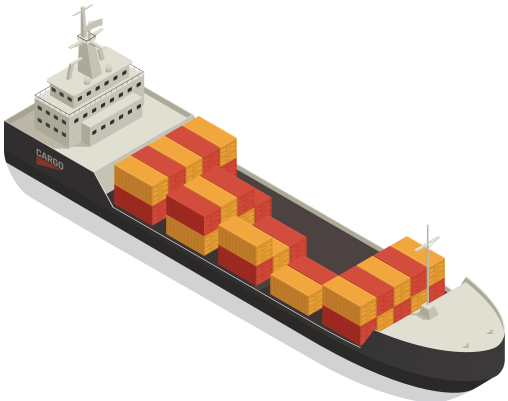
Consumers and Producers

There are two main roles in an economy. These roles are producers and consumers. A producer is someone who makes things. A consumer is someone who buys things. Most people are both a producer and a consumer at different times. For example, a farmer is a producer when growing crops for sale. But when buying seeds for the crops, a farmer is a consumer.

A producer has a lot of decisions to make. First, they have to decide what to make. Consider a person who wants to make shoes. They have to decide what kind of shoes to produce, such as sneakers or boots. Then they have to decide how to make those shoes. Do they want to make the shoes in a factory? Or do they want to make shoes by hand? What materials will they need? How much will they charge for the shoes?

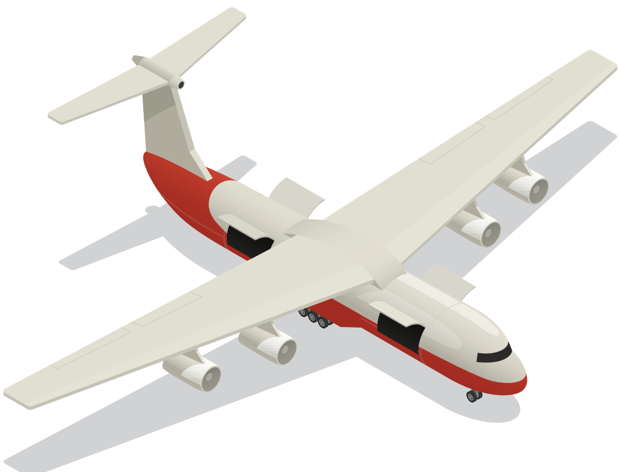
Many producers work together to bring a product to consumers. They all rely on one another to do their part. This is called interdependence. Producers who make shoes need the materials to make the shoes. They also need tools. The people who make these materials and tools rely on people who make shoes to buy *their* products.

Some products are ones that a lot of people need, like shoes. They are sold to many consumers. Producers need a way to let people know about their products. And they must figure out how to get their goods to consumers.



Cargo Ship

Freight Train



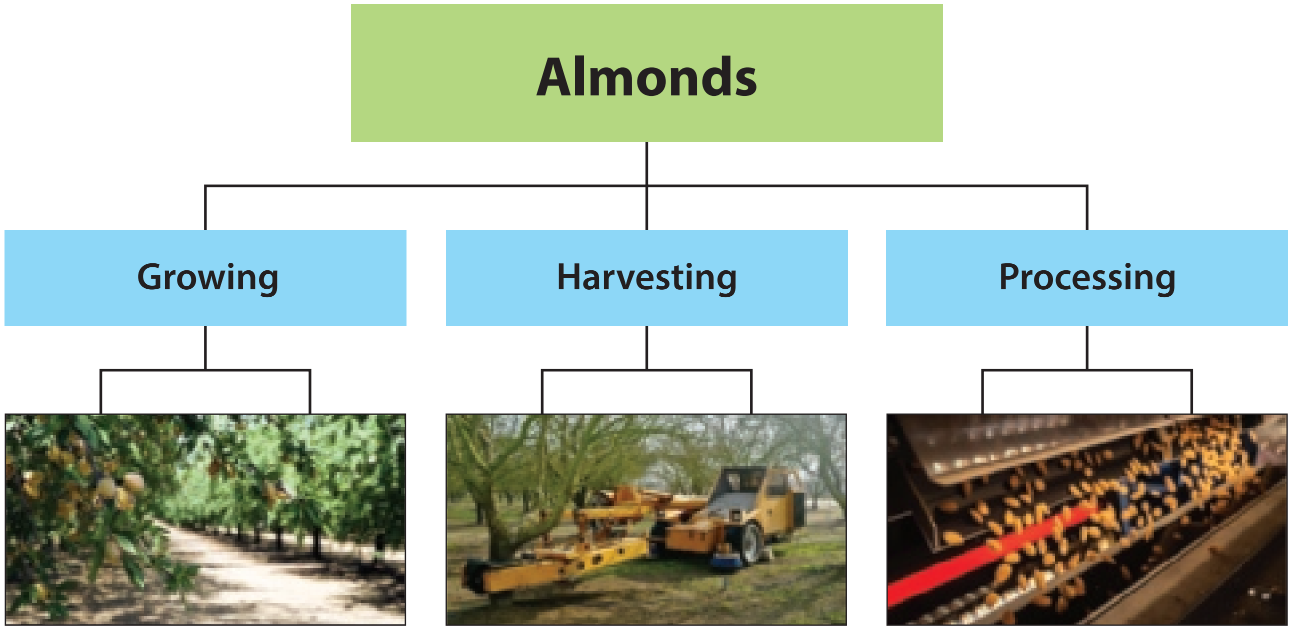
Airplane

Truck

Let's look at another example. California produces most of the world's almonds. California has many natural resources that make it a good place for almond trees to grow. The weather is warm and dry. The soil is rich. California also has the human and capital resources to produce a lot of almonds.

