



HISTORY & GEOGRAPHY

STUDENT BOOK

▶ **7th Grade** | Unit 7

HISTORY & GEOGRAPHY 707

Economics—Resources and Need

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Economics—Resources and Need

Introduction

Economics is the study of the consumption, production, and distribution of wealth. It deals with our wants as human beings, the resources we possess, and the choices we have to make. Economists use a variety of methods and tools in their work. They are interested in the market, competition, government, and money. In this LIFEPAAC® you will see how these tools apply to our economic system. You will read what the Bible says about economics, and you will also start to develop a personal financial program.

Objectives

Read these objectives. The objectives tell you what you will be able to do when you have successfully completed this LIFEPAAC. When you have finished this LIFEPAAC, you should be able to:

1. Define economics.
2. Differentiate wants from needs.
3. Describe supply and demand.
4. Describe how prices regulate supply and demand.
5. Describe savings and investments.
6. Explain the difference between a producer's and a consumer's market.
7. Make a comparison between free enterprise and communism.
8. Describe the function of taxes.
9. Describe how government can regulate the economy.
10. Describe the characteristics and functions of money.
11. Develop a sound personal financial program.
12. Make wiser choices as a consumer.
13. Tell what the Bible says about money management.

Survey the LIFEPAAC. Ask yourself some questions about this study and write your questions here.

A large rectangular area with horizontal lines for writing questions. The lines are evenly spaced and extend across the width of the box.

1. WHAT IS ECONOMICS?

Economics is the study of the production, distribution, and consumption of wealth. A direct relationship exists between the things wanted or needed, and the resources that are available.

In this first section you will learn about this relationship and how you, as a consumer, can make wise choices.

SECTION OBJECTIVES

Review these objectives. When you have completed this section, you should be able to:

1. Define economics.
2. Differentiate wants from needs.
3. Describe supply and demand.
12. Make wiser choices as a consumer.

VOCABULARY

Study these words to enhance your learning success in this section.

agrarian (u grãr' ē un). Having to do with farming, using, or owning land; agricultural.

consumers (kun sü' murz). People whose wants are satisfied.

communism (ko' mü ni zum). Economic system in which the government controls all economic decisions.

economics (ek u nom' iks). The study of the production, distribution, and consumption of wealth.

economic system (ek u nom' ik sis' tum). Organized system by which a nation uses its resources to satisfy its wants.

free enterprise (frē en' tur prīz). Economic system of the United States.

market (mar' ket). Demand for commodity or service.

producers (pro dü' surz). Human resources.

subsidy (sub' su dē). Money granted by the government.

Note: All vocabulary words in this LIFEPAAC appear in **boldface** print the first time they are used. If you are not sure of the meaning when you are reading, study the definitions given.

Pronunciation Key: hat, āge, cãre, fãr; let, ēqual, tērm; it, ĩce; hot, ōpen, ôrder; oil; out; cup, pūt, rüle; child; long; thin; /ʃh/ for then; /zh/ for measure; /u/ represents /a/ in about, /e/ in taken, /i/ in pencil, /o/ in lemon, and /u/ in circus.

HUMAN WANTS

Since **economics** studies the production, distribution, and consumption of wealth, it is concerned with human wants and needs. Each country or society has a great variety of wants and needs. Wherever they live, people always seem to want more food, clothes, houses, cars, recreation, and services. Such normal human wants are limitless. A list of all our wants would probably be quite lengthy. However, care must be taken not to confuse our wants with our needs. The Bible says in Matthew 6:31 through 33 that we should not worry about having an abundance to eat or to wear. Our heavenly Father knows that we need food and clothing. He will give them to us if we seek His kingdom and His righteousness. Wants, then, are limitless and varied, but food, clothing, and shelter are the basic needs.

Simple societies. In the United States human wants and needs are very different from those of other countries. United States citizens have been blessed with food, clothing, automobiles, and lovely homes. Even the poorest people in this country earn more money than three-fourths of the rest of the people in the world. In the underdeveloped nations of Africa, Asia, and Latin America, the people barely have enough to eat. What people in the United States earn in a month is often more than others in the world earn in a year. Many of these poor people live on one scant meal a day, but we usually have three meals in addition to some snacks.

