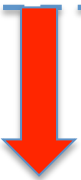
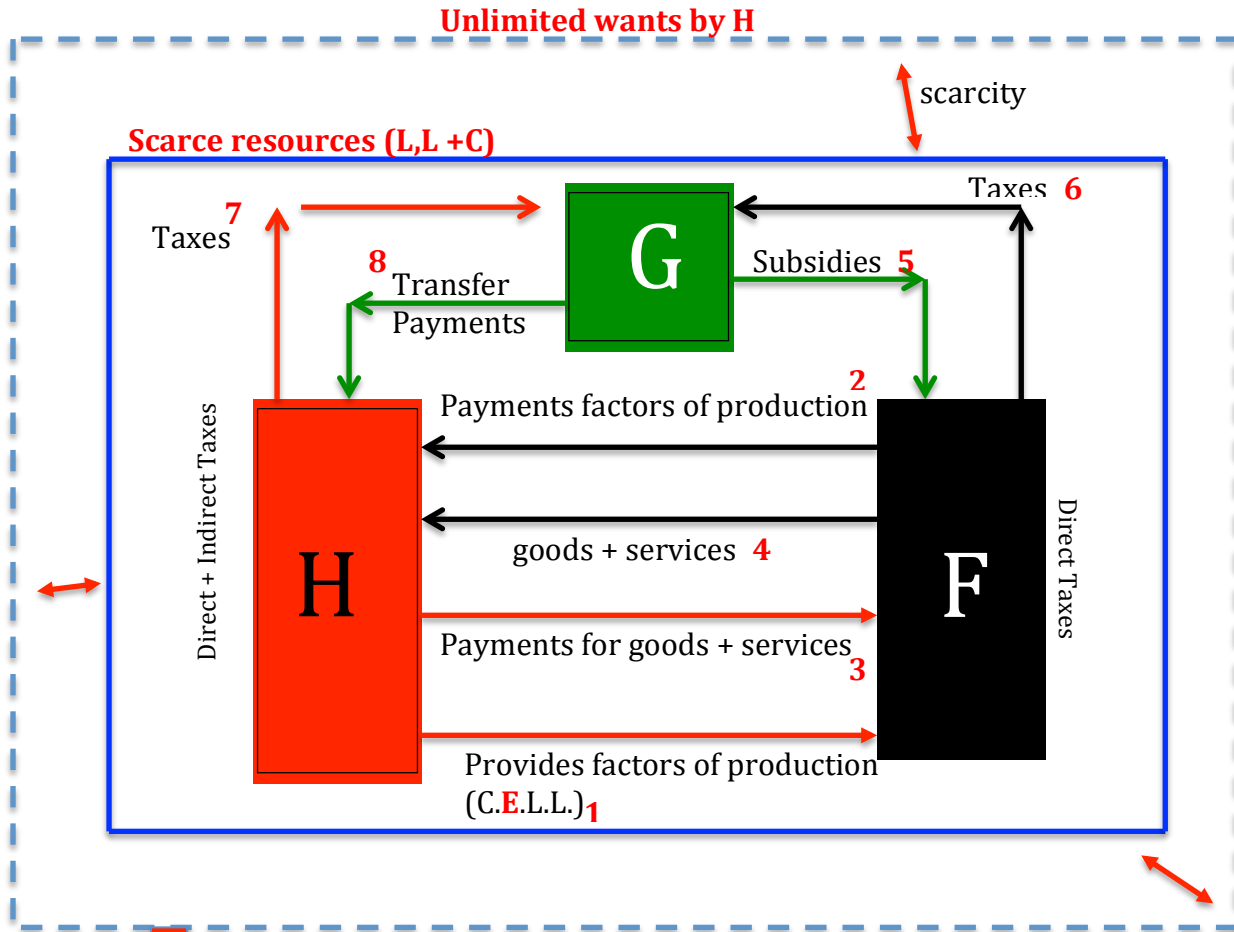


Microeconomics Circular Flow of Income

Economic Problem: Scarcity and how to allocate scarce resources.
Circular flow of income shows how resources move in an economy



Scarcity:

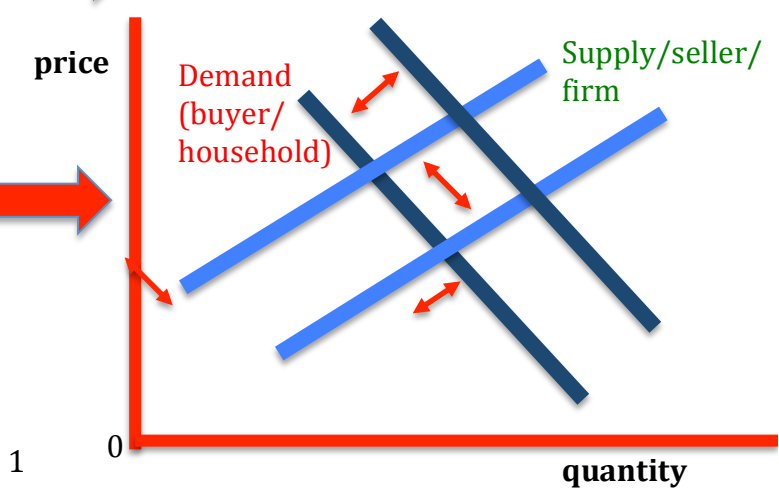
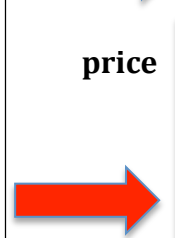
Due to scarcity Resource allocation
 Questions occur: Every economy must answer these **3** questions: what is the best allocative system to answer these 3 questions? Efficient **resource allocation** is a key concept in microeconomics. (see PPC)

1. **What** to produce?
2. **How** to produce? (capital or labour intensive)
3. **For whom** to produce?



Answer:
Price Mechanism

Mixed Market Economy (with more or less government intervention) answers these questions using the price mechanism = market



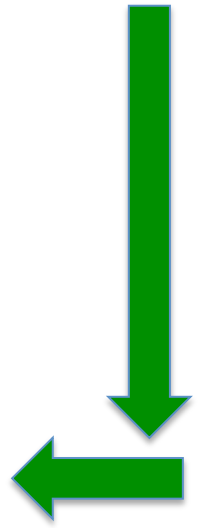
Macroeconomic Circular Flow of Income

Circular Flow and 9 Concepts:

1. Interdependence
2. intervention
3. equity
4. economic well being
5. Scarcity
6. choice

L
Leakages:
S: savings
T: taxes
M: imports

J
Injections:
G: government
I: investment
X: exports



Macroeconomics Circular Flow of Income

Macroeconomic Circular flow shows how important government terms of managing the macroeconomy.

