



A **GOOD** is an object people want that they can touch or hold.
A **SERVICE** is an action that a person does for someone else.

Examples: Goods are items you buy, such as food, clothing, toys, furniture, and toothpaste.
Services are actions such as haircuts, medical checkups, mail delivery, car repair, and teaching.

National Content Standard in Economics

Standard 1

*Productive resources are limited. Therefore, people cannot have all the **goods** and **services** they want; as a result they must choose some things and give up others.*

Goods and Services

Goods are tangible objects that satisfy people's wants. **Services** are actions, such as haircuts and car repair, which also satisfy people's wants. A key point to emphasize to young children is that goods and services must be produced - they don't appear magically on store shelves. Similarly, they are produced using scarce productive resources (natural, human, and capital); thus, the goods and services themselves are considered **scarce**.

Depending on the grade level, it may be appropriate to teach

the distinction between consumer goods and capital goods.

Consumer goods are the "final" goods purchased by consumers. **Capital goods** are those used to produce other goods and services (e.g. tools, equipment, machinery).

A skillful teacher can use these concepts to help students think about their futures in the world of work. Instead of asking students what they want to be when they grow up, ask them to identify what goods or services they might want to *produce* when they grow up.

Teaching Ideas

1. Create a collage representing goods and/or services that families consume.
2. Using play dough, make examples of goods and of people performing services.
3. Visit a local store to see how goods are marketed. Analyze store displays, the packaging of goods, etc.
4. Find examples of goods and services in the yellow pages.
5. Draw and color pictures to accompany this title, "People Work To Produce Goods and Services."
6. Teach students how to read information labels on various goods.
7. Make a large "wishing well" bulletin board. Have students classify the things they wish for as goods or services.
8. Write a paragraph on "What Good or Service I Want to Produce When I Grow Up."
9. Write a paragraph entitled, "How Goods Get To the Store." Draw a picture to accompany the paragraph.
10. Play the "Clap-Clap, Stomp-Stomp" game. Call out an example of a good or service. Tell students to clap loudly if a good, to stomp loudly if a service. (With "tongue in cheek", tell students you know you will stump them - you don't, of course, and they love it!)
11. Identify consumer goods and capital goods in stories, the yellow pages, or magazines.

Literature Connection

Use the children's literature books below to help teach the poster concept to your students. You will find guided questions on economics concepts as well as additional books and questions at the *KidsEcon Posters*® web site:

www.kidseconposters.com. (Click on Literature Connection.) You will also find information on in-service training opportunities and additional *KidsEcon Posters*® curriculum materials.

Too Many Chickens, by Paulette Bourgeois
Find out what Mrs. Kerr's students do when their classroom is overrun by chickens, bunnies, and a goat.

My Town, by William Wegman
Chip is having trouble deciding on a topic for a school report. After seeking advice from many community workers, he decides to make a photo report of his town.

Pigs Go To Market, by Amy Axelrod
The pigs are having a Halloween Party and have eaten all of their candy. Follow along as the pigs go to the marketplace to purchase the goods they need.

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Economic Wants

Economic wants are desires that can be satisfied by consuming a **good, service**, or leisure activity. Because people have differing economic wants, they purchase a wide variety of goods and services or choose to "consume" differing amounts of leisure time.

People also have different levels of **income** to purchase economic wants. Obviously, people with higher levels of income can purchase more goods and services or can take more leisure time. Regardless of their income, however, all people must

choose to satisfy some wants, but not others.

The desire for more goods, services, or leisure time is not necessarily "greedy." People often want more so they can give more to others in need, provide a better life for their children or aged parents, or make their neighborhoods more beautiful.

In many elementary textbooks, a distinction is often made between wants and needs. However, the concept of needs can be very subjective, and economists typically lump both terms together under the general category of wants.

Teaching Ideas

1. Create a collage representing goods and/or services that families want.
2. Using play dough, make examples of goods and services that satisfy the economic wants of people.
3. Make a large "wishing well" bulletin board entitled, "Things That People Want." Have students classify the things they want as goods or services.
4. List and discuss things that people want that are used to help other people or their community. (e.g. food to help people in need, trees to make a city more beautiful)
5. Take a walking tour around your school or community identifying goods and services that people want.

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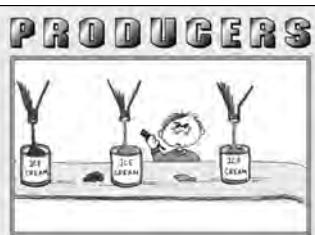
The Awful Aardvarks Shop for School,
by Reeve Lindbergh

The aardvarks make a list of things they need for "Back to School." They go to the Shop-All-Day Mall to satisfy their economic wants.

How Much Is That Doggie in the Window?
by Bob Merrill

A boy really wants a special dog in the pet store window, but he does not have enough money. He attempts to earn the money needed, but spends his own money on his family members instead. Luckily, his family surprises him with the dog as a gift.

Crispin the Pig Who Had It All, by Ted Dewan
Crispin is the pig who has it all. He seems to have many wants. This year, Santa has left Crispin a mysterious box that promises to be the "very best thing in the whole wide world."



PRODUCERS
are people who make goods or provide services.

Example: A business such as an ice cream factory produces a variety of ice cream products for consumers to buy. Producers have to sell their products at high prices.

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Producers

Producers are people who make goods or provide services. In the production process, producers combine natural, human, and capital resources. Because these productive resources are limited, producers must choose which goods or services to produce. Most adults work as producers. In exchange for their work, people earn **income**, which is spent on goods, services, or taxes, or is saved.

Teaching Ideas

1. Identify producers of five different types of goods and five different types of services.
2. Draw and label pictures of three people who are working to produce a good or service. Label the drawing, "Responsible Citizens Work To Produce a Good or Service."
3. Cut out pictures from a magazine or newspaper showing people working. Determine whether they are producing a good or service. Make a bulletin board entitled, "People Work To Produce Goods and Services."
4. Draw a picture of a parent or relative working. Label each picture with "Producing a Good" or "Producing a Service." Below each picture, explain whether or not the parent or relative received income for the work.
5. Give examples of work that people do for which they do not receive income. (*volunteer work, work at home, etc.*)
6. Interview people who work to produce a good or service. Find out the number of hours they work each week, the training they received, and the good points and bad points about their jobs. Write several paragraphs summarizing the interview.
7. Write a poem or song about working.
8. Write a paragraph entitled, "What Good or Service I Want To Produce When I Grow Up." Draw a picture to go with the paragraph.

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The Popcorn Book, by Tomie de Paola
This book contains information about the history, production, and preparation of popcorn.

The Little Red Hen (Makes a Pizza), retold by Philemon Sturges
When Little Red Hen decides to make a pizza, she discovers she doesn't have the necessary tools and ingredients. She buys all the ingredients she needs and produces a large enough pizza to feed her friends.

Welcome to Our Farm, by National Pork Producers Council
(This publication is available on the website: www.pork4kids.com)
Bethany and Michael take you on a tour of their pig farm to show you how the pigs are raised before they are sent to market.

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Consumers

Consumers are people who buy goods and services. Consumers face many choices of what to buy and cannot buy everything they would like to with their limited incomes. People's choices about what goods and services to buy and consume ultimately determine what producers produce and, thus, how productive resources will be used.

Teaching Ideas

1. List and/or draw goods and services that people consume.
2. Write a paragraph entitled, "Goods and Services I Consume Every Day."
3. Write a paragraph entitled, "Consumers Make Choices."
4. Cut out pictures of people using goods and services and identify the goods and services being consumed.
5. Plan a vacation trip. List the goods and services you will consume on the trip.
6. Construct a pictorial graph showing people in three categories: consumers, producers, and both producers and consumers.
7. Cut out coupons from a newspaper or magazine. Compute how much money you would save from using them.
8. Students can save their allowance, use it to purchase (consume) goods and services, or give some of it away. Discuss the advantages and disadvantages of each option.
9. Plan a budget for a week. Estimate how many goods and services you will purchase (consume). Also, estimate how much you would like to save or give away.

