

## Social Studies 9: Chapters 6 & 7 Vocabulary

Economic System:

Market Economy:

Economy:

Scarcity:

Three basic economic questions:

- 1)
- 2)
- 3)

Three types of resources:

- 1)
- 2)
- 3)

Economic spectrum (and where capitalist market economies sit on it.)

Shift Left vs. Shift Right:

Capitalism:

Individualism:

Profit Motive:

Public vs. Private ownership:

Supply & Demand:

**Supply (if supply is high/low, what effect is there on demand/prices?):**

**Demand (if demand is high/low, what effect is there on supply/prices?):**

**Producers:**

**Consumers:**

**Equilibrium:**

**Boycott:**

**Competition:**

**Monopoly:**

**Government Intervention (what is it and how do governments intervene?):**

**Self Interest:**

## Chapter 6 - Economics

What are some of the things that people might value in terms of standard of living and quality of life?

**Needs**

**vs**

**Wants**

### **Economics-**

What do economic systems value?

The \_\_\_\_\_ is about what's best for society as a whole. Governments differ on how to achieve it.

\_\_\_\_\_: set aside individual interests to meet the needs of the group; recognizes needs and circumstances; values \_\_\_\_\_

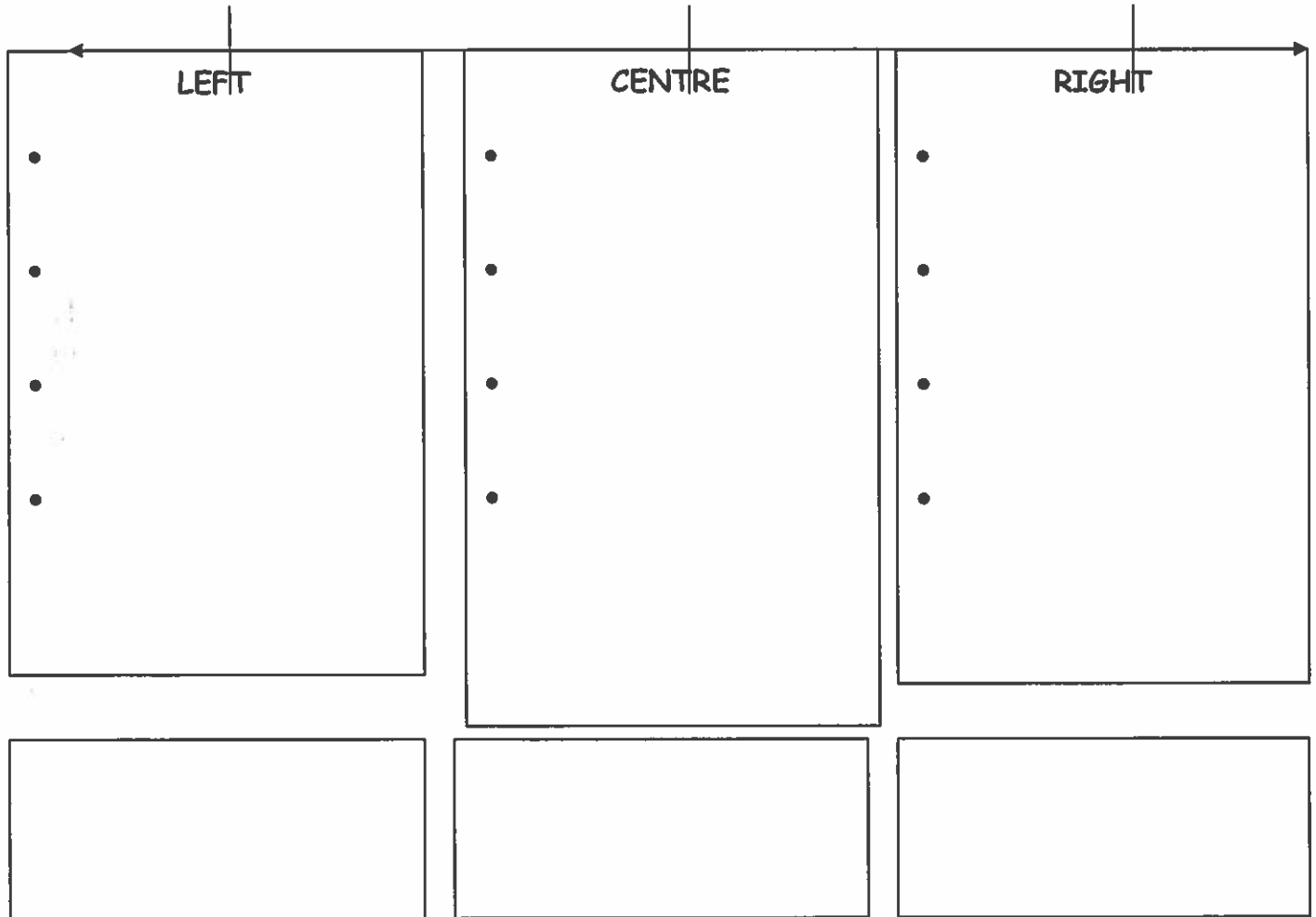
\_\_\_\_\_: what's best for individuals will add up to what's best for society; values creativity and \_\_\_\_\_

### **The 3 basic economic questions –**

- 1.
- 2.
- 3.

