

Circular Flow Map

One step at a Time

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Legend

Money—The green links represent the flow of money in the economy.



Money
The green links represent the flow of money in the economy.

Factors—The blue links represent the flows of the factors of production and of goods in the economy.

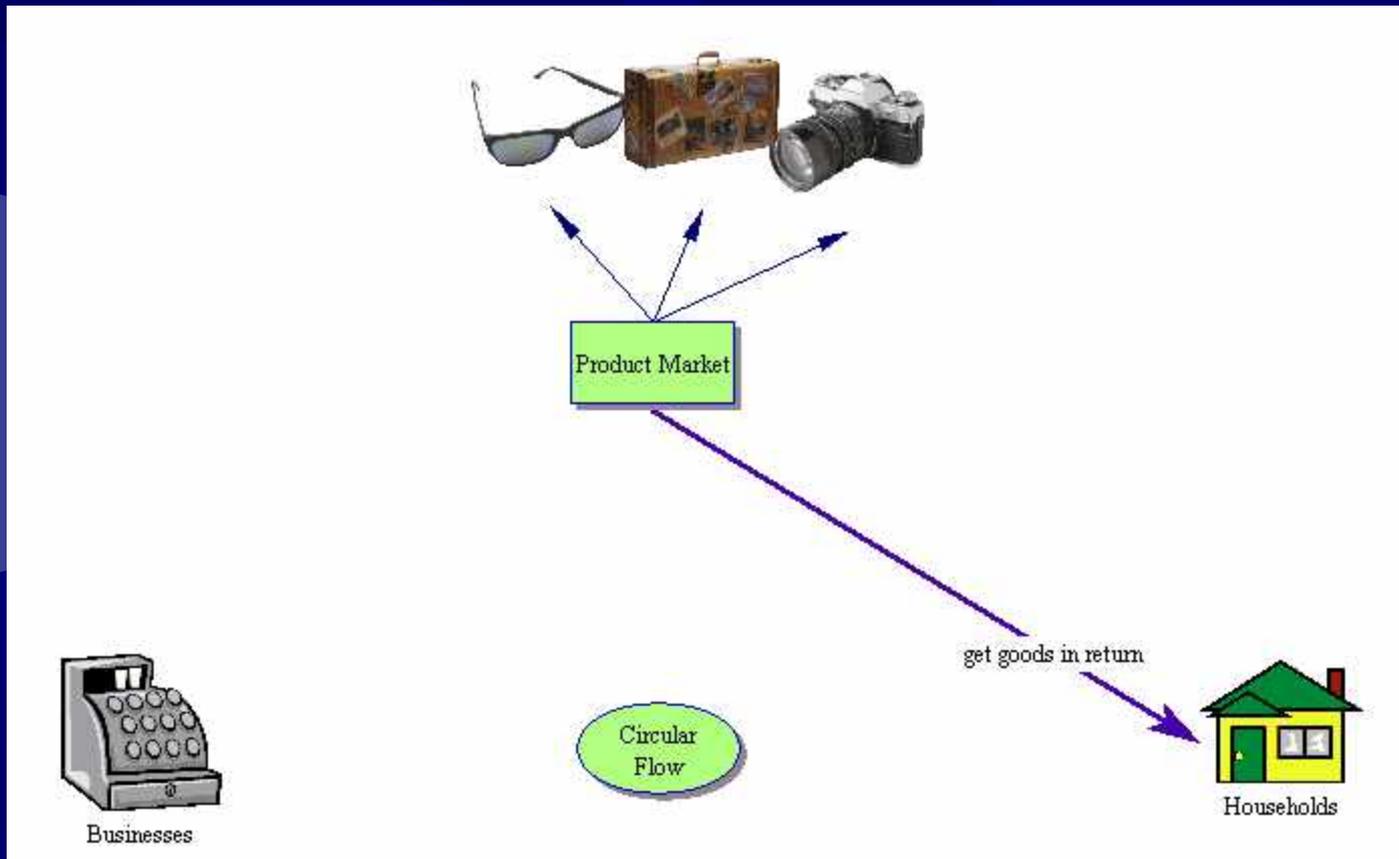


Factors
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Where do consumers, that is, households go to get goods or services that they want or need?



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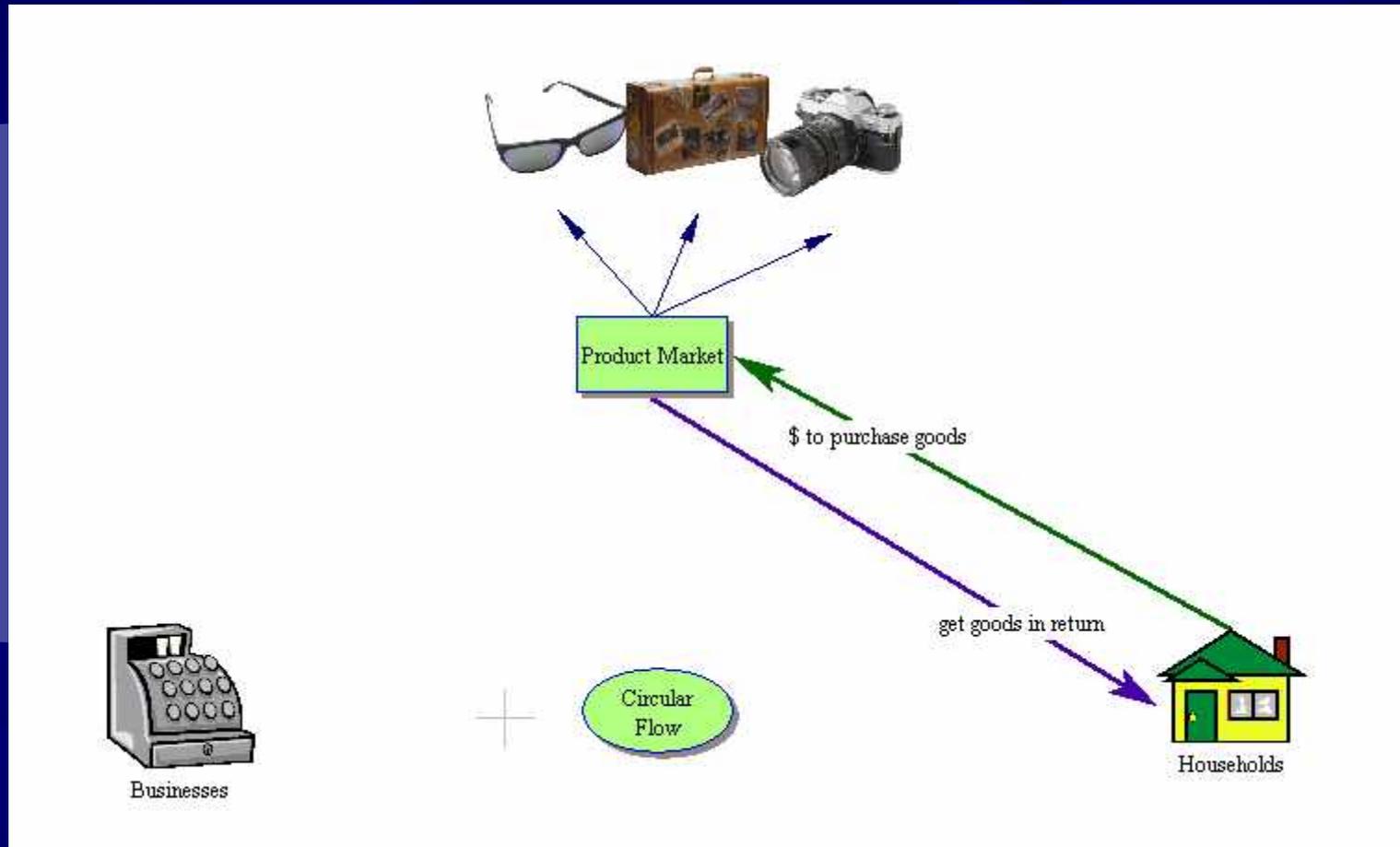


They go to the product market.

How do households get goods or services that they want or need? Are the goods and services free or given away by businesses?



How do households get goods or services that they want or need?

