

Effective & Efficient Resources

Financial Literacy - Shoumik Perugu

Effective & Efficient Resources

- Effective Resources: If we consume a certain amount of resources and, in the end, achieve the desired result then our use of those resources can be called *effective*
- *Efficient Resources*: If we use the bare minimum of resources necessary to achieve the desired end then our use of these resources can be considered *efficient*.

- Economic decisions MUST BE both effective AND efficient
- Efficiency enables us to use the saved resources in achieving other goals – goals that we may not have been able to achieve unless we had economized
- Given the scarcity of most things in our world, the economic imperative is to conserve and put these things to wise use, that is to achieve the right goals(Effectiveness) in the right way (Efficiency)

Opportunity Cost

- The idea of efficiency becomes even more important when we realize that any time we use material goods to achieve one end, we have to do without something else
- That is what Economists refer to as.....
 - OPPORTUNITY COST

Opportunity Cost

- Is the sum of all that is lost from taking one course of action over another which is a fundamental concept in economics.
- We must always consider not just what we are gaining but also what we stand to lose.
- Ex. Tim is in the final year of high school. He has to hand in a major research paper on Monday morning. He also has the opportunity to work extended hours at his part time job and a chance to go to a concert. What should he do?

Opportunity Cost

- Any time you have to decide among several possibilities, a well –thought out decision making model can make it easier for you to choose

Decision Making Steps

1. Define the problem
2. Clarify goals & priorities
3. List the Possible Alternatives
4. Establish Criteria to use and judge the alternatives based on your goals/priorities
5. Evaluate each alternative
6. Make a Decision
7. Act on the Decision, and assesses effectiveness (repeat if necessary)

Scarcity

- A Limited amount of resources available to produce a limited number of goods and services to meet relatively unlimited human wants

