

# Economics and Business

## Year 5

### Wants, resources and choices



### Economics and Business Knowledge and Understanding

**The difference between needs and wants, and how they may differ between individuals.**

**Resources can be natural (e.g. oil), human (e.g. workers), or capital (e.g. machinery), and how these are used to make goods and services to satisfy the needs and wants of present and future generations.**

**Due to scarcity, choices need to be made about how limited resources are used (e.g. using the land to grow crops or to graze cattle).**

**The factors that influence purchase decisions (e.g. age, gender, advertising, price) and how these decisions affect resource use.**

**Strategies for making informed consumer and financial decisions (e.g. budgeting, comparing prices, saving for the future).**

#### About this material

This material has been developed to assist teachers implementing the Economics and Business component of the HASS (Humanities and Social Sciences) learning area. It is primarily addressed to teachers in Western Australian schools following the WA Curriculum mandated by SCSA (Schools Curriculum and Standards Authority). The material has been written by experienced teachers of Economics affiliated with ETAWA (Economics Teacher's Association of WA). It has no official standing.

This document is part of a series developed across Years 5-10 to assist teachers with key teaching points or key content in the Economics and Business syllabus. Each has a set of **notes** or comments for teachers and one or more **learning activities**. The learning activities usually try to incorporate relevant skills developed in two-year bands in WA Curriculum.

The notes are provided to link the curriculum content to well-understood economics and business concepts and to provide some insight into each content description. It is not intended that the notes and comments be 'taught' to students. Where relevant, answers are provided or suggested for the learning activities.

It is suggested that Year 5 teachers allocate one hour per week for one school term to allow students to investigate Economics and Business. One hour per week could be specifically allocated as a "HASS hour", with other opportunities to use these materials when linked to other learning areas.

## The difference between needs and wants, and how they may differ between individuals.

### Needs and wants

#### Learning Intentions

Students to be able to

- define and distinguish between needs and wants;
- classify goods and services as needs or wants.

#### Teacher notes

For an introduction to the key idea, see the [Spark presentation](#) for this section.

We talk about satisfying needs and wants – which basically means to achieve them or be able to buy them. People have needs (goods and services they must have in order to meet a basic standard of living) and wants (things they would like to have, beyond their needs).

In economics, the term ‘wants’ is often used to cover both of these (i.e. needs and wants), but it is useful to distinguish between needs and wants at this point in student learning as it helps understand patterns of choice given the standard of living we have achieved and the resources we have available.

The differences between wants and needs are both:

- absolute (all you really need is food, clothing and shelter to sustain life), and
- relative (needs are determined according to the minimum perceived standards that apply in our community).

Activity 1 asks students to classify goods as needs or wants.

#### Activity 1 - Identifying household needs and wants

In the table below, identify (list) six needs (goods and services you must have in order to live) and six wants (things you would like to have).

Needs	Wants

Share your list with others in your group. To what extent are the items on your list similar or different? Why could this be the case?

Student answers to Activity 1 will probably show that classifying things in a social science like economics is not always 'black and white' (a good discussion point). Many people in developed countries like Australia consider many products not necessary for survival to fit into the needs category in a modern economy – e.g. we *need* a car; a mobile phone; a colour TV. Many people in less developed countries (but all over the world, of course) would consider these a want or luxury.

Students are probably more likely to apply needs as a 'relative' term than an absolute one. That is, they will probably include 'needs' that would be 'wants' in other places or situations. This is the point of Activity 2.

### Activity 2 - Shopping receipt analysis

Keep your latest family shopping receipt from the supermarket or grocery.

Using a highlighter or a code, identify the items that are needs, and those that are wants.

For example, your code might be N for needs, W for wants and H for 'hard to decide'.

How many Hs do you have on your shopping list? Why were they 'hard to decide'?

We should also think from a community point of view. So far we have focused on personal needs and wants. What about community needs and wants? Activity 3 asks students to identify some of the things the community needs, and some wants. Once again, classifying them might be difficult.

### Activity 3 - Community need and wants

This is really a repeat of activity 1, except it takes a community focus.

