**Economics For Children**

**What is economics?**

'Economics' is just a fancy word to describe the act of studying how a country makes and spends its money. We can think of the 'economy' as the relationship between the Government, Businesses and Households. Each year, these three groups (or players) aim to procure more money and spend less money than they did in previous years. However, politicians clash on what to spend the money on, which is when it becomes complicated.

**Governments:**

Fiscal policy refers to all the decisions the Government makes regarding the money it earns and spends. The Government makes money by taxing the people of its country. Taxing everybody is the only way to pay for public services such as the police, NHS, fixing roads, paying for schools, and so much more. Annually, The Chancellor of the Exchequer is responsible for announcing The Budget. The Budget outlines the current state of the economy and the plans to spend the money. Disagreements on how much to tax people and where to spend the money is a fiery debate topic.

**Households:**

This refers to each family or person. Similarly to the Government, Households are responsible for earning money and spending money. From their work, Households make money, from which a portion is paid in tax to the Government. The remainder must be spent on bills, and the rest must be saved until it is spent later. The decision to spend or save usually depends on the interest rate\*\*. Government's influence how much Households earn, for instance, by investing in technology (which can either help improve work or reduce the number of jobs).

**Businesses:**

A business is responsible for providing a product or a service in exchange for money - transactions. Businesses are required to pay taxes for various reasons: the size of their workspace, the number of people they employ, the amount of money they earn, etc. Businesses are vital for what a country makes. For example, suppose a Government allows foreign workers and students to enter or collaborate with others overseas. In that case, businesses can provide services and products to them. This can raise the potential maximum a country can earn. For this reason, countries learn to co-operate with one another.

Economics is a deep and complicated subject. This article was to teach children about the three most prominent players in the game. We hope you enjoyed learning more about the world around you.

\*\*Interest = is a percentage of money that is given back to you. For example, if you have money at a bank they will give you a percentage of it back as thanks for having your money with them. Different banks have different amounts of interest.

## MCQ Questions

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| **#** | **Type** | **Question** | **Results** |
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| 1 |  | What definition, based on the text, best defines what an Economy is?   * 1. The economy is a big game with three main players   2. The economy is a game where players try to earn the most money   3. **The economy is the many interactions between different groups**   4. The economy is created by the politicians |  |
| 2 |  | What word is most similar to ‘procure’ as it has been used in the text?   * 1. Cure   2. Save   3. Exchange   4. **Obtain** |  |
| 3 |  | Why do politicians disagree over how to spend the money? Read the statements below and choose the options which best fit the answer.   1. Politicians want to spend money on things they are interested in 2. Politicians have different ideas about which things are more important 3. Politicians believe the government is not taxing people enough or too much 4. Politicians do not like one another because of their beliefs    1. 1, 2 and 3    2. Just 2    3. Just 3    4. **2 and 3**    5. 2, 3 and 4 |  |
| 4 |  | An 'economist' is a job. Based on what you have read, which one of these best describes what they do?   1. Study how to make their country richer and others poorer 2. Debate with politicians how to spend the money 3. **Study how the players in an economy can earn more money and spend less** 4. All of the above |  |
| 5 |  | Who or what announces the amounts spent on NHS?   * 1. **The Chancellor**   2. Fiscal Policy   3. Politicians   4. The Budget   5. Government |  |
| 6 |  | Why does the government need to collect tax?   * 1. The government does not earn any money   2. The government works for free so they need to collect money   3. **The government needs money to pay for things everybody uses**   4. The government cannot operate without tax money |  |
| 7 |  | Which of these statements is true, based on the text?   * 1. **How much tax you must pay is Fiscal Policy**   2. The Budget contains information on how much you are paid by a job   3. Fiscal Policy decides how much you pay toward your bills   4. Paying money to people who are unable to work is Fiscal Policy |  |
| 8 |  | How often is the Budget announced?   * 1. Once a month   2. Every three months   3. **Once a year**   4. Twice a year |  |
| 9 |  | Why do you think the government pays for public services? |  |
| 10 |  | What thing is responsible for influencing how much money is spent or saved?   * 1. The amount of money they are taxed   2. Whether there are a lot of things to buy ie Christmas   3. How much people earn from their work   4. **The rate of interest the bank gives you for keeping money there** |  |
| 11 |  | If the Government spent more money on technology like faster internet, faster trains, and virtual assistants, what is one benefit that could happen?   * 1. People would be able to stream videos faster   2. People could play games online without lag   3. **People could earn more money since they could do more work**   4. Virtual assistants could take the jobs of people and people would work less |  |
| 12 |  | If the banks wanted more people to save their money and spend less money, what could they do? |  |
| 13 |  | A lot of people complain about the tax they pay, why do you think this is? |  |