Goods and Services

Part 1: Which Is Which?

One of the most basic ideas in economics is **goods** and **services**. More than anything else, money is spent on goods and services. It helps to know the difference between two.

A **good** is something that you can use or consume, like food or CDs or books or a car or clothes. You buy a good with the idea that you will use it, either just once or over and over again.

A **service** is something that someone does for you, like give you a haircut or fix you dinner or even teach you social studies. You don't really get something solid, like a book or a CD, but you do get something that you *need*.

See the difference? It doesn't always seem clear-cut. The basic difference is that a **good** is something you can hold in your hand (unless it's something big, like a car or a house).

Now, a **service** can also contain a good. Someone who fixes you dinner gives you food, which was bought. In this example, the food is the **good** and the person's fixing it for you is the **service**.

In the same way, your teacher gives you a **service** by teaching you social studies. He or she also gives you a **good** by giving you a textbook. Your teacher teaching you social studies is a good example of a **service** that you personally don't pay for. (Your family might pay for it, but you don't.)

And not all **services** are economic, either. A service can be as simple as reading a book to someone. This kind of activity doesn't cost anything, but it *is* something that one person did for another.

A **good** doesn't have to cost anything, either. If you give your friend a book or a CD, then you given that friend a **good**, since we have already defined books and CDs as **goods**. Your friend didn't give you any money for the **good**. But you didn't really do something for your friend, either; you just gave your friend something he or she could hold or touch.

Remember, the one thing that sets **goods** and **services** apart is the ability to touch them. You can touch a **good**, but you can't touch a **service**. You can touch the result of a **service** but not the **service** itself.