Literature Connection

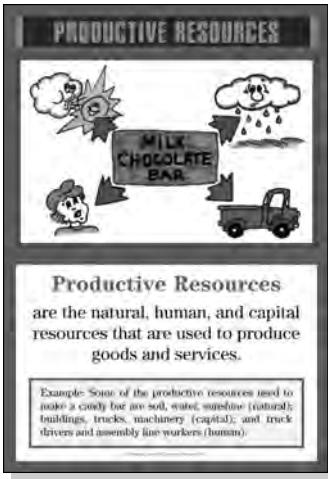
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Something Special for Me, by Vera Williams
Rosa confronts scarcity and opportunity cost for herself and her family as she chooses her own birthday present.

Ox-Cart Man, by Donald Hall
The ox-cart man, his wife, his daughter, and his son work all year to gather, grow, and make goods to sell at the market. The man uses the money he makes to purchase things the family needs.

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Productive Resources
are the natural, human, and capital resources that are used to produce goods and services.

Example: Some of the productive resources used to make a candy bar are soil, water, sunshine (natural); buildings, trucks, machinery (capital); and truck drivers and assembly line workers (human).

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Productive Resources

Every society is endowed with **resources** that are used to **produce** the **goods** and **services** that enable it to survive and prosper. These resources, called **productive resources**, are often classified into three groups: natural resources, human resources, and capital resources. **Natural resources** (often called **land**) refer to resources such as coal, water, trees, and land itself. **Raw materials** used in production come from natural resources. **Human resources (labor)** describe the human work effort, both physical and mental, expended in production. **Capital resources** are the man-made physical resources (such as buildings, tools, machines, and equipment) used in production.

Capital resources are sometimes confused with **financial capital**. Financial capital refers to the money raised to start or expand a business.

Entrepreneurship refers to the special human skills and abilities used to organize productive resources in order to start a

business. Entrepreneurship is sometimes considered a fourth basic type of productive resource.

Another term frequently encountered is **human capital**. Human capital refers to the education, skills, and abilities of human resources. Education and training are ways workers can improve their human capital and make themselves more valuable to employers.

It is very interesting to analyze which productive resources are the most critical to the success of a country's economy. In the past, natural resources were considered more important, but in today's modern, high-tech, industrial economy, the quality of a country's capital resources and the skill level of its human resources are even more important. This is why a good education is more and more critical for success in today's world.

Teaching Ideas

- Identify and categorize examples of productive resources used to produce a good or service. Use play dough to represent these resources.
- Use a resource map of the state to locate natural resources.
- Cut out pictures from a magazine illustrating different types of jobs. List the educational and skill requirements for those jobs.
- Bring to class examples of capital goods used in the home. Discuss how these make family members more productive.
- Draw pictures representing a capital good used to produce a good or service in the school or community. Use the pictures to make a bulletin board.
- List and discuss ways students can improve their skills and abilities, i.e. their human capital. Identify specific places in the community where students can increase their skills. (schools, apprenticeship programs, evening training opportunities, on-the-job training, community center seminars, private lessons, studying books in the library, etc.)
- Create a resume, listing human capital such as skills, education, personal strengths, and abilities.
- Create a bulletin board illustrating how capital resources have changed over the years. Students can choose a specific industry (e.g. agriculture) to emphasize.
- Design a brochure advertising the natural, human, and capital resources of the community, region, or state to encourage

businesses and families to locate there. Students could design brochures representing various historical periods.

- Write a critical essay or paragraph entitled, "Why Countries are Rich or Poor." Mention factors such as the quality and quantity of the various productive resources.

Literature Connection

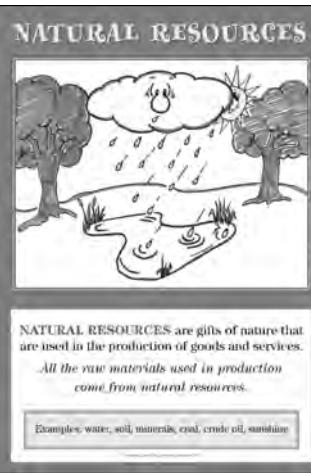
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How To Make an Apple Pie and See the World, by Marjorie Priceman

Making an apple pie is usually easy for the young baker except when the market is closed and no ingredients can be bought. The reader is taken on a journey around the world to find the finest ingredients to make a delicious apple pie.

Life and Times of the Peanut, by Charles Micucci
The common peanut has a long and uncommon history. Explore the many ways that peanuts are used.

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Natural Resources

Natural resources are gifts of nature; they are present without human intervention. Natural resources are used to produce goods and services. Traditionally, in economics the term **land** has been used (and is still often used) to mean natural resources.

All **raw materials** that are used in production have their origin in natural resources. However, this creates some confusion when classifying resources. For example, is the cloth used to produce blue jeans a natural resource? Economists

technically would classify this cloth as a capital resource because it is actually an intermediate good, not one that comes directly from nature.

Natural resources are necessary for production. No matter how much one wants to care for the environment, it will be necessary to disturb the environment to some degree in order to produce the goods and services society desires. This results in some inevitable tension regarding the proper use of the environment.

Teaching Ideas

1. List or draw pictures of natural resources that go into the production of different goods and services.
2. List or draw pictures of natural resources that are mined.
3. Make a collage showing natural resources of your state, region, or community.
4. Write a paragraph entitled, "Why Natural Resources are Needed To Produce Goods and Services."
5. Use play dough to create examples of natural resources used in production.
6. Discuss which natural resources are "free" for people. (Some could be considered free - sunshine, water in our oceans and rivers, the air. But most natural resources are not; as individuals, we must pay for land, gold, crude oil, etc. Also, point out that clean air and clean water are not really free; it takes scarce productive resources to clean them and make them fit for many uses.)
7. Read a story to your students. As you are reading, have individual students write down natural resources mentioned in the story. Discuss student responses.
8. Create a bulletin board entitled "Natural Resources We Use in Production."

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Growing Vegetable Soup, by Lois Ehlert
A child and her father plant, water, weed, and pick vegetables to make soup.

Blackberry Booties, by Tricia Gardella
Mikki Jo wants to make a special present for her new baby cousin. She trades the blackberries she picks for all the things needed to make a pair of booties.

Just A Dream, by Chris Van Allsburg
Walter believes the future is going to be wonderful - filled with robots and other amazing inventions. When he falls asleep, his wish comes true. But the world Walter sees is not exactly what he imagined.

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Standard 13

Income for most people is determined by the market value of the productive resources they sell. What workers earn depends, primarily, on the market value of what they produce and how productive they are.

Human Resources

Human resources describe the human work effort, both physical and mental, used in the production of goods and services. Human resources are one of the three basic **productive resources**: natural, human, and capital.

Human resources, like the other productive resources, are considered **scarce**. That is, human resources are not freely available in unlimited quantities. This is why producers must pay wages and salaries to obtain the human resources they need to produce **goods** and **services**.

Not all human resources are equally valuable to producers. Some workers are not highly skilled (i.e. are less scarce)

Teaching Ideas

1. Cut pictures out of magazines of people at work. Identify the education and skills required for the jobs.
2. Create a bulletin board or scrapbook entitled, "People in Our Community Work To Produce Goods and Services." Use photos of people working in the school or community. Interview people to find out the education and skills required for the jobs.
3. Working in groups, examine the Help Wanted ads in a newspaper. Analyze whether wages and salaries vary according to education and skills.
4. Interview parents about the goods or services produced at their jobs. List the human capital requirements needed in the job.
5. Invite community workers to class to explain their jobs. Have students prepare interview questions beforehand. Write paragraphs about what was learned in each visit.
6. Write a paragraph entitled, "What Good or Service I Want To Produce When I Grow Up." Draw a picture to accompany the paragraph.
7. Prepare a student resume, listing education, skills, and abilities.
8. Discuss the truth of this statement: "If you want a good job, make yourself scarce!" (It's really true. "Very scarce" workers possess high levels of human capital, making them very valuable to employers.)

compared to others, and do not earn as high a wage. Very skilled and educated workers are typically very productive, and, therefore, are highly valued by employers. These workers usually command a high wage/salary. Examples would be a star athlete or brain surgeon. Workers who possess significant skills due to education and training are said to have high levels of **human capital**.

