

READING INFORMATIONAL TEXT

Needs and Wants

Read the text and answer the questions. Then, complete the chart.

A need is something you must have in order to live. You need food, water, and air. Shelter, healthcare, and education are also considered needs. A want is something that you desire, but can live without. For example, going out to the movies is a want. It may be a fun thing to do, but it is not necessary to survive.

It can be hard to separate needs and wants. People living in different places or with different lifestyles need different things. For example, a person living in a cold environment needs to own a warm winter coat. However, a person living in a warm environment does not have that need.

People consume goods and services to satisfy their needs and wants. Goods are *objects* that satisfy a person's needs or wants. Services are *actions* that satisfy needs or wants. For example, a television is a good that satisfies a want. A teacher provides a service that satisfies a need.

1. Explain the difference between a want and a need.
2. List two examples of goods and two examples of services.
3. Infer why soft drinks are not considered a need.
4. Give an example of something that is a need for you but is a want for someone who lives in a different place.

Example	Need, Want, or Both	Why?
food		
video games		
clothing		
house		
computer		

DATA ANALYSIS

Income and Education

Use the text and graph to answer the questions.

One of the best places to invest your time and money is in your own future. When you get a good education, you are making an investment in yourself. Investment in a good education rewards you with a chance to find a better job and make more money!

Earning and Unemployment Rates By Education Attainment 2014

Education	Median Weekly Earnings	Unemployment Rate
Less than high school diploma	488	9%
High School Diploma	668	6%
Bachelor's Degree	\$1,101	3.5%
Master's Degree	\$1,326	2.8%
Professional Degree (Medicine or Law)	\$1,639	1.9%

Courtesy of U.S. Bureau of Labor Statistics

1. Use a dictionary to define investment as it is used in the text.
2. Which education level has the lowest earnings and the highest unemployment rate?
3. Infer why workers without a high school diploma are paid the least.
4. Infer which college degrees take the most amount of time and work to achieve.
5. Describe the relationship between education and unemployment rate.
6. Describe the relationship between education and median weekly earnings.

GRAPHICAL ANALYSIS

Cost and Benefit of Choices

Read the text and answer the questions. Then, complete the chart.

Because of scarcity, people must often choose between two or more things. When you choose one thing, you give up the opportunity to have the other thing. You cannot have one thing without giving up something else. The value of the next best thing that you gave up is known as opportunity cost.

Opportunity cost could be money, time, enjoyment, or anything else you don't get because of a decision. For example, you might decide to play with friends instead of washing your dad's car to earn money. Your opportunity cost is the money you could have made washing the car.

- Use a dictionary to define scarcity as it is used in the text. List 3 things that would cause problems for you if they were scarce. Discuss as a class.
- Describe opportunity cost in your own words.
- Describe an economic choice that you faced this week.
 - What decision did you make?
 - Describe the opportunity cost of your decision. Predict what would have happened if you had made the other choice.
- Looking back on your choice, would you make it again? Why or why not?

ECONOMIC CHOICES

Choices	Decision Made	Opportunity Cost
Watch TV or babysit for pay		Missed favorite TV show
Buy lunch at school or bring lunch	Bought lunch at school	
Save allowance or use it to go to a movie with friends	Saved allowance	
Buy a gift for your brother or buy a video game for yourself		Enjoyment of playing video game

Section 3—How Are Scarce Resources Allocated Among People?

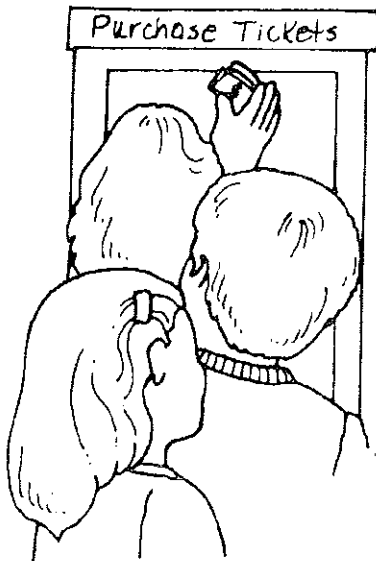
Introduction

There are several different methods that can be used to allocate our scarce resources. There is no absolutely correct way of allocating scarce resources. A particular method might prove to be ideal in one situation but less satisfactory in other situations.

Methods of Allocation

MARKET SYSTEM is the method preferred in the United States. In our "free market system," what to produce, how much to produce, and the worth of goods and services, is decided by private buyers and sellers. Entrepreneurs seeing an opportunity for profits will produce and market a good or service. If the entrepreneur does a good job in anticipating the desires of the marketplace, then, through product sales, he or she will be rewarded with profits; on the other hand, if the entrepreneur does a poor job in anticipating the marketplace's desires, resulting in no or few sales, he or she will receive losses. Thus, it can be said that the market system (private buyers and sellers) allocates our scarce resources through the seller's willingness to produce goods and services and the buyer's willingness and ability to purchase goods and services.

BRUTE FORCE is another way of deciding who gets what. We see this method used in the animal kingdom. The biggest, strongest, and/or fastest animals get what they want. This method is usually very wasteful. The weaker individuals do not get enough scarce resources to survive properly or do not receive enough resources to become more productive. The stronger thugs tend to become fat and lazy, wasting scarce resources or not using them efficiently.



