

# SimEconomy

## **Learning Units**

# Globalisation

- Increasing international complexity und enhancement of global relationships
- Different conditions of living and working
- Low cost of living in emerging markets → Low labor costs → Companies from industrialized countries shift their production



## How is that clarified in the simulation?

- Production in Asia and Europe
- Different conditions (cost of living, labor costs, equipment, provided tools)



# Division of Labor

- The production of goods is not executed by a single person
- The work is divided into several processes, each accomplished by specialized personnel

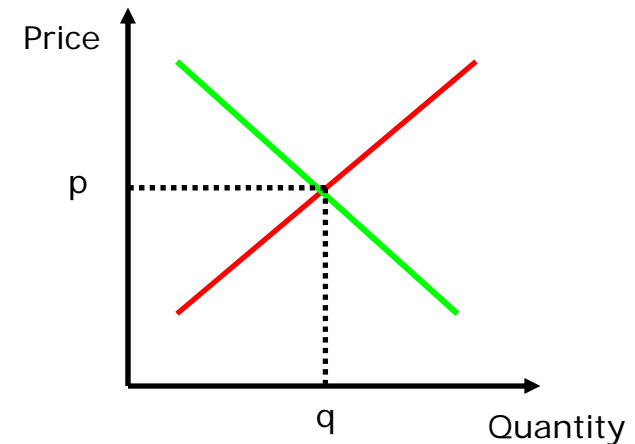


## How is that clarified in the simulation?

- Division between workers, factory owners, intermediaries, trade chains → All are assigned to a specific task
- Divided production of the cell phones: one is painting, another one cutting out → Increasing number of phones produced

# Supply and Demand

- Suppliers want to sell at a high price  
→ The higher the price, the more is supplied
- Consumers want to buy at a low price  
→ The lower the price, the higher the demand
- Equilibrium price if “supply = demand”



## How is that clarified in the simulation?

- Purchase negotiations
- Wage negotiations
- The equilibrium price is reached when both parties agreed

# Fixed and Variable Costs

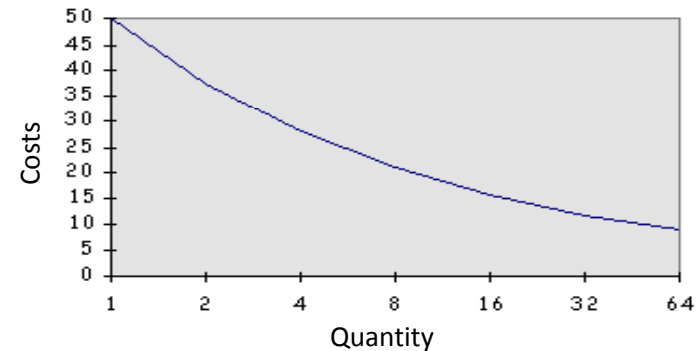
- Variable costs: dependent on quantities produced (e.g. material)
- Fixed costs: independent from quantities produced, „are always incurred” (e.g. rents)

## How is that clarified in the simulation?

- Variable costs: cost of labor, costs for material and sale
- Fixed costs: rent, production equipment
- To establish an appropriate selling price for the cell phones, both the variable costs per phone and the fixed costs pro rata have to be taken into consideration

# Learning Curve-Effect

- The bigger the amount of goods produced, the bigger the possibility of an efficient production process
- → Costs per unit decrease with a higher cumulative output



## How is that clarified in the simulation?

- Number of produced phones is increasing every year
- Workers learn to produce faster (paint and cut) → Factory owners are able to supply more → Fixed costs are allocated to a higher number of pieces → Costs per unit decrease

# Illegal and Questionable Activities

- There are actors in economy who don't comply with the law
- Regulated by law are e.g. price agreements (cartels), labor times etc.

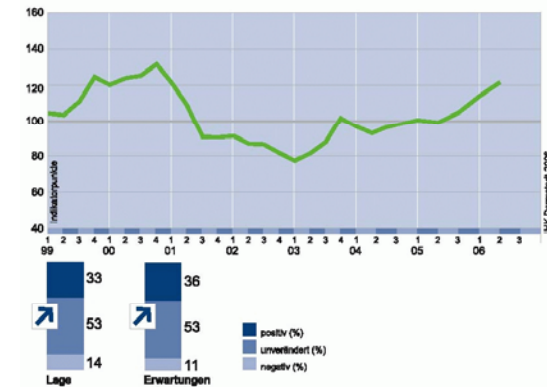


## How is that clarified in the simulation?

- Possible: Work beyond the permitted time (illicit work), intermediaries coordinate prices etc.

# Economic Cycle

- The whole national and international economy situation is changing every year
- This situation is called ‚economic cycle‘



## How is that clarified in the simulation?

- Number of sold cell phones varies every year
- Well-situated economy at the beginning: Trade chains are hardly able to meet the demand. Downturn in the following years → Fewer demand → Less gains



# Inflation

- Inflation marks the continuous increase of the price level in the economy
- Occurs if there is more money than goods and services available

## How is that clarified in the simulation?

- The increase of prices is demonstrated by the increase of the workers' cost of living