

THE CIRCULAR FLOW OF ECONOMIC ACTIVITY

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CIRCULAR FLOW CONCEPTS

Product Market – where goods and services are exchanged



Households – suppliers of the factors of production & demanders of goods and services



Government – providers of public goods and services & demanders of both private goods and services and the factors of production



Businesses / Firms – suppliers of goods and services & demanders of the factors of production

Factor Market – where the factors of production are exchanged

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CIRCULAR FLOW MODEL

Factor Market

Land, Labor, Capital & Entrepreneurship

goods & services

public goods



government spending
public goods
taxes



taxes
factors of production
factor payments



Household Spending
Goods and Services

Household Spending
Goods and Services

Product Market

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