Policy Ripple Effects

Trace how government choices affect people, businesses, and markets.

SS.8.E.2.2 “Explain the economic impact of government policies.”

NAME ______________________ DATE ______________

1 READ AND MARK

Read it twice

YOUR JOB Underline each government policy, circle each economic effect, and number the cause-and-effect links to show how a policy changes choices and outcomes.

How Policies Change the Economy

1 Government policy can change the choices made by households, businesses, and workers. For example, Congress may offer a tax credit, which reduces the federal income tax owed by people who install qualifying solar panels. The credit lowers the after-tax cost of panels. Some homeowners may decide to buy panels sooner. Solar installers may receive more orders and hire workers. The government collects less tax revenue from those taxpayers, so lawmakers must weigh that cost against goals such as encouraging clean-energy investment.

2 A tariff is a tax on imported goods. Suppose the federal government places a tariff on imported steel. Importers may raise prices to cover the tax. Companies that use steel to make cars, appliances, or buildings could face higher costs. They might charge customers more, reduce other spending, or seek steel from U.S. producers. Domestic steel firms could sell more, while buyers of steel-containing products could pay higher prices. The government also receives tariff revenue. The final effects depend on how businesses and consumers respond.

3 Minimum-wage laws set the lowest hourly pay that covered employers may legally offer. When a government raises that wage, many low-paid workers earn more for each hour worked. Those workers may spend more at local stores or save more. Employers have higher labor costs and may raise prices, accept lower profits, change schedules, or hire differently. The size of each effect varies by industry and local conditions. To explain a policy's economic impact, trace who pays or receives money, then describe how changed incentives can affect prices, jobs, spending, and government revenue.

2 ANSWER WITH EVIDENCE

Use the passage

1. How can a solar-panel tax credit affect both homeowners and solar installers?

2. Explain one possible benefit for domestic steel firms and one possible cost for buyers after a tariff on imported steel.

3. What are two ways employers might respond when a minimum wage rises?

4. Why might the economic effects of a tariff or a minimum-wage law vary from place to place or over time?

3 YOUR TURN

Your own words

Choose one policy: a city charges a fee for each single-use plastic bag, or a state gives businesses a tax credit for hiring apprentices. In 5 to 6 sentences, explain who pays or receives money and trace at least three economic effects of the policy.

Policy Ripple Effects

PART 1 · READ AND MARK

Underline each government policy, circle each economic effect, and number the cause-and-effect links to show how a policy changes choices and outcomes. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How can a solar-panel tax credit affect both homeowners and solar installers?	**The credit lowers homeowners' after-tax cost, so some may buy panels sooner. Installers may get more orders and hire workers.**
2	Explain one possible benefit for domestic steel firms and one possible cost for buyers after a tariff on imported steel.	**Domestic steel firms could sell more. Buyers of steel-containing products could pay higher prices.**
3	What are two ways employers might respond when a minimum wage rises?	**Employers may raise prices, accept lower profits, change schedules, or hire differently.**
4	Why might the economic effects of a tariff or a minimum-wage law vary from place to place or over time?	**The effects depend on how businesses and consumers respond, as well as on industry and local conditions.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

The city charges a 10-cent fee for each single-use plastic bag. Shoppers who want bags pay more at checkout, so some bring reusable bags. Stores collect the fee and may spend less buying disposable bags if fewer are used. Makers of reusable bags could sell more, while plastic-bag suppliers could sell fewer bags. The city receives fee revenue. This policy changes prices and gives shoppers and businesses reasons to change their choices.

Accept other accurate cause-and-effect explanations that connect a government policy to changed incentives and economic outcomes. For Part 3, responses should identify who pays or receives money and explain at least three plausible effects.