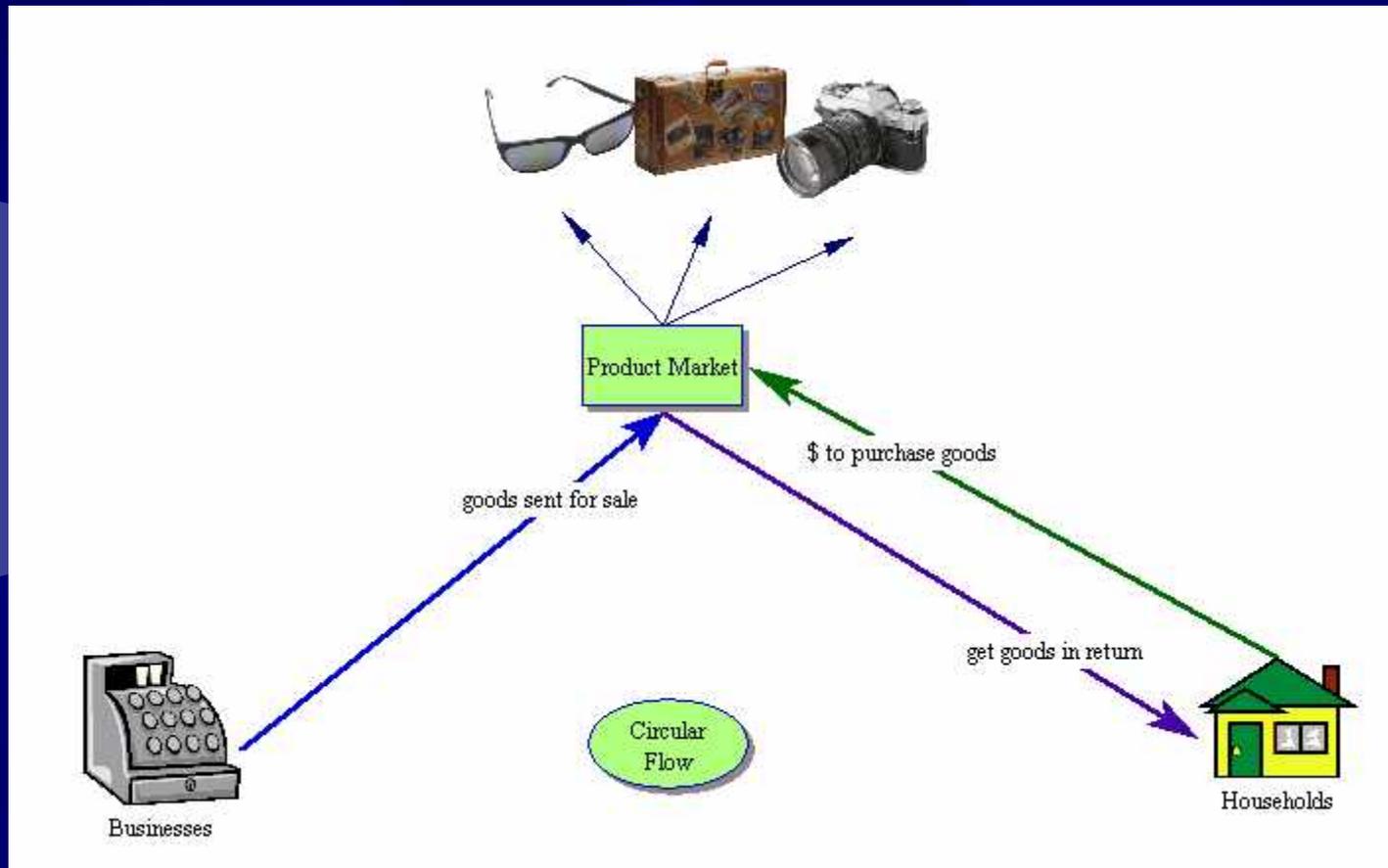


No, households exchange money for the goods and services.

How do the goods and services
get to the product market?



How do the goods and services get to the product market?

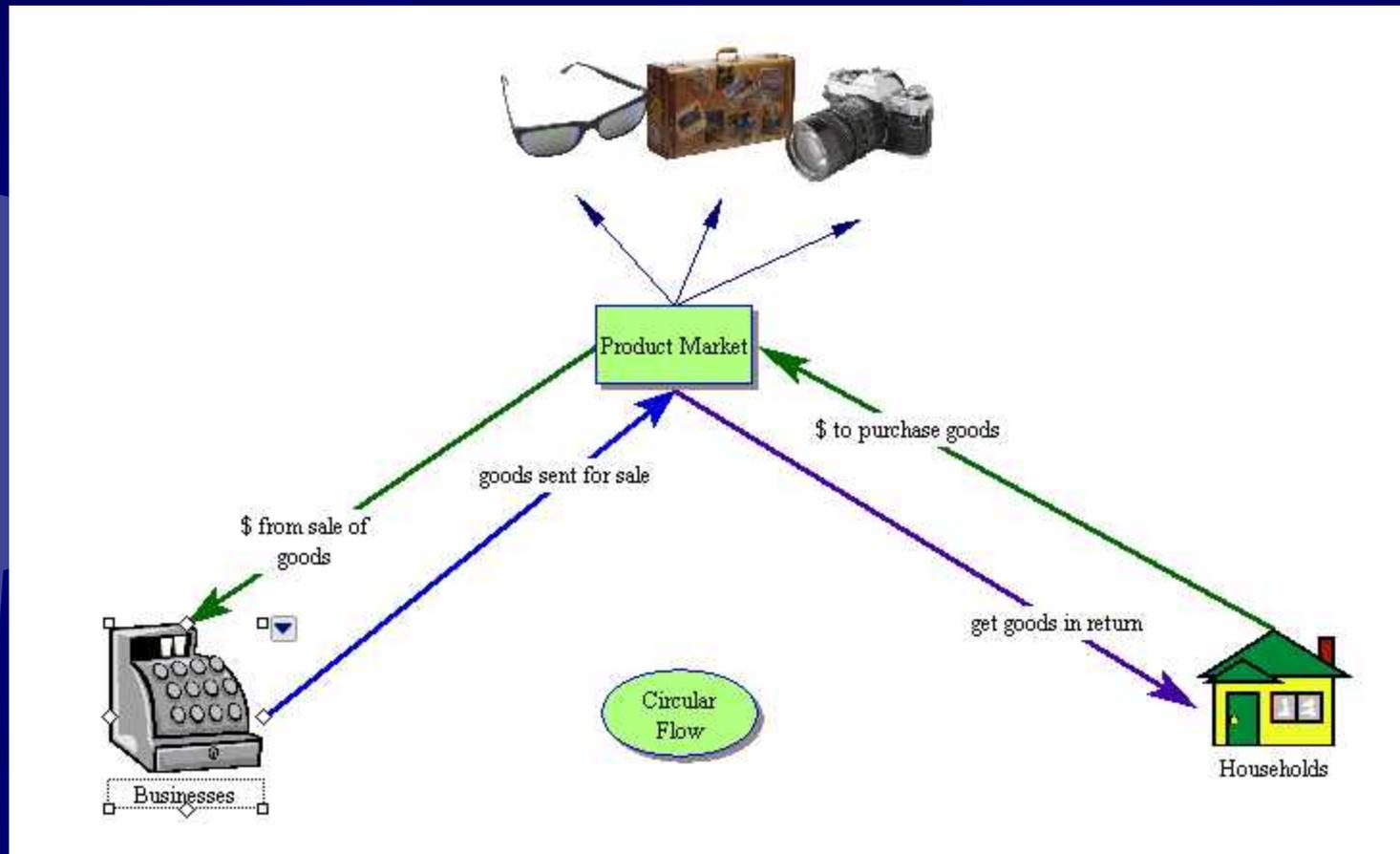


Businesses sell their goods and services at the product market.

What do businesses get in exchange for providing goods and services to the product market?



What do businesses get in exchange for providing goods and services to the product market?

