

- **portability**. Modern money has to be small and light for people to carry.
- **durability**. The material chosen must have a reasonable **life expectancy**.
- **divisibility**. One of the principle **advantages** of money over barter is its ability to be divided into parts.
- **recognizability**. Money should be hard to copy and easy to **recognize** for what it is.

Economists describe assets that are easily turned into cash as “near money.”

They are: currency, checkable deposits, travelers’ checks, savings accounts, securities, bonds.

Answer the following questions.

1. What did the British colonists bring with them?
2. Did native Americans want British money?
3. What drawbacks of barter are mentioned in the text?
4. What was vast improvement over barter?
5. What was the role of precious metals in the earliest times?
6. What does money provide?
7. What qualities does money have?

Define the following words and expressions.

to be unwilling	tuition
precious	certain
drawback	life expectancy
to enable	medium of exchange
precise	advantage
save money	improvement
coincide	recognize

1.6. THE PROBLEM OF LIMITED RESOURCES

Few people will ever be able to buy all the goods and services that they might wish for. You might wish you could buy an airplane, a yacht, and a ski mountain. But there just aren’t enough resources in the world for everyone to have a plane, a yacht, and ski mountain. All economic systems must deal with the problem of scarcity (limited resources). As you will see later, economic systems have different ways of using limited resources. They distribute or (divide and pass out) scarce goods and services in ways that are different. Some economic systems use fewer resources than others. People in these systems don’t have large amounts of food, clothing, or other goods and services. We say that such a system has a low stan-

Standard of living. Such systems have fewer schools and teachers. Fewer people are **literate**. There are fewer hospitals, doctors and nurses.

Other economic systems have vast resources. They produce great amounts of goods and services. Most of people can read and write. The United States and Japan are examples of such systems. Both of them have a high standard of living. There are many doctors, libraries, schools, cars and factories. People share more goods and services.

HOW DOES AN ECONOMIC SYSTEM PRODUCE ITS GOODS AND SERVICES?

Groups or nations decide not only what to produce, but also how they will produce it. For example, all societies must produce food, but they can produce it in very different ways. In countries with fewer resources, or with low standard of living, most farmers don't own machinery. Work is done by hand, or with simple hand tools. People have to work very hard to grow enough food to keep their families alive. Often they do not have food left over to sell.

The level of food production in such countries is low. Countries with higher standards of living use machinery and more **fertilizers** on their farms. Each farmer can work more land and produce more food than they can **consume** themselves. They produce a **surplus**. Farmers sell this surplus, and use the money to buy goods and services.

An industrialized country uses large amounts of resources. It uses a lot of metal, wood and fertilizers. It uses great amount of energy to power machinery and heat buildings. In general, the more resources and energy a system uses, the more it produces.

Answer the following questions

1. Will you probably ever have all the goods and services you could ever want?
2. What will happen if everyone has everything?
3. What do we mean by a low standard of living?
4. Why are many of these people not literate?
5. What do we mean by a high standard of living?
6. What goods and services do you use?

Define the following words and expressions.

Standard of living literate fertilizer	consume surplus
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