How these questions are answered determines a country's economic system. Sometimes the government makes the decisions, sometimes it doesn't. For example:

**The Economic Spectrum –**



There are extremes at either end of the spectrum/continuum. Can you think of some examples of other countries we can place on the spectrum?

- Nazi Germany – Fascist (Far right dictatorship)
- Cuba – Socialist (moderate left dictatorship)
- Stalinist USSR - (Far left dictatorship)
- North Korea – (Far left dictatorship)



In the Shift Left/Shift Right Box, the first bullet is for who, what party, when.

**LET'S COMPARE:**

**CANADA'S ECONOMY**

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**USA'S ECONOMY**

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**SHIFT LEFT** ←

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**SHIFT LEFT** ←

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# Supply, Demand and Price in Action!

Determine what would happen to SUPPLY and PRICE in the following situations?

Situation	Result on Supply	Result on Price
1. As offices and schools buy more and more computers, what will happen to the number of typewriter repair shops? What will happen to the price of their services?		
2. Environmentally concerned consumers are willing to pay more for an electric car. What will happen to the number of electric cars produced?		
3. Consumers seem willing to pay twice as much for chicken as they did last year. What will chicken farmers do?		

Determine what could happen to CONSUMER DEMAND and PRICE in the following situations.

Situation	Result on Demand	Result on Price
1. A freeze damaged this year's orange crop and there is a shortage of orange shipments. What happens to the demand for and price of oranges?		
2. Nobody wants CDs anymore, so HMV had a sale on CDs. What happened to the number of CDs HMV sold during the sale (demand)?		
3. Chicken is in great demand and chicken producers doubled their prices. What happened to the quantity of ground beef people decided to buy?		

Determine what would happen to SUPPLY, DEMAND, and PRICE in the following situations?

Situation	Result on Demand	Result on Supply	Result on Price
1. It's an early spring and the demand for swimsuits soars. What will happen to both the supply and price of swimsuits?			
2. What happens to the demand for, supply of, and price of wrapping paper in the weeks after Christmas?			
3. Fashionable athletic shoes are stylish and in demand, but producers have manufactured more than consumers want to buy. What will happen to demand, price and supply?			
4. Skinny jeans become popular. What will happen to the supply of, demand for, and price of these pants?			
5. Doctors warn consumers that eggs are high in cholesterol and producers cut prices to sell more. What happens to the demand for eggs?			
6. An insect pest destroys 30% of this year's cotton crop. What happens to the price of cotton shirts and the demand for polyester shirts?			
7. New production techniques make home electronics and games much more affordable. What will happen to demand for and supply of video arcades?			
8. A new, improved version of your MP3 player has been released. What happens to the demand for, supply of, and price of your existing player?			
9. There is a noticeable rise in birth rates. What happens to the demand for, supply of, and price of baby equipment?			



# Monopoly vs. Competition

- \_\_\_\_\_ is the amount of goods and services available for sale.
- \_\_\_\_\_ is what consumers need or want.
- \_\_\_\_\_ make a **SUPPLY** of products and \_\_\_\_\_ drive the **DEMAND** for these products.
- The goal of the producer is to sell as many goods as possible at the \_\_\_\_\_ price.
- The goal of the consumer is to buy as many goods as possible at the \_\_\_\_\_ price.

Producers and consumers strive to find an \_\_\_\_\_ - the point where producers still make a profit and consumers get a fair price.

## **COMPETITION HELPS TO KEEP EVERYTHING IN EQUILIBRIUM.**

\_\_\_\_\_ is defined as the rivalry among producers to sell to consumers. There are many famous product rivalries- IBM vs. Mac, Coke vs. Pepsi, Reebok vs. Nike, etc.

Producers of products compete for consumer dollars. Competition can be a positive thing because it forces producers to make a good quality product at a reasonable price. If they don't, consumers will take their business elsewhere.

Since the government has limited involvement in the economy, competition is what keeps businesses honest.

Read pages 212- 213 in your text.

- a) What can each doughnut shop do to attract business?
- b) How has competition between the shops affected the variety and price of doughnuts available for sale?
- c) How has competition affected the decisions the shops have made about resources- for example, ingredients and labour?
- d) What might be a disadvantage(s) of competition?

## How Do Businesses Compete?

Businesses compete in many ways. Their goal is to get the customer to choose them.

**Lowering Prices** □ Joe sells T-shirts for \$5.00 each. Mo sells T-shirts. Maybe Mo will compete by selling his for \$4.00. Joe might lower his T-shirt price to match the \$4.00 price, or he might go lower. Businesses can compete by lowering prices. But businesses cannot lower them so much that they no longer make enough money to make the shirts, pay their workers, and pay for their store.

