

Needs and Wants

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

A need is something you must have to live. You *need* food, water, and air. Shelter, healthcare, and education are often considered needs as well. On the other hand, a want is something you desire, but can live without. For example, potato chips are a food, but snack food is not necessary to survive.

Needs and wants are not always easily separated. People living in different places, or even different times, need different things. For example, a person who lives far from work might need a car because of distance. On the other hand, a person who lives and works in a city with public transportation (bus, metro, subway) might not need a car.

In a community, people consume goods and services to satisfy their needs and wants. Goods are objects that satisfy people's wants, and services are actions that satisfy people's wants. For example, a television is a good, while a plumber provides a service.

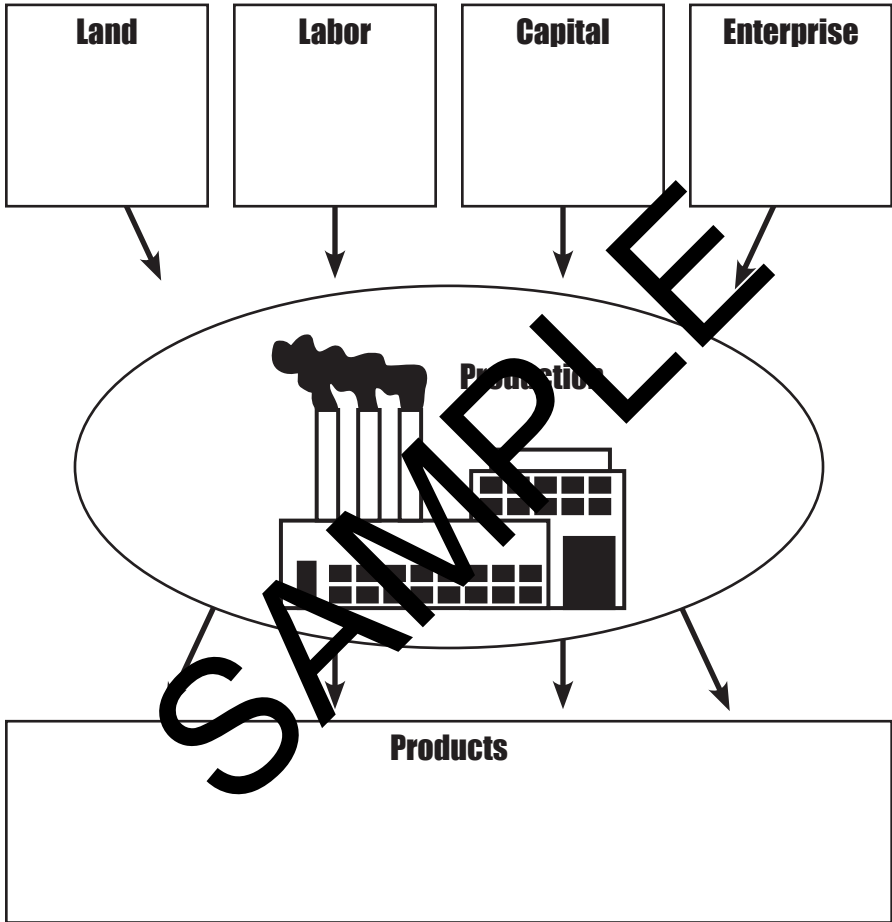
1. Explain the difference between want and need.
2. List two examples of goods and two examples of services.
3. Why are foods such as potato chips not considered a need?
4. How is the need for transportation different for a person who lives in a rural area?

Example	Need, Want, or Both	Why?
Telephone		
Clothing		
Electricity		
House		
Sports Car		

GRAPHICAL ANALYSIS

Factors of Production

Look up the definitions of each factor of production and provide examples of each to complete the graphic organizer. Then answer the questions.



1. Imagine you are a producer of wooden pencils. In several short paragraphs, explain how you think each factor of production might be involved in making wooden pencils.
2. Consumer information is often considered a new factor of production. Work in small groups to research the role of consumer information in the production process. Do you think consumer information should be considered a factor of production? Why or why not?

