



Exchange Processes and Conversion Processes

How Business Processes Contribute to
Increasing the Value of Resources

What is Transferred?

What do you get when

■ you buy a book
at a bookstore?

■ a ~~book~~

■ the right to
read, sell, or
even destroy
a book

■ you borrow a
book at a library?

■ a ~~book~~

■ the right to
read a book
for a period of
time

An Exercise

What do you get when

■ you borrow a
DVD?

■ you buy a DVD?

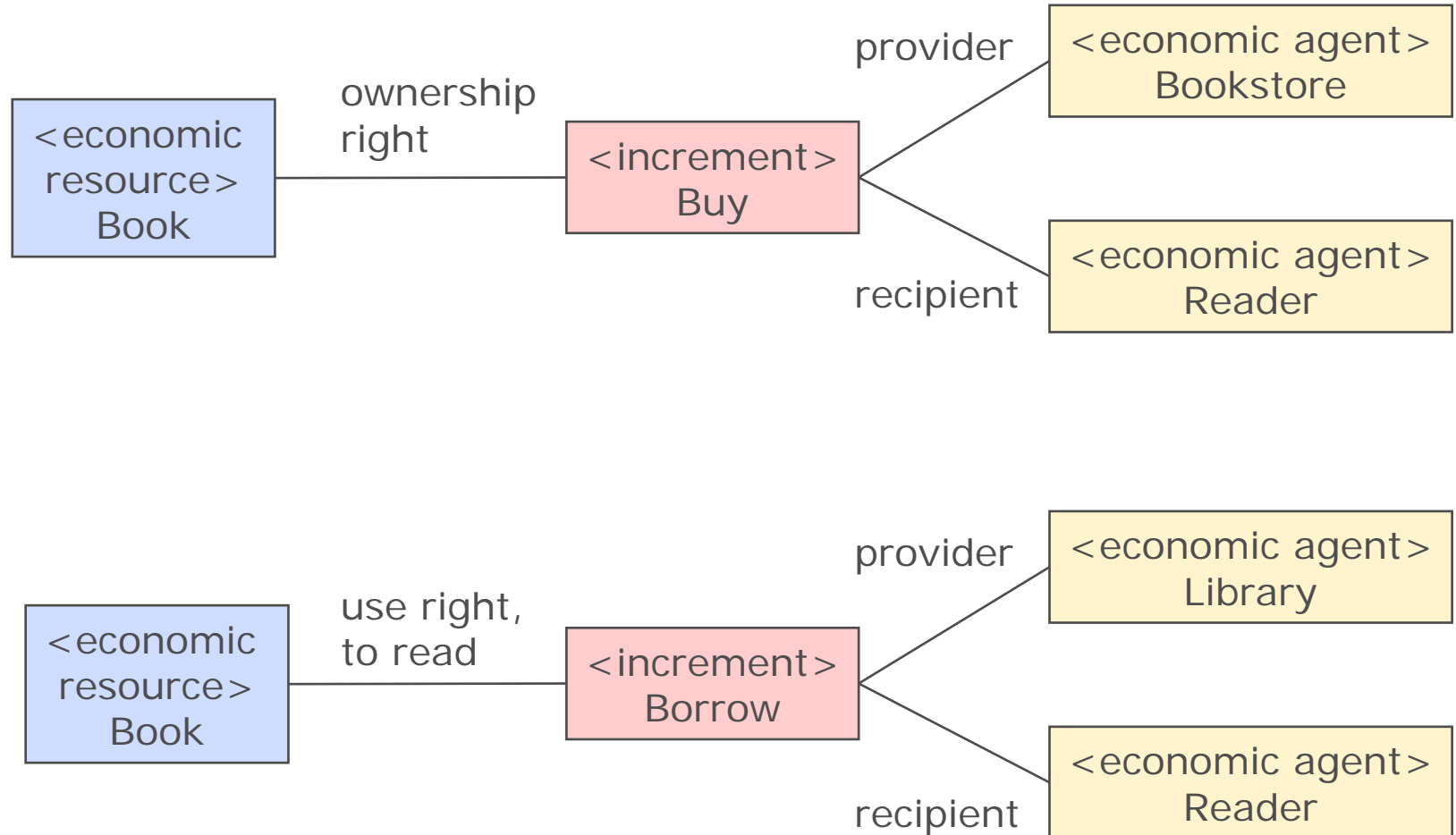
■ you buy a bus
ticket?

