



North Carolina: People, Places, and Progress

Chapter 02: North Carolina's Economy

Quick Notes



Section 1: Economic Concepts

➤ Essential Question:

- What kinds of resources help people satisfy their needs and wants and how are economic choices made?

Section 1: Economic Concepts

➤ What terms do I need to know?

• economy	• scarcity
• goods	• supply
• services	• demand
• consumer	• profit
• producer	• economist
• natural resource	• traditional economy
• capital resource	• command economy
• human resource	• market economy



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Introduction

- Economy refers to how people manage material resources in a community
 - A single household has an economy, as well as cities, states, and nations
- Economies of modern nations interact with those of other nations, creating a global economy



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Needs and Wants

- All humans have basic needs: air, food, water, clothing, and shelter
 - Beyond those basic needs, other things we desire are called wants
- Needs and wants are satisfied through goods and services
 - Goods are tangible items (things you can touch)
 - Services are the work or activities people perform, usually for a fee
- A consumer satisfies needs and wants by buying goods or services
- A producer is the person or group who uses resources to make goods or provide services



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Resources and Scarcity

- Resources are the building blocks of an economy
 - Natural resources come from Earth or nature (water, trees, precious metals)
 - Capital resources are tools used in the production of goods and services
 - Examples are machinery or factories
 - Human resources are the people who produce goods or services
- All resources are limited
 - Scarcity exists when people try to satisfy unlimited wants with limited resources
- An economic system is created by the choices producers and consumers make based on their limited resources



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Costs and Benefits

- Each opportunity offers a benefit and a cost
- The opportunity benefit is the value of what the person gains by their choice
- The opportunity cost is the value of the alternative the person does not choose
- Opportunity costs and benefits influence decisions about the use of many kinds of resources



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Trade-Offs

- Whenever a person or group makes a choice to have less of one thing to get more of something else, the result is a trade-off
- Not all decisions are either/or, making small changes can allow a person to trade off a little more of one thing for a little less of the other



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Supply and Demand

- Supply is the quantity of a good or service available for sale
 - If the supply of something is high, the price is usually low
- Demand is the quantity of a good or service consumers are willing to buy
 - Buyer must want something, have the ability to pay for it, and be willing to pay for it
 - Demand is lower when the price of an item is higher
- Prices of goods and services shape economic decisions
- Producers try to maximize their profit (money left after costs are subtracted from the price) without making the price so high consumers won't buy it



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Basic Economic Questions and Economic Systems

- Economists are people who study the economy, they use four basic questions in studying economies
 - 1. What will be produced?
 - 2. How will it be produced?
 - 3. For whom will it be produced?
 - 4. How much will be produced?
- All societies have an economic system that blends more than one model together
- Traditional Economy: tends to be heavily dependent on agriculture, people often barter (use items of value rather than money), and economic decisions are made using long-held customs or beliefs
- Command Economy: the government directs the economic system and controls how producers answer the four basic questions and control people's access to goods
- Market Economy: decisions are made at an individual level, rather than by the government and the four basic questions are answered by the producers. Supply and demand influence what is produced.



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Section 2: North Carolina's Resources

- Essential Question:
 - What types of biological resources are found in North Carolina, and how are they turned into products?



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Section 2: North Carolina's Resources

- What terms do I need to know?
 - biological resource
 - mineral resources



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Introduction

- An economic system uses natural resources, capital resources, and human resources to produce goods and services
- North Carolina's natural resources are important, but businesses need capital and human resources to grow



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Natural Resources

- Resources produced by the Earth that are useful to humans
- Biological resources: plants and animals
 - Renewable; they can replenish themselves over time, sometimes with human help



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Agriculture

- North Carolina's rich soil has always supported agriculture, with small family farms being the norm for centuries
- Over the last few decades, small farms declined to agribusiness (farming thought of as a large business)
- Together, the small and large farms of the state are the largest contributors to the state economy



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Forests


- Forests are areas rich in plants and animals where trees are the predominant plant
- 60% of all land in North Carolina is timberland with more than 60 different types of commercial trees
- The forest industry employs many residents of the state, and North Carolina leads the nation in production of household furniture
- North Carolina is also a major producer of Christmas trees
- Forests also provide opportunities for recreation, reduce flooding, improve water quality in streams, and provide opportunities for education and training



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Wildlife


- Wildlife describes animals that live in the state's natural environment
- One of the most common animals in North Carolina is the white-tailed deer
- Hunters and trappers also hunt black bear, wild turkey, fox, and smaller animals like squirrel, raccoon, and opossum



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Fish and Fisheries

- North Carolina supports a diverse population of fish in the streams, rivers, and lakes in the state and in the Atlantic Ocean offshore
- Commercial fishing is important to the state's economy; blue crab and shrimp are the most valuable in terms of money



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Mineral Resources

- Mineral resources are natural substances found inside the earth, formed by slow geological processes
- Unlike biological resources, mineral resources are non-renewable
- In the 1800s, North Carolina was an important gold producing state, with smaller amounts of iron ore and coal. None are found in large enough amounts today to mine
- Today North Carolina produces many lesser-known but important minerals, such as feldspar, lithium minerals, scrap mica, olivine, and pyrophyllite



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Capital Resources

- In general, it takes some kind of capital resource to transform a natural resource into a product
- In North Carolina, some common capital resources are textile mills, furniture factories, printing shops, and chemical plants



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Human Resources

- Human beings are an economic resource when they supply the labor (physical or mental) that transforms a resource into a good or service
- Today, new skills and specialization are required in the global economy
 - Education and specialized training make people attractive to employers



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Section 3: Recent Trends in the North Carolina Economy

➤ Essential Question:

- Why have textiles, furniture, and tobacco production declined, and how have North Carolinians adapted to the global economy?