Thousands of people around the world live in crowded, crude homes. Often they have no sanitary facilities and no water. They sleep on mats or bare floors, and their clothing is sparse. For these people, life is a struggle to fulfill the needs for survival.

Most people in the underdeveloped countries are farmers, but few have tools or machines to help work their land efficiently. The little money they earn is spent on keeping themselves and their families alive. Nearly every penny is taken

just to do that. They have no money to invest in machinery, factories, roads, and schools. The people, by and large, are uneducated. Without education they do not have the skills and knowledge to use the resources of their land. This lack of skills and knowledge creates a vicious cycle of more poverty and less education.

As was mentioned before, most of the people living in underdeveloped countries are farmers. Therefore, they have a fairly simple society. Each person depends first on himself and on his immediate family to supply his needs from the land. If his needs cannot be supplied that way, he then turns to his relatives and neighbors for trade and assistance. When this source fails, the family will probably starve. Where else could they turn? Without money they are unable to buy food and clothing or even the seed to plant their crops. The governments do not have the money to carry out complete **subsidy** programs.

Complex societies. In this country, however, a much more complex society exists. Some people may grow a few vegetables or even some meat; but on the whole, we are all very dependent upon others for our needs. Huge farms and ranches grow our fruits, vegetables, and meats. Besides the farmers, we rely on the companies who process the food in cans, bottles, or packages. We rely on the people who transport the goods to the stores. Beyond that, we rely on the storekeepers to keep things in stock for us. If any part of this chain breaks down, we are virtually helpless to take care of our basic human needs. If truck drivers go on strike and refuse to bring us meat and dairy products, we have to go without. Even though we are a rich country, we are very dependent upon other people to satisfy our needs.

This dependence includes people from other countries. Since we are such a wealthy land, we can afford goods and services from around the



| Complex Society

world. Other nations produce the cars, electronic equipment, cameras, watches, and toys that we want. If our relations with those countries break down, we can no longer depend on the supply of these imported products.

Other societies. Between our very complex society and the very simple societies of the underdeveloped countries are the societies that are a combination of the two extremes. Countries with such societies are basically **agrarian**, or farming, but also have some of the characteristics of a more complex society. The

people farm the land, but they use machinery and are educated in how to raise the best crops and how to use their resources efficiently. They can make a profit on their crops and other goods. That profit enables them to buy different goods and services and to raise their standard of living. These people are not dependent only upon their own families and relatives as the people of simple societies are. They also are not totally dependent upon other countries as complex societies are. They are balanced between the two types of economy.



Complete these statements.

- 1.1 Human wants are _____.
- 1.2 The _____ says that we should not worry about having an abundance to eat and wear.
- 1.3 Boats, games, and chocolate are a partial list of human _____.
- 1.4 Our _____ are the basics of food, clothing, and shelter.
- 1.5 A society in which a person depends primarily on himself and his family to supply his needs from the land is called a _____ society.

Match the following.

- | | |
|-----------------------------|---|
| 1.6 _____ economic system | a. a want |
| 1.7 _____ complex society | b. organized system by which a nation use its resources to satisfy its wants |
| 1.8 _____ economics | c. underdeveloped countries |
| 1.9 _____ free enterprise | d. relies on many people, corporations, and countries to supply the needs of people |
| 1.10 _____ communism | e. money granted by the government |
| 1.11 _____ cars | f. the study of the production, distribution, and consumption of wealth |
| 1.12 _____ market | g. people whose wants are satisfied |
| 1.13 _____ producers | h. economic system of the United States |
| 1.14 _____ agrarian | i. having to do with farming, using, or owning land; agricultural |
| 1.15 _____ consumers | j. economic system in which the government controls all economic decisions |
| 1.16 _____ subsidy | k. human resources |
| 1.17 _____ simple societies | l. demand for commodity or service |

ECONOMIC SYSTEMS

An **economic system** is a way of satisfying people's wants. Since people's wants vary according to the type of society, more than one economic system exists in the world. Two major economic systems today are **free enterprise** and socialism.

Free enterprise. Our economic system is called *free enterprise*. All businesses are privately owned. Prices and the availability of

all goods and services are determined by the forces of supply and demand. As people want or demand something, business makes it available. The price is decided by how badly people want the product and by how many of the items business makes available. In free enterprise, government does not interfere in this process known as the free **market**. No country has a pure free enterprise system, but

countries with a small amount of government control over business, are said to have a free enterprise system.