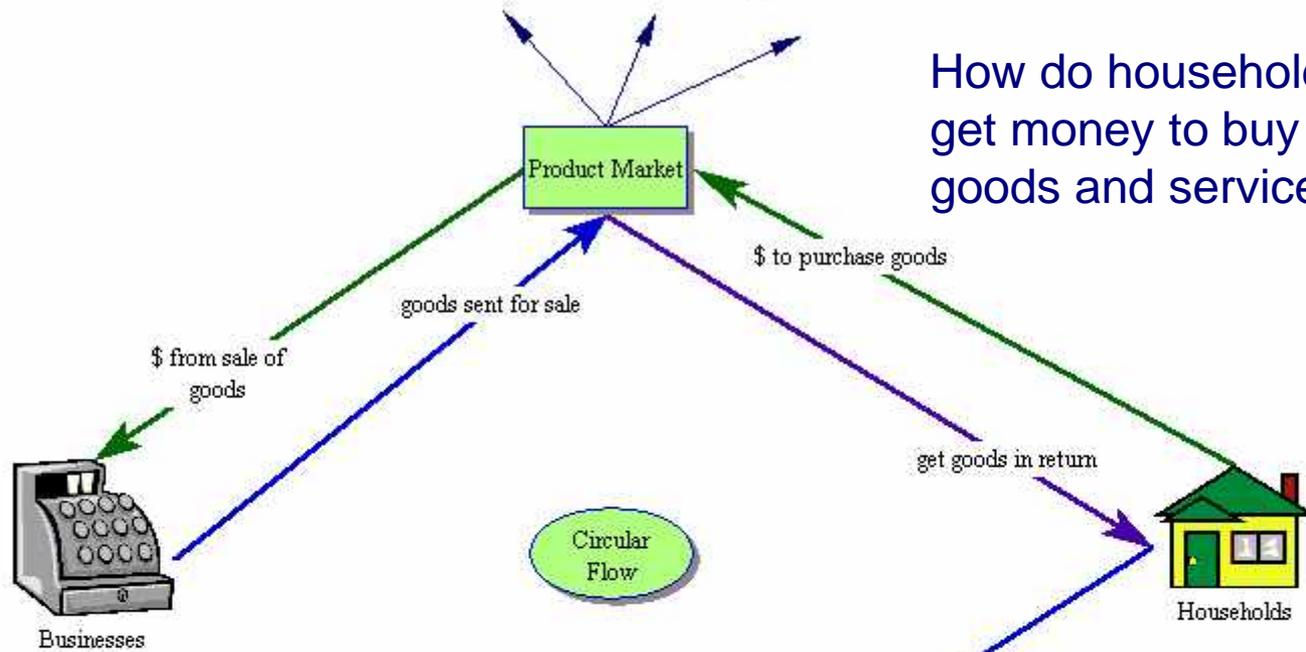


\$\$\$\$\$\$ Money \$\$\$\$\$\$

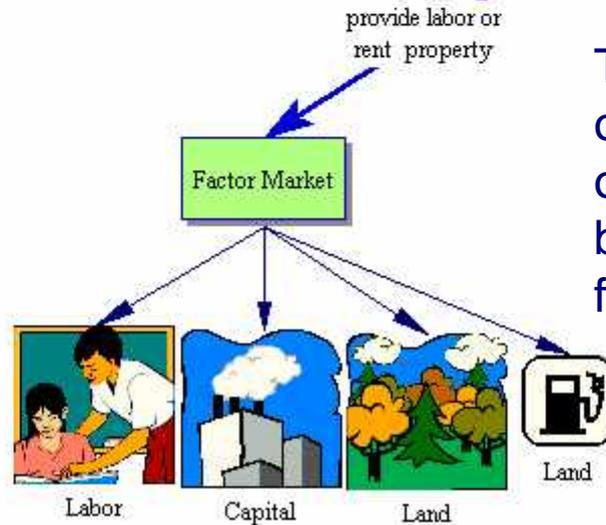
How do households get money to buy goods and services?



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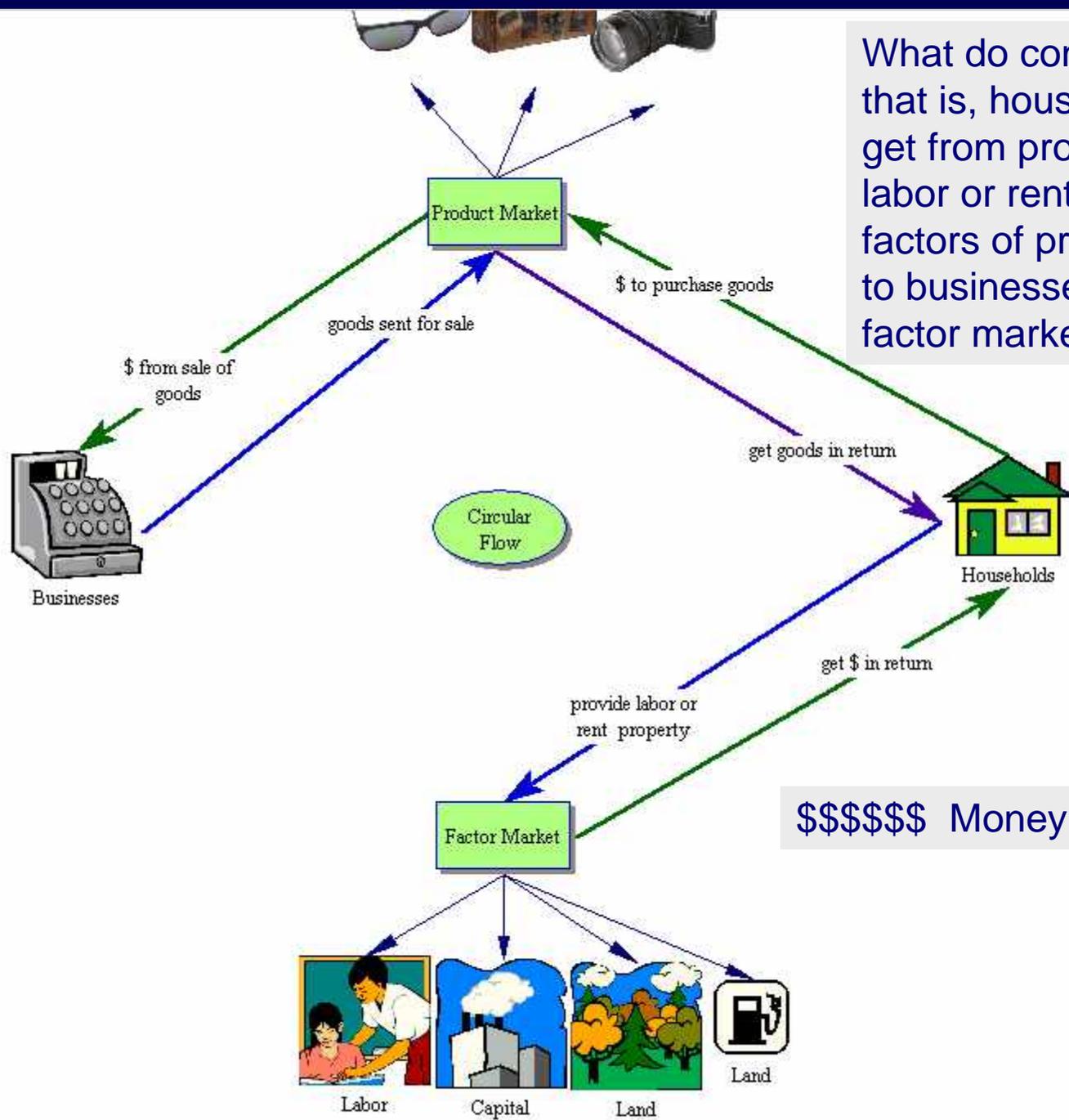


They provide labor or rent other factors of production to businesses at the factor market.



What do consumers, that is, households get from providing labor or renting other factors of production to businesses at the factor market?





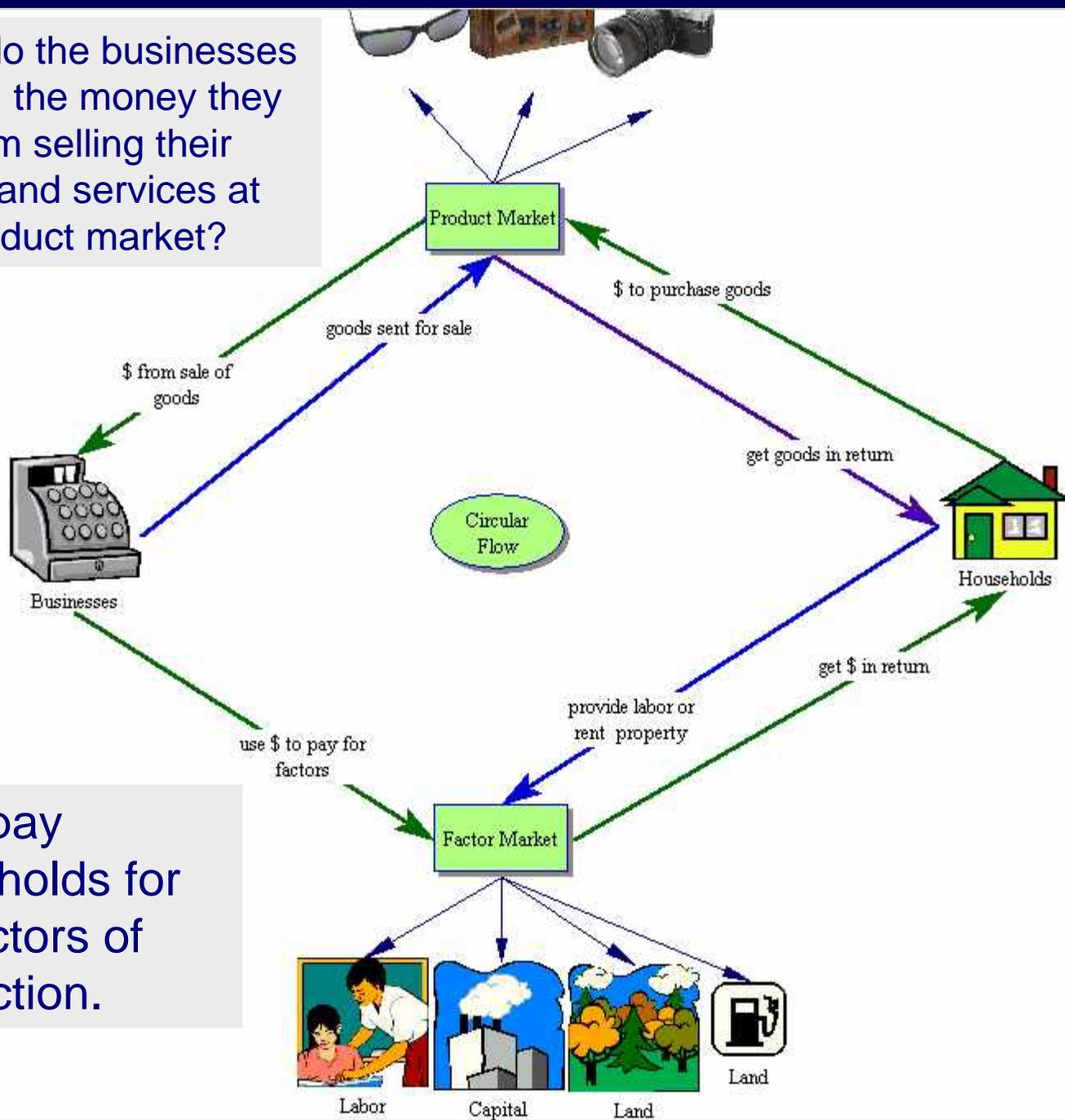
What do consumers, that is, households get from providing labor or renting other factors of production to businesses at the factor market?

