



1.20

TOPIC 1.4

Economics and Culture

If someone gave you \$1000, how would you spend it?

How do you think the Newfoundland and Labrador economy meets your needs? Your wants?

Introduction

Economic activities refer to the different ways we make a living to meet our basic needs and to satisfy our wants for comfort, recreation, entertainment, and pleasure. Throughout most of human history, people used most of their time and energy exploiting natural resources available to them for food, clothing, and shelter, with little time or opportunity for other pursuits. Economic activities are fundamental components of all cultures.

When people produce and consume products themselves, it is often referred to as a **subsistence economy**. Examples include cutting and burning firewood, picking berries to make jams or pies, and growing vegetables. Often, over time, a subsistence economy will change as populations increase and people begin to live closer together. This allows more opportunity for people to trade and, as a consequence, areas of specialization begin to emerge. That is, people find it

more efficient to focus on producing one kind of good or service to trade for other items instead of trying to produce or do everything themselves. If goods are traded for other goods, this constitutes a **barter economy**. The use of currency often evolves as a means of exchange in this kind of system, so that people can more easily trade their goods or services.

An economy in which everyone uses currency and the prices of goods are “set” by the marketplace is known as a **market economy**. A fundamental principle in a market economy is consumer choice and competition. Prices of goods are based on the law of supply and demand. Together, these ideas encourage producers to use resources in a way that best satisfies consumer demand – thus maximizing efficiency. Consumers benefit by getting a balance of lower priced and higher quality goods and services.



1.21 An example of a marketplace

A shopping centre is an example of a marketplace. A marketplace exists wherever buyers and sellers have a chance to come together.

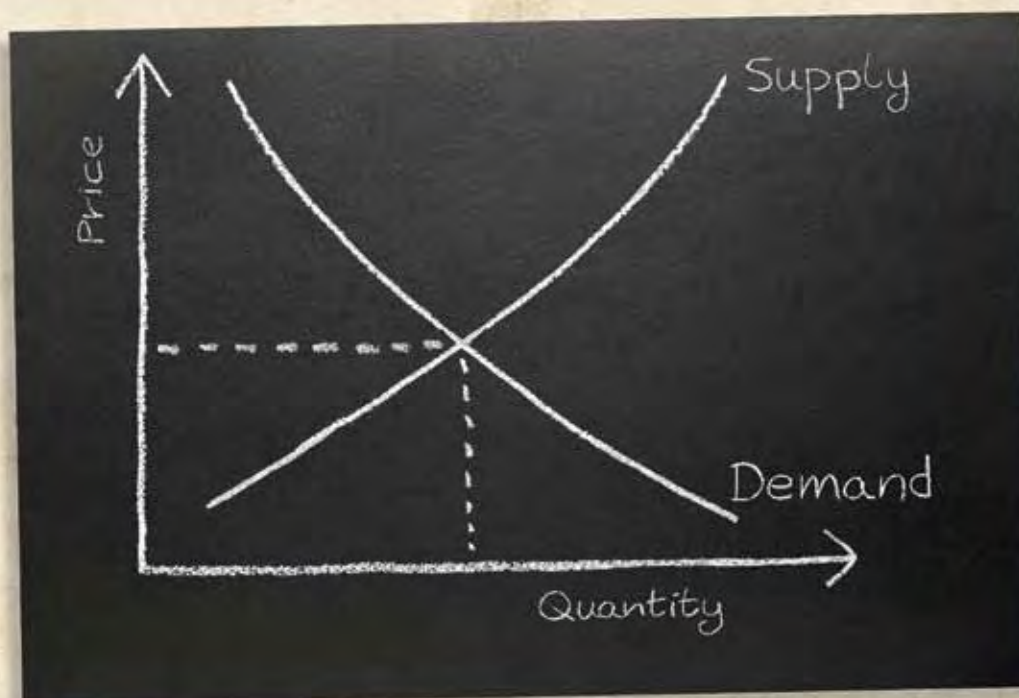
Economic Activity and Lifestyle

From time to time we all probably wonder what it would be like to be wealthy. Some individuals might choose to live in a bigger house, wear more designer clothing, drive luxurious automobiles, or give more money to family or charity. Many people might decide to change jobs or not work at all. All of these lifestyle changes would be linked to economics.

Our ability to purchase consumer goods is affected by the amount of money we have available to spend and the cost of living. Regardless of our level of income, we sometimes find that we do not have enough money to meet all of our needs and wants. In economics this is referred to as scarcity. As a result, we are constantly forced to choose between alternatives. For example, given a limited budget, if you choose to buy a new cell phone this month, you probably would have to forego purchasing new sneakers. Economists call this **opportunity cost**.

When people want to have more money or resources, they often look for alternative ways to get what they need or want. For example, using firewood is sometimes a lower cost alternative than electric or oil heating. These choices shape our lifestyle. The same can be said historically. For instance, during the 1800s, when the fishery was the main economic activity, most households engaged in subsistence activities to supplement their income. People grew crops, kept or hunted animals, cut firewood, and built their own homes. Collectively, these activities became a way of life for many families and communities.

Today, in many areas of our province, people still pursue some activities associated with subsistence living, such as recreational fishing, berry picking, and moose or caribou hunting. The difference, however, is that most people engage in these activities because they have become part of their culture – rather than because they have no other way to meet their basic needs.



