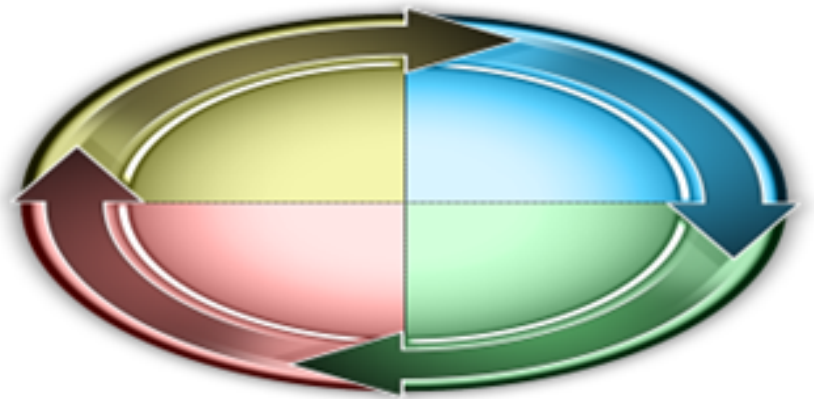


6th Grade– Unit 1, Lesson 9

Please use the following slides to fill
in the blanks on your vocabulary
guide!

circular flow model



a graphic representation of the relationships among the different components of a market economy

Example: The Circular Flow Model gives a picture of what a market economy looks like.

increased productivity



increase in the
output per worker or
other resources used for production

Example: When resources are used
efficiently, increased productivity results.

profit

the amount of money left over after all of the costs of production have been paid



Example: To earn a profit, factories must sell cars for more than it costs to produce them.

competition

the rivalry among businesses to sell goods to consumers and make the greatest profit



Example: Competition leads to improved products at a cheaper price.

supply

the quantities of a good or service that producers are willing and able to sell at various prices



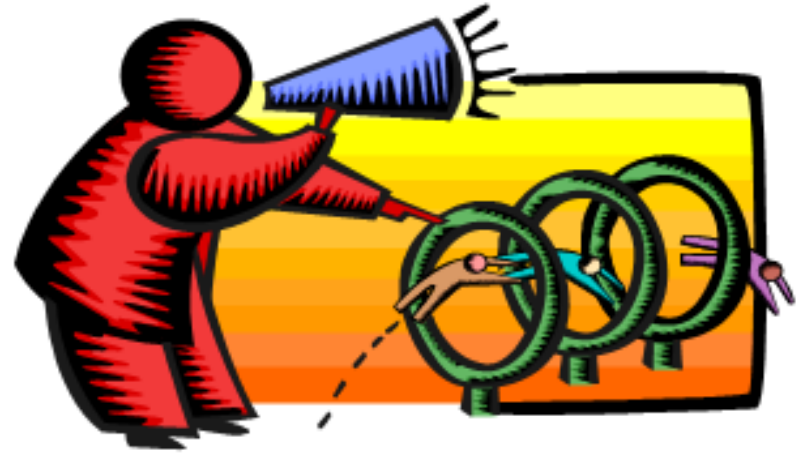
Example: At high prices producers are willing to supply more and at low prices they will supply less.

demand

the quantities of a good or service

that consumers are willing and able to buy at various prices

Example: Consumers will buy less at higher prices and more at lower prices.



tax

a fee charged by a government on a product, income or activity



Example: People pay taxes on things they buy and money they earn.

sales tax

a tax paid on
products people
buy



Example: In Michigan the sales tax is currently six percent.

income tax

a tax paid on wages, salaries and interest a person earns

Example: When you earn money by having a job you pay income tax.



property tax

a tax paid on the property a person owns



Example: When you own a house you pay property tax.