

# Tools for Teaching the Arkansas High School Economics with Personal Finance Course

## 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.

---

### Standards and Benchmarks (see page 5.4)

---

### 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:
  - Consumers sell resources; producers buy inputs.
  - Consumers are paid income; producers incur costs.
  - Consumers buy goods and services; producers sell their outputs.
  - 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.

## Resources

NOTE: See p. v for instructions on how to set up an [Econ Lowdown](#) account and assign resources found in the Resource Gallery to your students.

### Video Q&A

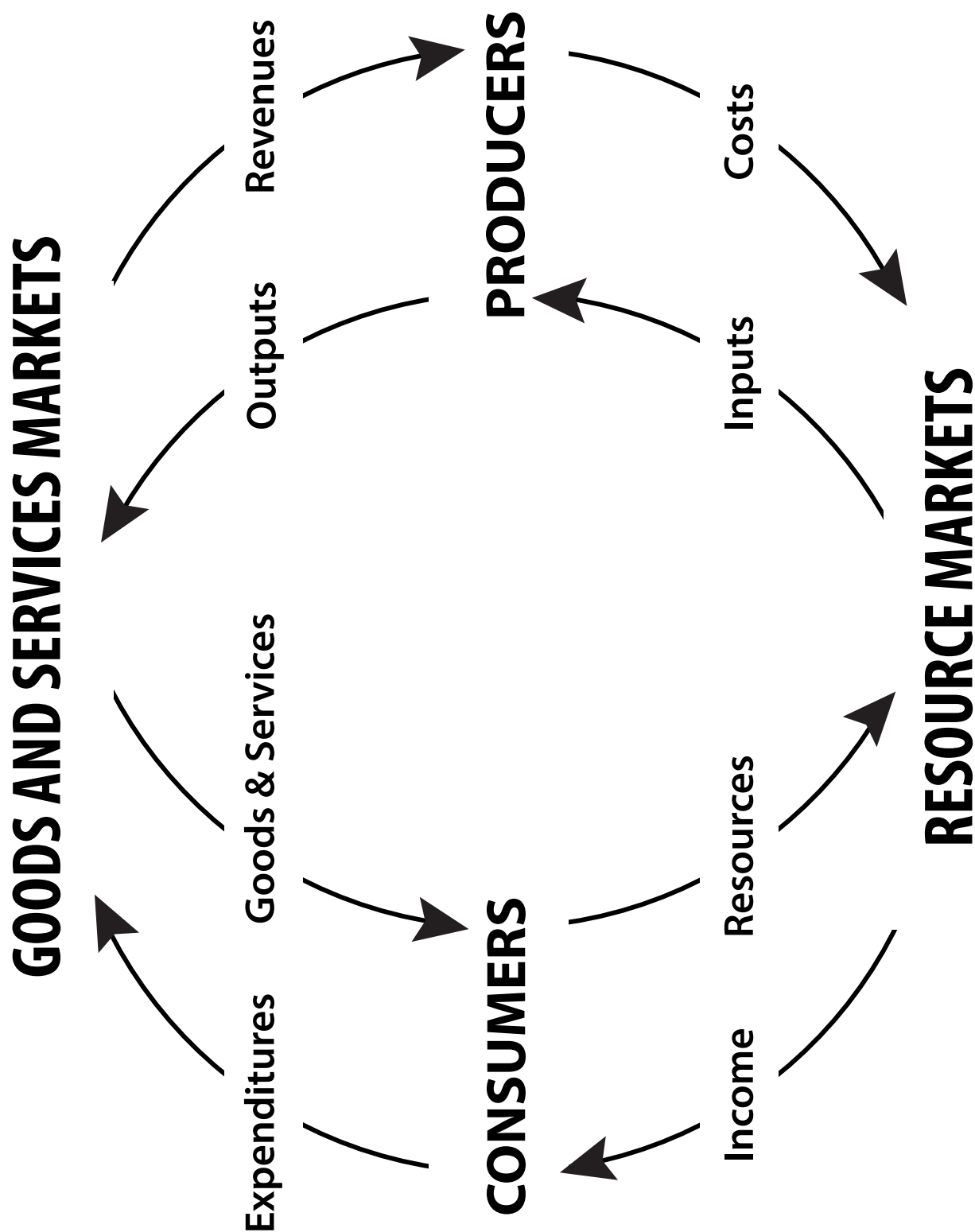
Allow time for students to watch the video and answer the questions:

- Economic Lowdown Video Series—Circular Flow (15:00)  
<https://www.econlowdown.org/resource-gallery/economic-lowdown-episode-6-circular-flow>
- Circular Flow Study Guide and Answer Key  
<https://www.stlouisfed.org/education/economic-lowdown-video-series/episode-6-circular-flow>

### Lessons

Allow time for students to complete the lessons:

- Visual 5: Goods and Services Markets (see p. 5.3 in this session)
- *High School Economics*, 3rd Edition (email [acee@economicsarkansas.org](mailto:acee@economicsarkansas.org) to order this book)
  - Lesson 16: The Circular Flows of Econoland  
Visuals and activities for this lesson can be found at  
<https://highschooleconomics.councilforeconed.org/>



## Standards and Benchmarks

### Arkansas Economic Standards

**Content Standard E.1:** Students will understand the impact of economic decision-making. This includes the exchange of goods and services; role of producers, consumers, and government in the marketplace; and growth, stability, and interdependence within a global economy.

**Content Standard E.3:** Students will understand the exchange of goods and services. This includes different allocation methods and changes in supply and demand, the role of producers, consumers, and government in a market economy; and the degree of competition among buyers and sellers in markets.

- **E.3.ECON.3:** Analyze the role of consumers in a market economy.
- **E.3.ECON.4:** Analyze the role of producers in a market economy.