It takes discipline and hard work to develop human capital. To do so often means **investing** one's time and **savings** in education and training courses. But the result is a reasonable expectation of higher income and usually a more interesting job.

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Working Cotton, by Sherley Anne Williams

A young black girl describes a day working in the cotton fields of central California. Her migrant family works very hard to pick the cotton without using advanced machinery.

Charlie Needs a Cloak, by Tomie dePaola

Charlie is a shepherd, and everyone says he needs a cloak. He shears his sheep, cards and spins the wool, weaves and dyes the cloth, and sews a beautiful new red cloak.

Walter the Baker, by Eric Carle

Walter is a famous baker who makes good things to eat. He solves a problem and invents a roll that the sun can shine through three times. Everyone is happy to have the baker and something new and wonderful.

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Capital Resources

Capital resources are goods produced and used to make other goods and services. Basic categories of capital resources include tools, equipment, buildings, and machinery. However, any good used by a business to produce other goods and services is classified as a capital resource, including mundane items such as shipping boxes, invoice forms, pens, or file cabinets.

Goods can often be classified as either consumer goods or capital goods. For example, when a person buys a truck for personal use, the truck is a consumer good. When a business buys a truck to transport products, the truck is considered a capital good.

The key to economic growth and rising standards of living is increasing productivity. Probably the most important way for a

country to increase productivity is through the acquisition and technological improvement of capital resources. However, in order to invest in additional capital resources, countries (including businesses and individuals) must forgo current consumption of consumer goods and services. Investment in capital resources may mean less current consumption, but it means more goods and services in the future.

Economists have also coined another useful term – **human capital**. Human capital refers to the *quality* of human resources, which can be improved through investments in education, training, and health. Just like regular capital resources, investments in human capital increase worker productivity.

Teaching Ideas

1. Draw pictures of capital resources used to produce specific goods or services. Make a bulletin board of the drawings entitled, "People Use Capital Resources To Produce Goods and Services."
2. Bring examples of capital resources to the classroom. Discuss how they are used in production.
3. Make a timeline, with drawings, showing how capital resources have changed over time. For example, illustrate the development of agricultural tools and machinery.
4. Invite a labor or business representative to share which capital resources they use and how this has changed.
5. Make goods out of play dough, using pencils, rulers, paper clips, etc. as the "capital resources."
6. Give examples of how people improve their human capital (e.g. an athlete trains diligently, people go to college or technical school to acquire skills.)
7. Create and draw a factory production process. List all the capital resources shown in the drawing.
8. Topic for debate! "Which is more important, investing in capital resources such as tools or machinery, or investing in human capital, such as education and training?"

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The Three Little Wolves and the Big Bad Pig,
by Eugene Trivizas and Helen Oxenbury

The three little wolves build several houses out of different materials, but the big bad pig uses different tools to destroy each one. Finally, the house they build out of flowers appeals to the pig and they all live happily ever after.

Extra Cheese, Please! Mozzarella's Journey from Cow to Pizza, by Chris Peterson

Annabelle gives birth to a calf and is then able to produce milk. The steps of producing cheese from the milk and then making pizza with the cheese are described with color photographs of all the capital resources used along the way.

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Scarcity

Because **productive resources** are limited, the **goods** and **services** that can be produced from these resources are also limited. In contrast, the goods and services wanted by individuals and societies are virtually unlimited. This tension between unlimited wants and limited productive resources available for satisfying these wants is what economists refer to as **scarcity**. Thus, stereos, hot dogs, education, lawn mowers, T.V. repair services, and bubble gum are all considered **scarce** because many individuals desire these things, but their availability is limited.

Scarce goods and services command a **price** in the **marketplace**. The price indicates how scarce a good or service is relative to other goods and services. A good with a high price is relatively **more scarce** than a good with a lower price; thus a stereo is considered more scarce than a piece of bubble gum.

Economically speaking, it is quite difficult to think of things that are *not* scarce. Some examples might include sand and water at the beach or the air you are breathing at this moment. But even air is scarce to the scuba diver or astronaut; and certainly clean air is scarce for the inhabitants living in cities. It is safe to say that in economics, most things in this world are considered scarce.

Scarcity is sometimes confusing to students because it does not correspond exactly to the common usage of the word. Are hot dogs and candy really scarce? They are readily available to most students, who would more likely apply the term to diamonds or gold. The key idea to point out to students is that hot dogs and candy are indeed scarce (they are not freely available and have a price), but they are less scarce than diamonds or gold.

Teaching Ideas

1. Create a list of scarce goods; then a list of scarce services (or cut and paste pictures from magazines). Discuss and compare student lists. Then have students place estimated prices on the items in their lists. Discuss what the price represents (how scarce the good or service is relative to others).
2. List scarcity situations students face every day in the use of their time. Draw these scarcity situations and create a bulletin board display.
3. Identify scarcity situations in the school or classroom. Explain that school decision-makers have limited funds, but almost unlimited uses for those funds (supplies, computers, teacher salaries, team uniforms, playground equipment, etc.)
4. Write a paragraph about a scarcity situation students faced when purchasing a specific good or service. (choosing how to spend limited income on several desired items)
5. Create a poem or jingle about scarcity.
6. Discuss different jobs. List special skills that are needed for these jobs. Discuss how these jobs make a worker *more scarce* and provide a higher wage.
7. Analyze this statement: *"If you want a good job, make yourself scarce!"* (It's true. Making yourself "scarce" by acquiring valuable skills will make workers more valuable to employers.)
8. Draw or cut out pictures of different kinds of natural resources. Discuss which of these are "very scarce." How do you know? (The price is high relative to the prices of the others.)
9. Use a resource map of the state to identify the scarce natural resources of certain regions.

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The Doorbell Rang, by Pat Hutchins

Each time the doorbell rings, the children in this story face a cookie scarcity problem.

One Grain of Rice, by Demi

A raja in India decreed that the rice farmers in his province must give him nearly all their rice to store for himself. After a bad growing season, the raja continues to demand the rice, and the people are faced with a severe scarcity problem - famine. Luckily, a young maiden develops a plan to get the rice back from the raja.

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When you make a decision, the most valuable alternative you give up is your **OPPORTUNITY COST**. There is an opportunity cost to every decision.

Example: Harlan wants to purchase a basketball and a football. He only has enough money for one item. If he chooses the basketball, his opportunity cost is the football. Remember, the money you pay for a good or service is *not* your opportunity cost.

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Opportunity Cost

Because of **scarcity**, any time a choice is made there are alternatives that are not chosen. More precisely, there is always one next best alternative that is not chosen. The value of this next best alternative is the **opportunity cost**.

Both producers and consumers incur opportunity costs when making decisions. For example, a business person who uses a building to operate an insurance business cannot use the same business to produce pizzas. A consumer who uses income for purchasing a blouse cannot use that same income for purchasing a skirt. Because there are always alternative uses for limited resources, every decision has an opportunity cost.

It is important that you help your students recognize and

evaluate opportunity costs when making decisions. As consumers, students should realize that their opportunity cost is *not* the money they spend to buy something, but the value of the next best item they did not choose. For producers, the opportunity cost is the most valuable good or service that is *not* produced as a result of the decision to produce something else.

Opportunity cost can be related to decisions to save or consume. Choosing to save means giving up the opportunity to enjoy current consumption now. On the other hand, choosing to consume means giving up the opportunity for greater *future* consumption (as the result of accrued interest).

