

ECONOMICS

DESCRIPTION OF SESSION

In this session, participants will gain a basic understanding of economics. Learning about the economy will help participants develop financial awareness that will be beneficial throughout life.

CATEGORY

- Business
- College and Career Prep

OBJECTIVES

By the end of this session, participants will be able to:

- Understand what economics is and why we study it.
- Explain the factors of production.
- Describe the different forms of economic utility.

SUPPLIES

- 2 large bags of M&M's or Skittles candies
- Bowl
- **Factors of Production** activity sheet—make a copy for each participant
- Writing utensils
- Internet access

ADVISOR NOTE: Text in italics should be read aloud to participants. As you engage your post in activities each week, please include comments, discussions, and feedback to the group relating to **Character, Leadership, and Ethics**. These are important attributes that make a difference in the success of youth in the workplace and in life.

ACTIVITIES

Opening Activity

Candy Love

Begin by emptying the bags of M&Ms or Skittles into a bowl. Make sure you have enough for everyone to have at least five candies. Write down on a whiteboard or poster board (if available) or announce what each color signifies from the list below. You may need to vary the colors or add categories depending on which type of candy you choose. Pass the bowl around the circle, having each person choose one candy and share based upon the color picked. It is OK if participants pick the same color more than once.

- Yellow—a life goal you are working on
- Green—your favorite book or movie
- Orange—your favorite food
- Blue—something that causes you stress
- Purple—your favorite sport to play or watch
- Red—something you love about school or your job

Activity 1

Introduction to Economics

Tell Explorers: *Economics is the study of how individuals and businesses make decisions to best satisfy wants, needs, and desires with limited resources and how efficiently and equitably resources are allocated.*

*Among the basic concepts of economics are supply, demand, and market price. **Supply** refers to how much of a product or service is available for purchase at any given time. The amount supplied will increase as the price*

increases. **Demand** refers to how much people want to buy at any given time. The amount demanded increases as the price decreases. The **market price** for a product or service is the price at which everyone who wants the item can get it without anyone wanting more or without any of the item being left over.

Ask: *Why is eBay a great example of supply, demand, and market price?* The discussion should include the following points: Because bidders state the price they are willing to pay for a particular item. The price increases depending on the demand: The greater the demand, the higher the price bidders are willing to pay. Supply also affects price on eBay: If similar or identical items are available for auction, the price is kept lower. When a unique item is auctioned, prices tend to be higher because demand is higher and supply is lower. Eventually, the winning bid establishes the market price.

Activity 2

Factors of Production

Say: *To fully understand how a business operates, you have to consider the **factors of production**, the resources used to produce goods and services. The most important factors are labor; land, also referred to as natural resources; and capital. Other factors are entrepreneurs, intellectual property, and technology. **Labor** is the human resource that refers to any physical or intellectual work people contribute to a business's production. **Natural** resources are the raw materials used to produce goods and services. Soil used in agricultural production, trees used for lumber to build houses, and coal, oil, and natural gas used to create energy are all examples. There are two types of capital—real capital and financial capital. **Real capital** refers to the physical facilities used to produce goods and services. **Financial capital** is money from loans, investors, fundraising, and personal savings.*

*Entrepreneurial talent is also essential to the success of a business. **Entrepreneurs** are people who assume the risk of creating, organizing, and operating a business and direct all the business resources. Entrepreneurs are a human resource, just like labor, but what sets entrepreneurs apart from labor is their willingness to bear risks and their ability to manage an enterprise. **Intellectual property** refers to the ownership of ideas and creative works in the form of patents, copyrights, and trademarks. Intellectual property creates a competitive advantage for drug companies that own patents on a popular and effective drug as well as for technology companies that own patents on hardware and software. Finally, **technology** refers to items and services such as smartphones and software that make businesses more productive.*

Provide each Explorer a copy of the **Factors of Production** activity sheet. Working in teams of two or three, have them identify examples of each of the factors of production for the business. Give them 10 to 15 minutes to do so and then review as a group to ensure their understanding. Explorers may use the internet to assist, if available.

Activity 3

Economic Utility

*There are four types of economic utility, or value, that customers receive from goods or services. These are form, time, place, and ownership or possession. When a company produces a product from raw materials in a form that pleases the customer, it creates **form utility**. When the business makes a product available when it is needed, it creates **time utility**. When a product you want to buy is stocked at your local store, the store creates **place utility**. When the store sells a product, it transfers ownership from the store to the customer, creating **ownership utility**. The buyer derives satisfaction from owning the item.*

Initiate a discussion about the types of utilities, naming some products and having participants identify the utility, or value. For example, form relates to finished products. Consumers buy finished items, such as vehicles and electronics, so they don't have to gather the parts and put them together themselves. Time refers to when an item is needed, such as decorations for holidays or clothing for certain weather conditions. Place refers to where an item can be purchased, and ownership is the value consumers place on owning the product and using

it as intended or in a new way.

REFLECTION

Some sample questions are below. They are designed to help the participants apply what they have learned to their own interests. You are welcome to use these questions or develop your own questions that relate to your post or specific focus area.

- *How can this information be applied in your daily lives?*
- *Why must the utilities be considered when a company is introducing a new product?*
- *Is there anything that you need more information on or were unclear about?*
- *Why is this topic important?*

ADVISOR AND OFFICER REVIEW

After the meeting, address the following:

- Identify what was successful about the meeting.
- Identify what needed improvement.
- Schedule an officer and Advisor planning meeting to prepare for the next post meeting or activity.

(Much of the content in this lesson is from *Better Business*, 4th ed., by Michael R. Solomon, Mary Anne Poatsy, and Kendall Martin, ©2015 by Pearson Education. Used with permission.)

RESOURCES

Activity 2

Factors of Production

Factors of Production

You are going to open a barber shop or salon. Consider the different types of services that this kind of business may offer. Fill in each of the boxes below with an example of the factor of production.

1. Natural Resources

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2. Labor

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3. Capital

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4. Entrepreneurs

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5. Intellectual Property

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6. Technology

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