In table below, identify (list) six goods or services that a group in your community (perhaps your school, a sporting club, the local council) would classify as needs, and six things it would regard as wants.

Community needs	Community wants

Share your list with others in your group. To what extent are the items on your list similar or different? Why could this be the case?

In your own community, who decides what needs and wants will be provided for the community? How are they paid for? Are there ever any arguments or controversies about the community decisions?

If there are, perhaps you could cut out a local newspaper article that refers to the argument. What do you think should happen to best satisfy the wants of your community?

**Resources can be natural (e.g. oil), human (e.g. workers), or capital (e.g. machinery), and how these are used to make goods and services to satisfy the needs and wants of present and future generations**

## Resources

### Learning Intentions

Students to be able to

- define and distinguish between the types of economic resources;
- classify goods and services as needs or wants.

### Teacher notes

For an introduction to the key idea, see the [Spark presentation](#) for this section.

Resources are often thought of as minerals such as oil or gas; or forests; or fish in the sea; or rivers and lakes. Sometimes they're thought of as renewable (like crops and forests that can be regrown) or non-renewable (today's use depletes the future stock).

The economic definition is broader, but quite specific - resources are defined as 'all things that can be used to produce goods and services that satisfy wants'.

In the economics and business course, we describe three general types of **resources**.

- natural resources
- human resources
- capital resources

Alternatively, you could use four categories - land, labour, capital and enterprise. Sometimes, resources are referred to as 'factors of production'.

**Natural resources** are the 'gifts of nature' - resources such as air, water, minerals, energy resources such as coal and oil, and soil and vegetation - any resource that is supplied from the natural environment.

**Human resources** refers to the quantity and quality of the work force. Human resources are divided into **labour** (physical or mental effort applied in the production of a good or service) and **enterprise** - the management and coordination of the other resources in the production process. The term also represents the ideas and skills which create products, incomes and profits.

**Capital** refers to the man-made resources which assist human resources in the production of goods and services. In economics, capital refers to physical capital, not financial capital (money). Physical capital is the 'tools of trade' - the machinery and equipment that is required to produce goods and services. Examples of capital include the pen used by a

journalist to write a story, an accountant's computer, a truck used to haul ore at a mine site; a crane used in construction or a building used as a warehouse.

Capital includes the **infrastructure** of the economy, such as transport and communications, power and water supply, schools and hospitals.

### Activity 4 - Classification (resources)

Classify the following resources as natural, human or capital resources.

Resource	Natural, human or capital?	Resource	Natural, human or capital?
the water in a river		a calculator used in a shop	
a pine plantation		an idea for a new business	
the manager of a supermarket		oil under the ground	
rocks		a computer in an office	
your teacher		a freeway through your city	
an architect's pencil		the air we breathe	
your family telephone		oven in a restaurant	
your doctor		a carpenter's screwdriver	

Resources are combined to produce the goods and services that satisfy wants.

For example, a bunch of flowers from a florist is 'produced' using a combination of:

- natural resources - flowers; water; the timber used to make wrapping paper; the chemicals used to make plastic wrapping).
- human resources - a trained florist; shop assistants and support staff such as book-keepers; cleaners and so on; and
- capital resources - the building or shop in which the business is located; fridges, tables; equipment and all the small tools that people use to make their job easier and more productive.

Learning Activity 5 develops this combination of resources idea, and should help students understand how interdependent people are in developed economies.

### Activity 5 - School canteen - combining resources

If your school has a canteen that prepares lunches, find out.

*"What resources are used to make ....."*

You could research sandwiches, rolls, pies, juices etc. Make sure to include all three types of resource - natural, human and capital.

### Activity 6 - Local business - Capital resources

Define the term 'capital'. List ten capital resources (types of capital equipment) that you would see if you visited one of the following local business firms:

Supermarket	Hairdresser	Fast-food store	Doctor's surgery
Pharmacist	Car repairs	Library	School

### Activity 7 - Local business - Human resources

List five or more human resources (knowledge, skills, physical work) that you would observe if you visited one of the following local business firms:

Supermarket	Hairdresser	Fast-food store	Doctor's surgery
Pharmacist	Car repairs	Library	School

It's important to recognise that human resources include 'enterprise' and 'management' skills that are important in starting and running businesses. Essentially, management is a part of labour (the human resource) because it involves 'organising' - that is, thinking about how to combine all available resources efficiently to produce goods or services.