■ you buy an air
ticket?

Categories of Rights

- **Use rights.** Rights to use resources in different ways. To read a book, to copy a file, to eat a meal, to drive a car.
- **Income rights.** Rights to earn income from resources. To rent a house, to lend DVDs.
- **Transfer rights.** Rights to transfer resources to other agents. To sell a book.

Exchanges Transfer Rights



These models are viewed from the perspective of the Reader.
The economic events are increment events from her point of view.

Increasing Value



renting the car

Getting rights
to use the car
for a period of
time



buying the car

Getting
ownership
rights to the
car, including
transfer rights



painting the car

Changing a
feature, the
colour, of the
car



We can increase the value of an Economic Resource either by getting more rights to it, or by changing some feature of it

Features of Economic Resources

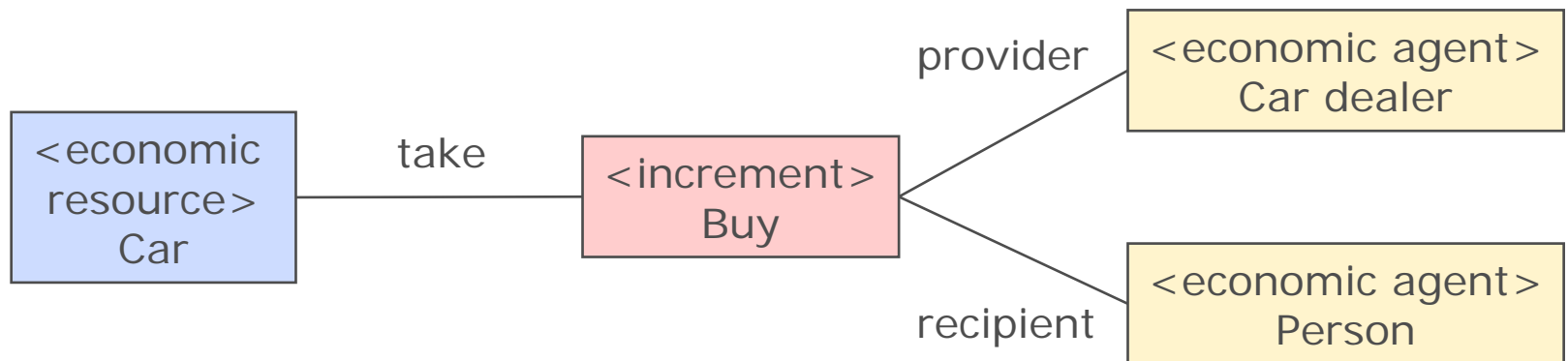
A Feature of an Economic Resource is a property of that resource