Almond trees bloom in the spring. When they bloom, beekeepers bring in bees to pollinate the almonds, which will cause them to grow. The beekeepers are human resources. The bees are natural resources. Then the almonds grow for the next few months.

Almonds grow in a hard, fuzzy shell. In July, the shell splits open. Machines called tree shakers shake the trees. This makes the ripe almonds fall to the ground. Another machine gathers the almonds. The almonds are then taken to a factory. There, the almonds are taken out of their shells. Workers sort the almonds by size. The machines and factory are capital resources. The people who operate the machines and work at the factory are human resources.



Almonds are shipped from California to all over the world. Some almonds go to grocery stores, where consumers buy them to eat at home. Some almonds are bought by other producers, such as restaurant owners. Perhaps even your family eats California-grown almonds.

CHAPTER 4

Why Do People Make Certain Economic Choices?

Consumers make choices every day. They decide how and where to spend their money. Most consumers have budgets. A budget is a plan for how a person will use the money that they have. The money comes from a job or other sources. A budget helps guide spending. One way to plan a budget is to think about all the things you need. Then you plan what to spend on each thing.

What's in a budget depends on how much money a person has. It also depends on what they need and want. As you have read, food, clothing, and shelter are basic needs.

Often, planning a budget involves trade-offs. If you spend money on one thing, you can't spend it on something else. For example, you might use your money to buy a video game. This means you can't spend it on clothes. Economists call this an opportunity cost. Buying the game means you give up the opportunity to buy clothes.

OR

?

Scarcity is another thing that affects consumer choices. Scarcity means how rare something is. When something is scarce, such as a game or even food, there is not enough for everyone to have. And when a good or service is scarce, its price goes up.

The Marketplace

Goods and services need a place to be bought and sold. That place is called a marketplace. A marketplace can be physical. Malls and grocery stores are examples of physical marketplaces. Marketplaces can also be digital. When someone shops online, they are using a digital marketplace. Many different things affect what's available in a marketplace.

Marketplaces require a system of exchange. The consumer gets a good or service from a producer. They then give something to the producer in exchange.

One form of exchange is a barter system. A barter system does not use money. People trade goods or services for other goods or services. For example, during school lunches, you might trade your apple for someone else's pudding. That's bartering. Bartering was common long, long ago.

Today, most economies use money. The Mesopotamians are believed to have been the first people to use money. They lived thousands of years ago. The Mesopotamians used stamped gold and silver coins. Today, money is usually made of metal or paper.

Credit is another system people can use to buy things. A consumer can receive credit from a seller when buying something now if there is a promise to pay for it later. Often, buying on credit comes with an extra fee. It's common to use credit to make expensive purchases, like a house or car.

The price of a product depends on its value. Value is how much something is worth. There are many things that affect a product's value. A product might have a high value if it is well-made and popular. Or it might have a high value because it is scarce. The value of a product goes down if too few people want to buy it.

Some things also cost a lot of money to produce. Houses are expensive. Building them requires many materials and a lot of work. They also require land. This means that a house costs much more than other purchases.

