

Household received income from firms and the government, purchase goods and services from firms, and pay taxes to the government. They also purchase foreign-made goods and services (imports). Firms receive payments from households and the government for goods and services; they pay wages, dividends, interest, and rents to households and taxes to the government. The government receives taxes from firms and households, pays firms and households for goods and services— including wages to government workers and pays interest and transfers to households. Finally, people in other countries purchase goods and services produced domestically (exports). Note: Although not shown in this diagram, firms and governments also purchase imports