

The Core Economic Actors:
Households & Firms

Linked in the
"Circular Flow" Model

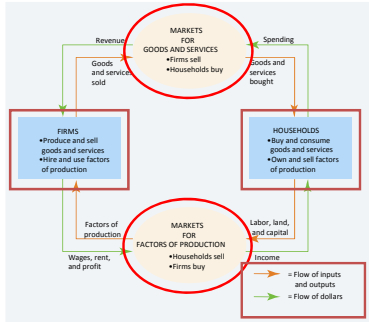
Core Components of an Economy:

- Core Actors: **Buyers & Sellers**
 - Households
 - Firms
- Core Institution: **The Market**
 - The "Place" where Actors Interact
 - Where Exchanges Occur
 - Where Buying & Selling Occurs

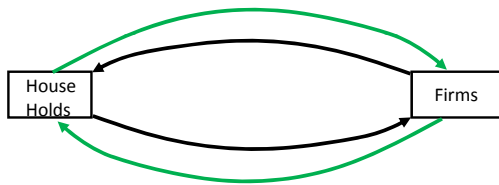
The Core Actors: Revisited

- **Households**
 - "Typical Family of Four"
 - An Individual
 - Various "Blends" of Individuals
- **Firms**
 - Sole Proprietorships
 - Partnerships
 - Corporations

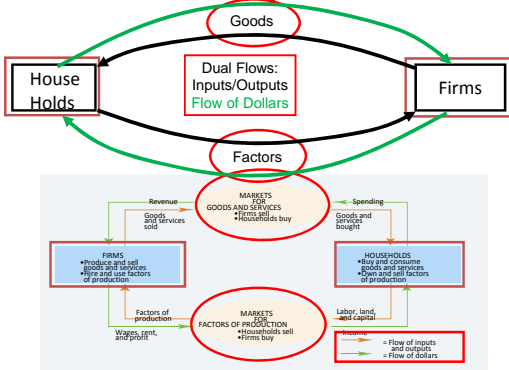
Basic Textbook Circular Flow Model



The Basic Circular Flow: A Simplified Version



Difference in **Style**--Not Substance



Wrap Up:

- Key Actors: Households & Firms
- Interact in Markets: Outputs & Inputs
- Dual Flows: Real & Financial
