Economics

FOUR Types of Resources

Word	Description
Land	Natural Resources
Labor	Human Resources
Capital	Physical things used to make goods and services.
Entrepreneurs	People who combine resources to create new goods and services.

Together they are called the "productive resources" or "factors of production".

A type of labor is Human Capital -- A person's "economic value".

Goods and Services

Productive resources are used to produce goods and services.

Goods

Useful, tangible items that satisfy needs/wants

Consumer Goods

Final intended use: Used by the consumers.

Capital Goods

Final intended use: Used to create to produce other goods.

Services

An activity performed for a fee

Cost

TINSTAAFL -- "There is no such thing as a free lunch."
(Everything has a cost)

Trade Off

By making a choice, you give something up.

Opportunity Cost

The value of the next best alternative that had to be given up for the alternative that was chosen. Formula

How do people decide what to do?

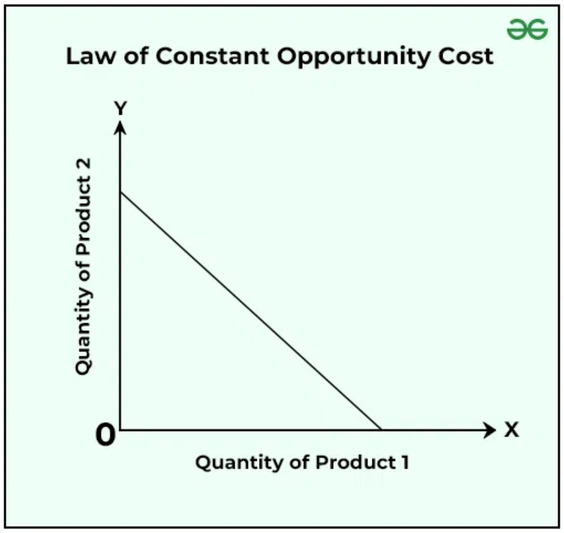
Cost-benefit analysis --- weighing pros & cons

Production Possibilities Curve (Frontier)

Used to show the trade-offs associated with allocating scarce resources.
The PPC is a model (graph) used to show the trade-offs associated with allocating scarce resources.

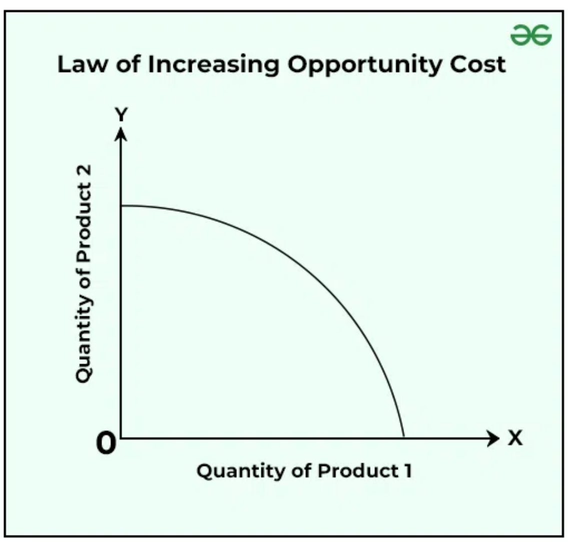
Constant Opportunity Costs

The opportunity cost of producing another unit of a product does not change.



Increasing Opportunity Costs

As more and more of a good are produced it takes more away from the other because the resources are not easily converted.



Decreasing Opportunity Costs

The opportunity cost of producing a product decreases. This is often associated with increased technology that is gained in other areas.

If you are moving along the curve, then to increases the production of one resources you must decrease the production of another.

Location on the curve	Meaning
On the curve	Efficient level of production
Inside	Inefficient level of production
Outside	Impossible / Unsustainable

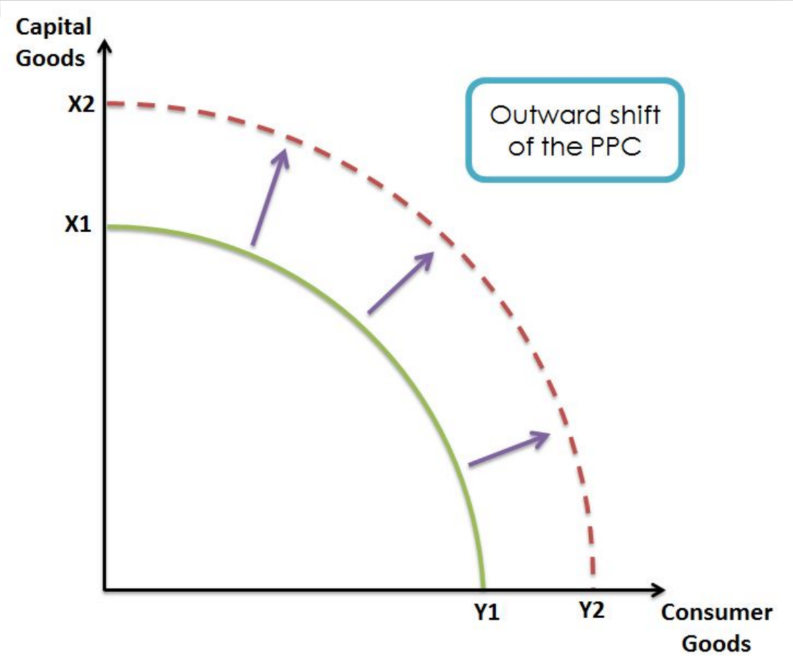
PPC Shift

Increased Production

If a nation's ability to produce capital goods and consumer goods if it has new technology and more workers the PPC will shift outward and to the right. (Economic growth)

Causes:

- More resources
- Better production techniques



Decreased Production

Causes:

- Fewer resources
- Not using better or innovative production techniques