**Due to scarcity, choices need to be made about how limited resources are used (e.g. using the land to grow crops or to graze cattle).**

## Scarcity and choice

### Learning Intentions

Students to be able to:

- Understand the reasons for relative scarcity
- Understand that due to scarcity, choices need to be made about how resources are used.

### Teacher notes

For an introduction to the key idea, see the [Spark presentation](#) for this section.

As discussed earlier, the term 'wants' is often used, and this includes needs. Wants cannot be completely satisfied, and they are **never-ending** (because many goods and services used on a repeat basis). They are often complementary, because one want creates other wants in association e.g food and plates, cars and fuel, tennis racquets and tennis balls, printers and paper, computers and software.

### Activity 8 - Wants are unlimited

This weekend your family is going to purchase the following items (goods and services):

- oranges, bananas, bread, tomatoes and meat from the farmers' market;
- coffee from the cafe on Saturday afternoon;
- a new headlight for the car (ordered last week from the local garage);
- airline tickets for a trip to Sydney in the holidays (buying from the airline web site); and
- annual tax return advice from the accountant.

Discuss or write answers to the following questions:

1. How long will each item last?
2. When will that item (or something similar to it) have to be purchased again?
3. Does the item have any 'complementary' wants - goods or services that you might purchase at the same time (e.g. cake with coffee)?
4. What resources might be used to produce each of the goods listed? [Recall that resources consist of natural, human and capital resources]. Try to list at least five resources for each good or service.

### So why can't we have everything we want?

Resources (natural, human and capital) are combined to produce goods and services that satisfy people's wants.

Each of these resources is **limited**. At any one time, we have only so much land, so many factories, so much oil, so many people. More resources may become available if we:

- discover them (e.g. explore for minerals);
- do research (e.g. develop new products or processes);
- build the current stock of resources (e.g. educate and train people); and / or
- trade with people in other countries.

Some resources are also reduced over time if not managed in a sustainable way (e.g. water, soil, trees, fish).

**Unlimited wants and limited resources means scarcity.** Scarcity simply means there are not enough productive resources to satisfy all of our personal, family and social wants at this current point in time.

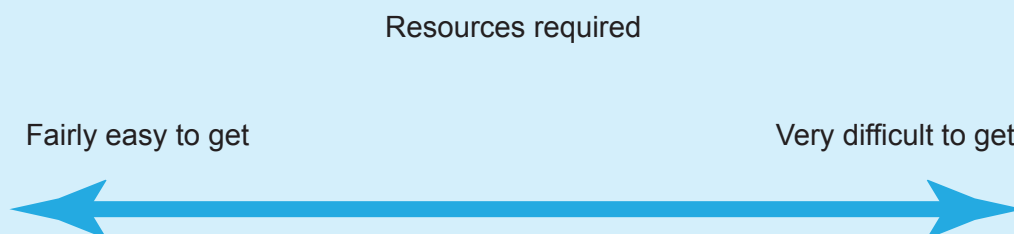
This is despite the fact that some resources *seem* abundant, like air, water, soil and so on.

But try suggesting those resources are abundant to a pedestrian in a Chinese city (air quality); a farmer in a drought (water) or a gardener wanting fertile flower beds!

#### Activity 9 - Scarcity and your school

Think about your school and its wants. Perhaps your School Board and teachers would like to have a new playing field, but the school is located on a small area of land. Perhaps the School Board would like to teach a language such as Indonesian or Mandarin to students. Perhaps they would like to introduce more sporting classes, or more Maths help, or more ...

Think about one of these wants (or another school want of your choice). What resources would be required in order to provide the new service? List them, then rank them on a scale from 'fairly easy to get' to 'almost impossible to get'.