Incentives

Read the texts and answer the questions.

An incentive is a benefit, reward, or cost that motivates a person to perform an action. Incentives guide the daily choices that consumers and producers make. In economics, the study of incentives gives a clearer understanding of why people and businesses perform actions. Incentives can be positive or negative and have many forms. For example, a low price is a positive incentive that motivates people to buy. Your boss might provide the positive financial incentive of a pay raise for a job well done. On the other hand, a failing grade on a test is a negative incentive to study more. High prices are also a negative incentive.

Incentives are anything that motivates you to do an action. In business, the ultimate incentive is profit. For consumers, good products and competitive prices motivate people to buy. Businesses often advertise special offers or low prices as incentives for consumers to buy their products. The government places a high tax on cigarettes as a motivation for people not to buy cigarettes. The government might also motivate factories to produce less pollution by regulating factories with high pollution levels.

This advertisement is a promotion for Hires Rootbeer.

First Prize!

To the storekeeper making the best window or store display with HIRES ROOTBEER, \$75.00; to the one making the second best display \$50.00; to the third best display \$25.00 cash.

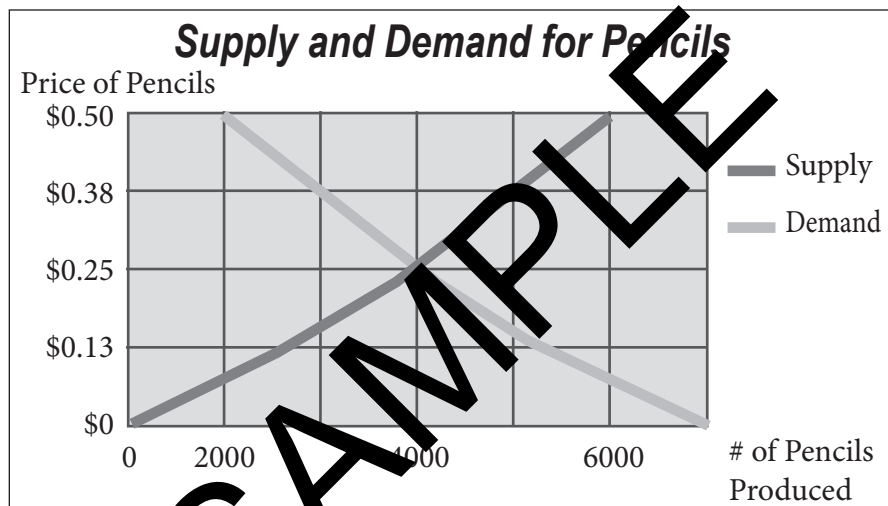
- Define incentive in your own words and give a synonym.
 - Give an example of a positive incentive and a negative incentive.
- Explain how incentives influence the choices producers and consumers make.
- From what point of view was the First Prize promotion written?
- Who is the intended audience of the First Prize promotion?
- What incentives does the First Prize promotion offer?
- In your opinion, is the promotion effective? Explain why or why not.

DATA ANALYSIS

Supply and Demand

Use the text and graph to answer the questions.

Supply is how much of a product is available. Demand is how much of a product people are willing to buy. The point where supply and demand meet is called an equilibrium point. At the equilibrium point, supply equals demand, and producers are making the exact amount of product that consumers want. Changes in supply and demand cause changes in price.



1. What is the purpose of the graph?
2. What is represented by the horizontal axis? The vertical axis?
3. A. As price increases, what happens to supply?
B. As price increases, what happens to demand?
C. As price decreases, what happens to supply?
D. As price decreases, what happens to demand?
4. Label the equilibrium point on the graph.
5. What does the equilibrium point indicate about the relationship between consumers and producers?
6. At the equilibrium point, what is the price of pencils? How many are being produced?
7. Explain the relationship between supply, demand, and price.