\$\$\$\$\$\$ Money \$\$\$\$\$\$

What do the businesses do with the money they get from selling their goods and services at the product market?



What do the businesses do with the money they get from selling their goods and services at the product market?

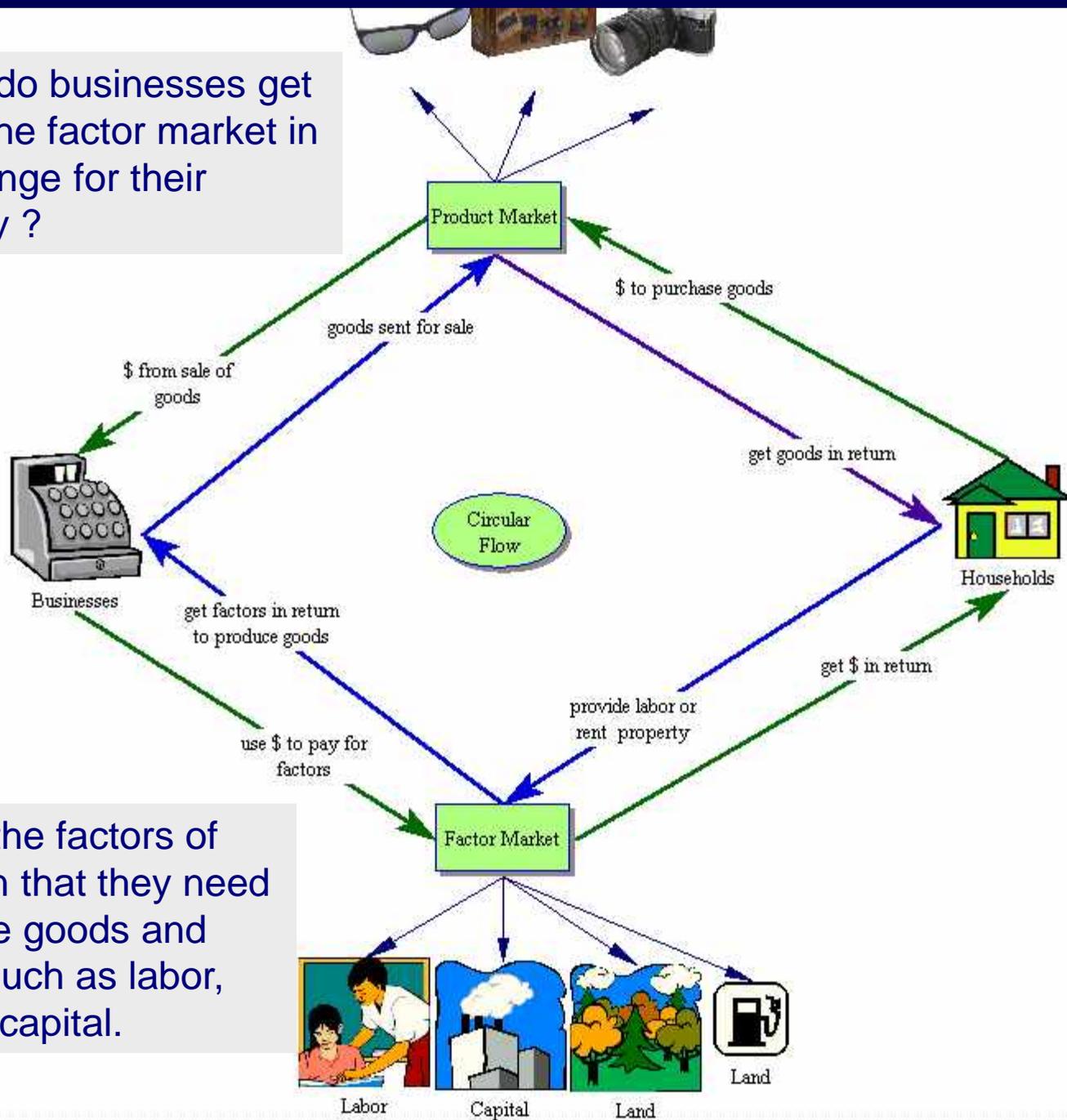


They pay households for the factors of production.

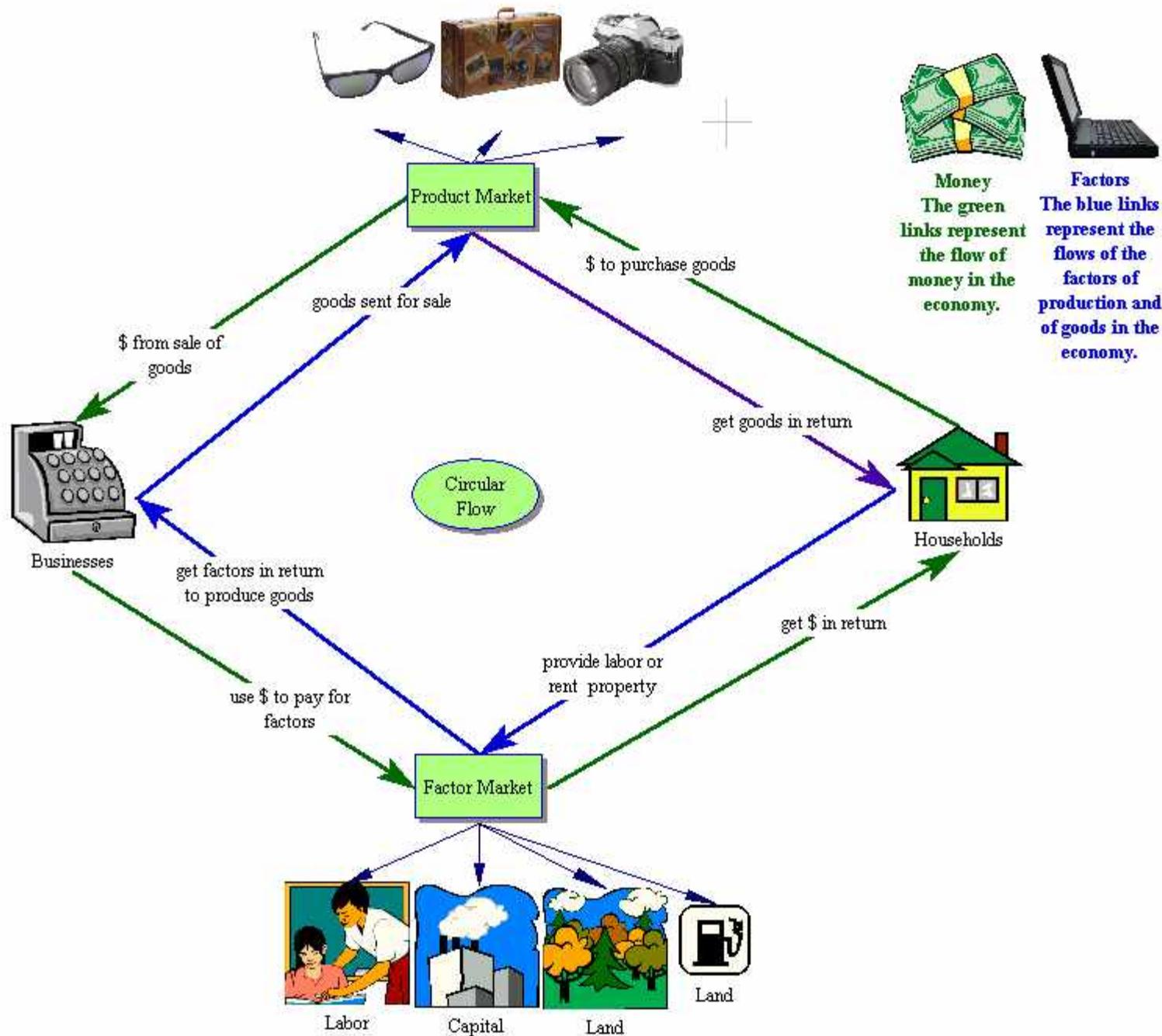
What do businesses get from the factor market in exchange for their money ?