Even though problems with inflation and high prices exist in this country, the United States is still fortunate in having an extremely high standard of living and almost complete economic freedom. We are truly blessed by God and have much to be thankful for. Millions of people in other countries would consider luxuries the things that are considered “needs” here. Pause for just a moment and thank God for all the things with which He has blessed you.

Socialism. Another economic system is called socialism. In this kind of system, the

government is very much involved. Although less rigid than **communism**, which exercises almost complete government control, socialism has more government control than the free enterprise system. The government often owns things, such as railroads and the coal and steel industries. Some of the industries are owned by private citizens, and supply and demand helps to control the prices. The people are allowed to protest against economic policies and government control when they have a democratic form of government. In general, however, they do not have the economic freedom known in the United States. Some of the countries that are partly socialist are Great Britain, India, and Sweden.



Answer true or false.

- 1.18** _____ The economic system in the United States is called *free enterprise*.
- 1.19** _____ Under communism prices are determined by supply and demand.
- 1.20** _____ A considerable amount of government control is found in the socialist system.
- 1.21** _____ Communism is a system in which the government controls almost all economic activity.

RESOURCES AVAILABLE

Think about the things that you would like to have, such as a bicycle, a skateboard, clothes, books, tapes, or CDs. These items are your human wants. When you receive your allowance or money that you have earned, you may look at it and feel rich for awhile, until you realize that it can only be exchanged for a small fraction of your wants. Your allowance represents your available resources. One of the basic problems in economics is that human wants are limitless, but resources are not. However hard society works, it will never be able to keep up with all the wants of the people, just as your income will never be able to supply all of your wants, until you learn the truth of Matthew 6:33 and Luke 12:15b.

The limitless wants have to be satisfied by the available resources, both human and nonhuman. When the United States was first being settled, the people thought that limitless amounts of fuel, timber, water, animals, land, minerals, and clean air were available. Now, however, we realize that these resources have been overused and in many cases, severely depleted. The wants of some people were satisfied without consideration for the needs of others. One of the things that economists today are trying to do is to restore a balance between the resources people are using up and the resources we still possess.

As our country progressed into the Industrial Revolution, it began using other kinds of resources—labor (people) and machinery. Even these resources have not been able to supply all of our human wants. Do not forget that all our resources are limited and, in many cases, are scarce when compared to human wants. To get more of one product or service, we may have to become willing to be satisfied with less of another.

Wants can be satisfied in different ways and resources can also be used in a variety of ways. Remembering your available resources (your allowance or earned money), consider your list of wants again. Instead of buying a new bicycle or skateboard, why not buy a used one—or at least wait until they go on sale? The money you save could be spent on other things. Some stores even sell used books, tapes, and CDs. Have you looked for these stores? Part of using resources wisely is intelligently investigating the many possible alternatives.



| Our unlimited wants have to be satisfied by limited resources.



Write the letter of the correct answer on each line.

- 1.22** Limitless wants have to be satisfied by _____ .
 a. available resources b. government c. parents
- 1.23** Two new kinds of resources developed in the Industrial Revolution were _____ .
 a. water and wind b. people and machines
 c. sugar and wool
- 1.24** Bicycles and skateboards are _____ .
 a. needs b. wants c. resources
- 1.25** Early settlers thought many resources like land, fuel, and water were _____ .
 a. important to conserve
 b. limited c. limitless

CHOICE

Our wants are limitless, but our available resources are not. This fact leads us to the basic problem in economics. The problem is one of distributing the available resources to best satisfy human wants. Choice is the deciding factor. As we have seen, each nation has an organized economic system by which it uses its resources to satisfy its wants. This system provides a method for making decisions. As you recall, the system used in the United States is called free enterprise, the system in which private businesses operate with little government regulation. The other major economic system is called socialism, the system in which private businesses operate with more government regulation than free enterprise, and in which the government may own some businesses. The countries of the world use either free enterprise, socialism, or a combination of the two.

The labor force. Problems in production and distribution can develop within the free enterprise system, however. One of these problems is the organization of the labor force. Unemployed people will always exist, to a greater or lesser extent; and many jobs, such as repairing streets, designing aircraft, or improving homes of poor people, need to be done. Getting the people working at the jobs that need to be done is difficult. The problem lies in matching the importance of the job to be done with the wage to be paid the worker. The **consumer** indirectly decides on the need and value of a job by deciding to pay for a product or service.

