

# *Primary Knowledge of* **Economics**

## **Basic Fact Sheet**

### **First Grade Economics 2001 Standards of Learning**

Life is full of choices. People make many choices everyday. Choices, often called decisions, vary in their difficulty. Regardless of the level of difficulty, all choices carry costs and benefits. Young children make many choices/decisions. Research reveals that they should begin to learn decision-making skills at an early age. Learning basic economics concepts and principles fosters the development of good decision-making skills.

Economics is the study of choice under scarcity. Our resources are limited, and our wants are unlimited (scarcity). Scarcity is the inability to satisfy all of our wants at the same time. We must make choices about how to use our limited resources.

## **Basic facts:**

People **work** to make/produce things, **goods**, or they do things, **services**, to help others.

Goods and services satisfy people's needs and wants.

People are both **sellers** (producers) and **buyers** (consumers) of goods and services.

**Resources** are things used to produce goods and services.

**Resources** are limited.

People (**Sellers/Producers**) combine resources to make goods and services.

**Sellers/Producers** must make **choices** about what to produce with the limited resources.

People can earn **money** when they work to produce goods and services.

**Money** is a medium of exchange; what is used to buy goods and services.

People **exchange** their **money** (paper, coins, and checks) for goods and services.

## Basic Fact Sheet for the First Grade Economics SOL

# Basic facts:

(Continued)

People (**Buyers/Consumers**) use/consume goods and services.

People must make **choices** because they cannot have everything they want. (**Scarcity**)

People have **choices** about their **money**. They can spend it or save it.

People **save** money for **goods and services** they want in the future.

People have **choices** about how to **save** money.

For more explanation, read “Expanding the Economics Facts”.

For additional resources to assist with teaching the economics strand of the K-3 Standards of Learning, contact:

Elementary Instructional Services  
Virginia Department of Education  
PO Box 2120  
Richmond, Virginia 23218-2120  
Phone (804) 225-2865

# Expanding The Economics Facts

## for the First Grade 2001 Standards of Learning

When many teachers hear the word economics, they cringe. Memories of a challenging college course and supply and demand curves come rushing forth. The challenges of how to present economics to young students soon override the memories. Teaching economics to students of all ages can be exciting, rewarding, and fun.

*Economics is the study of choice under scarcity.* Scarcity is defined as the inability to satisfy all of our wants at the same time. We experience economic scarcity because our resources are limited, and our wants are unlimited. This scarcity forces us to make choices about how to use our limited resources. Elementary students can relate to this basic definition. Just like adults, they have limited resources. They must choose how to use those resources. Studying economics helps students develop decision-making and critical-thinking skills.

The following information is aligned to the economics strand of the Virginia 2001 first grade History and Social Science Standards of Learning.

*1.7 The student will explain the difference between goods and services and will describe how people are both buyers and sellers of goods and services.*

Goods are tangible things. Goods are things people make or use to satisfy needs and wants. Services are intangible things that people do to help others. Services are activities that satisfy people's needs and wants. Distinguishing between goods and services can be challenging. Services can sometimes become confusing, especially since services involve the use of goods. For instance, Sally goes to the drug store pharmacist and has a prescription filled. Since she leaves the store with the prescription (a good), students may say that the pharmacist produced a good, when actually a service was produced. The pharmacist did not produce the medication. S/he performed the service of dispensing the good.

In distinguishing goods and services, ask students to think about what they receive and what the role of the person(s) involved was. The grocery store meat cutter does not produce the meat, but rather gives a service of cutting and packaging the meat. While you have packaged meat to show for the service, the meat cutter did not make the tray, plastic wrapping, or the meat. S/he provided a service of putting those goods together.

Another distinction for a good and service is that goods can be returned if they are deficient, or not what you wanted. Services cannot be returned. If you are unhappy with a haircut, you have to wait for the hair to grow.

People exchange the money (coins, paper bills, and checks) earned from work for the goods and services they need and want.

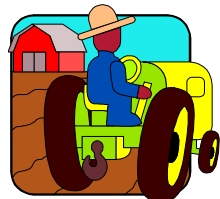


Exchange labor for money. Exchange money for goods and services.

A seller is a person who sells goods or services. People are sellers when they receive money for their work, or for goods or services they provide. Sometimes, however, people provide work or give goods and services to others for free. Also, sellers may decide to keep for personal consumption some of the goods they produce.

A buyer is a person who uses money to purchase goods or services. People are buyers when they use their money to obtain their needs and wants. Consumers use goods and services. They are often called buyers. But, not all buyers are consumers. A buyer can be an occupation. The buyer may not consume the good, but resale the good to the person who will use it. Example: the toy store owner buys toys from the toy producer, then sells the toys to parents/children who will use them. The parents/children are the consumers of the toys.

People are both **sellers/producers** and **buyers/consumers**.



**Seller/Producer**



**Buyer/Consumer**

1.8 *The student will explain that people make choices because they cannot have everything they want.*

People cannot have all of the goods and services they want. They have limited amounts of money to exchange for the goods and services they need and want. Remember that everyone faces scarcity. When spending money, people must make choices among all the goods and services available. The money spent to consume a new sweater cannot be spent to consume a toy.



? Choices ?



Sweater

or



Toy

If the buyer chooses the sweater, then the toy must be given up. If the toy is chosen, then the sweater must be given up. Children know they often have to choose between items, but may not have thought about the fact that they also had to give up an item.

1.9 *The student will recognize that people save money for the future to purchase goods and services.*

Everyone must make choices about whether to spend or save their money.

Money is what people use to buy goods and services. The more formal definition states that money is a medium of exchange. People exchange their money for the things they need and want. Since people experience scarcity with money, they sometimes have to wait to acquire certain goods and services. Savings is the money put away to spend later.

When people save money, they are planning to use it later. They might place it in a piggy bank, open a savings account at a local bank, or place it in some other safe place. People save money for things they want in the future. Choosing to save means that the future use of the money has a greater value to the person than the choices available for spending now.



Save in a piggy bank or a bank for a vacation or a toy train

Young children's concept of time is more immediate, thus saving for months and years is more difficult for them to grasp. To introduce saving to young students, a classroom simulation in which they save something for a couple of days or a week may be used. The amount of time for saving can be increased as the year progresses. Discuss that some people save for longer periods of time, such as a family saving all year for a vacation trip.

Children often see parents exchanging credit cards for goods and services. It is important to discuss that credit cards are not money, but are "credit" or a loan that will be paid later with money.

Many teaching activities exist in which students simulate the exchange of money for goods and services. These can be found in classroom mini economy programs, behavior modification plans, and as independent lessons/activities.

Consult *Virtual Economics*, CD-ROM sent to each school division by Department of Education in January 1999, for teaching activities and lesson plans on these and the other economics topics.

For additional resources to assist with teaching the economics strand of the K-3 Standards of Learning, contact:

Elementary Instructional Services  
Virginia Department of Education  
PO Box 2120  
Richmond, Virginia 23218-2120  
Phone (804) 225-2865