

3RD GRADE ECONOMICS REVIEW

GOODS & SERVICES

Terms to know

Needs: Things people must have in order to live—food, clothing, shelter, and air

Wants: Things people would like to have but don't need to survive

Goods: Things people make, grow, or use to satisfy needs and wants

Services: Activities that satisfy people's needs and wants (something someone else does for you)

Barter: The exchange of goods and services without the use of money

Money: Coins, paper bills, and checks used in exchange for goods and services

Savings: Money not spent now so it can be spent in the future



Goods and services satisfy people's needs and wants. People are both buyers and sellers of goods and services. Long ago, people bartered to meet their needs and wants. Today, people use money to meet their needs and wants. People can choose to spend money on goods and services now, or they can save money. To save money, people give up spending now in order to buy goods and services in the future.

PRODUCERS & CONSUMERS

Terms to know

Consumer: A person who uses goods and services

Producer: A person who uses resources to make goods and/or provide services

People are both producers and consumers. Ancient civilizations produced goods and services. The people of ancient Greece built ships, fished, made pottery, and farmed. The people of ancient Rome built ships, fished, made pottery, and farmed.

SCARCITY & ECONOMIC CHOICE

Terms to know

Scarcity: Not being able to meet all wants at the same time because resources are limited

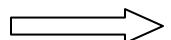
Economic choice: The choice of or decision among alternatives or possibilities

Opportunity cost: The next best choice that is given up when a decision is made

When resources are scarce, producers must decide what they will produce. Scarcity can affect supply and demand, which can impact the price of goods and services.

People make choices because they cannot have everything they want. People must make economic choices because resources are scarce (limited). All choices require giving up something (opportunity cost). Economic decision-making requires comparing both the opportunity cost and the monetary cost of choices with benefits.

Economic Choices		
<i>Choices</i>	<i>Choices made</i>	<i>Choices given up (opportunity cost)</i>
Ice cream or popcorn	Ice cream	Popcorn
Toy or favorite video	Favorite video	Toy
Spend now or save for the future	Spend now	Save for the future



RESOURCES

Terms to know

Natural resources: Materials that come from nature. Examples include water, soil, wood, and coal

Human resources: People working to produce goods and services. Examples include farmers, miners, builders, and painters

Capital resources: Goods such as machines, tools, and buildings that are made by people and used to produce other goods and services. Examples include hammers, computers, trucks, lawn mowers, factories

Resources are used to produce goods and services. Producers of goods and services are influenced by natural, human, and capital resources. Ancient civilizations used natural, human, capital resources to produce goods and services.

Ancient Greece was located on a peninsula, with mountains and hills and was surrounded by many islands and the Mediterranean Sea. Greece had limited rich soil. Ancient Rome was located next to a river. The soil was limited for farming. A variety of trees grew in ancient Rome. Although Ancient Greece and Rome had limited soil for farming, they had access to the sea (natural resource). So they used their human and capital resources to produce ships (goods) which they used for transportation (service) in trading.

The West African empire of Mali was located in Africa. Gold was a natural resource. Mali used human and capital resources to mine gold (natural resource). The people of the West African empire of Mali traded gold for salt.

SPECIALIZATION & INTERDEPENDENCE

Terms to know

Specialization: Focusing on one product or service

Interdependence: Two or more people depending on each other for goods and services

Economic specialization occurs when people focus on the production of one kind of good and/or service. People and regions often specialize in the production of certain goods and services because they cannot produce everything they want.

Specialization encourages trade because people want goods and services that they do not have, so people trade for things they need and want but do not have. People trade when individuals or groups benefit from the trade. People trade for things they need and want but do not have.

Ancient civilizations specialized in certain goods and services. They could not satisfy all of their own wants and needs. They were interdependent with other countries to meet their needs and wants.