

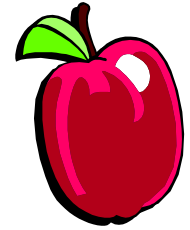
- Hi! My name is Stan and today I am going to teach you about ***economics***. ***Economics*** is the study of the making, buying, and selling of goods or services.

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



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

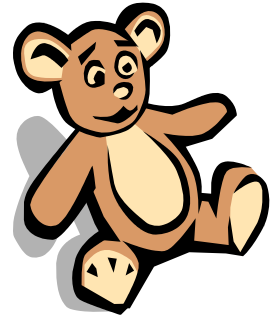
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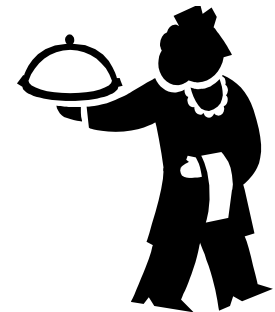
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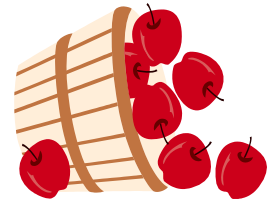
❓ Diana asked me if I would like my vanilla ice cream in a cup or a cone. I asked for a cone. Diana said I was lucky because there was only one more cone available. The little boy behind me in line wailed, “I wanted my ice cream in a cone!” I told Diana that he could have the last cone, and that I would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

❓ There was a **scarcity** of cones at Bubba's. **Scarcity** means that there are limited resources, and therefore, people must make choices. Look at the pictures on the right. Which pictures show a **scarcity**?

1)



2)



3)



After I finished my ice cream, I said goodbye to Diana and left. In the street I heard two children singing a song to the tune of “You Are My Sunshine”. It went like this:



❑ “We are consumers!
We are consumers!
We are so happy
when we can shop!
We are consuming
goods and services,
But our wants just
will not stop!”

I found myself singing along to the tune. When we were finished singing I asked, “Where are you two going?”

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





What are *producers* and *consumers*?

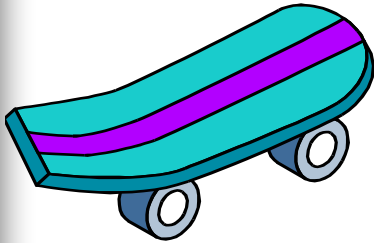
- ❑ The two children in this example are **consumers**. A **consumer** is anyone who buys a good or a service.
- ❑ The toy store owner in this example is a **producer**. A **producer** is anyone who makes or grows a good or performs a service.



What is *opportunity cost*?

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

Opportunity Costs



Purchases



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



What is a *profit*?

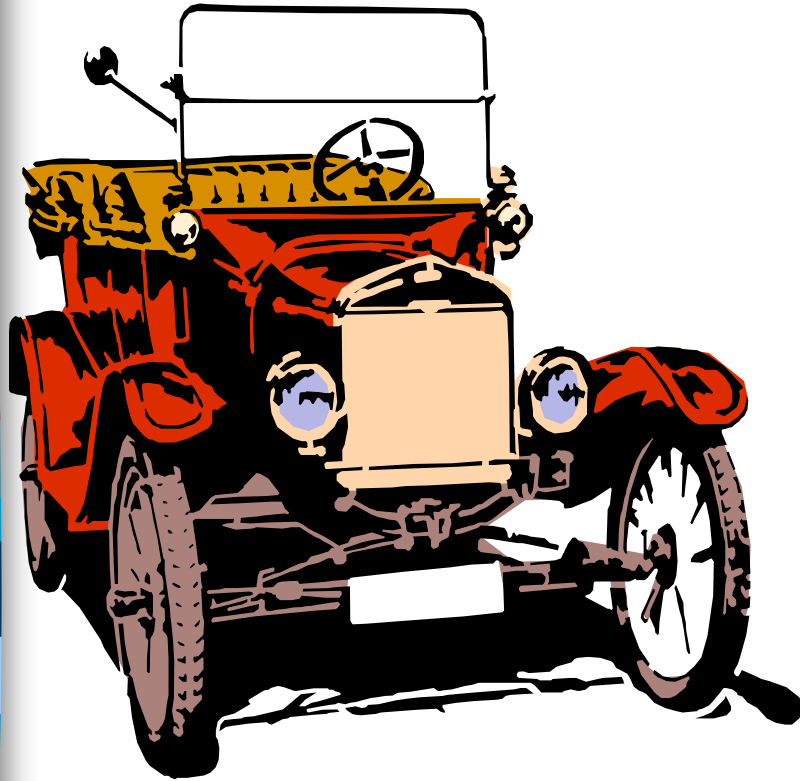
- ❓ What Andy didn't realize when he bought his basketball net was that the toy store owner made a large *profit* off of the sale. The toy store owner spent \$30.00 to make the basketball net. Andy bought it for \$50.00. The toy store owner made a *profit* of \$20.00.



