

# SOL 12b

{ Economic Flow

# SOL CE.12b

The student will demonstrate knowledge of the structure and operation of the United States economy by explaining the circular flow that shows how consumers (households), businesses (producers), and markets interact.

# Guiding Question

How do resources, goods and services, and money flow among individuals, businesses, and governments in a market economy?

# Economic Flow

Resources, goods and services, and money flow continuously among households, businesses, and markets in the United States economy.

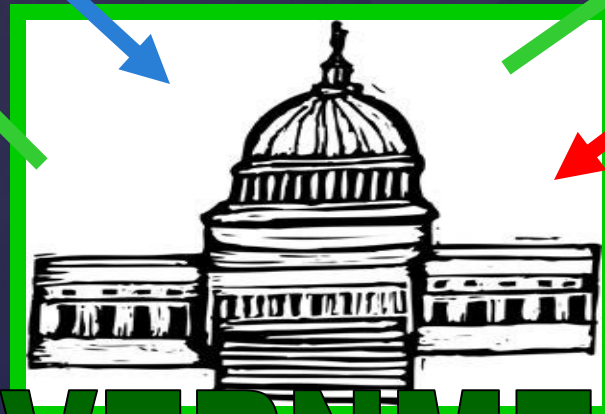
Economic flow occurs every day.

These daily exchanges create a constant flow of giving and receiving.





**PRODUCERS**



**GOVERNMENT**



# Vocabulary Terms

Savings – Money that you save and put away for later use

Invest – To use money to help a business get started or grow, with the hope that the business will earn a profit that you can share.

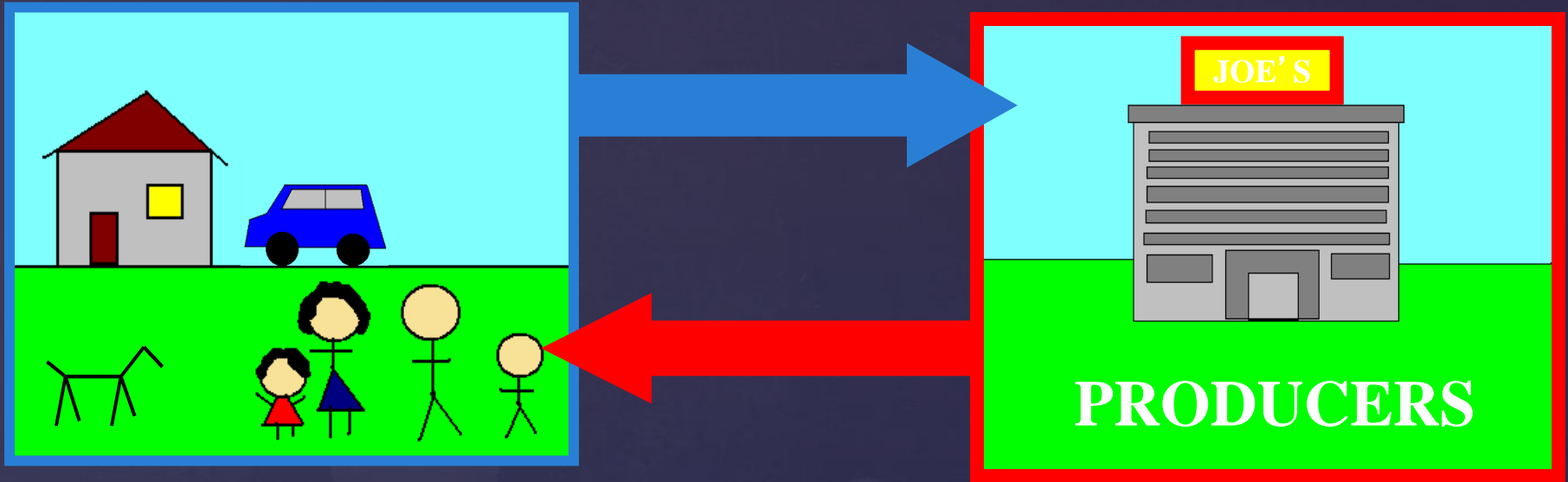


**Financial Capital** – An economic resource measured in terms of money used by entrepreneurs and businesses to buy what they need to make their products or to provide their services.