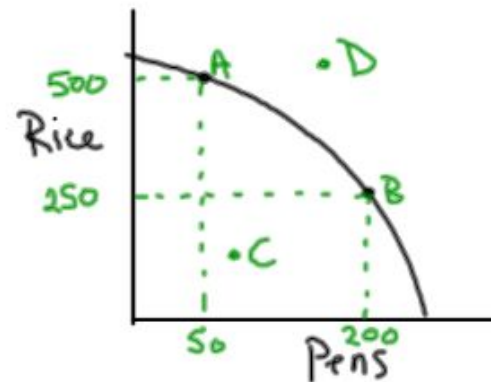
Wants > Resources



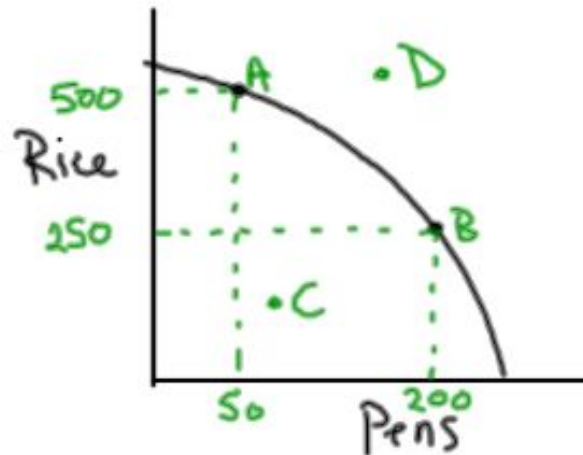
Scarcity

Production Possibilities Curve

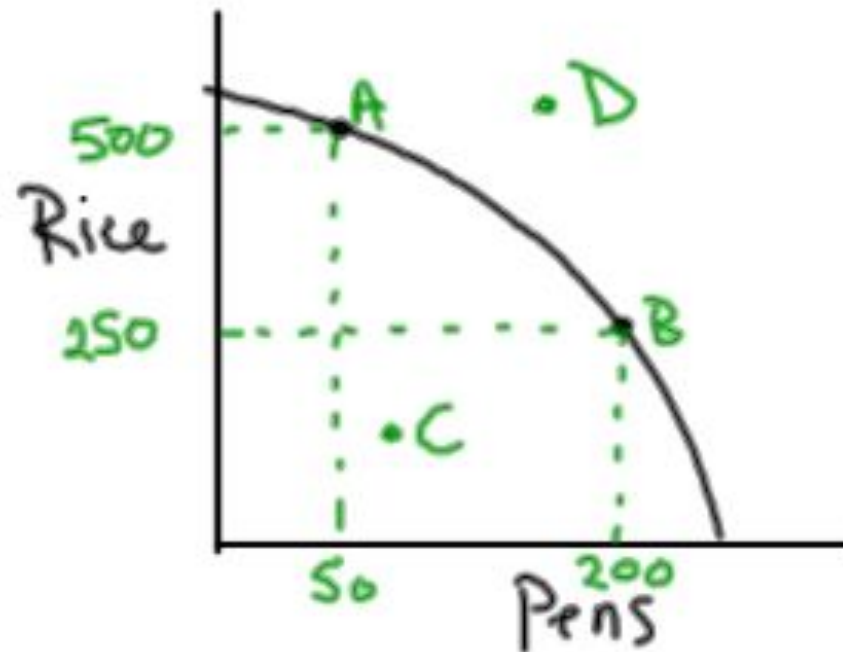
- PPC is a simple model based on a few assumptions
 - Only 2 commodities (goods or services) are produced
 - all resources are fully employed
 - [Video](#) (6Mins)
 - [Why Curved](#) (6Mins)



- any point along the curve represents a max production combination of rice and pens
- however since resources are maxed out, increasing production of one commodity means decreasing production of another commodity
 - EX. The OC of moving from A to B is 250KG of rice



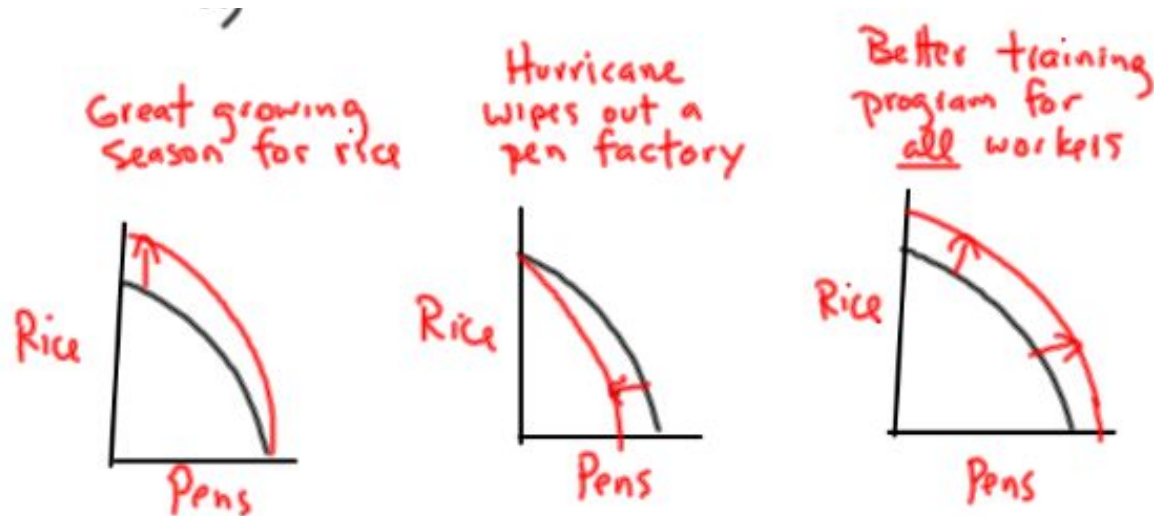
- any point inside the curve (C) is attainable but undersirable
 - represents insufficient use of resources
- any point outside the given curve (D) is unattainable given present conditions



Moving The Curves

To move to unattainable points:

1. Increase in resources
2. Increase in efficiency



Video 1

Video 2