

SESSION 5: Circular Flow

Session Description

In a market economy, businesses (producers), consumers, and government are linked. Students explore this linkage with circular flow activities. Students will also investigate the major forms of business organizations.

Talking Points

1. In the circular flow model (CFM) of an economy, consumers trade resources for money in resource markets. They use the money to buy finished goods and services in product markets. Producers buy resources in resource markets with money. Producers use the resources to produce goods and services, which they sell in resource markets in exchange for money. So, real things (goods and services) and money flow in opposite directions.
2. Consumers are sellers in resource markets and buyers in product markets, while producers are buyers in resource markets and sellers in product markets.
3. Consumers and producers have different names for the same flows in the CFM:
 - a. Consumers sell resources; producers buy inputs.
 - b. Consumers are paid income; producers incur costs.
 - c. Consumers buy goods and services; producers sell their outputs.
 - d. Consumers make expenditures; producers receive revenue.
4. There are four main types of business ownership: sole proprietorship, partnership, franchise, and corporation. These types are distinguished by the ability of the owners to raise financial capital, the liability they face should the business fail, and some differences in tax liability.

Session 5: Standards and Benchmarks

Arkansas Economic Standards

Strand: Exchange and Markets

Content Standard 3: Students will investigate the role of producers, consumers, and government in a market economy.

- EM.3.E.1 Analyze the role of consumers in a market economy
- EM3.E.2 Compare and contrast major forms of business organizations (e.g., sole proprietorships, partnerships, corporations, non-profits, franchises)

Common Core State Standards

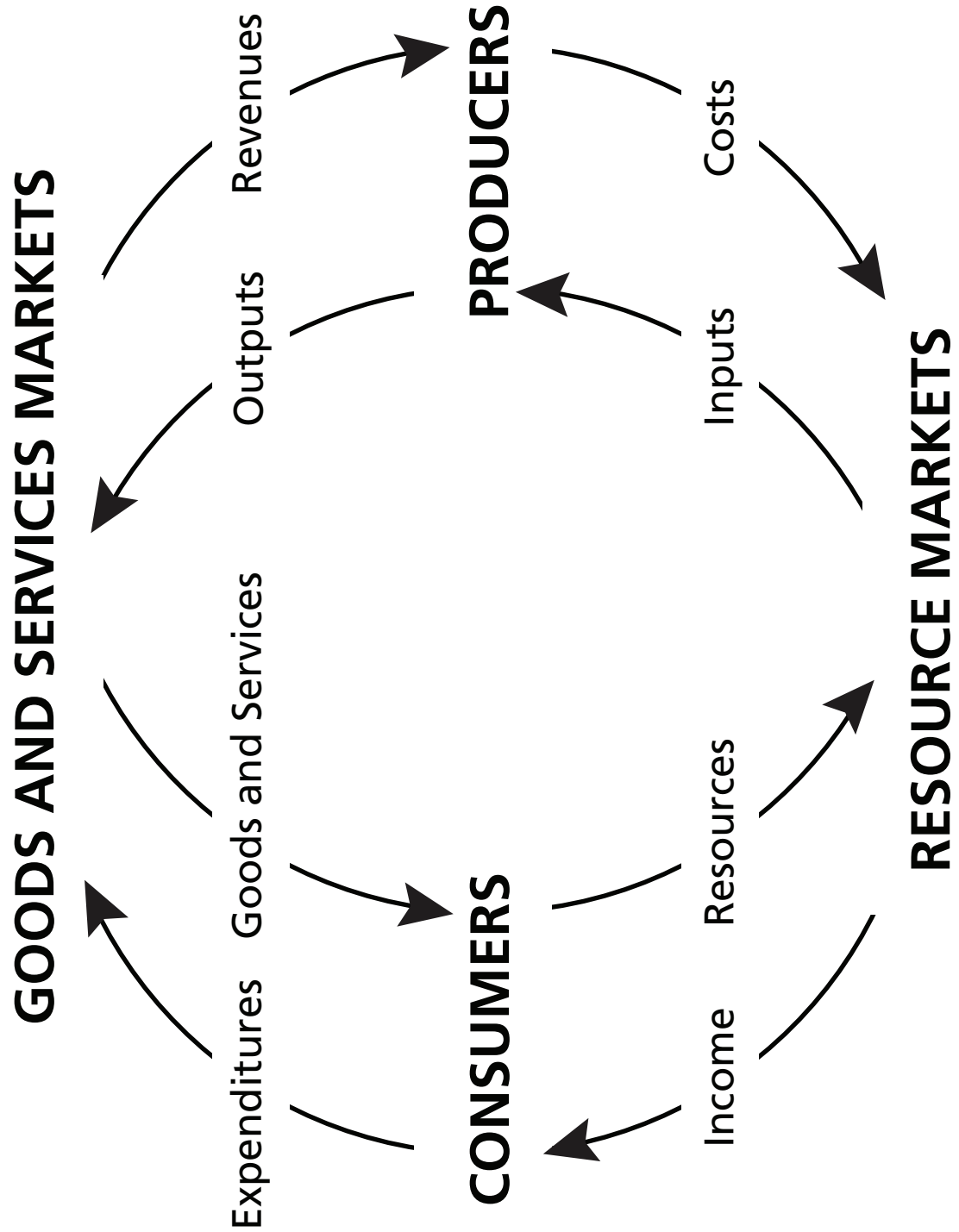
- CCSS.ELA-Literacy.RI.9-10.1 Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.
- CCSS.ELA-Literacy.RI.11-12.1 Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text, including determining where the text leaves matters uncertain.
- CCSS.ELA-Literacy.RI.9-10.2 Determine a central idea of a text and analyze its development over the course of the text, including how it emerges and is shaped and refined by specific details; provide an objective summary of the text.
- CCSS.ELA-Literacy.RI.9-10.4 Determine the meaning of words and phrases as they are used in a text, including figurative, connotative, and technical meanings; analyze the cumulative impact of specific word choices on meaning and tone (e.g., how the language of a court opinion differs from that of a newspaper).
- CCSS.ELA-Literacy.RI.11-12.4 Determine the meaning of words and phrases as they are used in a text, including figurative, connotative, and technical meanings; analyze how an author uses and refines the meaning of a key term or terms over the course of a text (e.g., how Madison defines *faction* in *Federalist No. 10*).
- CCSS.ELA-Literacy.SL.9-10.1 Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9-10 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.
- CCSS.ELA-Literacy.SL.11-12.1 Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 11-12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.
- CCSS.ELA-Literacy.SL.9-10.4 Present information, findings, and supporting evidence clearly, concisely, and logically such that listeners can follow the line of reasoning and the organization, development, substance, and style are appropriate to purpose, audience, and task.