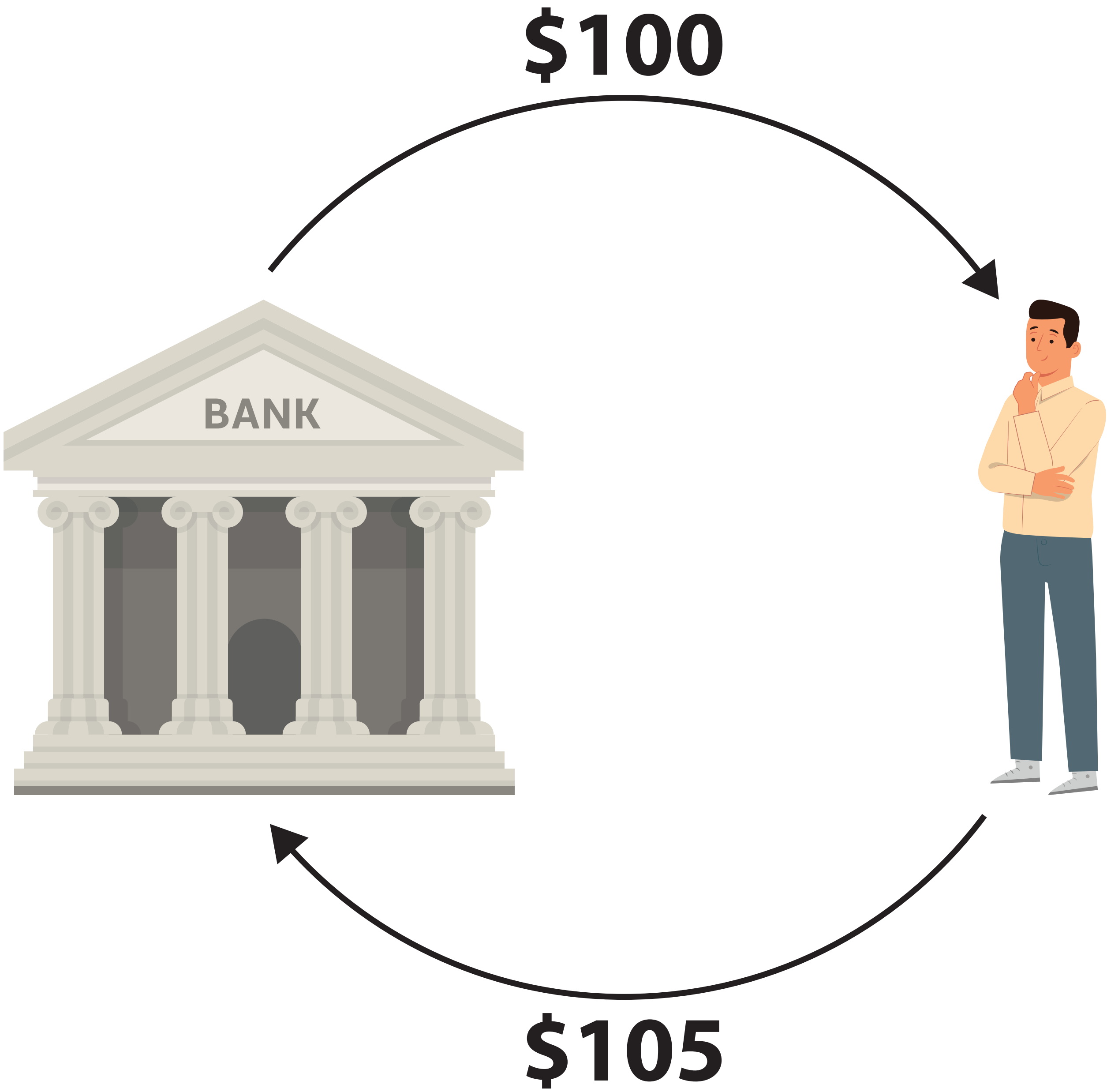
How much people are willing and able to pay affects a home's value, too. People might be willing to pay more for a house in one location than another. Houses with a view of the ocean are often more expensive than those without a view.

CHAPTER 6

Government and the Economy

Governments play a role in the economies of their nations. How involved a government is in the economy depends on the type of government a country has. In some countries, the government is not very involved in the nation's economy. Leaders in these countries think economies work best when they're left alone. In other countries, the government controls certain parts of the economy. These countries' leaders think this helps make things fairer for the people.

Governments make choices to help the economy run better. There are many ways they can do this. One way is to make it less expensive to borrow money. People who borrow money have to pay it back with interest. This means they pay a fee. For example, someone who borrows one hundred dollars might need to pay an additional five dollars. That five dollars is the interest paid.



The amount of interest that people pay changes. This is because the government can change the amount of the fee. More people borrow money when the amount of interest is low. Then people are more likely to open businesses. People also make larger or more expensive purchases, like houses or cars. The economy grows when people buy more goods and services.

Sometimes, the economy grows too fast. This makes prices for goods and services go up. When this happens, people struggle to pay for what they need. The government can then make it more expensive to borrow money. This will slow the growth of the economy.

Another time a government may take action to affect the economy is when many people are out of work. People can lose their jobs when the economy isn't doing well. There are a few ways the government can try to help these people. It can create job-training programs. It also can help lower the cost of running businesses so that more people can be hired.

CHAPTER
7

The Global Economy

The global economy is the biggest marketplace in the world. The global economy is the exchange of goods and services among countries. There are many reasons to buy things from other countries. One is that some resources are available only in certain places. Another reason is that some countries have a greater supply of resources than others. For example, Saudi Arabia has a large supply of oil. Gasoline for cars is made from oil. Many countries buy their oil from Saudi Arabia.

Chocolate is another example. Chocolate comes from the cacao tree. This tree can only grow in a warm, tropical climate. Countries that grow cacao sell it to places where the tree cannot grow. People all over the world can then enjoy chocolate.

The process of buying and selling goods worldwide is called trade. Products that one country buys from another are imports. Products that a country sells to another are exports.

China is the world's largest exporter. It sells more goods than any other country. China builds a lot of electronics. Most phones, video games, and TVs have parts made in China. China can do this because it has built a lot of factories to make these goods. It also has many workers.

The United States is also a large exporter. Two important exports of the United States are oil and cars. The United States does the most trade with China, Canada, and Mexico.

Trading means that people around the globe have access to things that they otherwise could not get. The global economy makes it possible to buy more and more products.

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