

L3. Goods vs Services

Needs vs Wants

Source: Teaching Financial Literacy To Teens: Making Money By [Jean Folger](http://www.investopedia.com) <http://www.investopedia.com>

Goods & Services

Goods and services are one of the most basic ideas in economics.

Economics is the study of how resources are used to provide goods and services, and how they are made, distributed, consumed and exchanged.

We use money to buy both goods and services, and it is to be aware of the difference between the two.

Goods = Objects
Services = Actions

Goods

Goods are things that are made or grown and something that you can use or consume.

- Books, Computers, Dishes, Furniture etc.

Goods are things that people buy to use one time (such as a piece of candy) or over and over (for example, a toy). Some goods are manufactured (or made) – for instance, clothes, cars and computers. Other goods are grown, including fruits and vegetables. Many goods are made from natural resources. For instance, trees are used to make pencils, paper, furniture and playgrounds; cotton is used to make clothing and copper is used to make wire and coins.

Services

A service, on the other hand, is work that someone does for someone else. Where a good is an object, a service is an action. For example, community helpers are people who work to help the community and many provide services, including those performed by:

- Bus drivers, Fire fighters, Librarians, Maintenance workers etc

Some services, including some of the ones listed above, are paid for by taxes or money that has been paid to the government. Other services are paid for by each person using the service. Examples include:

- Bakers, Builders, Car mechanics, Chefs, Dentists etc

Goods from Services

Some people and companies provide services that result in goods. For example, a chef provides the service of cooking food that people buy and eat (goods), and farmers provide the service of planting and harvesting the food that people purchase and consume. Goods and services can be confusing especially when the line between them is blurred, as is the case between the chef and the food.

Needs & Wants

The relationship between needs and wants is an important concept. Needs are things that we must have in order to survive - things we truly can't be without. Wants, on the other hand, are things that we would like to have, but that are not necessary for survival. Some needs and wants don't cost any money at all: we all need air but we don't have to pay for it. Likewise, we all need exercise to be healthy and we can run around outside for free. Many needs and wants, however, cost money.

L3. Goods vs Services Needs vs Wants

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Needs = things that we need to survive

Wants = things that we would like to have

Needs include:

Clothing, Medical care, Nutritious food, Shelter, Transportation,
Basic utilities (e.g., heat, water)

Wants include:

Cell phones, Electronics (e.g., iPad, iPod), Jewelry, Magazines, Movies, Television, etc

You have to understand the difference between needs and wants so you can spend your money wisely. Needs and wants can get a bit tricky. Your family uses a car in order to drive the kids to school, get to work, go to the grocery store, etc. In most cases, people need a car. But, in many cases, people like to have a car that is bigger or more expensive than what they really need. So even though a car is a need, the car that many people choose is actually a want. The extra money spent on the larger or more luxurious car is money that could have been saved or spent on something else.

Food is another example. We all need nutritious food in order to grow and be healthy. For example, we need to eat protein, fruits and vegetables to get the energy, vitamins and minerals that we need to survive. We also need to drink lots of liquids to stay alive. But do we need ice cream? Do we need sodas? Even though we need food and water to survive, we do not need ice cream or Cokes or Mountain Dews, so these things are wants.

Needs and wants also vary from person to person, or family to family, and this can get confusing. A family with two adults and one child can get by with a small car, for example. The neighbor's family, however, might have two adults and six children. This family will need a larger, and possibly, more expensive, car just to fit everybody. Houses are the same: a family with more children will need a larger home.

You can distinguish between needs and wants by discussing different items. To illustrate that remember that there is a finite amount of money to spend each week or month, so you have to make a careful choices about where and how to spend it.