- Size
- Weight
- Taste
- Mineral content
- Freshly baked

Stockflow Relationships

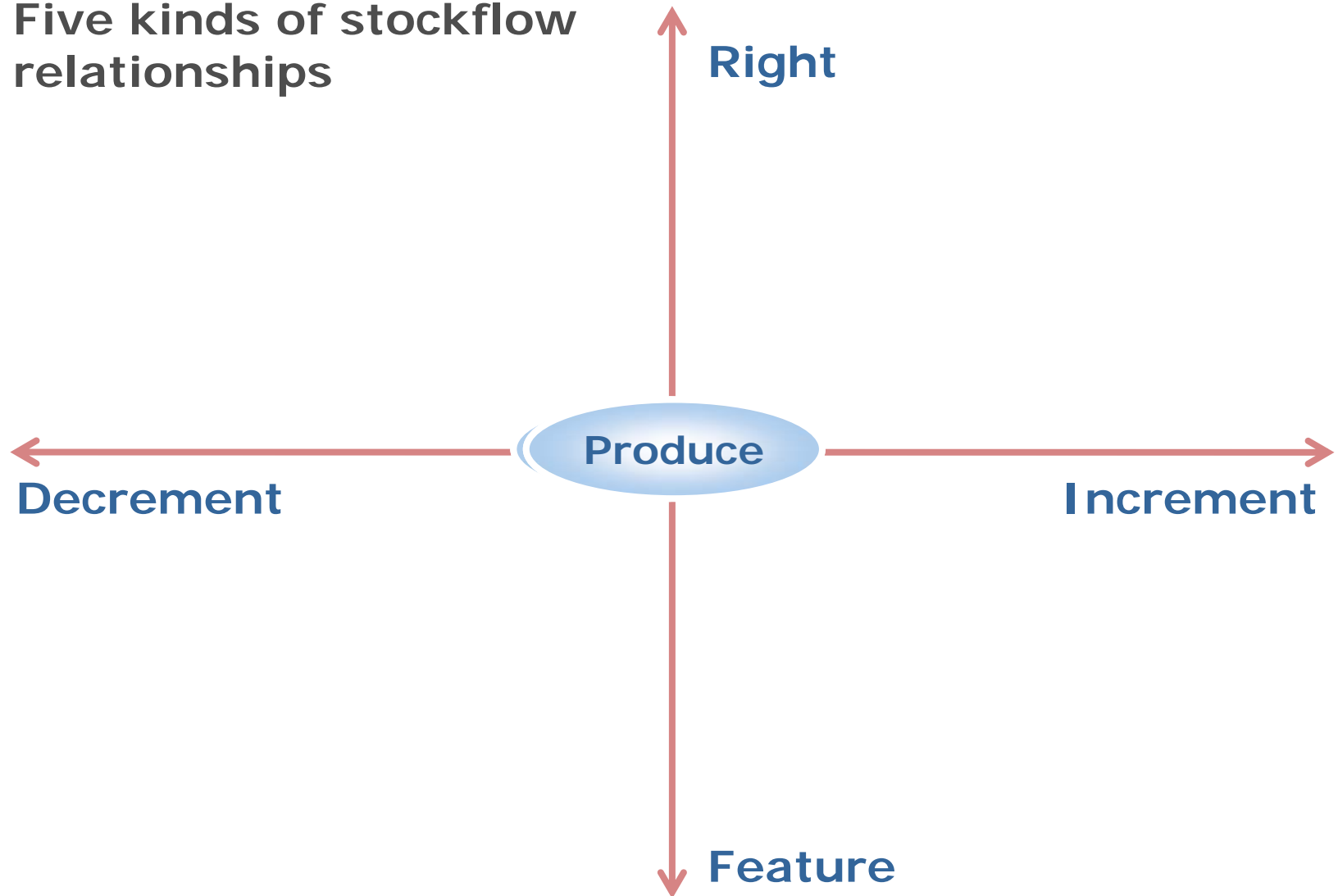
*A **Stockflow** relationship between an Economic Resource and an Economic Event describes how the rights and features of that Economic Resource are being changed, from the perspective of a certain Economic Agent*



Buy is an increment Economic Event from the perspective of the person, as he gets increased value of an Economic Resource. The stockflow is take, as he gets rights to the Economic Resource.

Stockflow Relationships

Five kinds of stockflow relationships

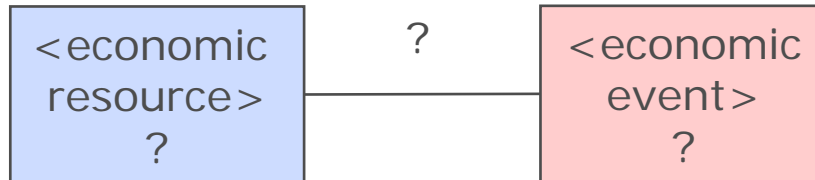


Stockflow Exercise

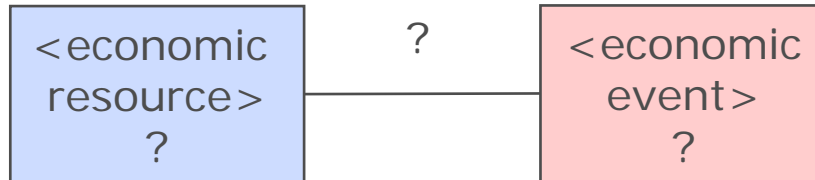
- A person buys a book
- A person repairs a car
- A person drinks a glass of water
- A company rents a factory
- A person drives a car
- A company hires an employee
- A company burns oil
- A person sells a book

