

Thinking Like an EconomistEconomics Model:

~~* What are the basic economic models:~~

- Economists use models to simplify reality in order to improve our understanding of the world.

* What are the basic economic models:

(I) The circular Flow Diagram.

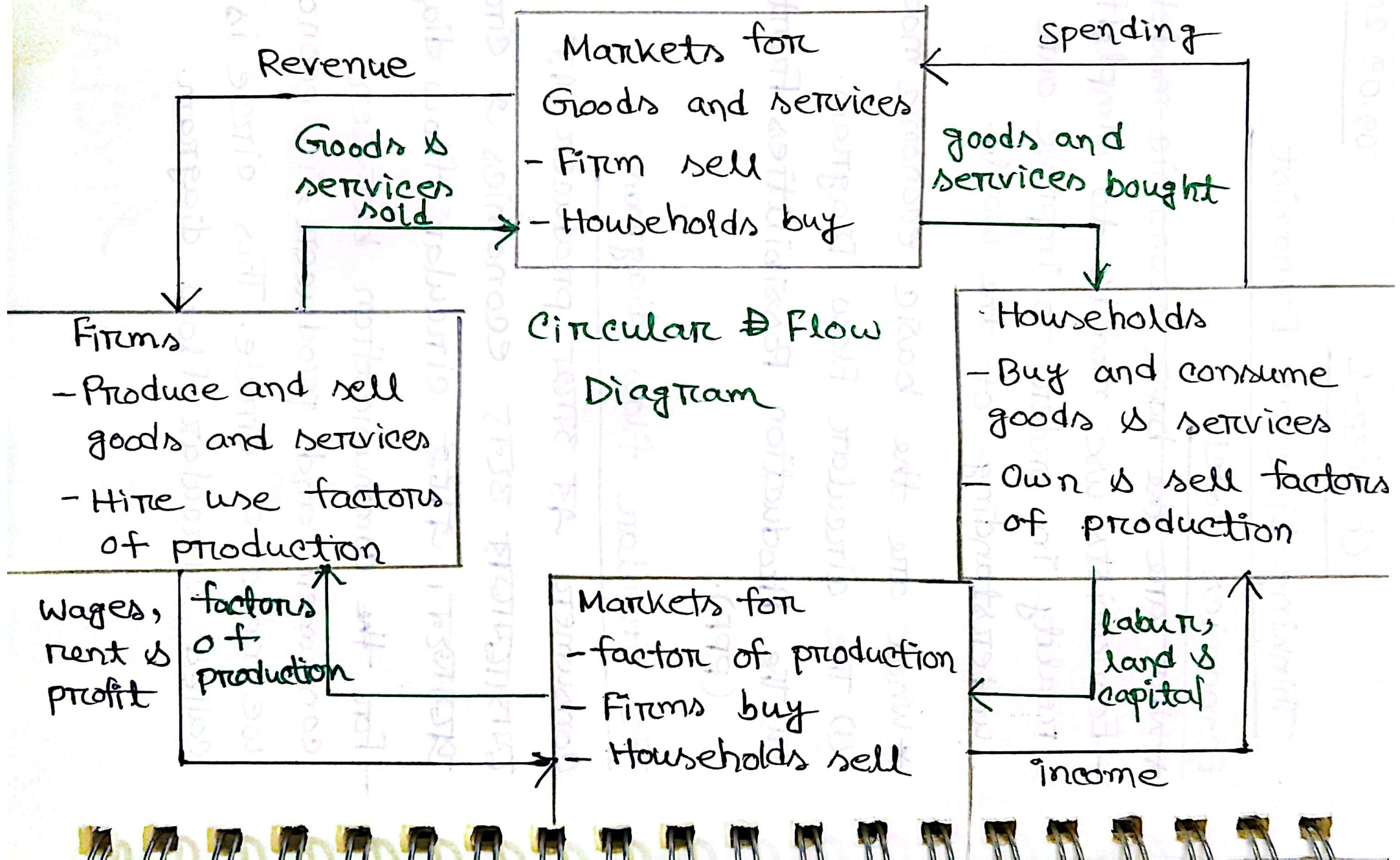
(II) The Production Possibilities Frontier (PPF).

