2 All about the economy

1. The economic system

1 Describe the circular flow of the economy below. Fill in the missing words.

BUSINESSES
Produce 1. goods and
2. ..... and sell them to households.

THE STATE
Passes 3. ..... that
4. ..... business practices and 5. ..... workers.

HOUSEHOLDS
Main 6. ..... who buy
7. ..... and 8. .....
from businesses.

2 Identify and explain the basic components of the economy in each picture.







Natural resources
We get these from nature, like plants and minerals.

3 Match the term to its definition.

Economy	• Technological resources like websites or software.
Capital goods	• Money invested in business and banking.
Financial capital	• A person who has an idea for a business and organises the production of goods or services.
Technological capital	• Man-made resources like machinery, computers, tools, factories, or office buildings.
Entrepreneur	• A system in which businesses produce goods and services which people buy and use.

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