

**Circular Flow Model**

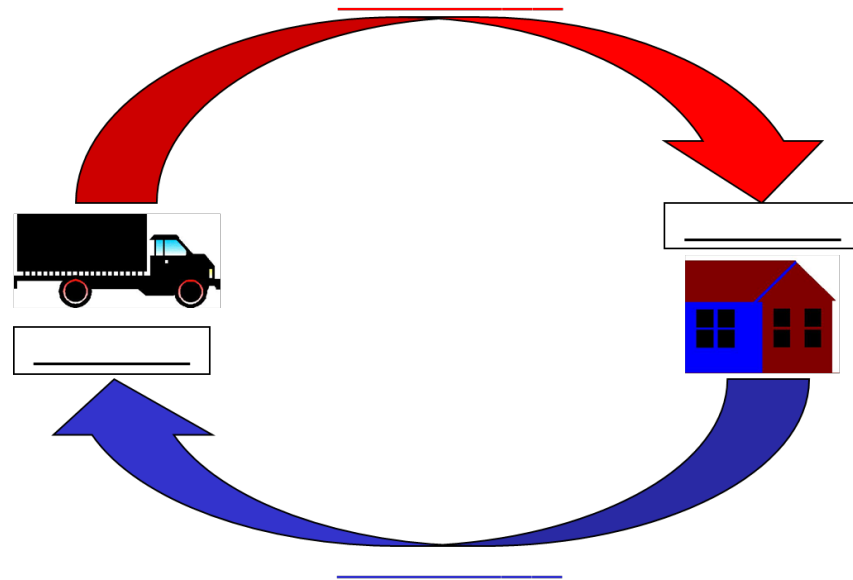
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Economic Systems

Unit 1

**Key Idea:**

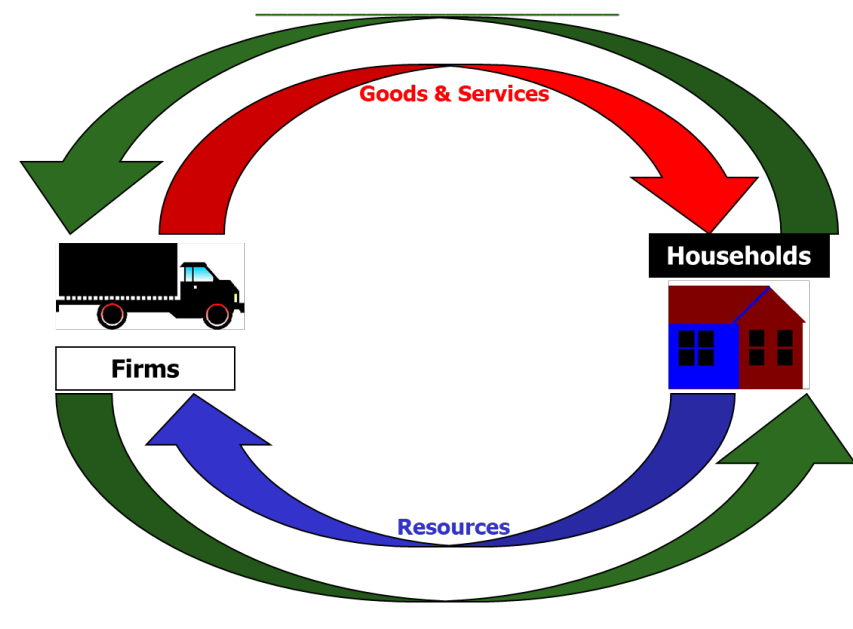
The circular flow diagram reflects the interdependence of an economy.

