

Name _____

Colonial Economics in Today's World (Unit Three)
Colonial Economics

Section One

Producing and Buying in the Colonies

Terms to Know

<i>Economics</i>	<i>Merchants</i>	<i>Barter</i>
<i>Consumer goods</i>	<i>Consumers</i>	<i>Needs</i>
<i>Goods and services</i>	<i>Producers</i>	<i>Wants</i>
<i>Raw materials</i>	<i>Mother country</i>	<i>Natural resources</i>
<i>Finished products</i>	<i>Standard of living</i>	<i>Human resources</i>
	<i>Specialization</i>	<i>Capital resources</i>

Language Arts Break

Of all the terms above, which one is the only verb of the group? Next, use this word in a sentence of your own.

Understanding economic life in the colonial period helps us to understand our modern economy today. Although the economic system was somewhat different in colonial America, the ideas that made up the colonial economy were much the same as today. You will learn how economics in the colonies relate to our modern economy.

Economics is the study of how people make choices to use resources to provide goods and services. When people go to a job, they are producing goods or providing a service. Trucks and ships transport goods all over the world. We consume products by buying them and using them for our needs.

Not all local economies in colonial America were based upon money. Sometimes people would **barter** with one another. **Bartering** means that people trade goods and services with one another without involving money. For example, a talented carpenter could build a carriage for a farmer who would then provide the carpenter with a horse for transportation. Bartering is a fairly simple system used to exchange, rather than buy, **consumer goods**. Consumer goods are the products that people buy or trade for. People who buy or trade for goods are called **consumers**.

The market of a colonial town was not nearly as **sophisticated** as our modern malls; however, it functioned in much the same way. **Merchants**, people who sell goods, would occupy booths and sell products to consumers in need of goods. These goods included necessities such as clothing, cooking wares, spices, lantern oil, food, and iron tools. Also, people could buy luxury goods such as fancy furniture and imported china.

In colonial America, just like today, people had **needs** and **wants**. A need is something that people must have in order to take care of themselves, like food and water. A want, on the other hand, is not something essential to life, but rather, the things we desire to have because we believe they improve the quality of our lives. The colonial American economy was guided mostly by people's needs. The average yearly income of a family was only about two hundred dollars, the equivalent to about eight thousand dollars in today's money. Therefore, most people were not wealthy enough to afford luxury items. The **standard of living** in today's society is much higher than in colonial times. This means we have access to better products, better homes, and a better livelihood in general.

Reading Skills Break

Based upon the context of its use in the sentence to the left, which of the following best explains the meaning of the word sophisticated?

- A.) Well built
- B.) Grand
- C.) Large
- D.) Pretty

Colonial Economics in Today's World (Unit Three)

In colonial times, like today, consumers bought and traded **goods and services** from merchants. A good is anything that can be felt or touched. For example, a cooper made barrels. A barrel is a good because it can be touched. However, a service is something that someone performs for you and cannot be touched or measured easily. A doctor provided services by trying to heal people. Other services were provided by lawyers and teachers. Which of these goods and services are you familiar with today?

Language Arts Break

As used in the sentence above, what parts of speech are the words *goods* and *services*?

- A.) Adverbs
- B.) Adjectives
- C.) Nouns
- D.) Prepositions

The people who lived in the colonies produced **raw materials** for the manufacturers back in the **mother country**. Raw materials are **natural resources** that could be made into **finished products**. Consumers would either need or want these finished products. For example, the colonists of South Carolina grew indigo. Indigo is a plant from which a blue resin can be taken. Indigo is a natural resource. The colonists would ship the indigo back to the mother country, England. This resin can be used as a dye to color thread. The thread then can be used to make cloth. In England manufacturers would use the indigo dye to produce blue colored products.

Human resources, the people who contribute to production, were important to the colonial economy. The people who make the goods that consumers buy are called producers. Producers need a workforce to create goods. In colonial times, much of the work force was made up of free-laborers, indentured servants, or slaves. Our workforce today is not made up mostly of free laborers. Instead, people are paid for their labor and use this money to buy goods and services.

Capital resources are the tools and equipment used to make goods or provide services. The hammer is a capital resource because it is a tool that is used to make a good. It takes all three resources, natural, human and capital to make goods or provide services. Which natural, human and capital resources are needed to create barrels which were very important to transport items? The natural resource would be wood, the cooper (barrel maker) would be the human resource because he made the barrel, and hammers would be the capital resource.

Self Check:

- 1) Which people in colonial times sold goods to consumers at the market?
- 2) What do you call the items that people are willing to buy or trade for?
- 3) If you trade a football with your friend for his baseball, what are you two doing?
- 4) True or False? Water is an example of a raw material.
- 5) True or False? Consumers are the people who manufacture goods for producers.