So basically financial capital is money used to buy resources for production.

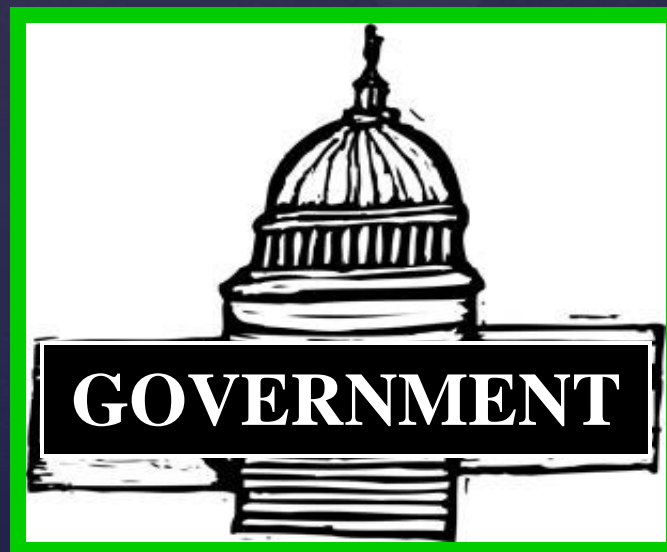


# Relationship of Consumers and Producers



**CONSUMERS**

**PRODUCERS**



Resources, goods, services, and money  
*flow* between households and businesses.

Goods and services produced by  
businesses (producers) *flow* to the  
households (consumers) that buy them.

Money then *flows* back to businesses as the  
households (consumers) pay for these  
products.

# Role of the Individual

Households/Individuals *own the resources* that businesses need for production and growth.

Households/Individuals *sell or rent* these resources in exchange for money.

- Individuals can rent out land and capital resources (machines for example).

For example, individuals *sell their labor* to businesses in return for *wages*.

Households/Individuals may also *sell or rent* their *land*.

They can also *lend* or *invest* their savings and receive *interest* in return.

*Interest* is a sum paid for the use of money.

