THE CIRCULAR FLOW OF
ECONOMIC ACTIVITY

 

Circular Flow Concepts
Product Market â where goods and services are exchanged

Households â suppliers of the factors of p...

ïThe

circular-flow diagram is a model
that represents the transactions in an
economy by flows around a circle.
ïTwo

sect...

Two sectors model
(no savings economy)
Factors of payment
(rent, wages, interest, profit)
Factors of Production
(land, lab...

(savings economy)
Factors of payment
(rent, wages, interest, profit)
Factors of Production
(land, labor, capital, entrepre...

ïThree sectors models
It includes household sector, producing sector and
government sector. It will study a circular flow
...

ïFour sectors models
ï

A modern monetary economy comprises a
network of four sector economy these are1.Household sector 2...

Factors of payment
(rent, wages, interest, profit)

Taxes

Factors of Production
(land, labor, capital, entrepreneur)

Bus...

3 Classification of countries
LDCS- Low Developed Countries
ï IMCS- Intermediate Developed
Countries
ï HDCS- Highly Develo...

LCDS- Low developed countries
Country whose state of economic
development is characterized by a low
national income, a hig...

IMCS- Intermediate Developed
Countries

 

HDCS- Highly Developed Countries
ï

It is a sovereign state that has a highly
developed economy and advanced
technological...