Teaching Ideas

1. One at a time, have students select their favorite two items from a group of toys, candy, or other desired items. Then make the student choose the favorite item. Ask the student to identify his opportunity cost (the item not chosen!)
2. Ask students to draw pictures of everyday opportunity cost situations that do not involve a purchasing decision. (Pictures could show students making choices about what to wear, whether to walk or ride their bike, whether to make a ham or peanut butter sandwich, whether to do homework or play outside, etc.)
3. Have students write a short paragraph about this statement: When you make a decision, is there always an opportunity cost? (Yes – there is always another alternative you could have chosen!)
4. Use a simple decision model, such as the Decision Tree (from the *Econ and Me* series) to answer an issue of importance to students (where to go on a field trip, whether to build a softball field or soccer field on a particular piece of land, etc.)
5. Discuss the opportunity cost of saving versus consuming your income. (If you save, your opportunity cost is the satisfaction you lose from not buying something now. If you consume instead of save, your opportunity cost is giving up the chance to purchase more in the future – from interest you would earn.)

Literature Connection

Use the children's literature books below to help teach the poster concept to your students. You will find guided questions on economics concepts as well as additional books and questions at the *KidsEcon Posters*® web site: www.kidseconposters.com. (Click on Literature Connection.) You will also find information on in-service training opportunities and additional *KidsEcon Posters*® curriculum materials.

Mailing May, by Michael O. Tunnell

In 1914, May really wants to visit her grandmother. Her parents had promised her a trip, but the train ticket costs a full day's work. So her parents "mail" her there, and she rides through the Idaho mountains in the Postal car of the train!

Sam and the Lucky Money, by Karen Chinn
When Sam realizes that his grandparents' gift is not enough to buy all the things he wants, he makes a surprising decision.

For more information or updated material, visit our website: www.kidseconposters.com

TRADE & MONEY

People **TRADE** (exchange) with each other to get the goods and services they want. To make trade easier, people use **MONEY**.

When trade is voluntary, both people benefit. Trade without money is called BARTER.

Example: Sally wants Alex's stuffed animal instead of her used basketball. Alex would rather have the basketball. By trading, they are both better off. This is also true if Sally or Alex use money instead of bartering.

National Content Standard in Economics

Standard 5

*Voluntary exchange occurs only when all participating parties expect to gain. This is true for **trade** among individuals or organizations within a nation, and among individuals or organizations in different nations.*

Standard 11

Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services.

Trade & Money

Everyone specializes to some degree in what he or she produces, and then **trades** with others to obtain many of the goods and services he or she consumes. Voluntary trade is a cooperative activity, and both parties in a trade expect to benefit. Thus, voluntary trade usually results in "win-win" situations, not winners and losers. Understanding the mutual gains from trade helps students understand how institutions that make trading easier improve social welfare.

Money is anything widely accepted as final payment for goods and services. Trade without money is called **barter**. Barter is costly and difficult because both parties must be willing to trade for the item the other person has. When money

replaces barter, this makes exchanges less costly and easier to do. As a result, more specialization can take place, with more people using money to buy most of the goods and services they want to consume. This leads to higher levels of production and consumption.

Students should understand that the real value of money is determined by the goods and services it can buy. Doubling the amount of money in an economy overnight would not, by itself, make people better off. This is because there would still be the same amount of goods and services produced and consumed – only at higher prices.

Teaching Ideas

- Conduct a barter activity. Have students bring items from home to trade with one another. Students should trade for the item they want most, making as many trades as they wish in a five-minute time period. Discuss why many students didn't get the item they wanted. Explain how money would make the trading much easier.
- Draw a picture showing people trading. Write a paragraph entitled, "Why People Benefit From Trade." Make a bulletin board of the drawings.
- Discuss ways that people use their money (income): taxes, spending for goods and services, saving, giving, etc. List specific examples.
- Discuss the four basic characteristics of money: scarce, durable, portable, divisible. Research different items that have been used for money (precious metals, tobacco, shells, paper, beads, etc.). Evaluate how these "fit" the four characteristics.
- Write these basic functions of money on the board: helps people to trade, measures the value of items, facilitates savings. Discuss and explain, giving examples of each.
- Have students bring in money from different countries. Discuss how the money is similar and different from our money. Older students can investigate the exchange rates of different currencies.
- Identify items in the classroom or from home that are made in other countries. List these countries and color them on a black-line map.
- Research the major trading partners of the United States. Draw bar graphs illustrating the trading volume.

Literature Connection

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Saturday Sancocho, by Leyla Toores

Making chicken sancocho is a traditional Saturday treat for Maria Lili. But when Papa announces one morning that there is no money for sancocho, Maria Lili and her grandmother go to market to barter for the ingredients.

Bunny Money, by Rosemary Wells

In a hilarious adventure, Max and his sister, Ruby, learn the value of money.

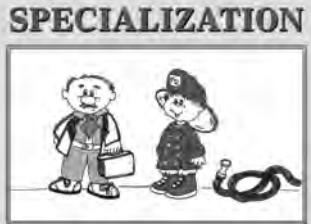
A New Coat for Anna, by Harriet Ziefert

At the end of World War II Anna needs a new winter coat, but her mother has no money. They use valuable things they own to barter for the goods and services needed to produce the coat.

The Go Around Dollar, by Barbara Johnston-Adams

Every dollar travels from person to person in a different way. This book takes you on the fascinating journey of a single dollar bill.

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People **SPECIALIZE** when they produce only some of the goods and services they consume, then trade with others to get more of the things they want.

Specialization increases the amount of goods and services that people produce and consume.

Examples: Different community workers specialize in the jobs they do. People also specialize when they divide the labor on an assembly line or in an office.

National Content Standard in Economics

Standard 6

*When individuals, regions, and nations **specialize** in what they can produce at the lowest cost and then trade with others, both production and consumption increase.*

Specialization

Specialization occurs when people concentrate their production on fewer kinds of goods and services than they consume. Everyone specializes to some degree or another, and, therefore, everyone depends on others to produce many of the things he or she consumes. Specialization also occurs when the production of a good or service is broken down into numerous separate tasks. This is referred to as **division of labor**. Specialization reduces production costs, resulting in increased production and consumption.

Students benefit themselves and others by developing special skills and strengths. Encourage students to begin thinking about what "special" job they may want to pursue in

the future. Students also should consider the special skills and abilities that are necessary for the job and how to acquire them. Economists refer to the education, skills, and abilities of workers as **human capital**.

Increased specialization always leads to greater **interdependence**. This not only is true for communities and for specific production processes, but also for countries. As people in different countries specialize and then engage in international trade, standards of living rise, but the **trade-off** is that countries must depend on each other to provide desired goods and services.

Teaching Ideas

1. Mount pictures from newspapers and magazines showing community workers doing special jobs to earn income. Write a paragraph explaining why people specialize in different jobs.
2. Take a "walking tour" through the school, noting all the special jobs that people do. Then create a "School Specialization Book," complete with drawings, pictures, and examples of specialization. Students should note how specialization leads to interdependence.
3. Draw a picture of workers dividing the labor on an assembly line or in an office. Identify the skills needed for each task. Discuss how dividing the labor usually results in lower production costs.
4. Identify three jobs. For each job list the special skills, education, and training needed for the job. Write a paragraph describing how workers acquire these skills.
5. Draw and label a picture of a good or service you want to produce when you grow up. Write a sentence telling why you made that choice.
6. Make a classroom product using an assembly line. Compare the accuracy and speed of production with that of making the products individually.
7. Have a "Community Resource Day," inviting community people to come and share about their jobs. Emphasize the education and training needed for these jobs.
8. On a black line world map, show/draw goods produced by different countries. Write a paragraph entitled, "Why Countries Specialize in the Goods and Services They Produce," or "Why Specialization and Trade Make Countries Interdependent."

Literature Connection

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Isaac the Ice Cream Truck, by Scott Santoro
Isaac the Ice Cream Truck doesn't feel as important as all the other trucks who provide goods and services for the community. But one day, he provides cooling ice cream for the hot and tired firemen who have put out a fire in a building.

Thank You, Mr. Falker, by Patricia Polacco
With the help of her teacher, Trisha learns how to overcome her problems at school.

