ROUND AND ROUND: THE CIRCULAR FLOW

> *One idea must land: households and businesses are interdependent — money circles between them, and one sector's sneeze becomes the other's cold.*

WE ARE LEARNING

The two-sector circular flow model — built from a story we tell ourselves, tested by breaking it, and drawn from memory before the bell.

CURRICULUM · VERBATIM

"The interdependence between households and businesses using the two-sector circular flow model" — Revised WA Curriculum, Y7 Economics and Business (SCSA, implementation 2026).

SPARK — FOLLOW THE FIFTY

- **Harvest first:** read two or three Lesson 3 exit seeds aloud — the wages-into-town loop nobody could close. "Today we close it."
- **Launch (say it exactly):** "A $50 note, fresh from the Jindarra pay office, Thursday 4pm, in operator Dana's pocket. Where does it go next?" Pairs add one hop each, around the room; the rule is strict — **who pays whom, for what.** Scribe every hop on the board; students log six in the handout.
- **The reveal question:** "Look at the board. Every hop passed between a PERSON and a BUSINESS. What shape have we drawn?" A circle. They built the model before hearing its name.

CORE — NAME THE MACHINE

- **Show:** this lesson's hero image — the flow as a WA scene. Formalise: two sectors, four flows; **money circles one way, real things (work, goods, services) the other.**
- **Do:** students label the diagram (handout p2), then sort the six traffic examples. The haircut is deliberate — services ride the goods arrow; let them argue it before you settle it.

WORKSHOP — STORM TESTING

- **Deal one storm card per team** (printable): the night shift, the spending freeze, or the store closure. Teams trace the ripple **four steps minimum, all the way around**, then present their chain aloud.
- **The word you're fishing for:** interdependence — the descriptor's own word. When a team's chain shows households hurting businesses hurting households, name it there, in their example, not on a slide.

LAND IT — EXIT TICKET

- The whole machine from memory (two boxes, four arrows — the real test of the lesson), interdependence proven with Dana and the store, and the Lesson 5 seed: three very different "businesses," one question — who owns each?

ANSWER KEYS

TRAFFIC EXAMPLE	ARROW
Dana's twelve-hour shift	Labour (household → business)
Dana's pay, Thursday 4pm	Wages (business → household)
Buying boots at the town store	Spending (household → business)
The boots in the box	Goods & services (business → household)
The café owner's morning shift	Labour — owners work in their own businesses too
A haircut	Goods & services — a service is the grey arrow with nothing in a box

Storm ripple chains — the shape to listen for:

Night shift (+40 jobs): more wages → more household spending → busier town businesses → more shifts and hiring — both loops swell. **Spending freeze:** businesses earn less → hours and jobs cut → households have even less to spend → tighter again — the doom loop; interdependence with teeth. **Store closes:** its workers lose wages → their spending stops at other businesses → the circle shrinks locally even though the mine never changed.

PROBING QUESTIONS

- "If every household saved every dollar for a month, what happens to the store? Then to wages? Then to households?"
- "Which arrow would you rather control — and what does that make you?"
- "The café owner works in her own café — which box is she standing in? (Both — people wear both hats.)"
- "Did our fifty ever leave town in your story? Where could it have escaped?" (Sets up the extension.)

DIFFERENTIATION

Support: hand that team the diagram with the two money arrows pre-labelled — they complete the real-flow pair and go straight to sorting. **Extend:** the leak hunt — the two-sector model pretends the loop is sealed. Where does real money escape (online shopping interstate, savings, tax)? Every model lies a little; good analysts know where.

RUNNING SHORT — THE CUT LINE

Run two storm cards across the class instead of three and skip team presentations — harvest one chain aloud. Protect the fifty relay, the labelled diagram, and the from-memory exit sketch.

MISCONCEPTIONS TO WATCH

"Money gets used up" (it circulates — the fifty is still moving) · "businesses have money, households don't" (it flows both ways constantly) · "the diagram is about one person" (whole sectors — Dana stands for every household in the state).