Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Circular Flow Model Activity**

**Directions: Answer the questions below**

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**1. Fill in the blank lines on the circular flow model below. What is occurring/being traded in each step?**

**a. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**b. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**c. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**d. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**2. In the resource market:**

**a. What is the role of firms?**

**b. What is the households?**

**3. In the product market:**

**a. What is the role of firms?**

**b. What is the role of households?**

**4. Give an example of a transaction someone in your household made in the factors market this month.**

**5. Give three examples of transactions you made this week in the product market.**

**6. What determines the amount of income a household will earn in the resource market? Why do some households earn higher incomes than others?**

**7. What determines the amount of money a firm will earn in the product market? Why do some firms earn so much more money than others in a market economy?**

**8. What is the goal of a household in a market economy? Based on this simple goal, what is the best way for a household to achieve it?**

**9. What is the goal of a firm in a market economy?**

**10. What makes the exchanges that take place in a market economy “mutually beneficial”?**

**11. What role does money play in the circular flow model?**

**12. What role do prices play in the circular flow model?**

**13. What role or roles does the government play in our economy?**

**14. What role do banks play in our economy?**

**15. Prediction: What would happen to the circular flow of a nation’s economy if the nation opened up to**

 **free, international trade with the rest of the world?**

**16. Name 2 ways that capital can “leak” out of the circular flow of goods and services in America.**