

## The Core Economic Actors: Households & Firms

Linked in the  
"Circular Flow" Model

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## 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

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## The Core Actors: Revisited

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

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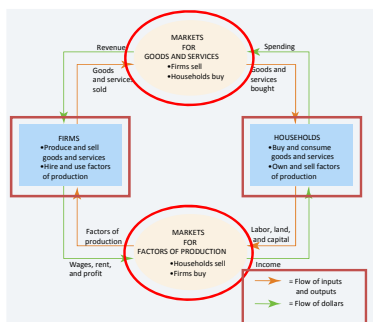
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## Basic Textbook Circular Flow Model




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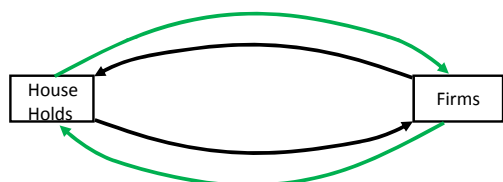
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## The Basic Circular Flow: A Simplified Version




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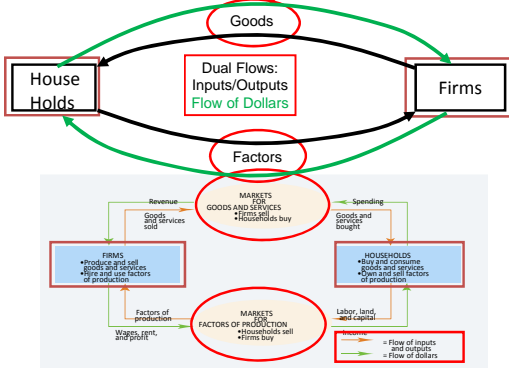
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## Difference in **Style**--Not Substance




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### Wrap Up:

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

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