1.22 Supply and demand

The idea behind the law of supply and demand is that the price of a product is based on a balance between supply (how much the producers are willing to produce when receiving a certain price) and demand (how much buyers are willing to purchase at a certain price).

WHAT IS WEALTH?

Experiencing The Arts
Read and view more about the
Newfoundland and Labrador
women who hooked mats
to earn extra money
for the family (page 646).

“You aren’t wealthy until you have something money can’t buy.”

– Garth Brooks, American country singer

“I have about concluded that wealth is a state of mind, and that anyone can acquire a wealthy state of mind by thinking rich thoughts.”

– Andrew Young, civil rights activist

“The real source of wealth and capital in this new era is not material things ... it is the human mind, the human spirit, the human imagination, and our faith in the future.”

– Steve Forbes, president and CEO of Forbes and editor-in-chief of *Forbes Magazine*

What is your definition of wealth?

1.23



Questions:

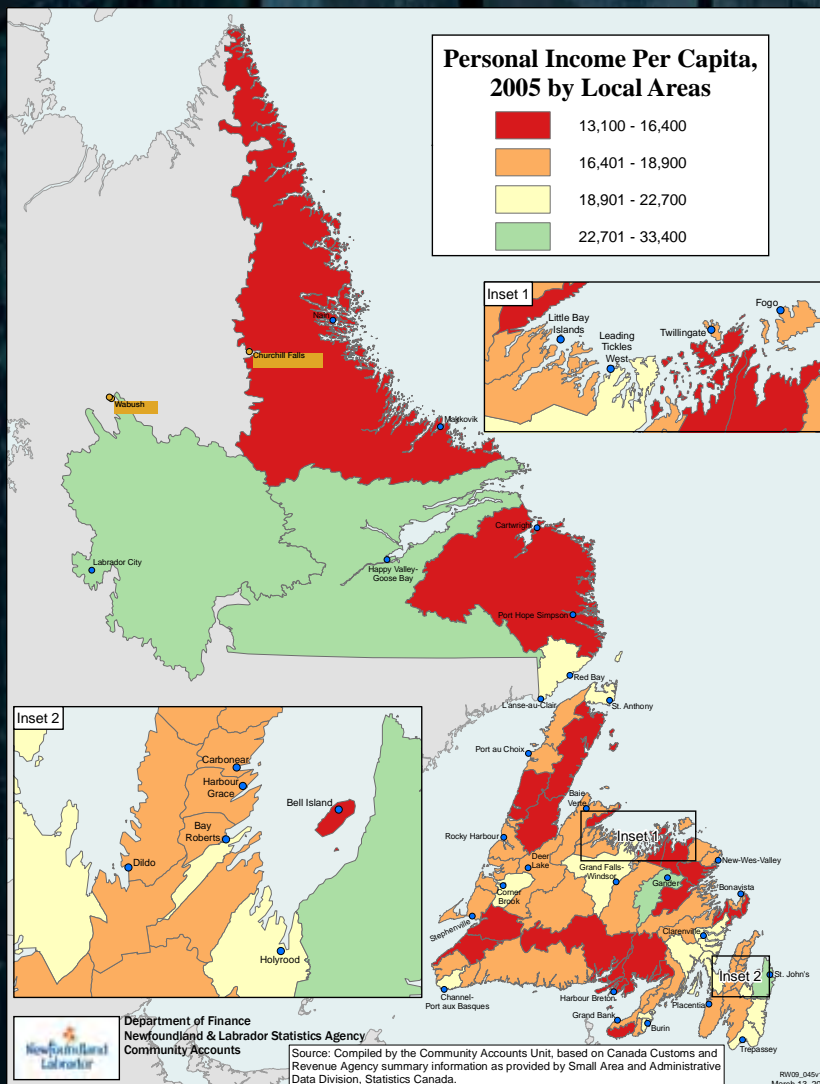
1. Think about the economic activity that takes place around you. Provide an example that illustrates each of the following:
 - a. A subsistence activity
 - b. An example of scarcity and opportunity cost
2. What lifestyle do you imagine yourself enjoying as an adult? For example, what might be some of your needs and wants when you are 30 years old? How will you plan on meeting them?
3. Estimate the required income it will take to sustain the way of life you envision.
In the 1800s, the economic life of many families in Newfoundland and Labrador was tied to subsistence activities. Today, most of our economic activities are tied to the marketplace. What do you think are some of the consequences of this change in terms of culture? Which consequence might be the most significant?

CASE STUDY

Measuring Income

One way that economists examine the flow of money is to calculate the income per capita of an area.

1.24



INCOME PER CAPITA IS

how much each individual would receive if the yearly income generated in a particular area was divided equally among all of the people living there. This calculation is often used as a measure of wealth, particularly when comparing areas.

There are two main problems with using income per capita in this way:

1. Economic activities that do not result in income – such as subsistence activities, voluntary labour, and barter – are usually not counted.
2. Income per capita does not indicate the distribution of wealth within an area. For example, an area might have a small number of individuals who have a very high level of income. This would result in a higher income per capita for the population as a whole. To explore wealth distribution, economists often look at the median income of an area instead.

Questions:

1. What pattern do you notice about the distribution of income within the province? What might account for this?
2. Are there any exceptions to the pattern noted in the previous question? What might account for this?