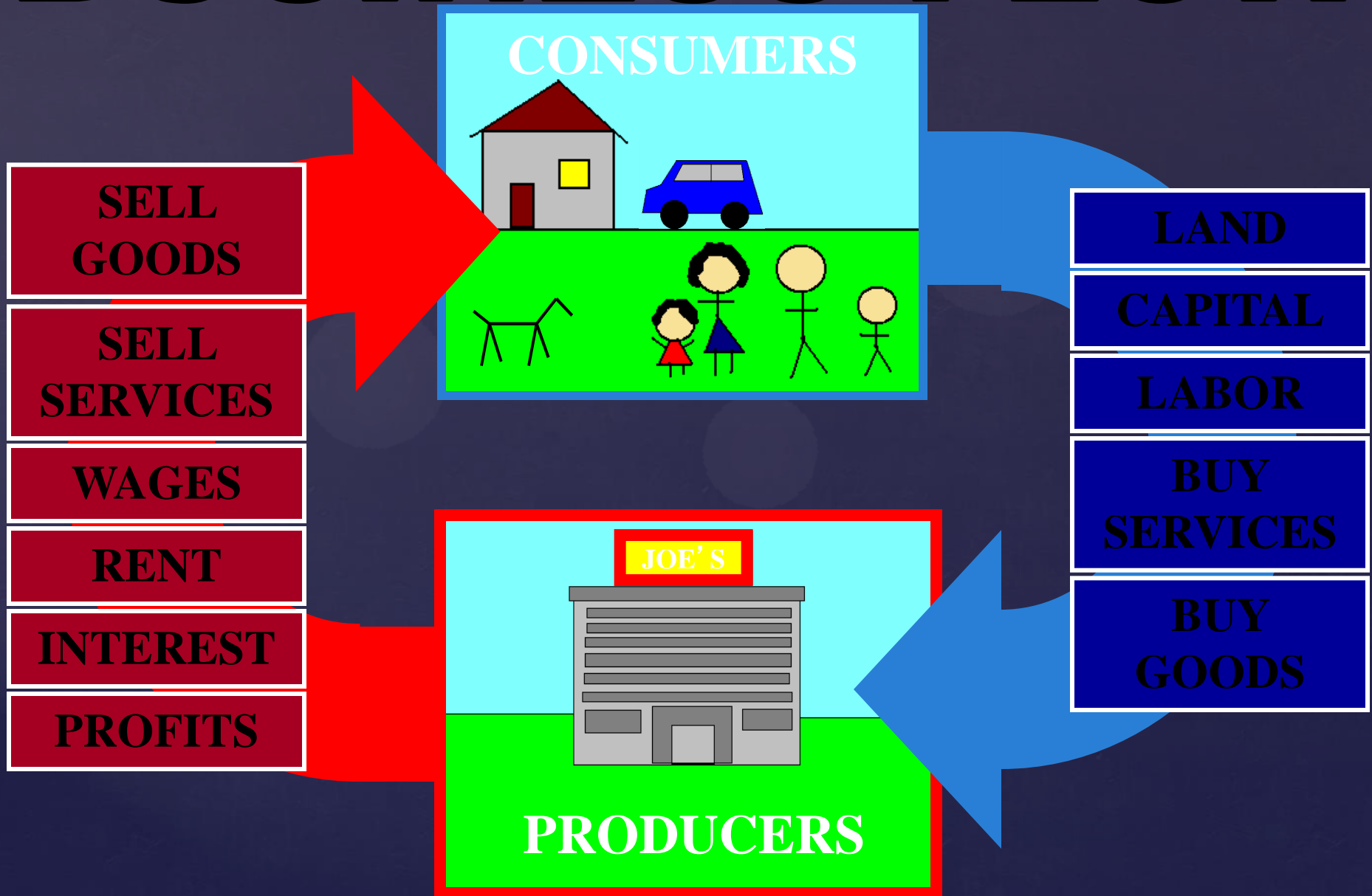
# Role of Businesses

Households/Individuals use their wages and other earnings to buy products from businesses.

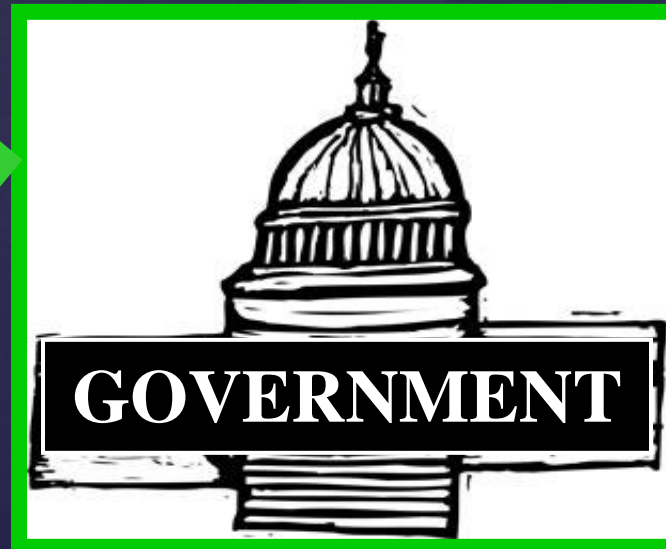