In our country a diversity of human wants must be satisfied. People want cars, houses, boats,



sports equipment, and many other things. Many people working together are needed to produce any one of these items. To manufacture a car takes materials like steel, rubber, cloth, and plastics. When these materials are formed the car must be assembled. A great deal of planning and many jobs are involved in this one item. The economic importance of these cars, however, depends on the number manufactured. The country can have too many cars, or perhaps not enough. A problem exists in getting the right things produced by the right people in the right amounts.

Even after the right goods have been produced, they must be distributed. The cars, food, sports equipment, or toys will not be used if they never leave the factory. This distribution brings many more people into the picture. The efficiency of these people also is important to the country as a whole. Again we see that complex societies are very dependent on others for their well-being.



Complete the following statements.

- 1.26** The basic problem in economics is distributing the available resources to best satisfy human _____.
- 1.27** The economic system of the United States is called _____.
- 1.28** People in _____ societies are dependent upon others for their well-being.
- 1.29** After goods have been produced, they must be _____ to the market place where they can be sold to consumers.

Decisions. Our economic system helps us to make four basic decisions:

1. *What* goods and services should be produced,
2. *How* goods and services should be produced,
3. *Who* should have the goods and services produced, and
4. *How* much of these goods and services should be produced.

Many of these decisions are made by the consumer. Consumers are the people whose wants are satisfied. Every human being is a consumer. Some of the things we consume are used up quickly—ice cream, meat, concert tickets; others are used over longer time periods—houses, cars, clothes, appliances, and so forth. Services that are performed for us by others are also considered as consumed goods—haircuts, dry cleaning, and auto repairs. **Producers** are the human resources that make the products or perform the services.

How do we know what goods and services to produce? Consumers determine what will be produced by deciding what they are willing to spend their money on. Business people make things that they think people will buy. They are trying to make a profit and will often try to influence the consumer with advertising and other selling activities.



How should goods and services be produced? To the businessman, profit is often the main factor in making this decision. He has to decide how to produce his goods in the cheapest manner to make the most profit. Sometimes the best decision, for example, would be to use simple tools and a large amount of labor. At other times, however, using machines and just a small amount of labor might be better. The businessman also has to take into account how efficient his employees are, how much the rent is on his land and buildings, how many jobs are available, the risks involved, and so on.

Who should have the goods and services produced? The incomes of the consumers usually determine this decision. The people who make larger incomes are naturally able to acquire larger amounts of the things produced. This

factor especially affects the production of “luxury” items.

How much of the different goods and services should be produced? This decision is determined by the demand for the product. As long

as a company can sell its goods for a profit, it will continue to produce more. In other words, as the demand for a product increases, the supply will also be increased by the producer.



Complete the following activity.

1.30 What four basic decisions does our economic system help us make?

- a. _____
- b. _____
- c. _____
- d. _____

Match the word with the best definition.

- | | |
|-------------------------------|---|
| 1.31 _____ consumers | a. decide how to produce goods to make a profit |
| 1.32 _____ businessmen | b. determines how much will be produced |
| 1.33 _____ income | c. decide what to produce by what they are willing to buy |
| 1.34 _____ demand | d. the human resources that make products or perform the services |
| 1.35 _____ producers | e. determines who will get what is produced |

Complete this activity.

1.36 Use your school library, your local library, or the internet to find some information about an underdeveloped country, such as Haiti, Nicaragua, Bangladesh, or Cambodia. Find out what is grown or mined in that country. Are the products imported into this country? When you have completed this work discuss your findings in groups and write down your information to share with the class.

TEACHER CHECK

_____ initials

_____ date

**Answer this question.**

- 1.37** What kind of economic system does the underdeveloped country studied in Activity 1.36 have? _____

TEACHER CHECK

_____ initials

_____ date



Review the material in this section in preparation for the Self Test. The Self Test will check your mastery of this particular section. The items missed on this Self Test will indicate specific areas where restudy is needed for mastery.

SELF TEST 1

Write the correct letter on each line (each answer, 2 points).

