

Activity

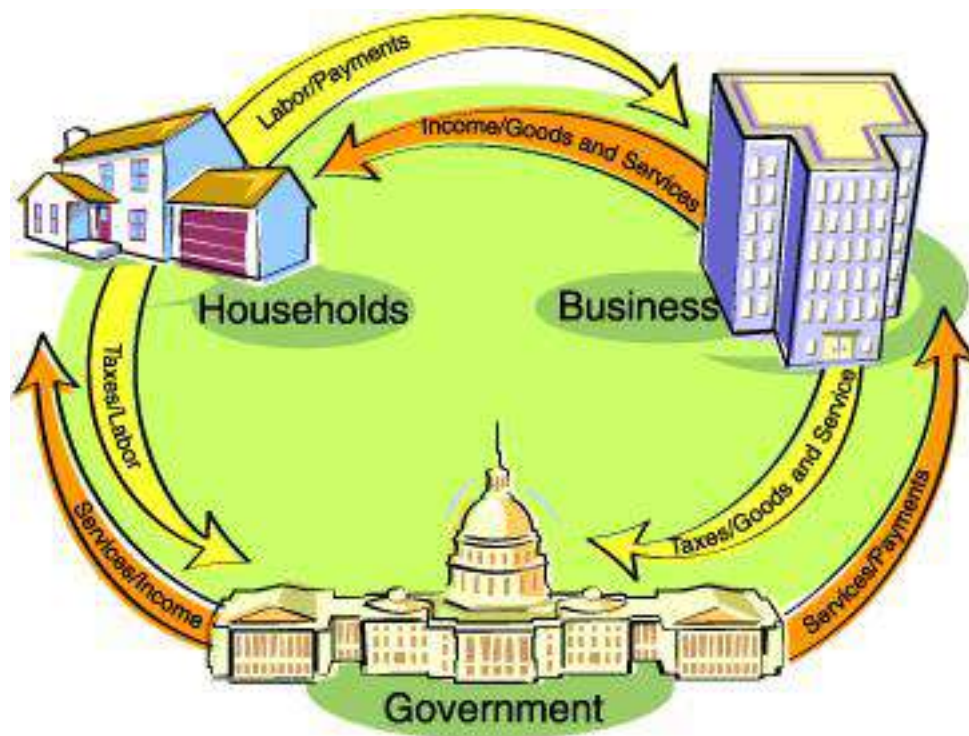
Theme 4: What Is Taxed and Why

Activity 1: Circular Flow of Economy

Lesson 2: Taxes in a Market Economy

In the United States market economy, there are three sectors, or elements, that interact: households, businesses, and the government. Economists use the circular flow model to explain the interactions among these three sectors. Each sector of the economy contributes to the others.

Study the circular flow model. Answer the multiple-choice questions below by clicking on the correct answer. To assess your answers, click the *Check My Answers* button at the bottom of the page.



1) **Businesses provide the government with**

- A. taxes and goods and services.
- B. taxes and labor.
- C. services and income.

2) **Businesses receive _____ and _____ from the government.**

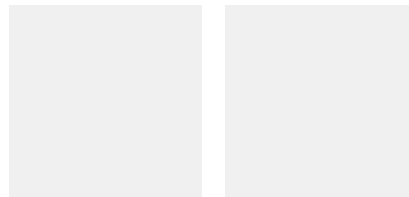
- A. taxes and goods and services
- B. services and payments
- C. taxes and labor

3) **Households provide businesses with**

- A. labor and payments.
- B. services and income.
- C. taxes and goods and services.

4) **Businesses provide households with**

- A. taxes and income.
- B. labor and payments.
- C. income and goods and services.



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