Tony's Bread, by Tomie dePaola
Tony dreams that one day he will become the most famous baker in all of northern Italy! He loves his precious daughter, Serafina, and thinks that no man is worthy of his darling daughter. Angelo, a wealthy nobleman from Milano, passes by Tony's bakery and sees Serafina. Suddenly, it appears that Angelo may have the answer to these dreams.

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National Content Standard in Economics



INTERDEPENDENCE occurs when people or countries depend on someone else to provide the goods and services they consume.

The more people specialize and trade, the more interdependent they become.

Example In the local community, car mechanics depend on drivers for healthy cars. Drivers depend on car mechanics for their cars. Canada and the United States are very interdependent because so much trade takes place between the people of these countries.

Standard 6

When individuals, regions, and nations specialize in what they can produce at the lowest cost and then trade with others, both production and consumption increase.

Interdependence

Interdependence occurs when people and countries depend on one another to provide each other's economic wants. Interdependence is the result of **specialization**. Everyone specializes to some degree since people depend on others to produce most of the things they consume. By specializing, people generally increase production and earn more income, leading to a higher standard of living.

Specialization, and thus interdependence, also occurs in specific production processes. The most obvious example is assembly line production. Each person on the line depends on

others to do his or her specific part. Schools and offices are also good examples of specialization and interdependence, with each person doing a particular job that contributes to the overall success of the organization's mission.

As the economic systems of the world become more specialized and productive, people and countries are becoming more and more interdependent. This is an historical and economic trend that has continued over the centuries and seems destined to continue into the future.

Teaching Ideas

1. Discuss how people in families depend on one another. How has this changed compared to earlier times? How is it the same?
2. Name several adults in the community that specialize in the production of a good or service (baker, teacher, etc.) Discuss how these people depend on one another.
3. Take a walking tour of your school building. List all the specialized jobs you observe and write paragraphs explaining how interdependent the people are. (What would happen if the bus drivers decided not to drive the buses or the custodians didn't clean the school, etc?) Illustrate your paragraphs with drawings.
4. Participate in an assembly line to produce an item. Identify the separate operations and different tasks involved. Discuss how the workers are interdependent. What would happen if some workers didn't show up or didn't do their jobs well?
5. Bring items from home that are produced in other countries. Make displays of these items. Work in groups and color the countries on a black-line map of the world. What patterns do students see? Write paragraphs beginning with, "People in different countries depend on each other because...."

Literature Connection

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www.kidseconposters.com. (Click on Literature Connection.) You will also find information on in-service training opportunities and additional *KidsEcon Posters*® curriculum materials.

It Takes a Village, by Jane Cowen Fletcher
Yemi watches her little brother during the market day in a small village in Benin. At the end of the day, she realizes the role of each specialized member of the village in raising a child.

Grandpa's Corner Store, by Dyanne DiSalvo-Ryan
Grandfather's small grocery is threatened by the building of a new supermarket. With the help of his granddaughter, Lucy, and the neighborhood Grandpa's store is saved.

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National Content Standard in Economics

Standard 2

Effective decision-making requires comparing the additional costs of alternatives with the additional benefits. Most choices involve doing a little more or a little less of something; few choices are all-or-nothing decisions.

Trade-offs

Few choices are all-or-nothing propositions; they usually involve trade-offs i.e. getting a little more of one option in exchange for a little less of something else. When making choices, people weigh the cost – what is given up – with the benefit – the satisfaction gained.

For example, in determining the best use of their time, students must weigh the additional costs and benefits of spending another hour studying rather than doing some other activity, such as listening to music with friends. School officials must decide to use limited funds for more books for the library,

helmets for the football team, or new computers for the classroom. Similarly, members of Congress must decide how to use limited tax revenues for a multitude of different program options.

In all these decisions, people and organizations use personal and societal values to come up with the best choice. Since these values often vary widely, decision-making is often accompanied by much debate and disagreement, with the final decision involving significant compromise and trade-offs.

Teaching Ideas

1. List the costs and benefits of buying and caring for a pet. Discuss which pet provides the most benefits versus the most costs. Be prepared for a debate!
2. Decide which end-of-year field trip to take. Should the class visit: a. a local dairy farm b. the State Museum or c. a nearby state park. List and discuss the trade-offs with each decision. Write a paragraph explaining your choice.
3. You have received \$30 for your birthday. List four possible ways to spend the money, noting the price of each alternative. (Saving all or part is an option, too!) Make a purchase decision, identifying the various trade-offs. (You do not have to spend all of the money on one thing – you can use some for one thing and some for another.)
4. Decide how your school board should spend \$50,000 for your school. List various spending alternatives and make a decision, noting trade-offs. (You don't have to spend all the money on one thing.) Role-play the school board meeting.
5. Draw pictures that illustrate the concept of trade-offs. Make a bulletin board of the pictures entitled, "Decisions Involve Trade-offs."

Literature Connection

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www.kidseconposters.com. (Click on Literature Connection.) You will also find information on in-service training opportunities and additional *KidsEcon Posters*® curriculum materials.

Bea and Mr. Jones, by Amy Schwartz

Bea is tired of kindergarten, so she trades jobs with her father and learns about the work he does.

Letting Swift River Go, by Jane Yolen

Sally Jane began her life in one of the small towns along the Swift River. Because the city of Boston needed more water, the small rural towns were removed, the river was dammed, and the Quabbin Reservoir was formed.

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National Content Standard in Economics



Labor **PRODUCTIVITY** measures how many goods or services are produced per worker. Greater productivity leads to higher standards of living.

Example: When workers specialize by dividing the labor on an assembly line, productivity increases. Better capital resources (machines, tools, buildings, and equipment) and education and training also increase productivity.

Standard 6

When individuals, regions, and nations specialize in what they can produce at the lowest cost and then trade with others, both production and consumption increase.

Standard 15

Investment in factories, machinery, new technology, and the health, education, and training of people can raise future standards of living.

Productivity

In production, productive resources are combined to create goods and services. This can be a simple process, like a classroom bookmark business, or it can be very complex, such as the production of an automobile. Economists refer to finished goods and services as **output**. The productive resources (natural, human, capital) are the **inputs**. **Productivity** measures the amount of output produced relative to inputs used. It is expressed as a ratio – output/input. Increasing productivity is perhaps the critical factor in determining a country's future standard of living.

Because labor (human resources) relates directly to wages and living standards, the term productivity usually refers to **labor productivity**. It is typically measured as output per hour or per worker.

Economists have identified several ways to increase productivity:

- *Provide More Capital Goods*

Workers are much more productive when they use tools, machines, and equipment. An adequate stock of capital is essential for high levels of productivity.

- *Improve Technology*

Teaching Ideas

1. In many cultures, animals are still considered important capital resources. Research and discuss different animals that help people increase productivity. (oxen, mules, camels, etc.)
2. Create a resume listing the skills and education that form one's human capital.
3. Draw pictures of machines and tools that help increase productivity in the home.
4. Discuss the advantages and disadvantages of increasing productivity by dividing the labor on an assembly line.
5. List ways that people save. Discuss why saving is necessary in order to invest in capital equipment. Discuss the discipline necessary to forgo current consumption in favor of saving.
6. Draw a timeline showing key inventions in United States history. Discuss or write a short paragraph showing how each invention helped increase productivity.
7. Cut out ads from the Help Wanted section of the newspaper. Investigate if jobs requiring more education and training tend to have a higher wage/salary. (They do!)
8. Write a paragraph or essay entitled, "Why a Good Education is Important." Require students to include the concept of productivity in their paragraph.

Literature Connection

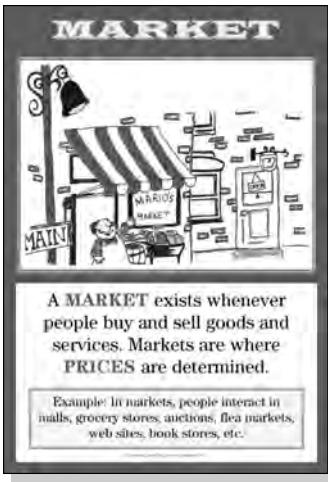
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Chocolate: That's How They Make It! by Elaine Moore
The production of chocolate is explained—from the special bean to the candy bar.

