

Summary: Earn, Spend, and Save

What Is an Economy?

In the economy of the United States, people use money.

People use money to buy goods and services. Money helps people know the value of goods and services.

Another way to get goods and services is to barter, or trade. If you don't have money to buy what you want, you can barter. For example, if you have some carrot sticks and you want a friend's cookies, you and your friend can decide how many carrot sticks the cookies are worth. Bartering only works if both people have something the other person wants. You can barter with just about anything of any size.

Money makes trading simpler. It is easy to use and carry. Money can be used anytime to buy something.

Making Money

People work to earn money. People who have more skills or education earn more money. People use their income to pay for goods and services. Some people make a budget. This helps them choose the best ways to spend their money. A budget shows how much income a person can spend. A budget also shows how much they need to save. People can save their money in banks. Banks pay people money, or interest, for keeping their money in the bank.



Before You Read

Find and underline each vocabulary word.

economy *noun*, the way that people make, buy, sell, and use things

goods *noun*, things people buy or sell

service *noun*, the work that one person does for another

barter *verb*, to exchange one good or service for another good or service

budget *noun*, a plan for using money



After You Read

REVIEW In what ways is money useful? Circle four sentences that tell the answer.

REVIEW How can people save money? Draw a box around the sentence that tells where people can save their money.