Stockflow Exercise

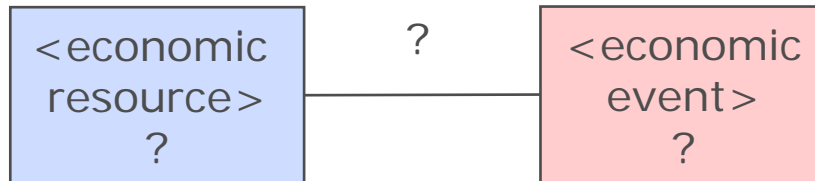
Fill in the question marks and indicate whether the economic event is a decrement or an increment event



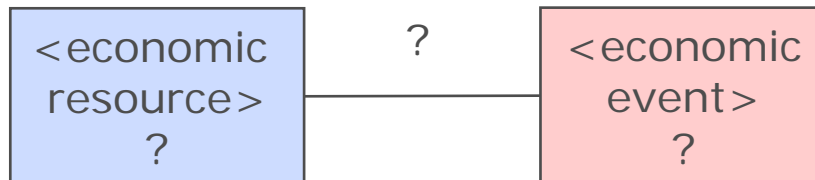
A bookstore sells a book



A person plays the piano



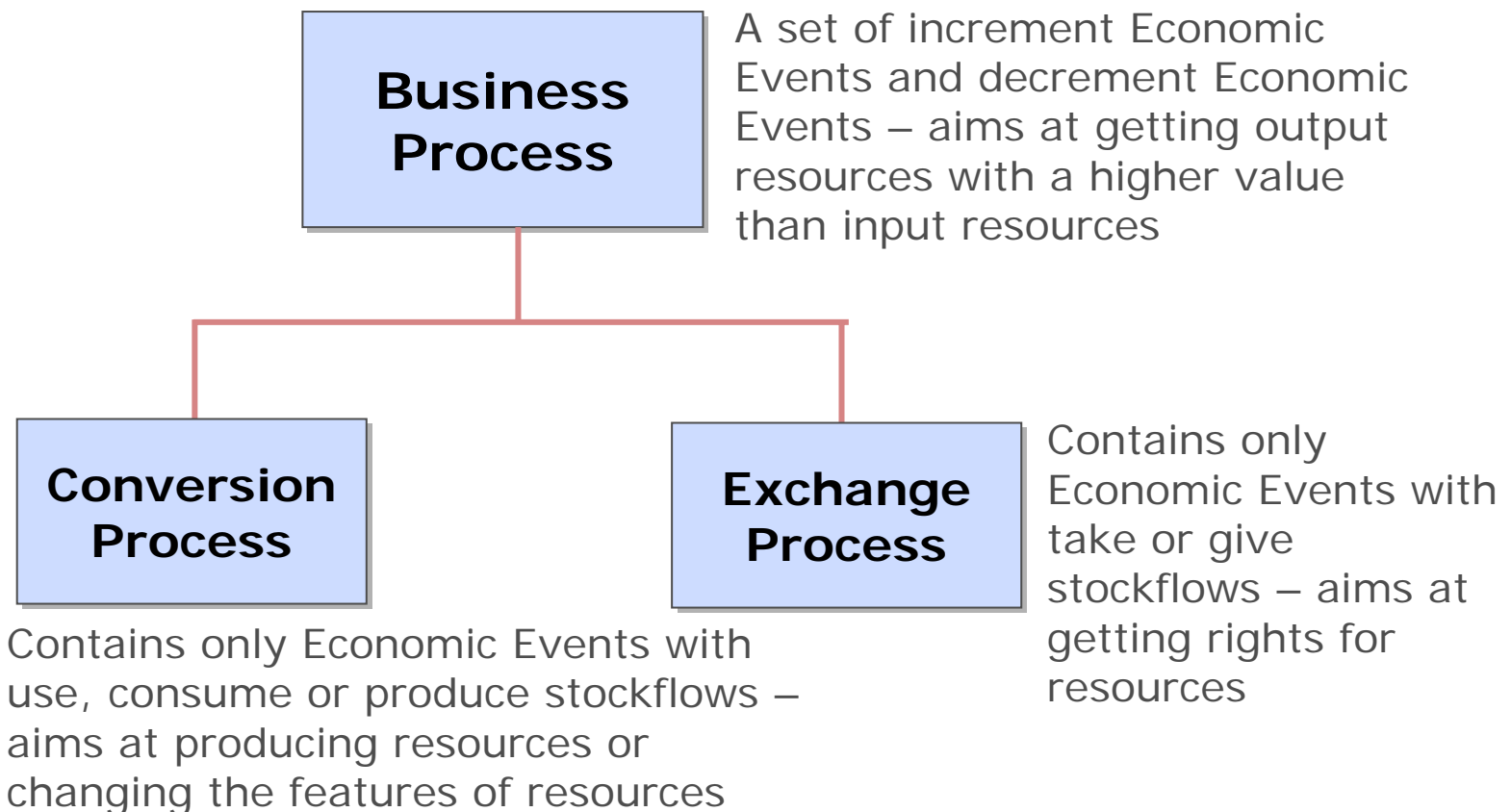
A restaurant makes a pizza



