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Circular Flow Infographic Activities

Economists create models to illustrate economic activity. The circular flow model shows us how households, businesses, and the government interact with one another in the economy. Each of these three parts of the economy are affected by the actions of the others. The following activities will help you analyze these relationships.

Activity 1

Use the information from your infographic poster (bit.ly/frba-circular-flow) to answer the following questions. For each of the scenarios, you should identify:

- the role of the person: buyer OR seller; the market: resource OR product
- the sector: household OR firm
- the sector receiving the money payment: household OR firm

1. Swooshy Sports sells a soccer ball to James. What can you tell about the transaction?
   a. James was the_____of the soccer ball in the_____market.
   b. James is part of the_____sector.
   c. The money used in this transaction was paid to the_____sector.

2. Sydney has a large rural property where she grows pine trees and sells them to Big Paper Company. What can you tell about the transaction?

3. Sydney was the_____of the trees in the_____market.

4. Sydney is part of the_____sector.

5. The money used in this transaction was paid to the_____sector.

Activity 2

Use the information from your infographic poster (bit.ly/frba-circular-flow) to answer the following questions. For each of the scenarios, you should identify:

- the market: resource OR product
- the factor of production: land, labor, capital, OR entrepreneurship
- the product: good OR service

1. Shayla has her own business selling tacos at a stand in a local park. For her taco stand, she grows tomatoes in a small garden plot she rents from a man named Jack.
   a. Shayla rents her garden plot in the_____market.
   b. The garden plot is a_____resource.
   c. A taco Shayla sells at her stand is a_____.

2. Show Me Productions Inc. just announced a big hit show will play at the Grand Theater in July. Alec works at the snack bar inside the theater and says he can help you buy tickets to the show.
   a. Show Me Productions Inc. will sell tickets to you in the_____market.
   b. Alec is an example of a_____resource.
   c. Show Me Productions Inc. is selling you a_____.

Activity 3

In the United States, most buying and selling is done using money. When money is used to buy a good or service, the money (here, the US dollar) is the "medium of exchange." The circular flow model identifies several different types of money payments. For each of the following scenarios, use the list below to name the money payment being described.

Interest	Profit	Rent	Revenue
Subsides	Taxes	Transfer Payments	Wages/Salaries

1. Hope borrowed $1,000 to buy machinery for her small business. The total amount she repaid to her lender was $1,200. The additional $200 she paid her lender would be this type of money payment in the circular flow model:_____.

2. The Salah household earned $60,000 in income last year by working at Big Software Corporation. That income is this type of money payment in the circular flow model:_____.

3. Wayne retired and expects to receive $1,400 per month from his government social security benefits. This type of money payment in the circular flow model is _____.

4. Marta operates a small business selling custom jewelry. Last year, her business received $40,000 in exchange for the jewelry it sold and paid $35,000 in expenses. The $5,000 left over after Marta paid all her costs would be this type of money payment:_____.

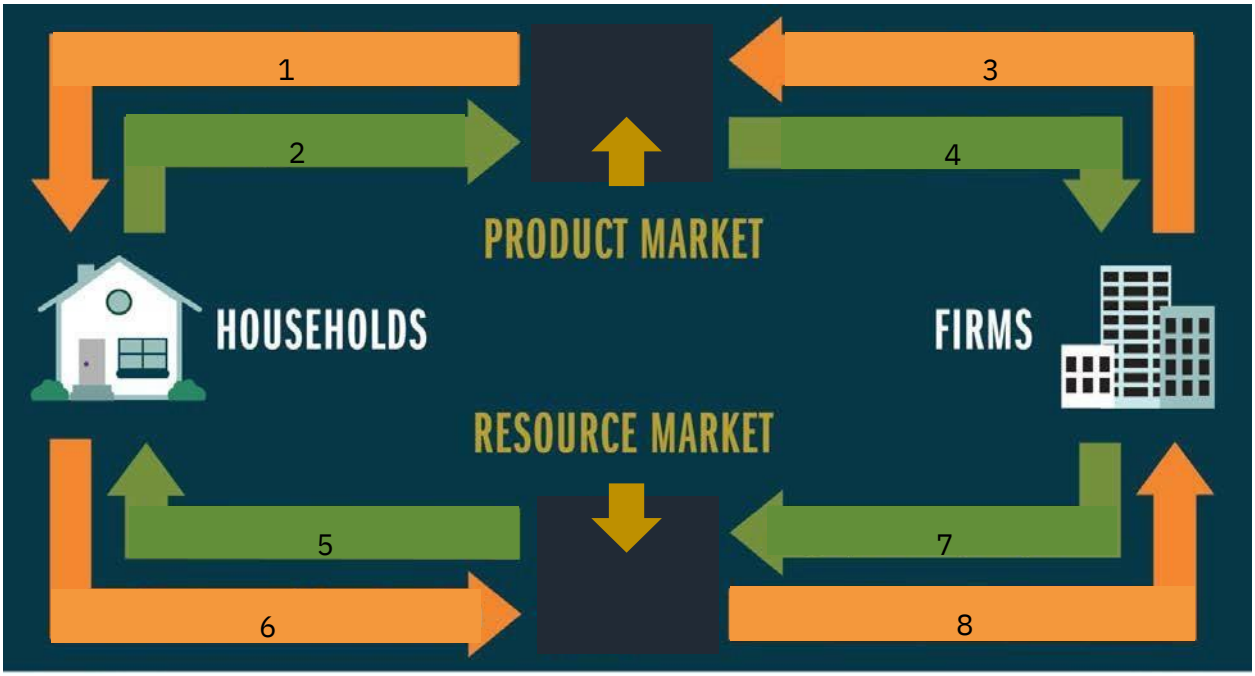
5. Sergio regularly deposits money in his savings account at a local bank. The bank lends a portion of Sergio's money to other customers. The customer must repay the loan plus an additional amount for using the money, some of which is deposited into Sergio's account. Last year, Sergio earned $5 from these extra payments. The $5 he earned would be considered this type of money payment: _____.

6. Giant Telecommunications Company received $2 billion from the sales of goods and services last year and had $1.9 billion in costs. The $2 billion would be this type of money payment: _____.

7. Consider questions 1—6 in this section. What total dollar value do you get by adding together the money payments that would be included in the calculation of the national income accounting formula? _____.

Activity 4

Below is a circular flow model with some of the labels missing. For each scenario, identify the appropriate flow using the numbers from the model. To answer correctly, pay close attention to the subject and verb in each statement.



1. Famous Person Clothing, Inc. sold designer shirts at a department store:_____.
2. Developers "R" Us hired five new computer programmers:_____.
3. Josef spent $25 for a meal at a local restaurant:_____.
4. Crabapple Farms, Inc. rents its orchard for $50,000 per year:_____.
5. Lydia received her senior portrait photographs from Snapshot Photography:_____.
6. Crazy Coaster Theme Park received $1000,000 in ticket sales last Friday:_____.
7. Jasmine, a recent graduate with a PhD in economics, applies for jobs with the government, universities, and international nonprofits:_____.
8. Cory earns $15 per hour from his summer internship program:_____.