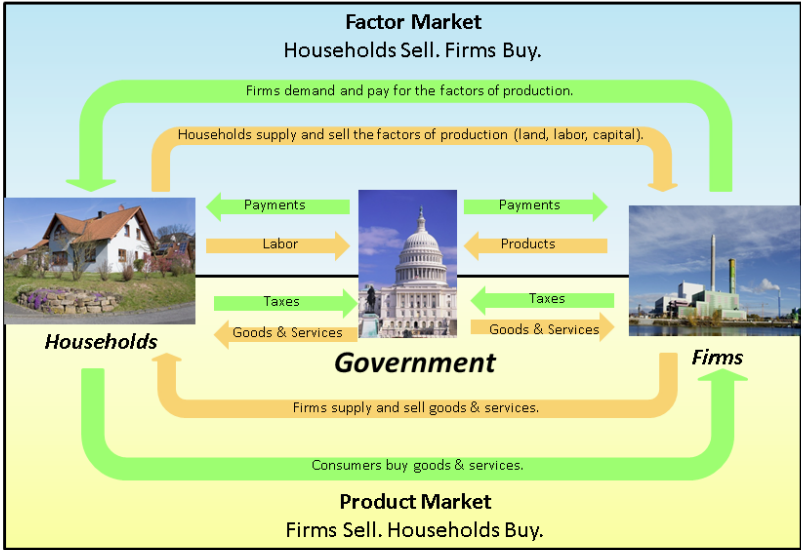


Vocabulary

<p>Circular Flow</p>	<h2 style="text-align: center;">Circular Flow of Economic Activity</h2>  <p>The diagram illustrates the circular flow of economic activity between three sectors: Households, Government, and Firms. It is divided into two main market areas: the Factor Market (top) and the Product Market (bottom).</p> <ul style="list-style-type: none"> <li><b>Factor Market (Top):</b> Households sell factors of production (land, labor, capital) to Firms. Firms pay for these factors.             <ul style="list-style-type: none"> <li>Flow from Households to Firms: Labor (orange arrow).</li> <li>Flow from Firms to Households: Payments (green arrow).</li> </ul> </li> <li><b>Product Market (Bottom):</b> Firms supply and sell goods and services to Households. Households buy these goods and services.             <ul style="list-style-type: none"> <li>Flow from Firms to Households: Goods &amp; Services (orange arrow).</li> <li>Flow from Households to Firms: Payments (green arrow).</li> </ul> </li> <li><b>Government (Center):</b> <ul style="list-style-type: none"> <li>Flow from Households to Government: Taxes (green arrow).</li> <li>Flow from Government to Households: Payments (green arrow).</li> <li>Flow from Firms to Government: Taxes (green arrow).</li> <li>Flow from Government to Firms: Payments (green arrow).</li> </ul> </li> </ul>
<p>Price</p>	
<p>Demand</p>	
<p>Quantity Demanded</p>	
<p>Law of Demand</p>	
<p>Income Effect</p>	

Substitution Effect	
supply	
Law of Supply	
Market Equilibrium	
Surplus	
Shortage	
Elasticity	
Substitutes	
Price Controls	

Price Floor	
Price Ceiling	
Complementary goods	
Equilibrium price	
Equilibrium Quantity	