What do businesses get from the factor market in exchange for their money ?

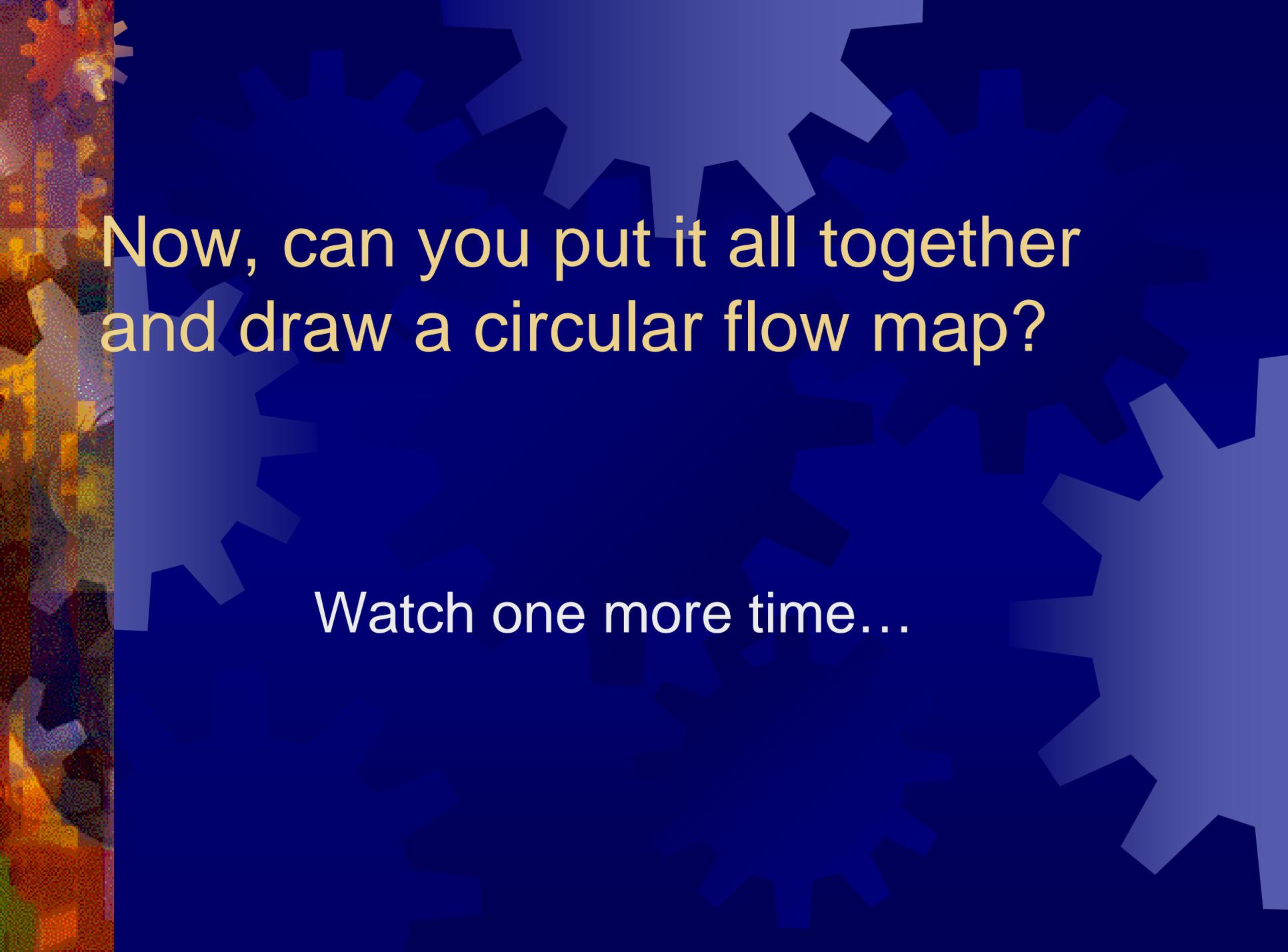


They get the factors of production that they need to produce goods and services such as labor, land, and capital.



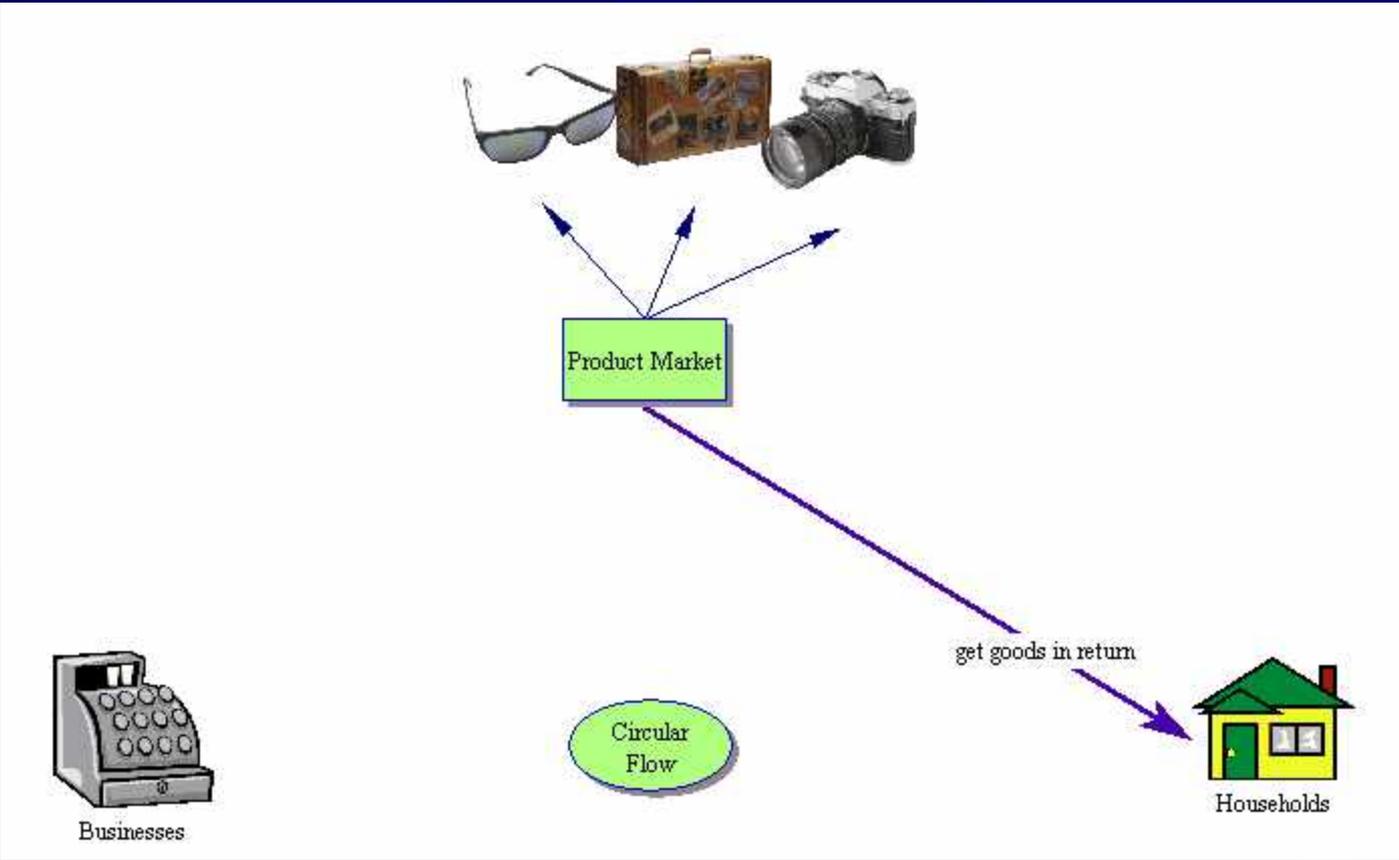
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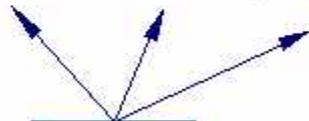
Factors
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Now, can you put it all together
and draw a circular flow map?