**Barter Economy**

- we exchange what we produce with those who \_\_\_\_\_
- requires a \_\_\_\_\_ otherwise it becomes more complicated requiring \_\_\_\_\_ until one person trades for what the other person needs in order to get what they originally need

Pros/Benefits:

Cons/Drawbacks:

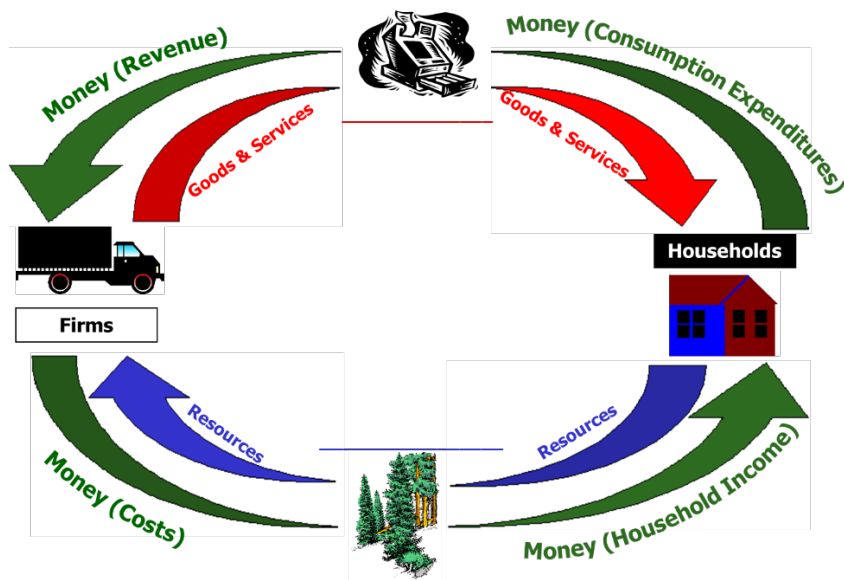
**Money Economy**

- to avoid the problem created by the coincidence of needs, society will create a \_\_\_\_\_ that is accepted by everyone to exchange for what they have to trade

Pros/Benefits:

Cons/Drawbacks:

## Market Economy

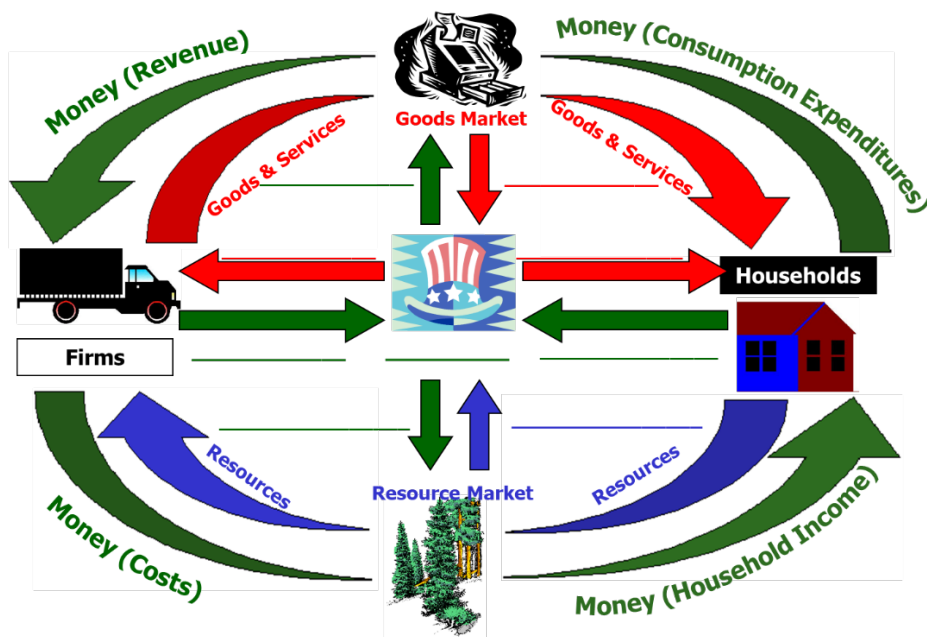


- \_\_\_\_\_ are ways to make it easier for producers and consumers to trade – they can be physical or \_\_\_\_\_ locations

Pros/Benefits:

Cons/Drawbacks:

## Mixed Economy



- In order to provide goods and services, government needs \_\_\_\_\_ to pay for the resources necessary

Pros/Benefits:

Cons/Drawbacks:

**Summary:** Describe how the Circular Flow model of the mixed economy reflects the interdependence of an economy.