QUEUING (lining up) is another method for deciding who gets what. This method is based on the principle of first come/first served. This might be the preferred method of selling concert tickets, but this method has some inherent flaws. First, if this were the primary method for allocating all our scarce resources, too much of our time would be wasted standing in lines, and not enough time would be devoted to production. Also, when scarce resources get really limited, the purchase price rises, sometimes causing a black or underground market to develop. We have seen this happen at sporting events, when scalpers resell tickets for many times their original value.

RANDOM SELECTION is when everyone has an equal chance. Allocation through random selection can be accomplished by drawing names out of a hat, by drawing straws, or by using more sophisticated methods generated by computers and random number tables. On the surface, this sounds like a good method for allocating scarce resources, and in some situations it is. However, it is not a good method in all situations. For example, if jobs were allocated by random selection, some of us might get the perfect job, one that we may never have gotten using any other method. But many people will receive jobs they are unqualified for or simply do not like. They will be like round pegs in square holes. Overall production will suffer.

TRADITION may be used to allocate scarce resources. What was done in the past is what will be done in the future. Tradition assumes that things do not change and that if it worked well in the past, it will work as well in the future. Some of you might have studied the caste systems of India and feudal European monarchies; these were based on tradition. If your father was a musician, then you were to become a musician, regardless of whether you had willingness and talent. Obviously many resources and talents are wasted when tradition is used as a basis for allocation.

EQUAL SHARES is when each individual receives the same amount. Occasionally this may be the best method for allocating scarce resources. For example, if you and your friend only have 10 minutes left to play a video game, each of you could play for five minutes, which would be fair. On a larger scale, however, this method might not be as fair, and many times it is very wasteful. For example, if everyone received an equal amount of food, then a person weighing 100 pounds may have too much food and some will be wasted, and a person weighing 200 pounds may not have enough food and will get sick. The problem is compounded by some people disliking some foods and others being allergic to some foods.

NEED as a basis for resource allocation refers to those who appear to be the neediest going to the head of the line. It is extremely difficult to determine when another individual falls into this "needy" category. It is even more difficult to determine when this individual is no longer in need. Many times being needy is a value judgment based on one's own background. Many times need is based on hardships, but there are many tragic examples of people exaggerating their hardships or creating self-induced hardships to qualify as "needy."

PLANNED SYSTEMS exist in mostly socialist countries. Government planners decide what and how much is to be produced and distributed by whom, when, and to whom. Producers generally have little choice about what goods and services they will produce. Their main task is to meet their assigned production quotas. Prices are set by government planners and do not change according to supply and demand. In some situations, government planning works fairly well, as long as the economy is simple and the variety of goods and services desired is small. Furthermore, planned systems might even be necessary under certain conditions, during wartime, for example.

The best method for allocating scarce resources is to look at the situation and participants first and then to determine the tool for allocation.

Name _____ Date _____

Student Activity 3.1

Use a real-life example to describe the following allocation methods. Hint: Use family, friends, teams, church, and/or clubs for examples.

1. Brute Force _____

2. Queuing _____

3. Random Selection _____

4. Tradition _____

5. Equal Shares _____

6. Need _____

Economic Systems

Three Basic Economic Questions

The needs and wants of individuals, families, businesses, and nations for goods and services are unlimited. The resources to satisfy these needs and wants are limited; therefore, every nation is faced with answering these questions.

- What goods and services will be produced?
- Who will be responsible for producing the goods and services?
- How will the goods and services be distributed to consumers?

There is no absolute correct way of allocating scarce resources. A particular method might prove to be ideal in one situation but less satisfactory in other situations. Each nation must select an economic system to allocate resources. There are three basic economic systems: **traditional**, **command**, and **market**.

Methods of Allocation

In a **traditional economic system**, economic decisions are based on a society's customs, culture, and way of life. Hunting, farming, gathering, and making things by hand are the methods used to meet the people's needs under this system. Tradition assumes that things do not change, and if it worked well in the past, it will work as well in the future.



In a **command economic system**, the government makes economic decisions. The government owns most of the industries. In a command economy, it is important for producers to meet the government's assigned production **quotas**, which are the amounts of goods and services to produce. Prices are set by the government and do not change according to supply and demand.



The **market economic system** is the method used in the United States. In our "free market system," consumers and producers decide what to produce, how much to produce, and the worth of goods and services. Entrepreneurs or business owners seeing an opportunity for profits will produce and market goods or services. If entrepreneurs do a good job in anticipating the desires of the consumers, then they will make profits. If the entrepreneurs do a poor job, there will be a loss in profit.



Name: _____ Date: _____

Assessment

Matching

- | | |
|---|--|
| <p>_____ 1. market economic system</p> <p>_____ 2. quotas</p> <p>_____ 3. entrepreneurs</p> <p>_____ 4. traditional economic system</p> <p>_____ 5. command economic system</p> | <p>a. assigned amounts of goods and services to be produced</p> <p>b. consumers and producers decide what to produce, how much to produce, and the worth of goods and services</p> <p>c. decisions are made according to customs, culture, and way of life</p> <p>d. business owners</p> <p>e. government makes economic decisions</p> |
|---|--|

Fill in the Blank

1. The market economic system is the method used in the _____
2. Entrepreneurs or business owners seeing an opportunity for _____ will produce and market a good or service.
3. In a traditional economic system, economic decisions are made according to _____
4. In a command economy, it is important for producers to meet their government-assigned production _____

Constructed Response

Complete the following chart.

<i>Economic System</i>	<i>Advantages</i>	<i>Disadvantages</i>
Market		
Traditional		
Command		