- CCSS.ELA-Literacy.SL.11-12.4 Present information, findings, and supporting evidence, conveying a clear and distinct perspective, such that listeners can follow the line of reasoning, alternative or opposing perspectives are addressed, and the organization, development, substance, and style are appropriate to purpose, audience, and a range of formal and informal tasks.
- CCSS.ELA-Literacy.RH.9-10.4 Determine the meaning of words and phrases as they are used in a text, including vocabulary describing political, social, or economic aspects of history/social science.
- CCSS.ELA-Literacy.RH.11-12.4 Determine the meaning of words and phrases as they are used in a text, including analyzing how an author uses and refines the meaning of a key term over the course of a text (e.g., how Madison defines *faction* in *Federalist No. 10*).

Session 5: Resources

1. High School Economics (*Virtual Economics*® 4.5)
 - a. Lesson 16: The Circular Flows of Econoland
2. © Visual 5B: Goods and Services Markets
3. Focus: Institutions and Markets (*Virtual Economics*® 4.5)
 - a. Lesson 3: Business Organizations
4. Entrepreneurship Economics (*Virtual Economics*® 4.5)
 - a. Lesson 4: Choosing the Right Type of Business Organization
 - b. Adaptation: Choosing the Right Type of Business Organization
 - i. Use with the activity in the lesson.

© Visual 5B: Goods and Services Markets



Adaptation: Choosing the Right Type of Business Organization

Use with “**Lesson 4: Choosing the Right Type of Business Organization**” in *Virtual Economics*® 4.5: Entrepreneurship Economics.

OPTION 1

As a class, have the students compete in a relay race to correctly identify characteristics of each business organization.

Preparation

- Copy the concentration cards (provided with “Lesson 4: Choosing the Right Type of Business Organization”) on different colors of cardstock, using a different color for each team (with a minimum of 3 teams).
 - Laminate the cards and cut them apart.
 - Place each team’s cards in a basket or bag.
 - Write the types of business organizations on the board (far enough apart that the cards won’t overlap but close enough that they are easy for each team to reach): Franchise, Corporation, Sole Proprietor, Partnership.
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Procedure

1. Divide the class into 3 (or more) teams. Have the teams line up at the opposite end of the room from the board.
 2. Place each team’s basket (bag) of cards at the starting line.
 3. Explain the rules of play:
 - When start is called, the first student in line for each team pulls a card from the team basket (bag).
 - This student moves to the front of the class and tapes the card under the appropriate sign and then returns to the starting line and tags the next teammate in line.
 - This teammate then draws a card from the bag and repeats the process.
 - Teams continue until all of the cards are taped to the board.
 4. Play the game, keeping track of the order in which teams finish (by points or time).
 5. Check answers. Deduct points/add seconds for any incorrect answers.
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OPTION 2

Preparation

- Copy the concentration cards (provided with “Lesson 4: Choosing the Right Type of Business Organization”) on different colors of cardstock, using a different color for each team of 3 to 4 students.
 - Laminate the cards and cut them apart.
 - Copy and laminate the mats from *Handout 1: Business-Type Mats*, with one set for each team of 3 to 4 students.
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Procedure

1. Divide the class into teams of 3 to 4 students. Provide each team with a set of concentration cards and business-type mats.
2. Have the groups sort the characteristics onto the business-type mats.
3. Check answers.

Adaptation: Choosing the Right Type of Business Organization
Handout 1: Business-Type Mats

Sole Proprietor	Franchise
Partnership	Corporation