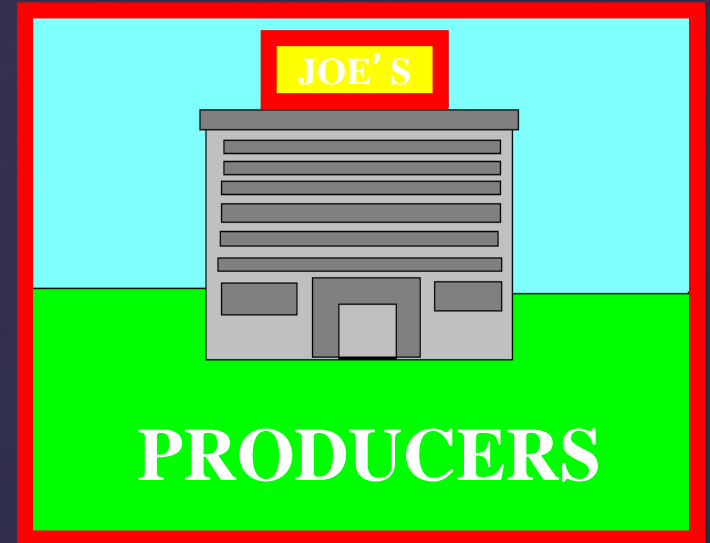
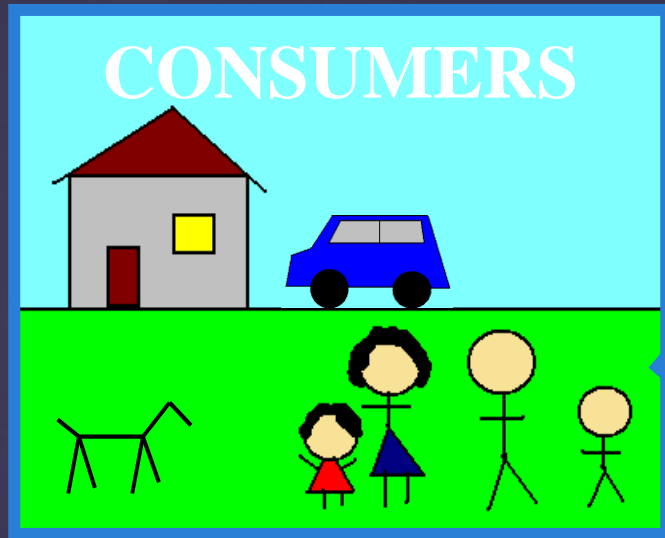
Businesses use their profits from the sale of their products to buy more resources.

