**Basic Economics: Wants and Needs**

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**Part 1: Basic Wants and Needs**

One of the most basic concepts of economics is *want* vs. *need*.

What are they exactly?

A *need* is something you *have* to have, something you can't do without. A good example is food. If you don't eat, you won't survive for long.

A *want* is something you *would like* to have. It is not absolutely necessary, but it would be a good thing to have. A good example is music. Now, some people might argue that music is a *need* because they think they can't do without it. But you don't need music to survive. You do need to eat.

These are general categories, of course. Some categories have both needs and wants. For instance, food could be a need or a want, depending on the type of food.

You *need* to eat protein, vitamins, and minerals. How you get them is up to you (and your family). You can eat meat, nuts, or soy products to get protein. You can get fruits and vegetables to get vitamins and minerals. These basic kinds of foods are *needs.*

https://cdn-0.socialstudiesforkids.com/graphics/icecreamcone.jpgIce cream is a *want.* You don't really need to eat ice cream to survive. Still, ice cream tastes good to many people. They like to eat it. They *want* it, but they don't *need* it. They like it, but they don't have to have it to survive.

1. Give an example of a need and of a want.
2. Give an example of a category that includes both needs and wants.

Adapted from <https://socialstudiesforkids.com/articles/economics/wantsandneeds1.htm>

**Basic Economics: Supply and Demand**

One of the most basic concepts of economics is *Supply and Demand*. These are really two separate things, but they are almost always talked about together.

*Supply* is how much of something is available.

*Demand* is how much of something people want. It sounds a little bit harder to measure, but it really isn't. To measure *demand*, we can use a very simple numbering system, just like the *supply* one. If 8 people want baseball cards, then we can say that the *demand* for baseball cards is 8. If 6 people want apples, then we can say that the *demand* for apples is 6.

1. What is supply?
2. What is demand?

Match the words with their meanings.

|  |  |
| --- | --- |
| 1. concept 2. basic 3. available 4. supply 5. demand | 1. obtainable 2. essential, fundamental 3. asking for 4. idea 5. offering, providing |

Adapted from <https://socialstudiesforkids.com/articles/economics/supplyanddemand1.htm>

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**Basic Economics: Supply and Demand**

**Part 2: Comparisons on Price**

So we have *supply*, which is how much of something you have, and *demand*, which is how much of something people want. Put the two together, and you have *supply and demand*.

Now, how do you show the relationship between the two? One way is to use the *price* of something. Generally speaking, the price of something will go up if the demand goes up. Why? Because the seller thinks he or she can get more money for whatever he or she is selling.

If more people want something, they will be willing to pay more for it. A good example is the newest basketball shoes. Everybody wants them, and they will be willing to pay more than they normally would to get them. The *demand* goes up. Why? Because more people want them. The *price* also goes up. Why? Because the seller knows he or she can get more money for the product because it is *in demand.*

In the same way, the price will go down when the demand goes down. When the new style of basketball shoes comes out, everyone wants the new shoes. The old shoes don't seem so new anymore. The seller still wants to sell those older shoes, since he or she has a lot still in stock. So, the *price* goes down. Why? The seller hopes that people will be willing to buy the older shoes at a lower price.

What does all this mean? It means that you can track *supply* and *demand* by also tracking *price*. If something has a high price, you can usually conclude that the *demand* for that item is low. (This is not always the case; it is **usually** the case.) In the same way, if something has a low price, you can usually conclude that the *demand* for that item is high.

Why? First of all, a seller has already paid money for what he is trying to sell. A bookseller has paid $4 for each paperback book he has on his shelves. He has bought 1,000 books and paid $4,000. He is selling those same books for $5 each. He hopes to sell all of them at $5 each and get a total of $5,000.

But what if the *demand* is low and no one wants to buy them? The seller wants to make some of his money back, so he might lower the price. He is already out the $4,000. He can't change that. But he can change how much money he is bringing in. If he lowers the price of the books to $4 each, he breaks even on each book but still takes in some of the money he had spent to buy the books in the first place. And this bookseller would have had to lower the price of the books because the *demand* was low.

The reverse can also be true. If the bookseller decides that he wants to get as much money as he can back, then he might raise the price of the books to $6 each, figuring that he will sell fewer books overall but will get more money for each book he sells.

Why would the bookseller do all of this? He would have paid money for those books in the first place, and he wants to decrease his *supply* of those books for two reasons: so he can get his money back and so he can stock more books. In the same way, the bookseller could try to decrease his *supply* of a certain book by lowering the *price*, thereby creating more *demand*.

What does it all mean? *Supply* and *Demand* are two very strong market concepts. Studying the two of them can give you a good idea of what people like to buy and sell. And you can track both *supply* and *demand* by comparing the price of an item over time.

To study *Supply*and*Demand* is to understand economics at its most basic.

<https://socialstudiesforkids.com/articles/economics/supplyanddemand2.htm>

1. What shows the relationship between supply and demand?
2. What does it mean when the demand for a product is high?
3. Why does the price of something usually go up when the demand for it goes up?
4. What happens when the demand goes down?
5. When something has a high price, does it always mean that the demand for this item is high?

Match these words with their meanings

|  |  |
| --- | --- |
| 1. rise 2. fall 3. raise / increase 4. decrease 5. track | 1. lower 2. become higher 3. make higher/bigger 4. monitor the progress of 5. become lower / less |