The circular flow diagram:

Consumer এর সাথে producer এর যোগাযোগের জন্য economics এ circle প্রয়োজন। এটিই circular flow diagram.

- For the communication between consumer and producer, in economics we need a circle. This circle is called circular flow diagram.

 TYCLAV®



- উৎপাদনের জন্য যা যা লাগে \Rightarrow Factors of production.
- Revenue = Price \times quantity
- Industry ত ~~Re~~ Income = Revenue.
- উৎপাদনের পরে market এ যা হাড়া হয় \Rightarrow goods market.

Question: Explain the circular flow diagram.

- Revenue for firm
- Income for consumer.

*What are the factors (inputs) of production?

1. Land \searrow
2. Capital \nearrow (Money, materials, Machinery, Electricity etc)
3. Labour (human resources)
4. Entrepreneur \rightarrow L

Kapital \Rightarrow Capital

\downarrow
Greek
Word

 TYCLAV®

Land + Capital = K

Labour + Entrepreneur = L

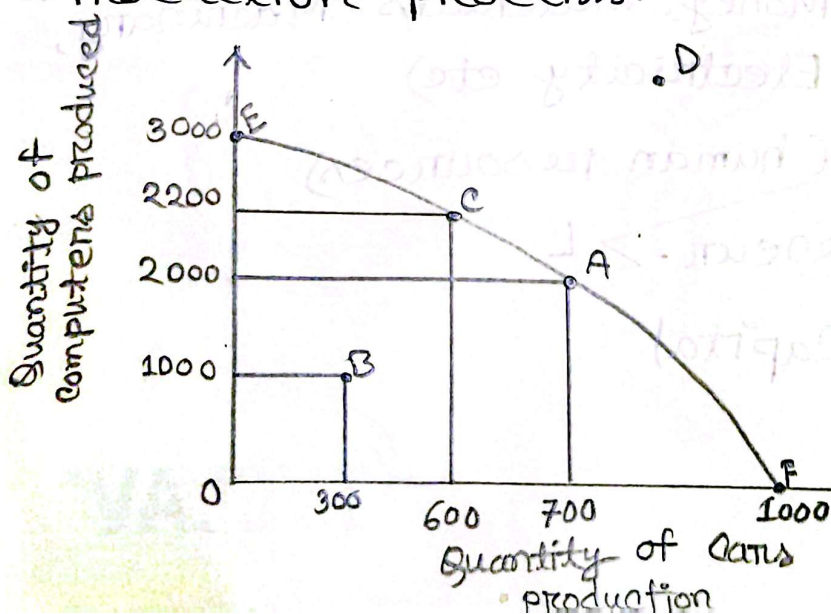
- হুগাচনা কিছু উৎপাদন করতে capital এবং labour ছাড়া সম্ভব নয়। এটাই factors of production.

23.09.2024

The Production Possibilities Frontier (PPF):

The PPF is a graph that shows the combinations of output that the economy can possibly produce given the available factors of production and the available production technology.

Production technology PPF এর জন্য fixed.
→ Production process.



In the g
produced
time we
If we
a time
At A p
are bot
A point
can be
compute
produce
resource
want
item
produc
called
B poin
resour
we a
point.

In the graph shown above, if we want to produce ~~compute~~ only computers at a time we can produce 3000 computers.

If we want to produce only cars at a time we can produce 1000 cars.

At A point, If we cars and computers are both are produced at a time, ~~in~~ at A point, 2000 computers and 700 cars can be produced. At C point, 2200 computers and 600 cars can be produced at a time. At A and C point resources are fully utilized. So if we want to increase production of any item between them, the other items production will be decreases. This is called efficiency. Every point of PPF is efficient ^{Inside} B point is ~~in~~ the PPF. At B point the resources are not fully utilized. So we can increase any product ^{at} in B point. We can increase any the

 TYCLAV®

production of ^{both} any product between cars and computers at any point inside the PPF. This is called inefficiency. Every point inside the PPF is inefficient.

~~At D point, we can't~~

D point is impossible. If we don't have ^{no} any resources ^{left,} we can't produce anything beyond the limit. D point is possible if our resource increase. If resources increase then the PPF will shift.

Opportunity Cost: If we choose one task ~~between~~ among between two tasks, the benefit that would have been obtained from the other task is the opportunity cost of the task that we choose.