Lernzettel

1. Labour:
   > Absolute and comperative cost advantage
   > Production Possibility Curve (PPC)
   > Productivity

2. Combining factors of production:
   > PPC for two goods
   > Opportunity costs
   > isoquant and MCC

3. Principle of distribution

4. Price formation on a competitive market
   including preconditions for a perfect market


1.

Absolute and comperitive cost advantage

> absolute advantage in doing something (e.g Jill makes 4 Pizzas per hour, Jacq 2
   ↳ Jill absolute advantage)

> comparative advantage is who can do the most in comparison to a different product
   ↳ pay lower opportunity costs

> about units produced, not money made

Production Possibility Curve

> Shows comparison between producing two different things in a time span
   ↳ How many can be produced?
   ↳ Which is the best combination of producing products?

> Shows scarcity, trade-offs, opportunity cost, efficiency

> shows idea off scarcity -> cannot produce beyond curve

Productivity

A measure of economic performance that
indicates how efficiently inputs are converted
into output.

$$\frac{input}{output}$$

input → recources used

output → products made
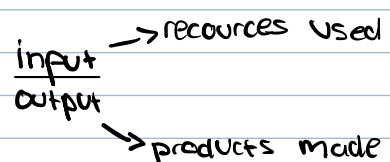
$$\text{Productivity growth} = \frac{\text{Change in Output}}{\text{Change in Input}}$$

2.

Opportunity costs

> represents potential benefits an individual, investor, or business misses out when choosing one alternative over another

> costs and benefits of every option available must be considered + weighed against the others

$$\text{Opportunity Costs} = \frac{\text{Foregone amount of consumer goods}}{\text{Additional amount of capital goods}}$$

> difference between expected returns of each option

Isoquant and MCC

isoquant = identical output curve with varying input factor combinations
  ↳ showing combinations of capital and labour

MCC = minimum cost combination

How can the potential output of an economy be increased?

- increase the amount of production factors → capital - widening investments
                                            → investments in education
                                              (human capital)

- improvement of quality of production factors
   ↳ investment in technology and retraining/further training (human capital)

➡ PPC will shift outwards (to the right)

3.
Distribution of income

primary Distribution:
= distribution of the income
according to one's participation
in the production process

secondary Distribution:
= distribution of the income
after government's intervention
and relocation

PRINCIPLE OF PERFORMANCE

- all citizens to recieve share in agreement output
- income distribution can be called fair → if everyone is compensated in line with individual contribution to domestic
- favour economic policy that involves only minimum state interference (economic liberalism)

PRINCIPLE OF NEEDS

- no economic standard to measure the fairness of income distribution
  ↳ must look for criteria that are based of fundamental human values
- takes social aspects into account
- distributed in a way for everyone to cover necessities of an average live
- Criteria need to be developed → what is necessary?

PRINCIPLE OF EQUALITY

- the concept of justice and fairness is that all humans before God and law are equal
- people are diffrent with participation in economic life (willingness to perform and competences)
- needs and wants vary
- this concept was never realised

DISTRIBUTION CONFLICT

Why do they exsist?
- because there are distribution problems between rich and poor
- e.g • Employers and employees → the pay
       • how much pension should be paid
       • Employed and Unemployed

What has it to do with "devision of labour"?
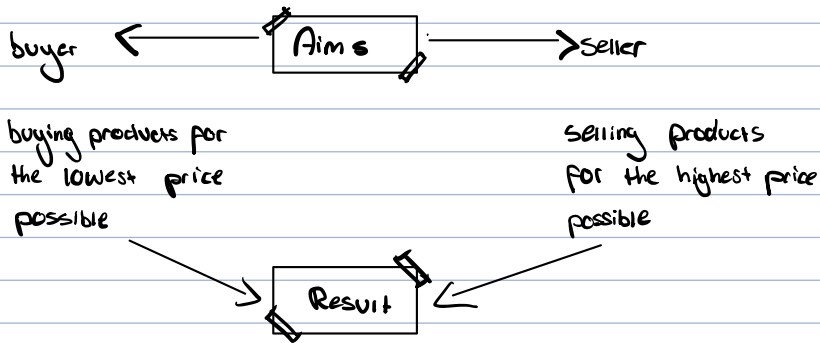- people have different opinions on how people should get paid → on how much you work or what you theoretically deserve?

4.

Price formation on a perfect competitive market

example: commodity exchange

= polypolistic market

=> A market is the place where buyers & sellers meet:

buyer ← | Aims | → seller

buying products for   selling products
the lowest price   for the highest price
possible   possible

→ | Result | ←

Price where the planned quantities of supply (=Angebot) and demand (=Nachfrage) are the same
L> equilibrium price. At this price the highest possible quantity is traded: principle of the highest executable volume.