*Looking ahead to Year 6:* Choices involve **trade-offs**. There is always something that you miss out on when making a choice. This is true for consumers, businesses and the government. In fact, understanding the choices and trade-offs helps us to make informed decisions!



**The factors that influence purchase decisions (e.g. age, gender, advertising, price) and how these decisions affect resource use).**

## Factors influencing decisions

### Key Learning Intentions

We want students to be able to:

- understand that there are many factors that may influence purchasing decisions
- understand that the decisions we make as producers or consumers affect the use of the scarce resources used to produce or distribute the goods or services.

### Teacher notes

For an introduction to the key idea, see the [Spark presentation](#) for this section.

As we have discussed in previous Year 5 topics, economics is about how people make choices - choices about **how to use limited resources to satisfy as many wants as possible**.

Consumers make many choices, depending on the type of good or service they seek to buy. Low cost, frequently purchased items require less decision-making effort. Many decisions require a lot of information and comparison between alternatives - such as buying furniture; a new car; the services of an accountant or a school for the children. For some decisions, consumers have great difficulty understanding whether the product being offered will really satisfy their want (meet their need), such as medical procedures, insurance policies, university degrees and so on. These decisions can often only be evaluated some time after making the purchase decision.

### Activity 10 - Making a purchasing decision

Your family members plan to purchase the following items from local businesses this week:

- your sister wants a haircut;
- your brother wants a new pair of jeans from the men's clothing store;
- your father wants to get a bank loan to buy a new car; and
- your family is taking Mum out for her birthday.

With other class members, discuss:

- How much decision-making effort is required to make each of these decisions?
- How much information do you need to make these choices (choose one or two)?
- Where will the information come from?
- How soon after purchase will your family be able to evaluate their purchases (evaluate means decide whether the good or service bought satisfied their wants)?
- What criteria will you use to evaluate how well the purchase satisfies your wants?

Many factors influence the purchasing decisions consumers make.

The table below describes some of the factors influencing choice, allocating them to four factor groups or categories. You could add others. Some of these factors might perhaps be considered in every decision we make! Activity 12 asks students to consider what factors influence some of their decisions.

Making an informed choice	
Category	Example of influence or factor
The product	Quality Reputation Durability
The price	Dollar amount Proportion of income
Tastes and preferences	Fashions Advertising Interests Social networks
Socio-economic factors	Age Gender Ethnicity Occupation

### Activity 11 - What influences buyer decisions?

List the factors that you think would influence the following consumer personal or financial decisions. Give a brief explanation of why each factor might be considered. After some thought, rank (number them 1, 2, 3 etc) your chosen factors in what you think would be their order of importance.

- a visitor to a local cafe is deciding which piece of cake to order with their coffee;
- a person booking an overseas holiday;
- a young adult to become a member of a private health benefit fund;
- a Year 5 student at your primary school buying a birthday present for a friend;
- a 40 year old woman with two children buying a new car; and
- a 17 year old boy buying his first mobile phone.

### Activity 12 - Web search

In a search engine / browser, type in 'factors influencing xxxx buyers'. xxxx might be cars, clothes, home products, holidays and so on. Which factors seem to be most important? How was the information or data compiled? How is it presented?

## Strategies for making informed consumer and financial decisions (e.g. budgeting, comparing prices, saving for the future).

### Making informed decisions

#### Learning Intentions

We want students to be able to:

- understand that making informed decisions is a key part of lifelong economic and financial literacy; and
- understand some techniques or strategies that they or their family may be able to apply in decision-making.

#### Teacher notes

The 'economic problem' we found in earlier sections is that there are insufficient resources available to meet all wants and needs. This means people (individuals, groups, consumers, producers, governments) all have to make choices about how to best use available resources to satisfy as many wants as possible. With knowledge and experience, people become better at understanding needs, collecting relevant information and evaluating options - the basis of any informed decisions process.

So what is an informed consumer? Perhaps 'one who can apply knowledge, understandings, skills and values when making consumer and financial decisions that impact on self, others, the community and the environment'.



