Economy in Motion

Follow how people, businesses, and institutions connect in a national economy.

SS.6.E.2 "Understand the fundamental concepts relevant to the institutions, structure, and functions of a national economy."

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Underline each named group or institution that helps the national economy function. Circle the words that tell what each one does.

Connections Across the Economy

1 Every day, millions of choices connect people across a national economy. Households earn income by offering labor to businesses. They use that income to buy food, clothing, and services. Businesses combine workers, tools, and materials to make goods and services for customers. When customers want more of an item, its price may rise, signaling businesses to produce more. This exchange of work, money, goods, and services links buyers and sellers in markets throughout the country each day.

2 A national economy also includes institutions that help these exchanges work. Banks accept deposits and make loans, allowing families to save and businesses to borrow for equipment. Government collects taxes to pay for public goods and services, such as highways, schools, and national defense. Government also writes and enforces rules for safety, contracts, and competition. These institutions do not produce every item people use, but they support trade, protect agreements, and provide services markets may not supply well.

3 The central bank is another important institution. It helps manage the nation's money supply and works to keep the financial system stable. Its choices about interest rates can affect how costly it is to borrow and how much people and businesses spend. No single household or business controls the whole economy. Instead, many decisions interact through markets, while institutions create conditions that help the national economy function. Economic changes can affect workers, consumers, businesses, and government at the same time.

2 ANSWER WITH EVIDENCE

Use the passage

1. What does a household provide to businesses, and what does it receive in return?

2. How do businesses respond when customers want more of an item?

3. What are two functions of banks described in the passage?

4. How can central bank choices about interest rates affect the economy?

3 YOUR TURN

Your own words

Imagine that households across the country want to buy more bicycles. Write four sentences explaining how households, bicycle businesses, and one institution from the passage could respond. Use the words money and goods or services.

PART 1 · READ AND MARK

Underline each named group or institution that helps the national economy function. Circle the words that tell what each one does. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	What does a household provide to businesses, and what does it receive in return?	**Households provide labor to businesses and receive income.**
2	How do businesses respond when customers want more of an item?	**The item's price may rise, signaling businesses to produce more.**
3	What are two functions of banks described in the passage?	**Banks accept deposits and make loans. They help families save and businesses borrow for equipment.**
4	How can central bank choices about interest rates affect the economy?	**They can change how costly it is to borrow and affect how much people and businesses spend.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

If households across the country want more bicycles, they will spend more money buying them. Bicycle businesses may hire workers and buy more materials to make additional bicycles. A bank could lend money to a business that needs new equipment. The business then sells goods to households, connecting spending, work, and production.

Accept equivalent descriptions of the roles of households, businesses, markets, banks, government, and the central bank. For the open response, check that the student explains connected economic actions and accurately includes all three required participants.