The Furry News: How To Make a Newspaper, by Loreen Leedy
Big Bear, Rabbit, and other animals work hard to produce a newspaper for their own neighborhood. They divide the labor to write, edit, and print a variety of stories.

The Bootmaker and the Elves, by Susan Lowell
A retelling, set in the Old West, of the traditional story about two elves that help a poor bookmaker and his wife.

For more information or updated material, visit our website: www.kidseconposters.com



A **MARKET** exists whenever people buy and sell goods and services. Markets are where **PRICES** are determined.

Example: In markets, people interact in malls, grocery stores, auctions, flea markets, web sites, book stores, etc.

National Content Standard in Economics

Standard 7

Markets exist when buyers and sellers interact. This interaction determines market **prices** and thereby allocates scarce goods and services.

Market

In a market economy, **prices** are determined by the interaction of consumers and producers in **markets**. There are three basic types of markets: Goods and Services, Productive Resources, Financial Capital.

The prices that are determined in these markets serve as a guide to economic activity. For example, if the relative price of a certain good is high, this means that there is a potential of greater **profits**. Entrepreneurs have an incentive to divert resources to the production of that good. Eventually, as supplies of the good increase, the price falls, signaling that productive resources should be diverted to the production of other goods or services.

It is important to note that in a market economy this "undirected" economic activity, based on changing prices, produces a high level of efficiency. This is very different from centrally planned economies, where the attempts of government bureaucracies to guide economic activity typically result in much inefficiency.

In a market economy, many individuals and firms play the role of **middlemen**. A middleman, such as a car dealer or stockbroker, helps to bring buyer and seller together. Although there is a fee for service, the middleman greatly reduces the time and effort it takes for buyers and sellers to get together to make a transaction.

Teaching Ideas

1. On the board, list different examples of people buying and selling goods and services. Circle situations where buyers and sellers don't necessarily meet face to face (stock market, Internet, phone, etc.)
2. Identify "sights and symbols" of market activity. Examples include McDonald's golden arches, Nike "swoosh," advertising jingles, etc.
3. Discuss this statement: "In a market you always have buyers and sellers." (True – buyers demand goods and services. Sellers supply goods and services.)
4. Cut out advertisements from newspapers representing a variety of stores in your community. Make a chart comparing the prices of goods and services from different stores. Discuss why these prices vary.
5. Give examples of the market for human resources (labor). (any time people seeking work interact with employers looking for workers) Discuss the importance of having a resume. Have students create their own resumes.
Or have students cut out classified ads in the Help Wanted section. Analyze the education and skill requirements of different jobs.
6. Discuss the stock market. Explain the purpose of a stock market. (channels funds from savers to businesses/investors). Have students look up companies and prices on the stock page of their newspapers or on the Internet. Upper elementary students may want to participate in a stock market simulation, such as the Indiana Stock Market Simulation (See www.indianasm.com).
7. Have students give examples of middlemen - individuals and firms who help bring buyers and sellers together in a market. (newspapers and classified ads, auto salespeople, stockbrokers, store owners, etc.)
8. Discuss why middlemen help lower costs to consumers. (At first it appears not to be so since we must pay the middlemen a fee for their services. But they drastically reduce the cost of getting buyers and sellers together. Imagine the difficulty of trying to buy stocks without some sort of middleman, either a personal broker, Internet service, etc.)

Literature Connection

Teachers can use the following children's books to teach this poster concept. For guided questions to use with the books plus questions on additional children's books, please go to the *Kidsecon Posters* website: www.kidseconposters.com. First click on the "Literature Connection" button. From the list of economic concepts, choose the one you are teaching. This will take you to the list of books and guided lessons on the concept.

The Farmers' Market, by Paul Brett Johnson

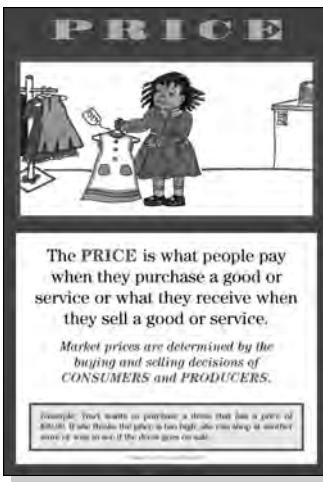
Fresh fruit, vegetables, and much more are on sale at the Farmers' Market.

Sweet Strawberries, by Phyllis Reynolds Naylor

A man and his wife visit the market each Saturday. They trade their fish for the goods they want.

Saturday Market, by Patricia Grossman & Enrique O. Sanchez
Everyone from near or far arrives at the market before dawn on Saturday. There are trucks and carts and donkeys with beautiful rebozos, fiery chili peppers, comfortable huaraches, squawking parrots, fine rugs, flowers, etc. The people work all day, hoping to sell all their wares and drive away with empty trucks.

For more information or updated material, visit our website: www.kidseconposters.com



The **PRICE** is what people pay when they purchase a good or service or what they receive when they sell a good or service.

Market prices are determined by the buying and selling decisions of CONSUMERS and PRODUCERS.

Example: You want to purchase a shirt that has a price of \$10.00. If you think the price is too high, who else might be willing to pay less if the item goes on sale?

National Content Standard in Economics

Standard 7

*Markets exist when buyers and sellers interact. This interaction determines market **prices** and thereby allocates scarce goods and services.*

Standard 8

Prices send signals and provide incentives to buyers and sellers. When supply or demand changes, market prices adjust, affecting incentives

Price

A price is what people pay when they buy a good or service and what they receive when they sell a good or service. Most prices in market economies are determined by the interactions of sellers (supply) and buyers (demand) in markets. The market price reflects how scarce a good or service is compared to other goods and services. Market prices change constantly as supply and demand change.

Price acts as an important guide to both producers (sellers) and consumers (buyers). At higher prices, consumers have an incentive to purchase less, while producers have an incentive to

produce more. At lower prices, consumers will purchase more, but producers have an incentive to produce less.

People commonly use the term "cost" to refer to the price of a good or service. (How much does the book cost?) However, in economics, cost typically refers to "costs of production."

Governments often interfere with the natural determination of prices in markets, setting government-enforced price controls. Examples are agricultural price supports, minimum wage laws, and interest rate limits. These controls often result in shortages and surpluses.

Teaching Ideas

- As a class, brainstorm/identify a specific list of various goods and services. Then work in small groups to estimate the "market price" of these items. Compare estimated prices. How accurate were the students?
- Assume your students are operating a lemonade stand. Identify different scenarios that would result in an increase or decrease in demand for the lemonade. (location of stand, weather, competition, etc.) Do the same activity for other "student" businesses, such as babysitting, lawn-mowing, pet-sitting, etc.
- Discuss why the "market price" of the same good, such as milk, varies from store to store. (It is costly for consumers to get information about the best price; also it is costly "driving all over" to get the best price. Consumers are often willing to pay more if it means driving less.)
- Track the price of gasoline at particular gas stations. Make a chart illustrating the different prices at different stations. Discuss (a) why the price changes, (b) why the price varies at different stations, and (c) why the price is the same at certain stations.
- Draw/cut out pictures of people doing various jobs. Research and label the wage/salary for these jobs. Make a bulletin board entitled, "The Price of Labor Is Different for Different Jobs." Discuss why wages differ.
- Invite a human resources person from a local company to come and discuss jobs and wages.

Literature Connection

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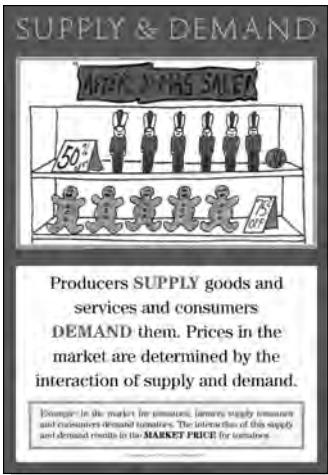
The Penny Pot, by Stuart T. Murphy

The face-painting booth at the school fair provides plenty of opportunities to count combinations of coins adding up to fifty.

