

LET IT (CIRCULAR) FLOW

- Households offer labor/factors to businesses.
Sell factors of production
Example: labor in factory, land to grow crops
- Households earn income as payment for labor and other factors used by business.
Income from resources (\$)
Example: wages from job
- Businesses hire labor and other factors to produce goods and services.
Buy factors of production
Example: summer jobs for college students
- Businesses pay the owners of the factors used in production.
Payment for resources (\$)
Example: payroll check issued to worker, or rent on a new factory
- Businesses offer goods and services for sale.
Sell goods and services
Example: Dell makes computers for consumers
- Businesses receive revenues from the sales of their goods and services.
Business revenue (\$)
Example: restaurant counts receipts for meals
- Households consume goods and services produced by businesses.
Buy goods and services
Example: buying a CD or pizza, getting a haircut
- Households pay for the goods and services they purchase.
Consumer spending (\$)
Example: cash payment for burger, check written for tuition