**Better Products** □ Making products that work better, look better, last longer, or do more is one way to compete with other businesses. Prices for an item can be the same or sometimes even higher than the price offered by a competing company, provided that the item is so good that customers will really want it. Businesses can offer a better quality product to get customers to choose them.

**Better Customer Service** □ Businesses can offer better service to their customers. That means hiring and training people who know about the products and know how to be helpful and friendly. A computer store with good customer service hires and trains people who know a lot about computers. A computer store with bad customer service hires anyone and does not train him or her. Then the customers get frustrated when they ask a question and maybe they will shop for a computer somewhere else. Good customer service is one way a business competes and encourages customers to choose them.

**Economic Incentives** □ Offering incentives is another way to compete. Freebies like toys in happy meals or free soda when you buy a slice of pizza are types of incentives. Offering coupons used to save money and having sales are two more ways to bring in customers. Sometimes businesses have special promotions with refreshments and music encouraging you to come and shop. Some businesses reward customers who shop again and again. Each time a customer shops at a business, the clerk marks a little card for the customer, and when the card is filled the customer receives a free item. Incentives are another way businesses use to compete and encourage customers to choose them.

**Advertising** □ Businesses advertise by putting signs up, having TV and radio commercials, and running newspaper ads telling customers about their products. Advertising is used to say how wonderful the products are and to tell about any incentives, sales, lower prices, to tell customers where the business is located. Advertising is another way in which businesses try to get customers to choose them.

# Monopoly

In the board game, Monopoly, you are an **entrepreneur**, a businessperson who takes risks with their money in hopes of making a profit.

How does competition factor into the game?

Who was the most successful entrepreneur in your group? Why? Was there a particular strategy they used?

How does the idea of competition factor into the game?

How do you win this board game?

Why is this game called "Monopoly"?

What are the advantages and disadvantages to a monopoly business?

## WHAT ROLE SHOULD THE GOVERNMENT PLAY IN THE ECONOMY?

Although it is generally agreed there is a role for the government to redistribute income in favor of the poor, provide public goods and services, and deal with [emergencies], there is considerable disagreement over how far the government should go in these areas, and what additional areas the government should be responsible for. Some people feel that "big government" is already a problem in that it infringes on people's personal freedoms. These people believe that government is doing too much. Others believe that the government sector of the economy is essential to a good and just society and that government should be allowed to do more.

### EXPLORING THE TWO POINTS OF VIEW ON THE ROLE OF THE GOVERNMENT SHOULD PLAY IN THE ECONOMY

#### A Right Wing or Conservative View

On the one hand, "right-wingers" believe that the government's role should be severely limited. They feel that economic and political freedom is likely to be undermined by excessive reliance on government. Moreover, they tend to question the government's ability to solve social and economic problems. They believe that faith in the government's power to solve these problems is unreasonable. The problems are better solved on a case by case basis by individuals who are directly affected by the problem. That way the people who are involved in solving the problem are motivated to find the best solution. Right-wingers point to the slowness of the government bureaucracy, the difficulty in controlling huge government organizations, the problems political considerations can breed, and the difficulties in telling whether government programs are successful or not. On the basis of these considerations, they argue that the government's role should be carefully limited.

Let's make sure that we understand this...

- a) What would be an example of the slowness of government bureaucracy? (You can use a real example from your own experience)
  
  
  
  
  
  
  
  
  
  
- b) What would be a reason for why it is difficult to control huge government organizations?

c) What would be an example of how politics gets in the way of solving problems at a local level?

d) What would be a reason why it is difficult to tell whether a government program is actually successful?

### A Left Wing or Liberal View

Conservatives tend to question the government's ability to solve important social and economic problems, but liberals tend to question the market's ability to solve these problems. They point to the important limitations of the market system. "Left-wingers" claim that the government can do a great deal to overcome these limitations. Government can regulate private economic activity. It can also provide goods and services that the private businesses produce too little of because there isn't enough profit to be made. Liberals tend to be less concerned than conservatives about the effects on personal freedom of greater governmental intervention in the economy. They are more concerned with the idea of social justice. They believe that the true test of a civilized and advanced society is one that is able to care and provide for its most vulnerable citizens. They point out that the price system also involves a form of exclusion by awarding goods and services to those who can pay the price. Liberals believe that the market system seems to reward people for reasons other than working hard. There are many people who work very hard but can't seem to get ahead. For example, one of the means to get out of poverty is education but it is too expensive for poorer people. They cannot realize their potential because they can't afford to participate.

Let's make sure that we understand this...

a) What would be an example of a limitation of the market system? (This question requires some creative thinking!)

b) What would be an example of a good and service that is important but that private businesses are really reluctant to provide because it is too costly?

c) What is your idea of social justice?

d) What would be an example of people who are rewarded for reasons other than working hard?