

Name: _____

Date: _____

THE FUNCTION OF HOUSEHOLDS IN THE U.S ECONOMY

The United States economy is broken down into four sectors. The four sectors are household, private businesses, banks, and government. A **sector** is a section of the economy. Each sector plays an important role and must work with the other sectors for the economy to operate well. All of the sectors rely on each other and work together to provide a robust and strong economy in the United States.

The household function is vital to the United States Free-market economy. A **household** is a house and its occupants. Each household have its own preferences in what to consume. For example, one household may like a certain shampoo, while another household may like another type of shampoo. This is called being a consumer. A **consumer** is a person that purchases goods for individual and household use. Households create demand on what they like based on their individual preferences. Households have a vital role in that they set what is made by and bought from businesses. Households determine what goods and services they need and want, thus driving the economy. Essentially, households can create a demand for a certain product, and businesses will supply it.

Households also play another vital role in the economy. They provide certain resources in the form of labor. A **resource** is a supply. **Labor** is work that is exchanged for money. Households trade labor for money, then use the money to purchase goods and services that a family needs to operate. A **good** is a material that is for use and consumption, such as gasoline. A **service** is a labor that is performed for money, such as a barber providing. In conclusion, the household is an important sector of the economy. Households can help drive the economy by creating demands. Households also provide labor for the economy.



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Directions: Circle the best answer choice based on the passage.

1. Which is the best description of a household in the economy?
 - a. A consumer
 - b. A house and its occupants
 - c. A provider of labor
 - d. All of the above
2. How do households create demand in the economy?
 - a. Trial and error
 - b. Buying what is available
 - c. Individual preferences
 - d. The government sets it
3. What do households offer to the economy?
 - a. Labor
 - b. Goods
 - c. Factories
 - d. Railroads
4. What do households trade for goods?
 - a. Food
 - b. Goods
 - c. Money
 - d. Music
5. Which is the best example of a service?
 - a. Gasoline
 - b. Cereal
 - c. Barber
 - d. cars

Directions: Match the vocabulary term to its definition.

Definitions:

1. _____ a section of the economy
2. _____ a house and its occupants
3. _____ a supply
4. _____ a person who purchases goods for individual and household use
5. _____ work that is exchanged for money
6. _____ materials for use and consumption
7. _____ a labor that is performed for money

Vocabulary Terms:

- a. consumers
- b. household
- c. services
- d. sector
- e. labor
- f. goods
- g. resources