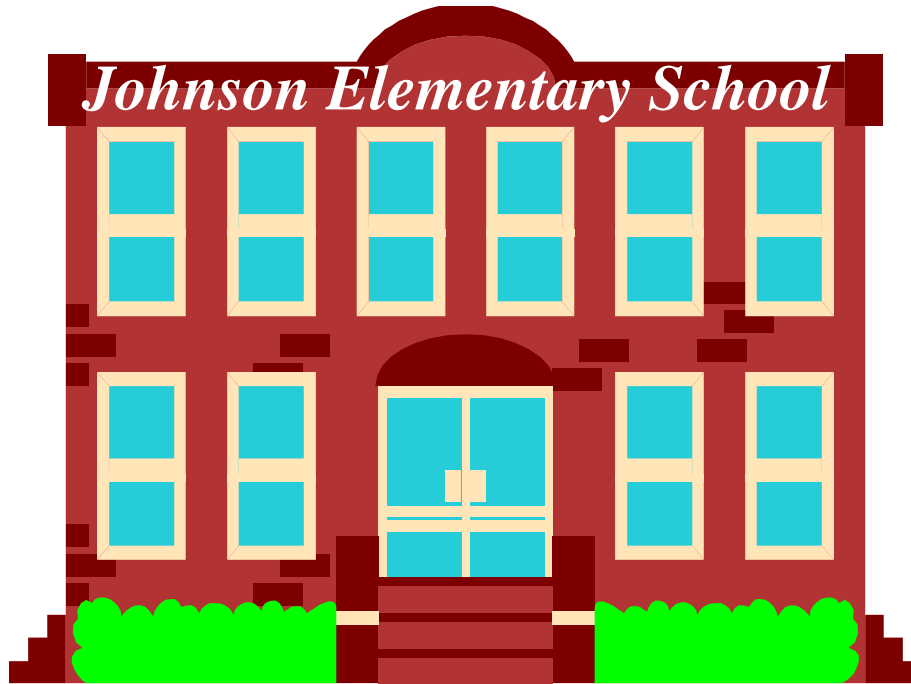
What is a *loss*?

- ❑ The toy store owner ***lost*** money when Sara purchased the bike. The owner made the bike for \$80.00, but sold it to Sara for only \$65.00. The toy store owner ***lost*** \$15.00.

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



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



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

What are *taxes*?

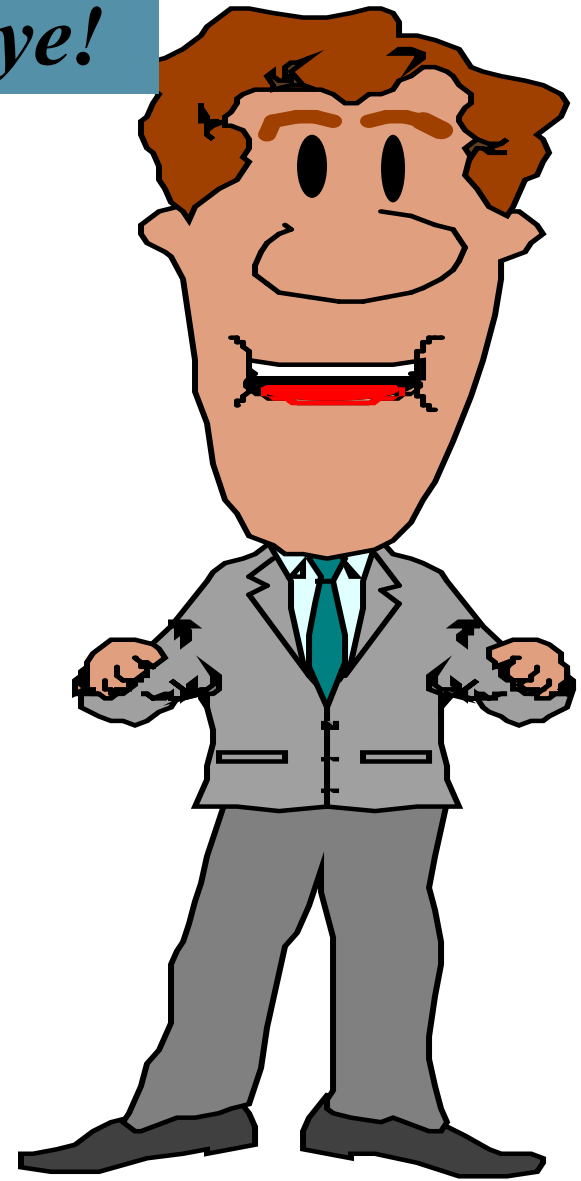
Taxes are the money that the government collects from individuals and businesses to pay for public goods and services.

Andy and Sara both paid a 4.5% sales **tax** when they bought their toys. Andy paid an extra \$2.25 in **tax**, for a total of \$52.25. Sara spent \$2.93 in sales **tax** for a total of \$67.93.

People also pay an income **tax**. An income **tax** is a percentage of money taken out of your income.

Goodbye!

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



References

Text Information:

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

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