

# Sectors of the U.S. Economy

5<sup>th</sup> grade SS GPS  
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# Households

In economics, the two factors of production are labor (work done by humans) and capital (land, machines, buildings, services, etc.) Households are made up of people and people are resources. They provide the labor that builds, produces, and provides services. In return for their labor, households (people) receive wages, or money. What do they do with this money?

# Households

They consume goods (like food, cars, clothes, TVs, etc) and services (like those provided by doctors, lawyers, barbers, electricians, plumbers, etc). Households provide resources in the form of labor, then turn around and use the money received from their labor to consume goods and services. The money received for these goods and services helps drive the economy.

# Households

- **Provide Resources** – labor that builds, produces, and provides services
- **Consume Services** – provided by doctors, lawyers, barbers, electricians, plumbers, teachers
- **Consume Goods** – food, cars, clothes, TVs, computers

# Private Business

Private businesses drive the US economy. They produce the goods and services that consumers buy. Private businesses range in size. Many are small businesses owned by one person or a partnership of only a few people. Others are very large and may have interests all over the nation. Some are even international. Larger businesses are often owned by numerous stockholders (people who buy a share of ownership in the business).

# Private Business

Private businesses produce goods that they think they can sell for a profit. They provide what consumers need or want at a price consumers are willing to pay. Businesses also provide jobs that people depend on for income. People use their income to buy things. When businesses do well, the economy tends to grow. When businesses fail, people lose jobs, have less money to spend, buy less, and the economy can enter a down time.

# Private business

- **Produce Goods** – sell for a profit; what consumers need or want at a price consumers are willing to pay
- **Produce Services** – provide jobs people depend on for income

# Banks

What do banks do with all the money people give them? Banks function to provide checking accounts, savings accounts, and loans to people in the community. People put their money in banks because it is safer than keeping the money at home. They can also earn interest, which is a fee paid by the bank for the use of their money.

# Banks

- **Checking Account** – an account where you can withdraw funds by writing a check
- **Loans** – money borrowed that is usually repaid with additional interest charges
- **Savings Account** - an account that earns interest but is not withdrawn by check writing

# Government

The United States government functions to serve the people! It provides many goods and services. Here are just a few:

- **National defense** – military weapons, people, and equipment
- **Transportation** – highways, mass transit systems, airports
- **Education** – grants for schools
- **Income Security** – Social Security, Medicare, unemployment insurance
- **Veteran's benefits** – support for disabled soldiers and their families

# Government

How does the government pay for all these services? Taxes! Taxes are collected by local, state, and federal governments and are used to pay for public goods and services. There is a tax on the food we eat and the clothes we wear. Your parents pay taxes on the money they earn at work. These are known as income taxes. But without taxes, we would not have many of the goods and services we use every day.

# Government

A tax is money citizens or businesses must pay the government. Taxes are the number one way governments raise the money they need to operate. Governments use taxes to provide certain services. Park maintenance, law enforcement, fire protection, national defense, and public education are a few examples of services provided by the government.

# Government

Sometimes taxes are used to help farmers or failing businesses that the government thinks are very important to the US economy. The government also uses tax money to provide social programs meant to help the poor, elderly, and those with special needs. It sometimes provides relief to foreign nations as well.

# Government

The power to tax is given to the government by the U.S. Constitution. Here's a brief history of taxation and the government:

- **Early America** – most revenue came from customs duties on imported goods.
- **After the Civil War until 1913** – most revenue came from taxes on liquor and tobacco
- **1913** – 16<sup>th</sup> Amendment passed, allowing collection of income taxes. (But less than 1% of people had to pay).
- **1940s** – World War II cost a lot! Income taxes were extended to everyone except very low-paid workers.

# Government

- **Taxation** – The way governments raise the money they need to provide goods and services
- **Provide Services** – Park maintenance, law enforcement, fire protection, national defense, and public education
- **Provide Goods** – military weapons and equipment, highways, airports, and schools,