Watch one more time...





Product Market

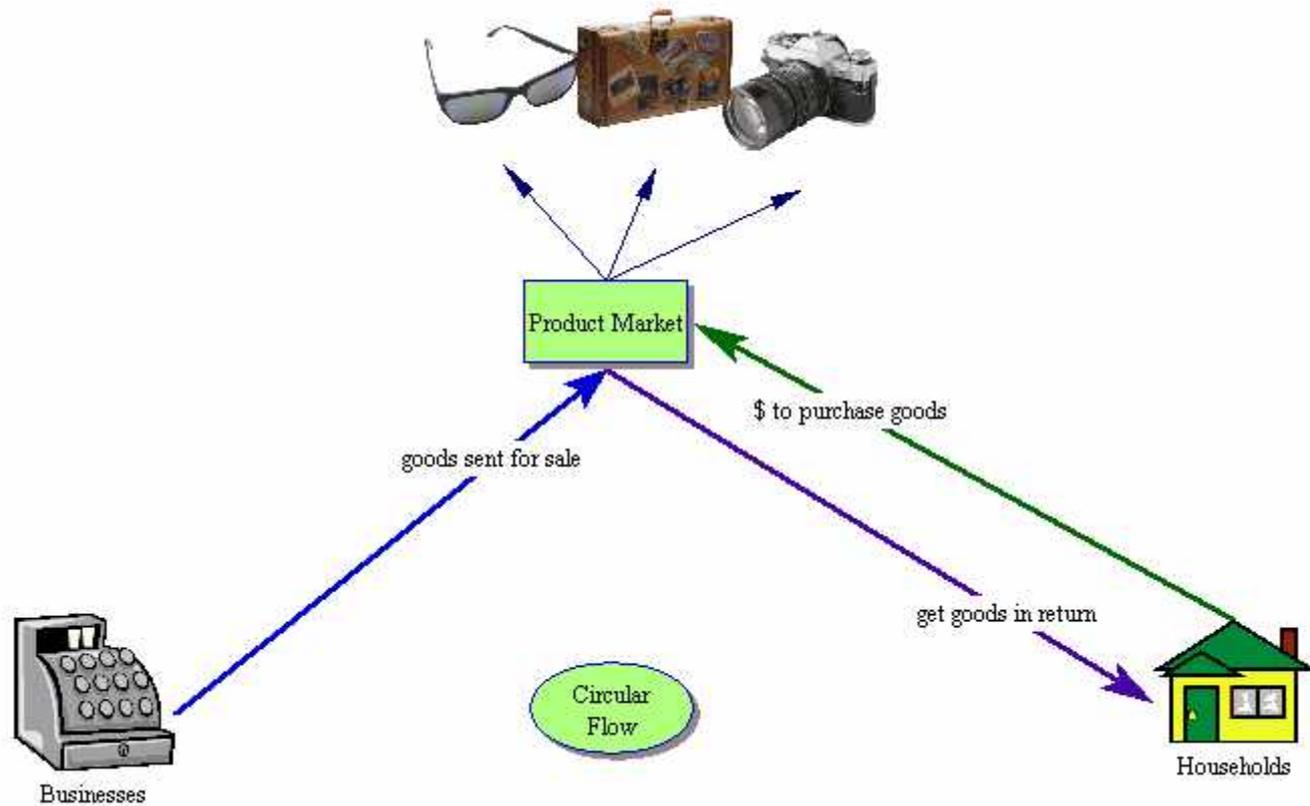
Circular Flow

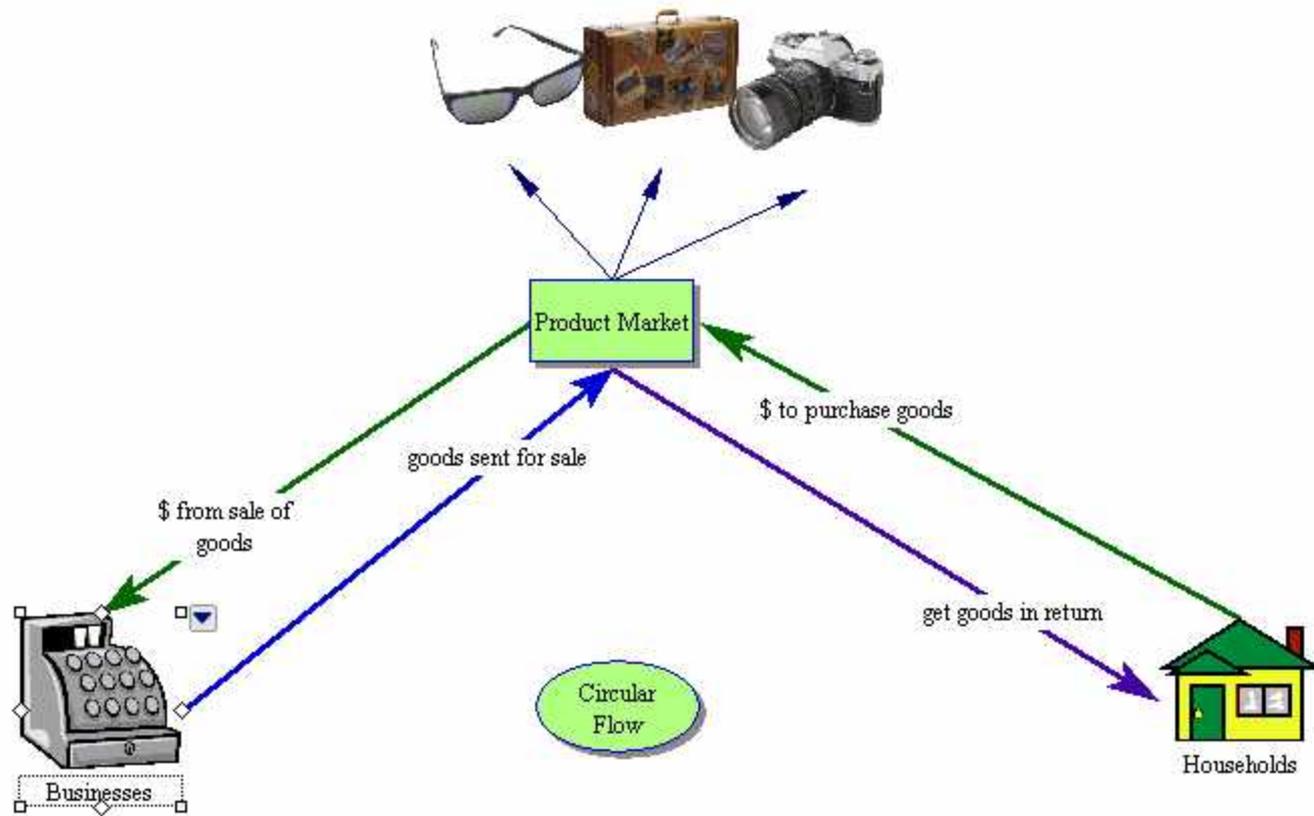
\$ to purchase goods

