

# Economics of History Activity

**networks**

## Manifest Destiny

### Lesson 4 *California and Utah*

## Boomtown Economics

### Background Information

In economics, the condition of rising prices is called inflation because prices inflate, or get bigger. That means that if there is more money than goods in a given situation, everything will cost more.

When gold seekers came to California, they could not possibly carry enough food and other necessities to last for their entire stay. When they arrived, the country was rough and unsettled. Supplying their physical needs would be difficult. They may have had gold, but they had very little bread. If a tool broke, there was no way to get another.

Then the *entrepreneurs* arrived. Entrepreneurs are people who start and run businesses that supply a particular want or need. These businesspeople thought about what the miners' needs would be and then set out to supply those needs. Because there were so few goods, so many people, and so much gold, the merchants could charge almost any price they wanted. The result was inflation.

For the miners, this was an unfortunate situation. A man could pay a farmer fifty cents for a single egg. He could find a gold nugget in the morning and then spend it all on dinner in the evening. The merchants, however, did very well. In fact, they did better than most miners, and with much less physical effort.

**Directions** Answer the following questions. Use a separate piece of paper if necessary.

**1. Explaining** Why did inflation occur in boomtowns?

---

---

**2. Defining** What is an entrepreneur?

---

**3. Specifying** Why did entrepreneurs do so well during the Gold Rush?

---

---

**Economics of History Activity** *Cont.***networks****Manifest Destiny****Critical Thinking**

- 4. Analyzing** A boomtown has grown large with a number of businesses and farms. Then the miners stop finding gold. What are two possible outcomes from this change?

---

---

---

- 5. Problem Solving** Think about a town full of people with no way to get food, tools, bedding, transportation, and other everyday items. Also think about services: cooking, cleaning, tool repair, and so on. If you wanted to start a business that would supply one or more of these and other needs, what would it be? Where would you get what you wanted to sell? If the miners make about \$20 a day, how much would you charge for what you are selling?

---

---

---

---