



Revision Guides

Goods and Services

The absolute basics of Economics



Hello

Money makes the world go round. With money, we can buy things we need to live, along with some extra things as well, just for fun.

In this guide we will explore the difference between goods and services - the two things we can use money for.

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Economics

Economics is the study of our Market System. It's a study of how people decide what to buy and what to produce.

An economy is a system where people create and trade items.

When people talk about 'the economy', they are talking about businesses and how much money people are spending on goods and services.

What type of cell phone do people buy? Why? How often do they replace it?

How much money do fast food restaurants make in a year? What about expensive, fancy restaurants? Why is that?

If we ask questions like this, they can help us understand the economy.

Goods

Goods are physical objects that are bought and sold.

Goods can be expensive, like cars or planes. They can be less expensive, like food or clothes.

Businesses that produce goods put a lot of research into what people buy. They need to be careful with how many goods they produce. If they make too many, they could lose money. If they make too few, they could also lose out on money.

Demand is how many people want a certain product. There is a lot of demand for new smartphones when they come out.

Supply is how many products companies have to sell.

Did you know?

High demand, low supply

When the first Star Wars film was released in 1977, the toy company making Star Wars toys hadn't made many.

For Christmas that year, everyone wanted Star Wars toys. Demand was high, but supply was low.

Instead, the toy company sold empty boxes. People with these boxes then got the toys a few weeks later when new toys were made.

Low supply, high demand

In 1982, the video game company Atari made millions of copies of the game E.T., to go with the famous movie.

Not many people liked the game. Atari had made so many copies of it, but they couldn't sell them. Supply was very high, but demand was low.

Over a quarter of a million of the games were buried in a New Mexico desert, just to get rid of them! Seriously!

Services

Services are actions you can pay for someone to do.

If you need the oil changed in your car, you can pay someone else to do it for you. You just paid for a service.

When we pay taxes, some of that money goes to services such as schools (teaching) or roadwork.

Sometimes you buy goods and services at the same time.

When you take your car to a garage, you might need to pay for replacement parts for your car, which are goods.

If you buy goods online, you often need to pay for delivery, which is a service.



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