Circular Flow Diagram: The Flow of $ and Goods in a Market Economy

(5 pts.)

**Pages 102-106**

1. Explain the four parts to the circular flow diagram. What or who makes up each of these parts?

Product Market:

Factor Market:

Households:

Firms / Businesses:

1. Explain how these parts work together in a market economy to create the flow of money and goods.
2. Do you think the government ever influences the flow of money and goods in a market economy?
3. Draw a circular flow model that includes all components, shows the flow of money and goods, and includes any government intervention.