Economy Connections

Trace how institutions shape economic activity across a country.

SS.7.E.2.5 "Explain how economic institutions impact the national economy."

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Circle each economic institution named in the passage. Underline the words that explain how its actions affect jobs, production, spending, trade, investment, or prices.

Decisions That Reach a Nation

1 A national economy includes the buying, selling, working, saving, and producing that happen across a country. Economic institutions are organizations and systems that shape these activities. They include banks, businesses, government agencies, courts, and labor unions. Each institution makes choices or enforces rules that affect many people at once. For example, when a bank lends money to a bakery owner, the owner can buy ovens, hire workers, and produce more bread. Those changes add jobs, goods, and spending to the national economy.

2 Government institutions collect taxes and use public money for services and projects. When a government repairs bridges or expands a port, construction workers earn income, businesses can move goods more easily, and trade may increase. Government agencies also set and enforce rules for safe products, fair competition, and contracts. Courts can settle disputes when a seller and buyer disagree. Reliable rules can make businesses more willing to invest because they expect agreements and property to be protected. Policies can also shift spending from one purpose to another.

3 The nation's central bank influences interest rates, the cost of borrowing money. When rates fall, some families can afford loans for homes or cars, and some businesses can finance new equipment. More borrowing can increase spending, production, and hiring. When rates rise, borrowing usually slows, which can reduce demand and help limit rapid price increases. The central bank does not decide every purchase, but its policy reaches banks, borrowers, and businesses throughout the country. This is why one institution's decisions can affect the national economy.

2 ANSWER WITH EVIDENCE

Use the passage

1. How does a bank loan to a bakery owner affect the national economy, according to the passage?

2. Explain two ways a government bridge repair or port expansion can affect the national economy.

3. What can happen to spending, production, and hiring when the central bank lowers interest rates?

4. Why can reliable rules and courts lead businesses to invest more?

3 YOUR TURN

Your own words

Imagine the national government creates grants that help manufacturers train workers. Write exactly three sentences that identify the institution and its action, then trace at least two effects this policy could have on the national economy.

PART 1 · READ AND MARK

Circle each economic institution named in the passage. Underline the words that explain how its actions affect jobs, production, spending, trade, investment, or prices. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How does a bank loan to a bakery owner affect the national economy, according to the passage?	**The loan can help the owner buy ovens, hire workers, and produce more bread. This adds jobs, goods, and spending to the national economy.**
2	Explain two ways a government bridge repair or port expansion can affect the national economy.	**Construction workers earn income, and businesses can move goods more easily. Easier movement of goods may increase trade.**
3	What can happen to spending, production, and hiring when the central bank lowers interest rates?	**Lower rates can make borrowing easier. More borrowing can increase spending, production, and hiring.**
4	Why can reliable rules and courts lead businesses to invest more?	**Businesses may expect contracts and property to be protected, so they may be more willing to invest.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

The national government creates grants that help manufacturers train workers. Companies may hire more trained workers and produce goods more efficiently. As workers earn and spend income and firms sell more goods, employment, production, and spending can increase across the national economy.

Accept accurate cause-and-effect explanations that connect an institution's action to at least two national economic effects. For Part 3, responses may identify different reasonable effects, such as increased employment, production, consumer spending, or business sales.