

Economy in Motion

Trace how major economic actors connect across a national economy.

SS.8.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 Circle every use of these five actor names: household(s), business(es), government(s), financial institution(s), and Federal Reserve. Box one nearby action phrase that tells what each circled actor does in the economy.

Connections Across the Economy

- ① Imagine a family buying a refrigerator made in the United States. In a national economy, households earn income by supplying labor and then decide how to spend or save that income. Businesses combine workers, equipment, and materials to produce goods and services. When the family buys the refrigerator, the business receives revenue, pays workers and suppliers, and may invest in more equipment. These choices connect millions of households and businesses through markets, where prices help signal what people want and what producers can profitably provide.
- ② Governments set and enforce rules that support exchange, such as contract laws, safety standards, and protection for property. They collect taxes to pay for public goods and services, including highways, courts, and schools. Government budgets can affect the national economy. For example, spending on a bridge hires workers and purchases materials, while a tax change can leave households with more or less income to spend. Federal, state, and local governments have different duties, but each can influence economic activity through laws, spending, and taxes.
- ③ Financial institutions, such as banks and credit unions, accept deposits and make loans. They connect savers with borrowers, helping businesses buy equipment and households buy homes. The Federal Reserve is the nation's central bank. It uses monetary policy to influence the amount of money and credit available and the cost of borrowing money. If borrowing becomes less expensive, households and businesses may spend or invest more. If it becomes more expensive, they may borrow less. These decisions can affect production, employment, prices, and the pace of economic activity across the nation.

2 ANSWER WITH EVIDENCE _____ Use the passage

1 How does the family's refrigerator purchase connect a household to a business?

2 What three tools do governments use to influence economic activity?

3 How do financial institutions connect savers and borrowers?

4 What does the Federal Reserve influence the amount of, and what does it influence the cost of?

3 YOUR TURN _____ Your own words

Choose a product or service that is different from the refrigerator. In 4 or 5 sentences, explain how a household, a business, a government, and a financial institution each play a role, then describe one effect if borrowing becomes more expensive.

PART 1 • READ AND MARK

Circle every use of these five actor names: household(s), business(es), government(s), financial institution(s), and Federal Reserve. Box one nearby action phrase that tells what each circled actor does in the economy. Accept any marking that follows this job and points at the right text.

PART 2 • ANSWERS

#	QUESTION	ANSWER
1	How does the family's refrigerator purchase connect a household to a business?	The household's purchase gives the business revenue. The business can use that revenue to pay workers and suppliers or invest in equipment.
2	What three tools do governments use to influence economic activity?	Governments influence economic activity through laws, spending, and taxes.
3	How do financial institutions connect savers and borrowers?	They accept deposits from savers and make loans to borrowers, such as businesses buying equipment or households buying homes.
4	What does the Federal Reserve influence the amount of, and what does it influence the cost of?	It influences the amount of money and credit available and the cost of borrowing money.

PART 3 • YOUR TURN (SAMPLE ANSWER)

A household buys a bicycle from a local store, giving the business revenue. The store uses some revenue to pay workers and order bicycles from a supplier. A bank lends the supplier money to buy materials, connecting savings to borrowing. Government safety rules and roads support the sale and delivery of bicycles. If borrowing becomes more expensive, the business may delay buying more inventory.

Accept equivalent descriptions of the roles and connections of households, businesses, governments, financial institutions, and the Federal Reserve. For Part 3, accept any accurate product or service example that includes all four required actors and a logical effect of higher borrowing costs.