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Section 3: Recent Trends in the North Carolina Economy

➤ What terms do I need to know?

- globalization
- no-till farming
- Great Recession
- Gross Domestic Product (GDP)
- Consumer Price Index (CPI)
- inflation
- unemployment



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Introduction


➤ For decades, most citizens of North Carolina had depended on certain jobs being available

➤ That began to change in the 1990s and more so in the 2010s

➤ The state's manufacturing base nearly disappeared, caused by competition with foreign markets making goods more cheaply

➤ Globalization: the development of an increasingly worldwide economy marked by free trade and reliance on cheaper foreign labor

➤ "The Big Three" (textiles, furniture, and tobacco) were the most impacted in North Carolina



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The Decline of "The Big Three"

- Places where textiles had been the chief means of employment experienced many factories closing
- Furniture making lost half its market share to Asian competitors
- While smoking rates have declined across the United States, North Carolina remained a world leader in tobacco products



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The Rise of Innovative Businesses and Technology

- During this period of decline, many new innovative businesses moved to North Carolina, providing jobs for hundreds of workers across the state
- The most visible new jobs are those with famous technology companies like Google, which has a server in Caldwell County, and Facebook, which stores information at their Forest City facility



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New Trends in Farming

- The number of farmers in the state decreased, but those who remained survived by changing their crops
 - Many began to rotate soybeans, corn, and cotton with their tobacco production
- No-till farming (planting right through the residue of previous plantings and weeds with a device that cuts a slot, places seeds, and covers the seeds) cut down on costs, increases yield, and decreases erosion



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Adapting to a Changing Economy

- When new kinds of economic habits appear in our state, needs and wants of many people are often damaged
 - More than a quarter million people lost factory jobs in the early 2000s and were unable to find similar jobs elsewhere
- The Great Recession (the sharp decline in economic activity between 2008 and 2013) made it harder for workers to find new jobs
- Immigration has also impacted employment in the state in both good and bad ways, but areas with highest numbers of immigrants had better economies than areas with smaller numbers



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Measuring the Economy

- Economists gather information to measure an economy's strength from several indicators
 - Gross Domestic Product (GDP) is measure of total value of the final goods and services produced in the U.S. in certain time
 - Consumer Price Index (CPI) is an indicator that measures prices of goods and services and compares them to the previous month's prices
- If the CPI shows steadily rising prices, it indicates inflation (a continual increase in the price of goods and services)
 - Means that buyers can afford less with the same amount of money
- The unemployment rate describes the number of people in a state who are unemployed each month
 - A person is unemployed if he/she does not have a job but has been actively looking for work in the previous four weeks and is currently available for work



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Section 4: Personal Finance

- Essential Question:
 - How do personal financial decisions affect the economy?



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Section 4: Personal Finance

- What terms do I need to know?
- income
- expenses
- overdraft
- interest
- investment
- certificate of deposit (CD)
- bond
- stock
- mutual fund
- credit
- repossess



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Introduction

- The economy is affected by national and global markets as well as the actions and decisions of individuals
- Personal finance consists of the decisions that individuals make to manage their money
- Good or bad financial decisions can impact the economy of entire communities



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Income and Expenses

- Income is the money that a person acquires
- Expenses are using some or all of your income for various reasons
 - Some spent for basic needs (food, clothing, shelter) as well as wants (phones, games, hobbies, etc.)
- Steady income is often deposited in checking accounts
 - Record every check written to avoid an overdraft (writing a check that exceeds the funds in an account)
- Manage your money by budgeting (planning) your spending
 - Expenses should never be more than the amount of your income



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Charitable Giving

- Using money to help others
- Charitable giving helps lower taxes, makes people feel happier about themselves, and it helps people and causes that are meaningful and important
- People give money to charities, religious institutions, universities, and other nonprofit organizations



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Saving and Investing

- Saving means that some money is not spent now but kept for future benefits or to earn more money
 - Simplest method is through a savings account, which earns a small amount of interest periodically
- Savings can provide emergency funds for a job loss, car repairs, or medical expenses
- Saving is also a way to reach a future goal, like buying a car or going to college
- Investments are money spent on something with the goal of making a profit in the future, like putting money into stocks and bonds
 - A safe investment is a Certificate of Deposit (CD) at a bank
 - Bonds are investments in which the investor lends money to the government or a company
 - Stocks are investments that raise money for corporations by selling ownership shares in the company
 - Mutual funds pool the money from many investors and buy many stocks and bonds



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Credit

- Credit is an arrangement that allows a buyer to take possession of something now and pay for it in the future with interest
 - Credit allows new businesses to start and allows families to buy homes, cars, and furniture
- Taking a loan or buying on credit can cause financial hardship if a person borrows or spends too much
 - If a buyer misses payments, the lender can repossess (take back ownership) of the item
- Credit cards can make buying too much easier
 - It is best to pay the entire amount owed when the credit card bill arrives each month to avoid interest and late fees
- A credit score shows a person's financial history
 - Banks and businesses check credit scores to see if someone qualifies for a loan or credit card, and insurance companies and employers check credit history to see if a person is responsible



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