- 1.01** Who influences the decision of what to produce because of their willingness to buy? _____
 a. consumer b. producer c. business person d. agrarian
- 1.02** Every human being is a _____.
 a. consumer b. producer c. business person d. agrarian
- 1.03** What requires a large income? _____
 a. consumer b. agrarian c. business person
 d. luxury items e. subsidy
- 1.04** Human resources that make products are called _____.
 a. consumers b. producers c. business people
 d. luxury items e. agrarians
- 1.05** The deciding factor in allocating resources is _____.
 a. the consumer b. producer c. business person
 d. choice e. unemployment
- 1.06** Who or what decides how goods and services should be produced?
 a. producer b. business person c. luxury items d. unemployment
- 1.07** What word means *having to do with farming*? _____
 a. consumer b. business person c. producer d. agrarian

- 1.08** What will always exist in any economic system? _____
 a. luxury items b. subsidy c. choice d. unemployment
- 1.09** Who tries to make a profit and influence customers? _____
 a. consumer b. producer c. business person
- 1.010** Money granted by the government is called _____.
 a. welfare b. producer money c. a subsidy d. consumer money

Write true or false (each answer, 1 point).

- 1.011** _____ Human wants are limitless.
- 1.012** _____ Available resources are limitless.
- 1.013** _____ Our resources can only supply a small fraction of our wants.
- 1.014** _____ The early settlers thought that the land, timber, animals and water resources were limited.

Complete the following statements (each answer, 3 points).

- 1.015** Our economic system in the United States is called _____
 _____.
- 1.016** The people whose needs and wants are satisfied are called _____.
- 1.017** Services that are performed for us are considered to be *consumed*
 _____.
- 1.018** The study of consumption, production, and distribution of wealth is called
 _____.
- 1.019** God has promised to supply our _____.
- 1.020** In general, the wants of the people are greater than their available _____.
- 1.021** Human wants _____ be completely satisfied.
- 1.022** The organized way by which a nation uses its resources to satisfy its wants is called its
 _____ system.
- 1.023** Businesses have to produce goods in the cheapest manner to make the most
 _____.

Write the correct letter on each line (each answer, 2 points).

- 1.024** If a product is in great demand, the producer will supply _____.
a. more b. less c. the same
- 1.025** Limitless wants have to be satisfied by _____.
a. consumers b. available resources
c. economic systems
- 1.026** Human wants do not include _____.
a. a new car b. a place to live
c. books d. a mansion with a swimming pool
- 1.027** Needs do not include _____.
a. a new boat b. food c. clothing
- 1.028** Society will never be able to keep up with _____.
a. the available resources b. the wants of the people
c. businesses

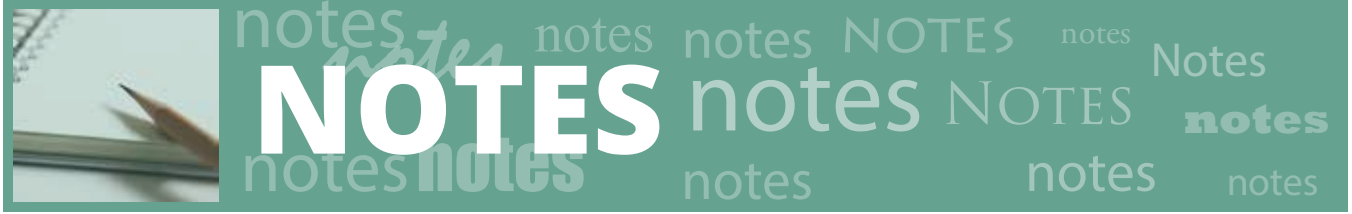
Answer these questions (each numbered item, 5 points).

- 1.029** What four basic decisions does our economic system help us to make?
- a. _____
- b. _____
- c. _____
- d. _____
- 1.030** What is the meaning of *economics*?
- _____
- _____

Complete the following statements (each numbered item, 3 points).

- 1.031** The economic system in which consumers control prices and production through supply and demand is called _____.
- 1.032** The economic system in which the government is in almost complete control of economic activity is _____.
- 1.033** If the demand for a product increases, the _____ will also increase.
- 1.034** The economic system that has a moderate amount of governmental control is called _____.

66 83	SCORE _____	TEACHER _____	initials	date
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