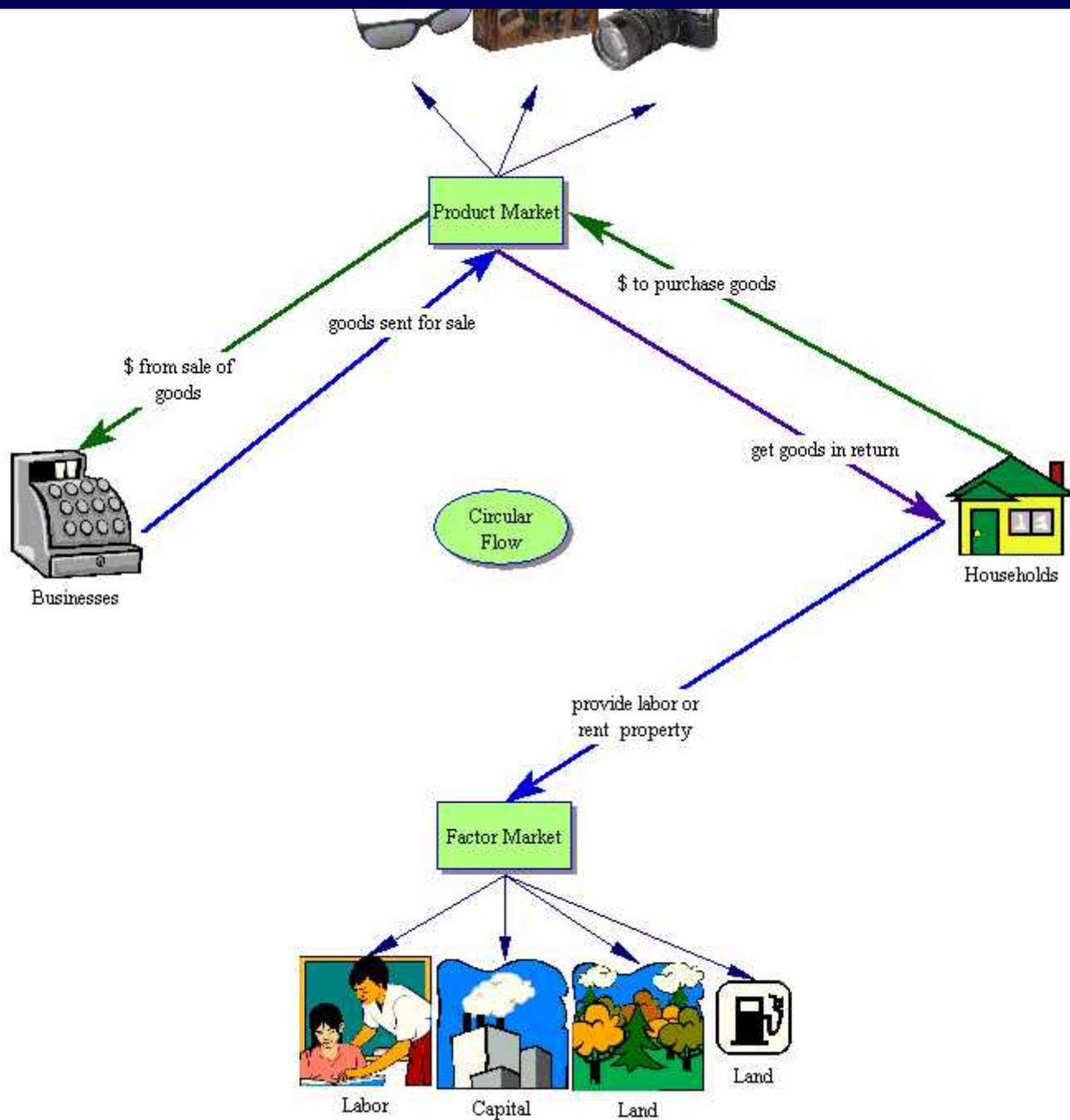
get goods in return

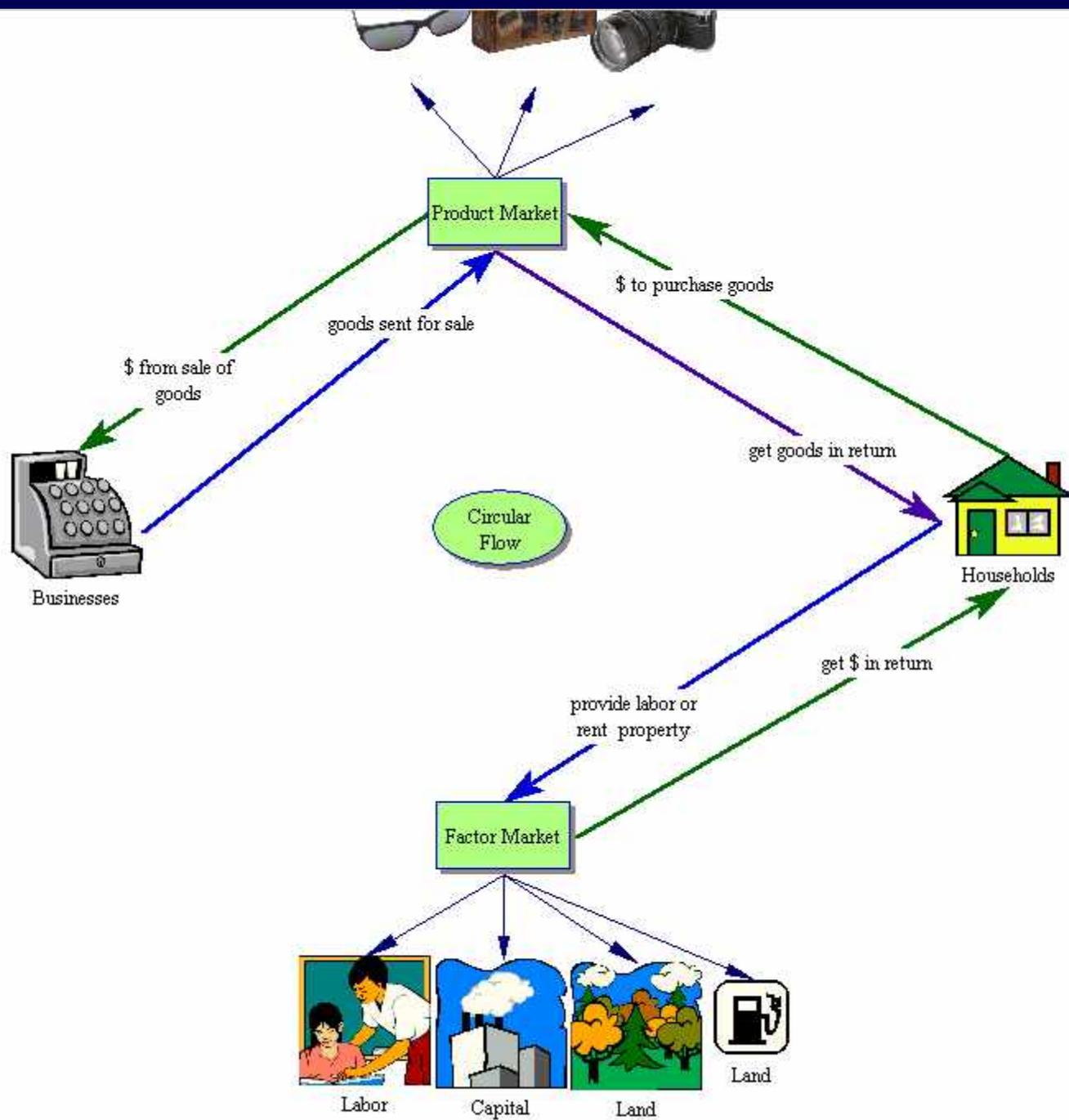


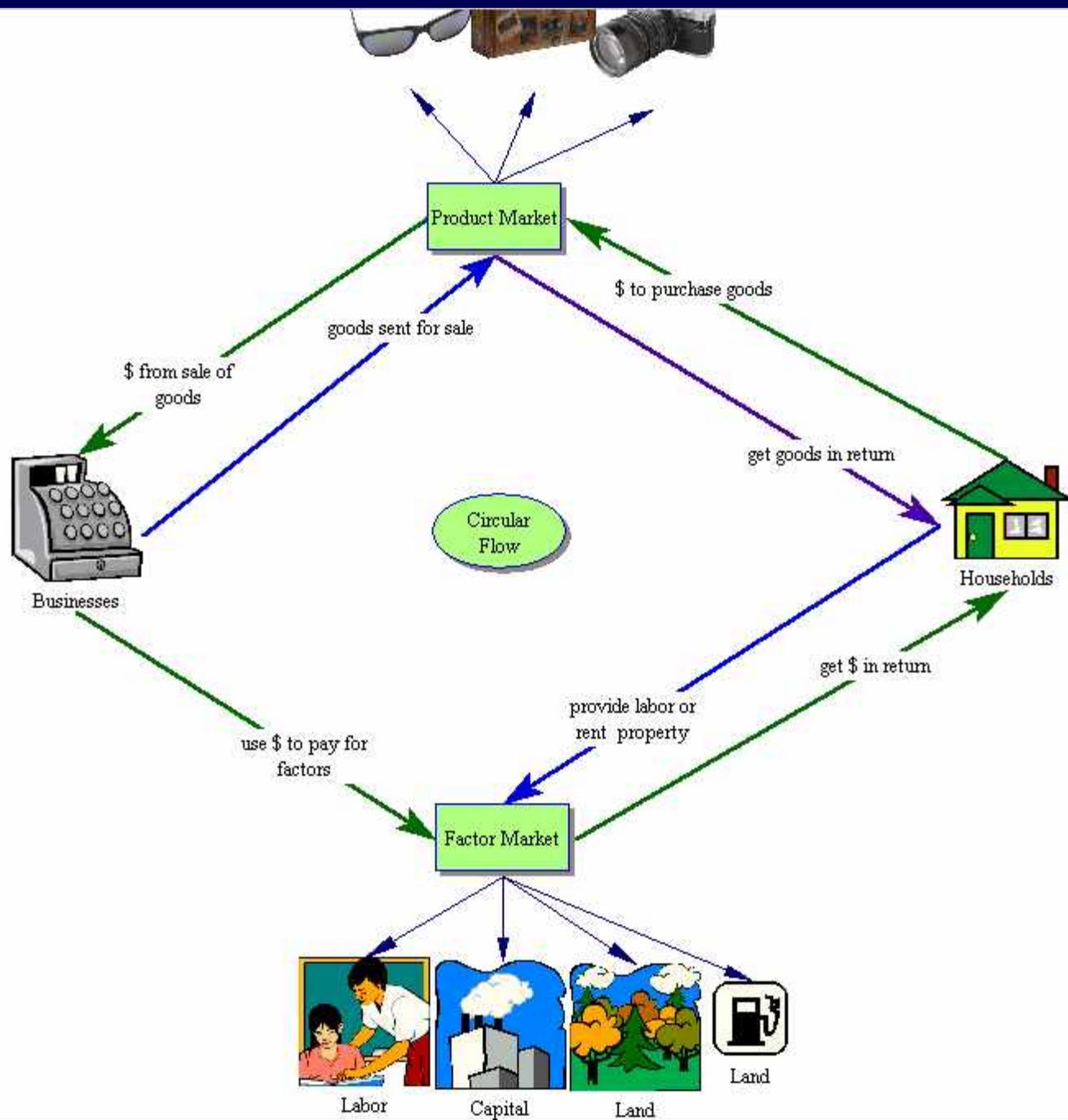