A Dollar for Penny, by Dr. Julie Glass

Penny sells lemonade at her lemonade stand for one penny. As she sells each cup, the price goes up. Eventually, she earns a dollar to buy a birthday card for her mother.

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National Content Standard in Economics

Standard 7

Markets exist when buyers and sellers interact. This interaction determines market prices and thereby allocates scarce goods and services.

Standard 8

Prices send signals and provide incentives to buyers and sellers. When supply or demand changes, market prices adjust, affecting incentives

Supply and Demand

A market exists whenever buyers and sellers exchange goods and services. Buyers (consumers) demand goods and services; sellers (producers) supply them. The interaction of buyers and sellers determines market prices. (The market price is also known as the market clearing price or the equilibrium price.) At the market price, the amount consumers want to buy equals the amount producers want to sell.

Prices send signals and provide important incentives to both consumers and producers. At higher prices, consumers have an incentive to purchase less, while producers have an incentive to produce more. At lower prices, consumers purchase more, but

producers have an incentive to produce less.

Market prices fluctuate as **supply** and **demand** change. If other things do not change, an increase in **supply** or a decrease in **demand** causes prices to fall. A decrease in **supply** or an increase in **demand** causes prices to rise.

Many markets are very interrelated, with changes in the price of one good or service leading to changes in the price of other goods and services. (For example, a large, sustained increase in the price of gasoline will decrease the demand for cars with very poor gas mileage.)

Teaching Ideas

1. Draw people buying and selling different kinds of goods and services in various settings. Label the pictures, identifying people as either Producers (Supply) or Consumers (Demand).
2. Give examples of markets in which buyers (demand) and sellers (supply) meet face-to-face and other markets in which buyers and sellers never meet.
3. Make sure students understand these simple relationships:
 - a. When the price goes up, buyers will purchase less and sellers will produce more, and
 - b. When the price goes down, buyers will purchase more and sellers will produce less.
4. Make two cards for each student. On one, show an upward pointing "increase" arrow; on the other, show a downward-pointing "decrease" arrow. Create and read simple supply and demand scenarios. At the same time ask each student to hold up the correct card. Examples: "It is a very hot day. What will happen to the demand for your lemonade." (increase) "In this situation, what could happen to the price you charge for the lemonade?" (increase, because demand went up) Have students create their own scenarios.
5. Discuss sales. Examine newspapers for sales, including "going-out-of-business sales." Why do stores have sales? Do sales typically reflect an increase or decrease in demand for a good? (decrease) Discuss the advantages and disadvantages of waiting for an item to go on sale.

Literature Connection

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www.kidseconposters.com. (Click on Literature Connection.) You will also find information on in-service training opportunities and additional *KidsEcon Posters*® curriculum materials.

Dan's Pants: The Adventures of Dan, the Fabric Man, by Merle Good with Dan and Fran Boltz

Dan sells a variety of fabrics to different fabric stores. His wife, Fran, begins to make pants for this very tall man to wear and show off the fabrics. People love seeing and feeling all the different fabrics, and Dan sells more and more.

Boom Town, by Sonia Levitin

After her family moves to California, where her father goes to work in the gold fields, Amanda decides to make her own fortune by baking pies. As the demand for more goods and services increases in the town, Amanda encourages others to start businesses of their own.

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An ENTREPRENEUR is someone who takes the risk to develop a new product or start a new business.

Entrepreneurs hope many consumers will buy their products so they can earn profits.

Example Henry Ford was a successful entrepreneur who risked his personal savings to produce automobiles that people could afford to buy.

National Content Standard in Economics

Standard 14

Entrepreneurs are people who take the risks of organizing productive resources to make goods and services. **Profit** is an important **incentive** that leads entrepreneurs to accept the risks of business failure.

Entrepreneur

In a market-oriented economy, **entrepreneurs** are the key individuals who initiate the production of goods and services to satisfy the wants of consumers. The entrepreneur combines the basic **productive resources** (natural, human, and capital) to produce goods and services he expects to sell for a **price** high enough to cover production costs and earn a profit. **Profit** is the amount remaining after all costs of production have been subtracted from sales revenues.

Entrepreneurs face **risks**, and, therefore, many businesses suffer losses and eventually fail. Entrepreneurs may overestimate consumer demand for a product, or prices of productive resources

may rise unexpectedly. Competition, government regulation, and other costs of business are often unpredictable. Entrepreneurs will produce goods and services only when the expected profits are great enough to warrant the risk incurred in production.

In addition to profits, entrepreneurs respond to other incentives, including the opportunity to be their own boss, the chance to receive recognition, and the satisfaction of creating new products or improving existing ones. In addition to financial losses, there are other disincentives for entrepreneurs, including heavy responsibility, long hours, and the stress of running a business.

Teaching Ideas

1. Identify businesses in the community. Describe the goods and services the businesses produce.
2. Select an entrepreneur and identify the productive resources the entrepreneur uses to produce goods and services. Invite an entrepreneur to visit and share his or her business experiences.
3. Research various entrepreneurs and write a paragraph describing the goods and services the entrepreneurs produced. Describe obstacles the entrepreneur had to overcome. Draw pictures to accompany the paragraphs.
4. Complete a writing assignment, beginning with this sentence, "Running a business is difficult because...."
5. Brainstorm and discuss reasons why businesses fail.
6. Using a variety of scrap materials (ribbon, toothpicks, cloth pieces, wood, etc.), become entrepreneurs by designing, creating, and selling new products.
7. Compare and contrast the difference between the work/responsibility of an entrepreneur and the employees who work for an entrepreneur. (Entrepreneur: comes up with an original business idea, takes the risk to raise money to start the business, makes major strategic business decisions; Employee: hired by the entrepreneur, doesn't bear the financial risk for the business, doesn't make major business decisions, etc.)

Literature Connection

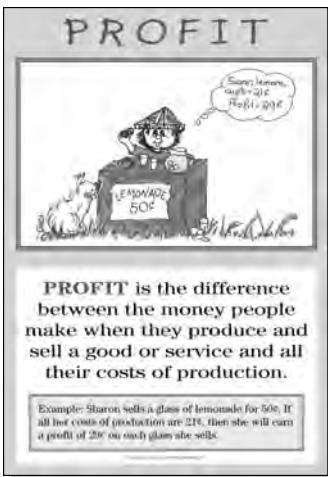
Use the children's literature books below to help teach the poster concept to your students. You will find guided questions on economics concepts as well as additional books and questions at the *KidsEcon Posters*® web site: www.kidseconposters.com. (Click on Literature Connection.) You will also find information on in-service training opportunities and additional *KidsEcon Posters*® curriculum materials.

Loon Lake Fishing Derby, by Kathleen Cook
WaldronWally recognizes a business opportunity when fishermen come to Loon Lake. When the worm business creates chaos in the community, Wally quickly takes another new idea and becomes a successful entrepreneur.

Little Nino's Pizzeria, by Karen Barbour
Nino makes the best pizza in the world. His best helper is his son, Tony. Tony likes to help his father at their small family restaurant, but everything changes when Little Nino's becomes a fancier place. Nino learns an important lesson about being an entrepreneur and happiness.

The Kid's Business Book, by Arlene Erlbach
This book is the complete kids' guide to starting a business. There are eight great case studies on Kids in Business. Useful pointers are given on how to start a business, choosing the right type of business, costs, advertising, and how to stay in business.

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PROFIT is the difference between the money people make when they produce and sell a good or service and all their costs of production.

Example: Sharon sells a glass of lemonade for 50¢. If all her costs of production are 21¢, then she will earn a profit of 29¢ on each glass she sells.

