

# **The Meaning of Economics**

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Economics is the study of how people's needs and wants are taken care of by their own efforts to earn a living. It is also the study of how countries use resources to provide goods and services. Resources are all the things that producers use to make goods and provide services. These goods and services are used to take care of the wishes of their citizens. For example, petroleum is used to provide heat for people's homes or energy for their automobiles.

## **Americans Live in a Free Enterprise System**

Every living person, no matter how old or young, is affected by some economic system. Individuals are an important part of the American free enterprise system. In this system, the individual can make many choices, whether deciding what to buy or when looking for a job.

The study of economics and the American free enterprise system involves many things that are a part of daily life. These things include money (something accepted as payment), jobs, things people want, and things people need in order to live. People worry about having what they need. People need food to eat, a safe and comfortable place to live, someone to care for them if they become ill, and enough money to provide them with all these things. There are not enough goods for all people to have everything they dream of having. However, individuals can get the things they want by carefully planning their spending. People can work extra hours or seek better jobs to earn the money to buy what they want.

## **Needs and Wants**

Studying economics helps build an understanding of how goods and services are produced in the United States. People's needs and wants are taken care of by goods and services. People need material goods such as food and clothing, yet services such as police protection and education are also necessary for a high quality of life.

## **People Are Important in a Free Enterprise System**

Individuals are consumers. This means they use goods and services. People are one of the most important parts of the free enterprise system. Producers need to sell their goods and services to be successful. A labor force or workforce is necessary for businesses to work. People who own and operate businesses are known as entrepreneurs.

## **Money Is an Important Part of Economics**

Money is anything people accept as payment. For example, money is used to buy bread from a bakery. The bakery in turn used the money to buy wheat and other supplies to make the bread. The American free enterprise system has worked well. Citizens of the United States enjoy a high standard of living, which can be described as a good and comfortable life. This means most citizens, not all, have the money to pay for the things that make their lives comfortable. In a free enterprise system consumers can choose what to buy.



**A. Circle the correct answer in each of the following sentences.**

1. (Resources, Economics) is the study of how people's needs and wants are handled.
2. Economics is the study of how a country uses its (resources, products) to provide goods and services for its people.
3. In (a free enterprise system, all economic systems), people can choose where to work or what to buy.
4. A (consumer, producer) makes goods or provides services for people to use.
5. A (consumer, producer) uses the goods and services made in a country.
6. People may be part of a (Consumer, labor) force, which is necessary for businesses to work.
7. (Entrepreneurs, Workers) own and operate their own businesses.
8. Most Americans enjoy a (high, low) standard of living because of their free enterprise system.

**B. Choose words from the lesson to complete each of the following sentences.**

1. Economics teaches how \_\_\_\_\_ are used to provide goods and services.
2. Police protection and education are \_\_\_\_\_ of an economic system.
3. Material \_\_\_\_\_ are such things as food and clothing.
4. A person owning and operating a business is an \_\_\_\_\_.
5. A comfortable life for most citizens may be called a high \_\_\_\_\_.
6. \_\_\_\_\_ is anything people accept as payment.
7. In a free \_\_\_\_\_ system, an individual has many choices.
8. A \_\_\_\_\_ uses the goods and services of an economic system.
9. Citizens' \_\_\_\_\_ and wants are taken care of by goods and services.

