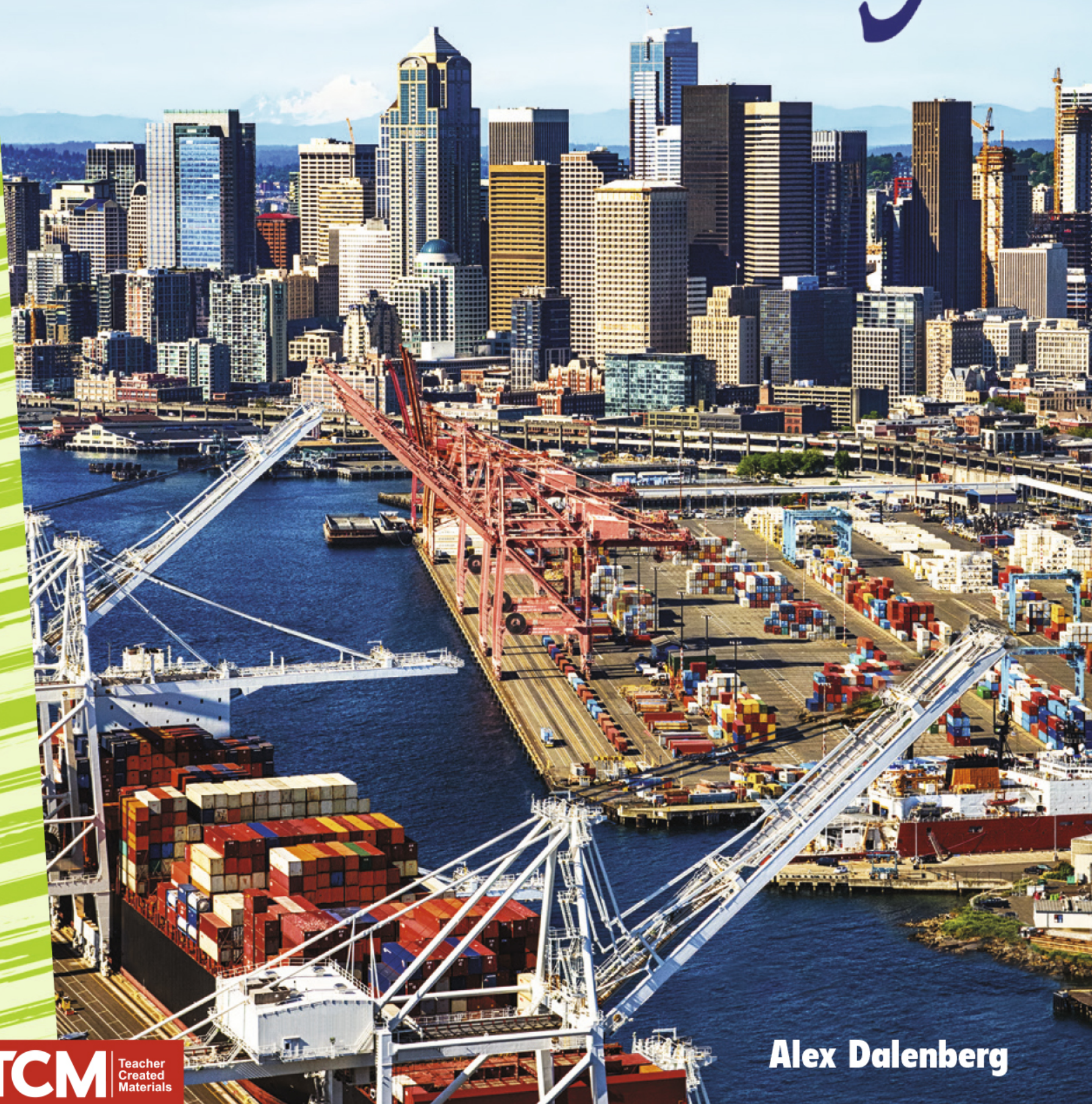


# The United States Economy





# Our Economy

The United States has one of the largest economies in the world. It is made up of four major **sectors**. These are households, businesses, banks, and the government. You are part of the economy. You live in a household. You buy things from businesses. If you have a bank account, you are part of the banking sector. Lastly, the government provides goods and services for you, such as public schools and sidewalks.

All four sectors work together. Households provide the economy with resources. One of these resources is the money that people who live in households earn. When people want to buy something, they turn to businesses—another part of the economy. People in households and businesses store their money in banks.

In return, bankers use this money to **invest** in the economy. Finally, people in the government provide goods and services. The government pays for these things by collecting money. All four sectors depend on each other to thrive. Together, they make up the United States economy.

A young girl with long dark hair and bangs is smiling and holding several US dollar bills in her hands. The bills are fanned out, showing the front of a one-dollar bill and parts of others. She is wearing a grey t-shirt. The background is a bright blue sky with a green field at the bottom.

## World Economies

The size of a country's economy is the total of all the goods and services it produces. China has the biggest economy in the world. The United States is second, and India is third.



## What Is an Economy?

An *economy* is where things are made, sold, traded, and used. There are many types of economies. States have economies. Countries also have economies. There is even a world economy. This is a sum of all countries' economies.





# Households and Businesses

Households are made up of all the people living together under one roof. This is often a family, but it doesn't have to be. All households have resources. These include land, labor, capital, and **entrepreneurship**. Some people make money by renting their land for others to use. They can also sell things that come from the land. For example, imagine a baker who makes peach pies. The baker can plant peach trees and use the fruit to make pies and earn money.

Households are also made up of people who can work. The work people do is called *labor*. People earn money for their labor. They can use that money to buy things that will help them make more money. These things are called *capital*. For example, imagine the baker needs a new oven and a few new pie pans to keep up with the **demand** their peach pies have caused. The pans and the oven are now part of the baker's capital, since the baker can use those goods to make money.



## Goods vs. Services

*Goods* are physical products. It takes labor to turn natural resources into goods that can be sold. Think about that peach pie. Someone needs to pick the peaches so they can be turned into pies. Then, someone needs to bake the pies. *Services* are work performed for others. The baker provides the service of making pies. A dentist provides the service of filling cavities from eating too many pies.

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