*Informed decision model*

The simple model at left shows some steps people can follow in order to make more rational decisions. The word 'rational' just means that a thought process has been applied to a decision, especially the search for relevant information and the comparison of available alternatives. The model can be applied to simple, low-impact decisions (as in Learning Activity 13, or to more complex decisions that Year 5 students might make such as buying clothing, a book or a present for a friend. It also applies to financial decisions, which just means earning, spending and saving money over time. Adults, of course, face more complex decisions - and many of them complain that they 'wish they had known this information before...'

### Activity 13 - Informed decisions

Buying your lunch is not the most important decision you will ever make, but it is a decision to which you can apply some simple principles to get the best 'value for money'. Imagine your family has given you some money to buy lunch at school today.

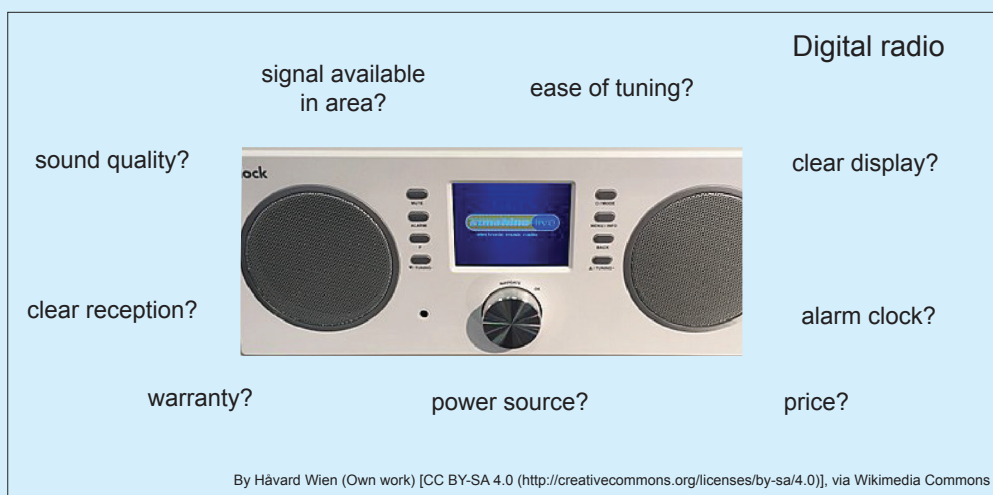
- what need/s or wants are you trying to satisfy?;
- do you need to 'collect' any information? (this might be an observation, some experience of buying your lunch in the past):
- what alternatives do you have?;
- how will you now you have satisfied the need identified above? What can you do if you have not met your original need?

Finding information today is easier than it used to be, or maybe not, given that the amount of information available has expanded. Good information is the key to good decisions. Activity 14 explores some of the questions that might be asked by a consumer buying a digital radio. You could substitute any good or service into this style of activity. For the consumer rights question, perhaps one student could call a retailer and find out on behalf of the class.

### Activity 14 - Evaluate alternatives

Imagine you want to buy a digital radio for your room at home. Which one to buy? What features are important?

Use a search engine to find out the number of models available, and some of the characteristics you might regard as important when deciding which one to buy. The photo below has some suggestions.



The National Consumer and Financial Literacy Framework also seeks to develop students financial literacy so they can make informed decisions about their finances. This includes matching expenditure to income; using budgets; understanding the various methods of payment for goods and services; and explaining the benefits of saving for future needs.

A good place o start would be a class survey about which students have discussed money management and budgeting with their parents!

An excellent source of teaching materials for money and finance topics is Moneysmart (see <https://www.moneysmart.gov.au/teaching/teaching-resources#!year=5,6>).

Perhaps try the following resources at Year 5 level:

<b>Moneysmart Activity</b>	<b>Comment</b>
The Cost of Cats and Dogs .. and Snakes.	The activity examines the costs and benefits of owning a pet and includes saving, spending, planning, budgeting and making consumer choices.
Mobile Credit	The activity enables students to explore mobile phone usage and its impact on monthly mobile credit.
Never too young to be MoneySmart with clothes.	Students share stories about their choice of clothes and accessories and what influences them when making purchases.