Households

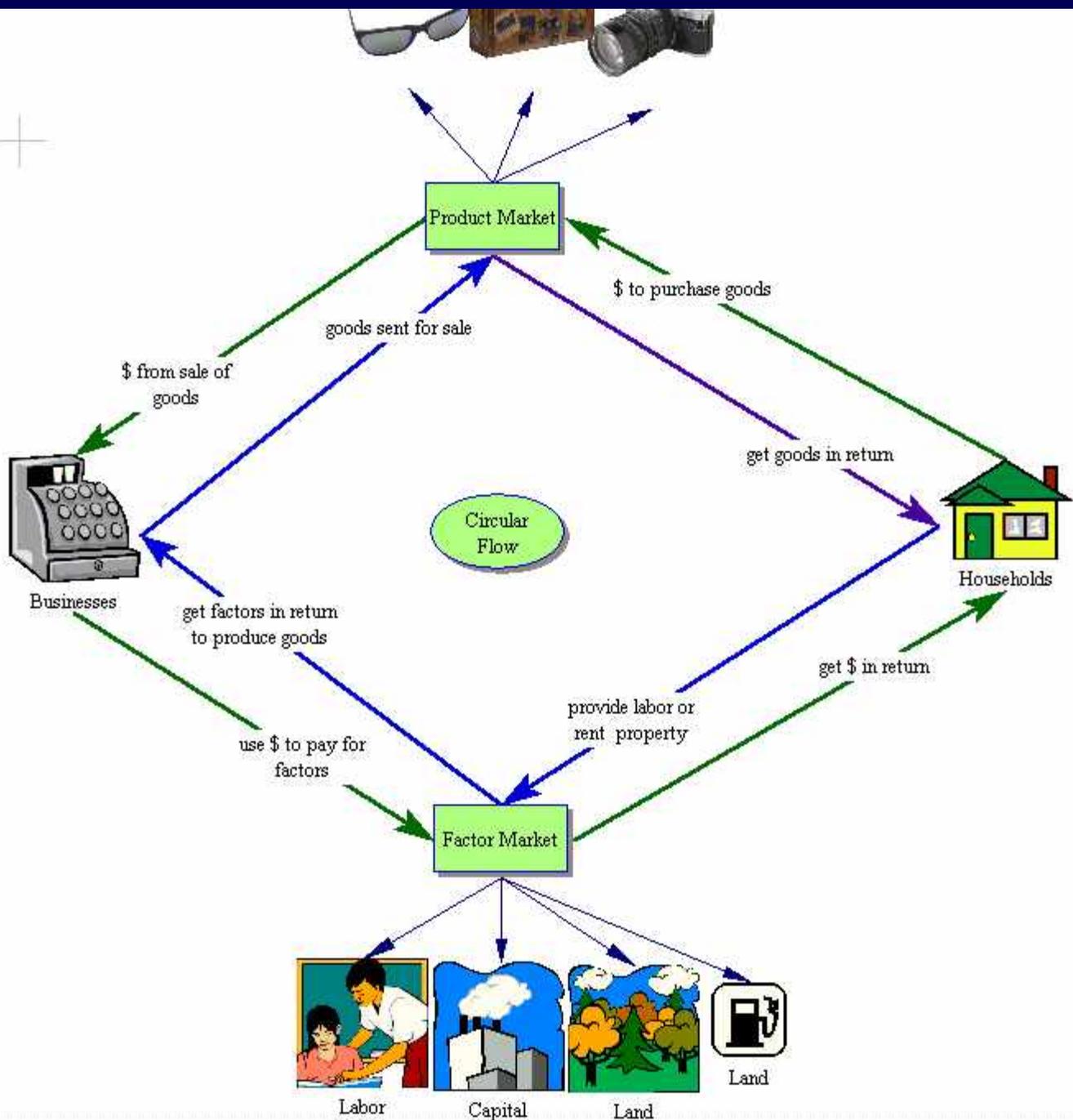


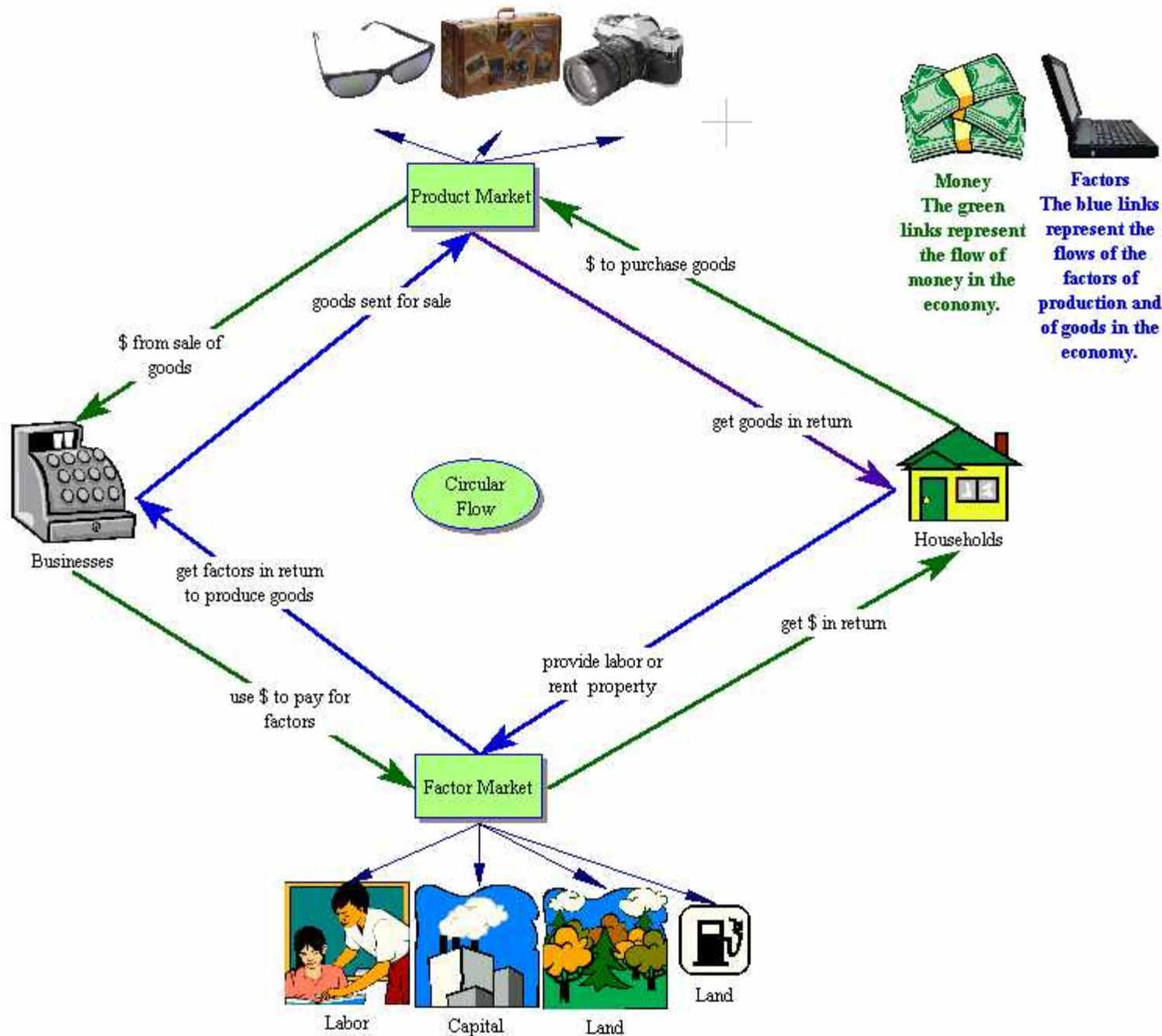












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