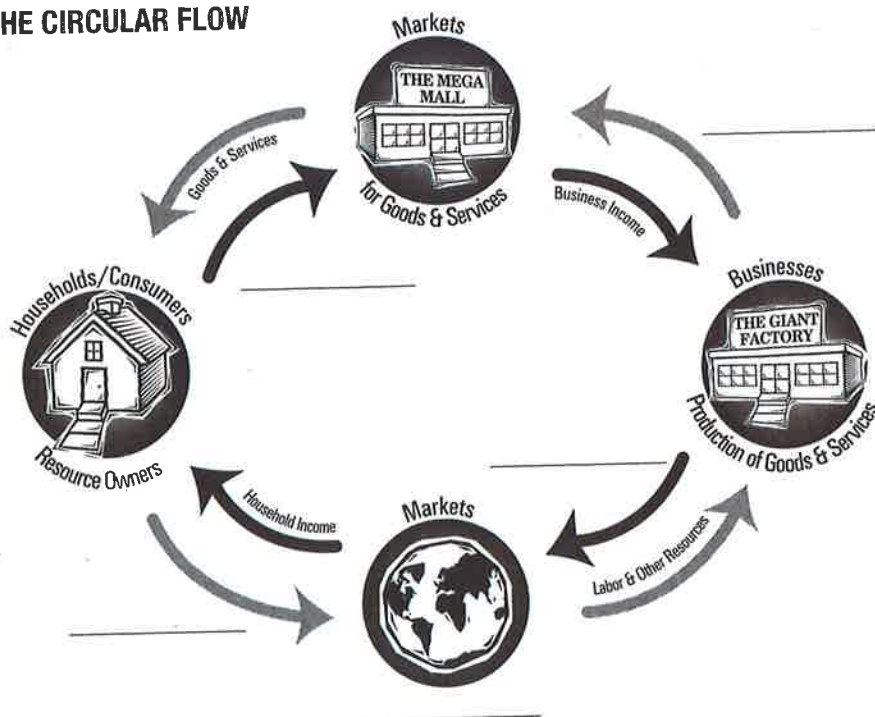


Student Study Guide

Chapter 2 Free Enterprise in the United States

Name: _____ Date: _____

UNDERSTANDING THE CIRCULAR FLOW



1. Use the circular flow model above to explain how the money you spend for goods and services becomes income for members of another household.

2. Use the circular flow model above to explain how money that one business spends on wages and salaries becomes income for another business.

3. What would be the effect of the following on the total value of goods and services in the circular flow: New businesses start up and begin producing goods and services, and many existing businesses expand.