National Content Standard in Economics

Standard 14

*Entrepreneurs are people who take the risks of organizing productive resources to make goods and services. **Profit** is an important incentive that leads entrepreneurs to accept the risks of business failure.*

Profit

Entrepreneurs combine the basic **productive resources** (natural, human, and capital) to produce goods and services they expect to sell for a **price** high enough to cover production costs and earn a profit. **Profit** is the amount remaining after all costs of production have been subtracted from sales revenues.

Starting a business is difficult and risky, and making a profit is never guaranteed. Entrepreneurs must spend money and use resources to produce a product *before* consumers decide whether they will purchase the product at a price high enough to cover production costs. There are many business challenges and responsibilities, including hiring and paying workers;

earning enough money to pay taxes, suppliers, and anyone else involved in the production process; and complying with government regulations. Entrepreneurs will produce goods and services only when the expected profits are high enough to make the risk incurred in production worthwhile.

Wages and employment opportunities at a business depend on its success in earning profits and avoiding losses. Similarly, public policies that affect the profitability of a business affect not only the owners and employees of the business, but also the consumers who buy the products produced by the business.

Teaching Ideas

1. List some of the costs of operating a pizza restaurant.
2. Identify and discuss ways that a pizza restaurant might increase its profit. (*reduce production costs, change prices, advertise to increase demand, etc.*)
3. Have groups of students write "Find the Profit" math problems. (e.g. If the sales revenues are \$14.85 and all production costs are \$10.75, what is the profit?) Assign the problems for a math assignment.
4. Write a paragraph entitled, "Why It Is Important for a Business To Make a Profit." Draw pictures to accompany the paragraphs and make into a bulletin board.
5. Interview an entrepreneur to learn why he or she was willing to start a new business.
6. Read children's books about entrepreneurs. Identify entrepreneurial characteristics of the books' characters. Also identify what motivated the entrepreneurs to take the risks to start a business.

Literature Connection

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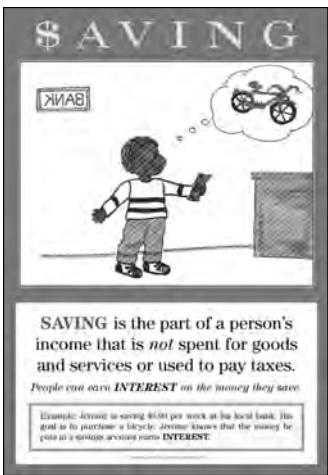
How the Second Grade Got \$8,205.50 To Visit the Statue of Liberty, by Nathan Zimelman

The second grade class makes several attempts to earn enough money to visit the Statue of Liberty. The report includes the expenses, income, and profit of each business venture.

Arthur's Pet Business, by Marc Brown

Arthur really wants his own puppy. So he starts his own "Pet Business" to make a profit and to prove his responsibility to his parents.

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National Content Standard in Economics

Standard 10

Institutions evolve in market economies to help individuals and groups accomplish their goals. Banks, labor unions, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and well-enforced property rights, is essential to a market economy.

Standard 15

Investment in factories, machinery, new technology, and the health, education, and training of people can raise future standards of living.

Savings

People spend their **income** on goods and services. (Some of this spending occurs through **taxes** paid to the government.) Income that is not spent on goods or services or paid in taxes is **saved**. People typically save their income at banks, credit unions, or other financial institutions, which then channel the savings to borrowers and investors, usually businesses. The

financial institutions pay interest to savers and charge interest to borrowers.

Often people save by making personal investments in securities such as stocks and bonds. People who purchase stocks hope to earn dividends and also hope that the value of their stocks rises over time.

Teaching Ideas

1. Discuss the advantage of putting savings in the bank or other financial institutions instead of "putting it under the pillow."
2. List various ways to save money. Discuss the advantages and disadvantages of each way to save. Write a short paragraph on where you want to save your money and why.
3. Have a local banker visit the classroom to discuss the banking business and encourage students to open a savings account.
4. Use the Internet or call various banks to find out current savings rates on different savings accounts, certificates of deposit, savings bonds, etc. Make a chart showing the different rates at different banks. Discuss why there are differences and how banks compete with one another for customers.
5. Have students cut out pictures from magazines or catalogs of different goods that they would like to buy. Discuss long-term and short-term savings plans for purchasing these goods.
6. Plan a simple budget for an allowance. The budget should include spending for goods and services, charitable donations, sales taxes, and savings.
7. Discuss the advantages and disadvantages of borrowing to purchase a car versus saving enough money to purchase one. (This will lead into a discussion of purchasing a new car versus a used car.) Use the Internet to find out different loan rates for cars.
8. Study the stock market or participate in a stock market simulation. Track specific stocks over a period of time. Determine if you would have gained or lost money on a stock purchase.

Literature Connection

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The Babe and I, by David A. Adler

During the Depression, a boy decides to sell newspapers to make money for his family's savings. He sells the papers by the Yankee Stadium and is lucky enough to meet Babe Ruth.

A Chair for My Mother, by Vera Williams

A young girl, her mother, and her grandmother lose all of their belongings in a house fire. Generous friends, neighbors, and family replace many things; but they still have no soft comfortable chair. They all place their coins in a large jar for a long time until they save enough money to buy a beautiful chair to share.

Uncle Jed's Barbershop, by Margaret King Mitchell

Sarah Jean's Uncle Jed has a dream. He saves his money and lives for the day when he can open his very own barbershop. But it is a long time, and there are many setbacks before the joyful day when Uncle Jed opens his shiny new shop

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INVESTING occurs when people and businesses use money to purchase capital goods or increase the skills and abilities of workers.

People and businesses invest so they can increase PRODUCTIVITY.

Example: Sami will use his savings to purchase a better lawnmower for his landscaping business. Now he will be able to mow more lawns and earn more money.

National Content Standard in Economics

Standard 15

Investment in factories, machinery, new technology, and the health, education, and training of people can raise future standards of living.

Investing

By **saving** and **investing** money today, people benefit by being able to buy goods and services that cost more than they can afford immediately. People's savings deposited in banks and other financial institutions earn interest because those savings are loaned to business people who want to **invest** in capital goods, or to people who are willing to pay higher interest rates to purchase homes, cars, or other things now rather than later. The **capital goods** enable businesses to increase production, promoting faster economic growth.

The future benefits that arise from saving and investing today make it worthwhile for people, businesses, governments,

and other organizations to sacrifice their current consumption of goods and services. Knowing this helps students understand the importance of personal investment in education and training, and of business investments. This knowledge also helps students understand decisions by government to spend money on education, infrastructure, and other programs that will increase future standards of living. In short, understanding the benefits of saving and investing helps students appreciate that a better life in the future often requires patience and sacrifice today.

Teaching Ideas

1. List typical "kids'" businesses. Identify different ways students invest when they operate these businesses.
(Example: painting business – purchase longer ladder, paint brushes, scrapers, etc.)
2. Take a walk around the school. Identify investments that the school has made to improve education. Make a bulletin board or write a paragraph about this "investment" walk.
3. List ways that individuals save and invest their money.
(piggy bank, banks, certificates of deposit, stocks and bonds, etc.)
4. Write a paragraph entitled, "Why It Is Important To Save Money."
5. Compare the interest a person earns from certain money investments. Research various savings interest rates at different banks or credit unions and discuss why these rates differ.
(long-term vs. short term time frame, checking vs. savings accounts, to gain a competitive advantage over other banks, etc.)
6. Create a bulletin board entitled, "Businesses Invest To Increase Production." Display pictures showing capital goods that businesses purchase or pictures showing investment in the training of workers.
7. Discuss the value of education and training. Why do highly educated people tend to earn more income?
(Educated people are generally very productive and, therefore, very valuable to their employers.)

Literature Connection

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Once Upon a Company...A True Story, by Wendy Anderson Halperin

A young boy and his two sisters start a wreath-making business and a peanut butter and jelly lemonade stand to make money for college. As the companies and the profits grow, the children become experienced in marketing, employing salespeople, and investing.

Captain Abdul's Pirate School, by Colin McNaughton Pickle enjoys writing poems and painting pictures, but his dad wants to help him toughen up to raise his standard of living. His dad invests in his education at the Pirate School.

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