The *flow* is continuous with money, goods, services, and resources!

# BUSINESS FLOW



# Relationship of Consumers and Government





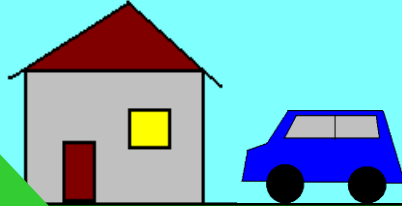
# Economic Flow (Circular Flow)

Governments use tax revenue from *individuals and businesses* to provide public goods and services.

Parks, Roads, Education, Street Lights, and Military Protection are all examples of Public Goods!

# BUSINESS FLOW

CONSUMERS



SERVICES

WAGES

INTEREST

BENEFITS

LABOR

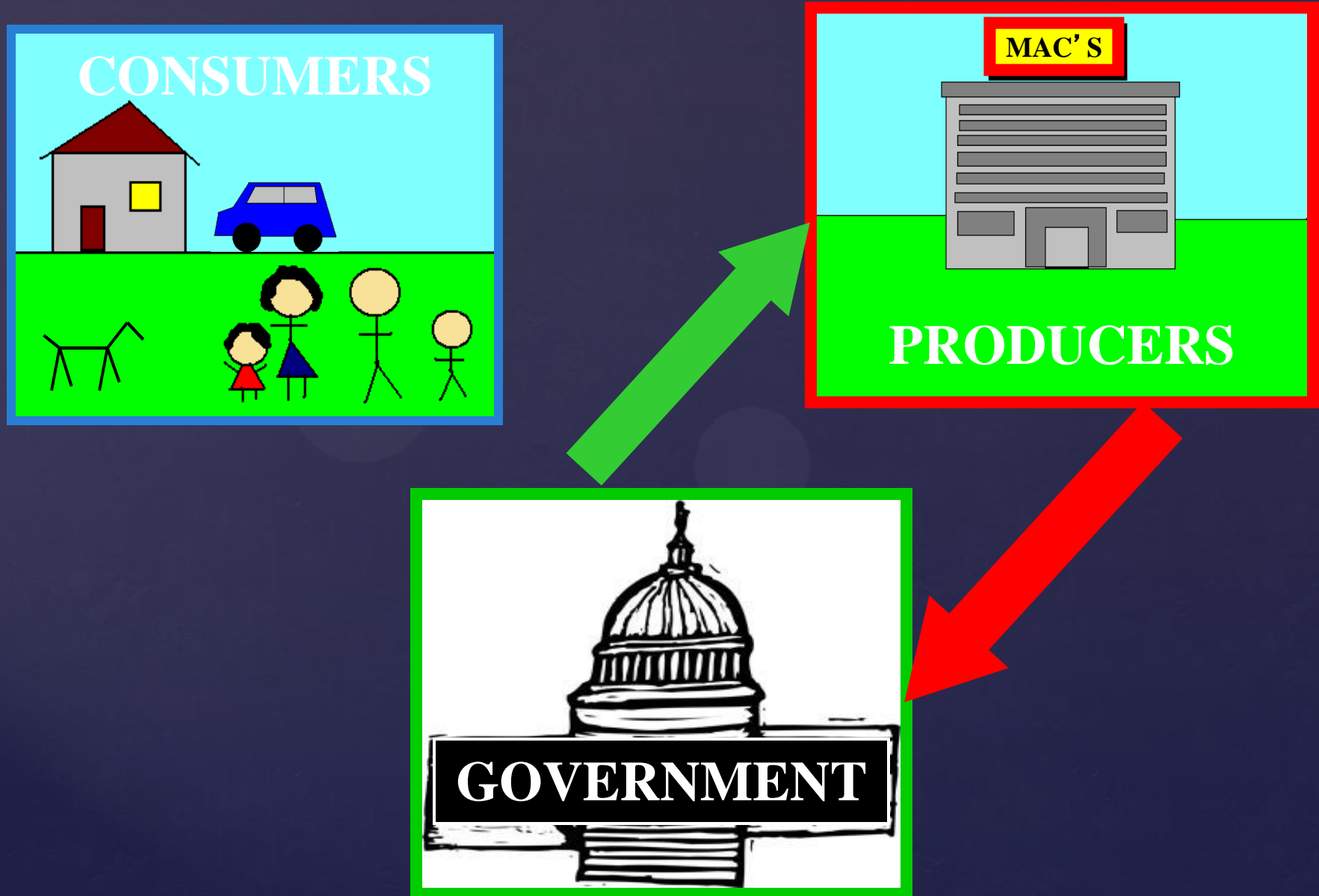
SERVICES

TAXES

GOVERNMENT



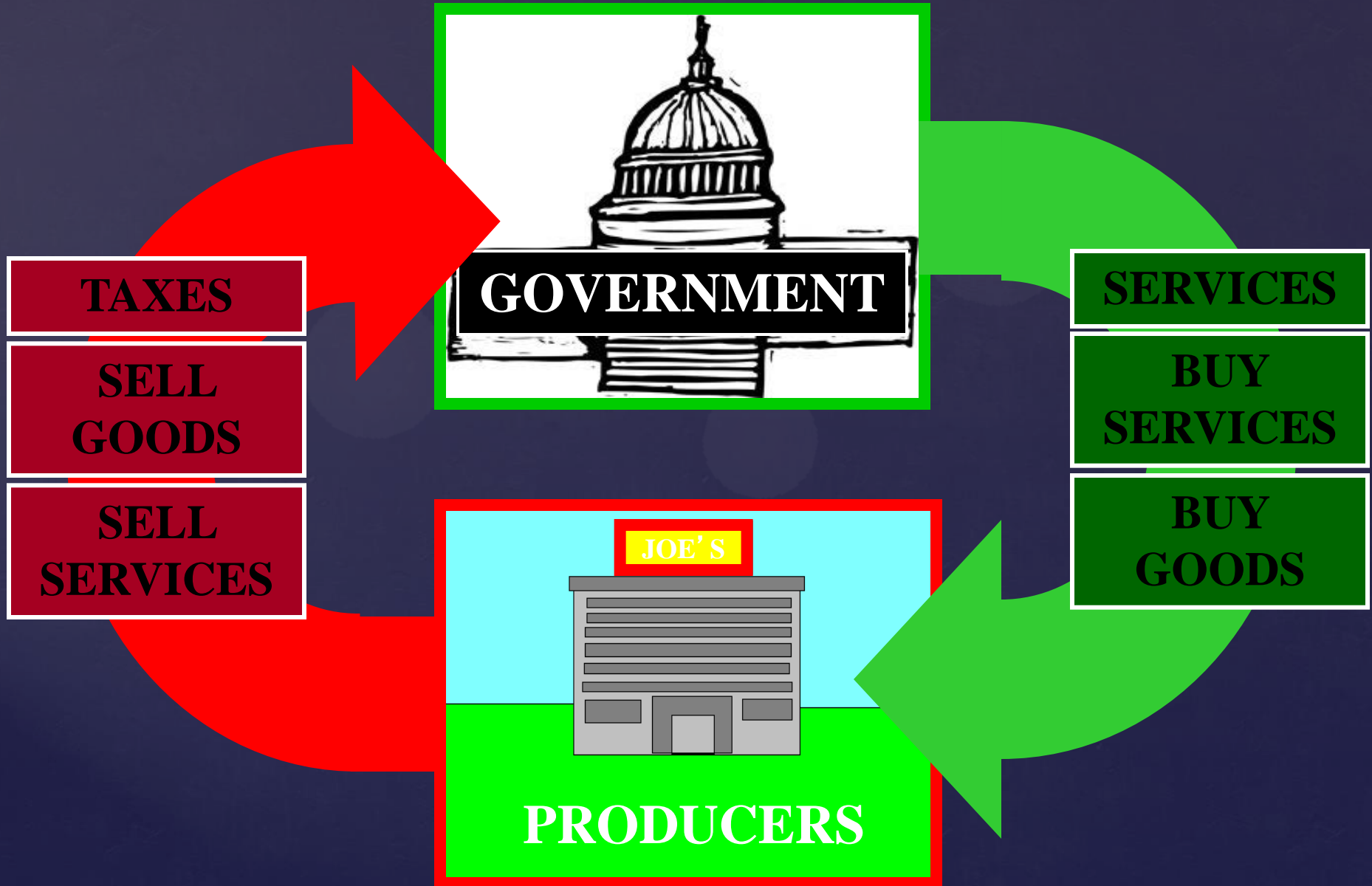
# Relationship of Producers and the Government



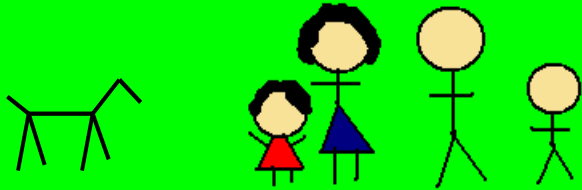
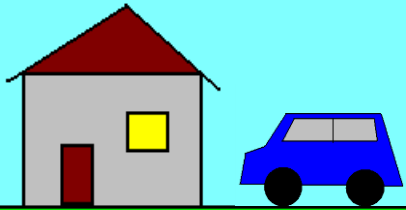
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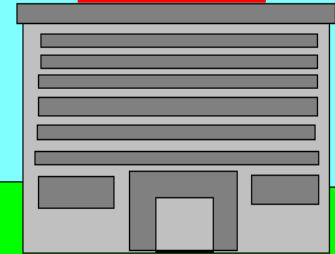
# BUSINESS FLOW



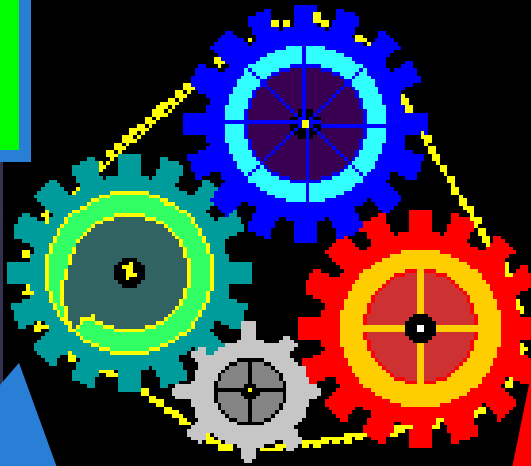
CONSUMERS



JOE'S



PRODUCERS



GOVERNMENT