An employee gets salary

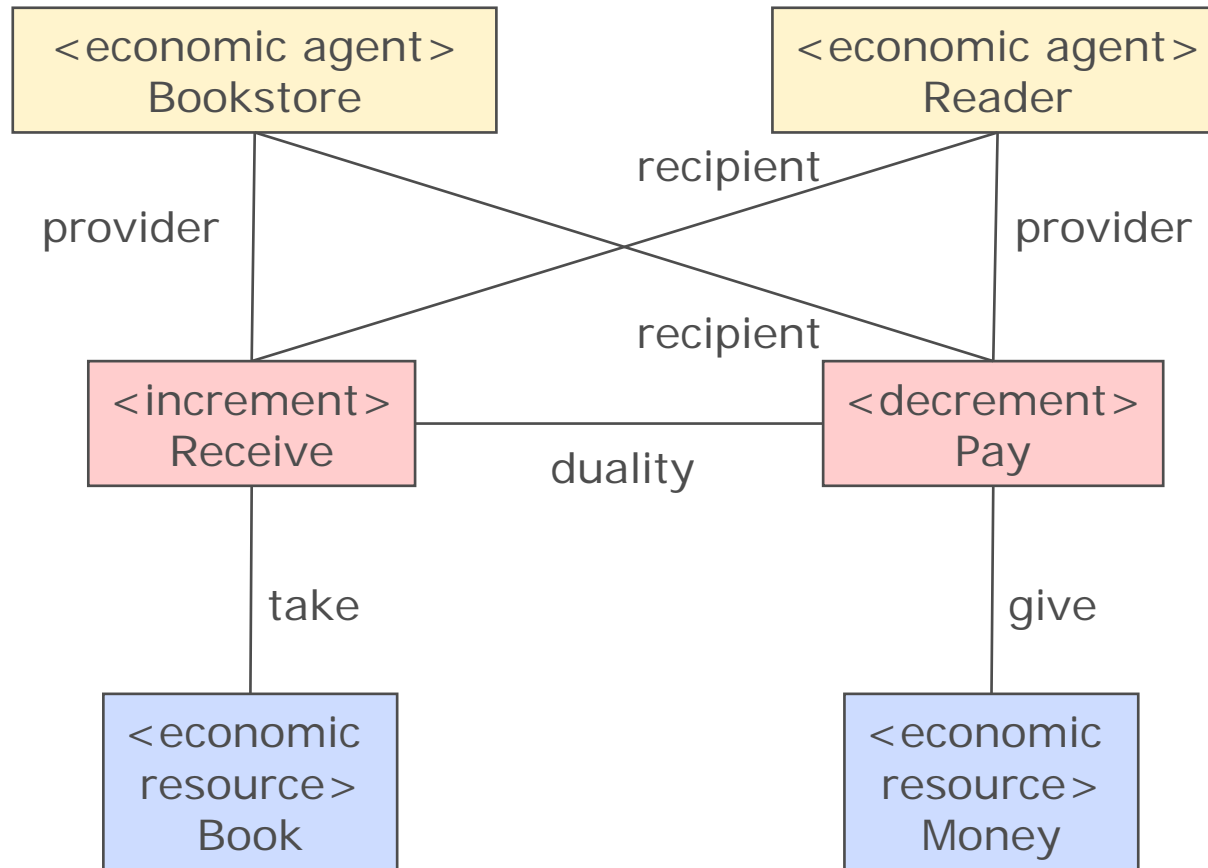
Business Processes

Economic Events always come together. If you want to increase the value of some resource you will have to decrease the value of some other resource. There is no such thing as a free lunch.



An Exchange Process

A reader buys a book, i.e. he gets the book and pays for it

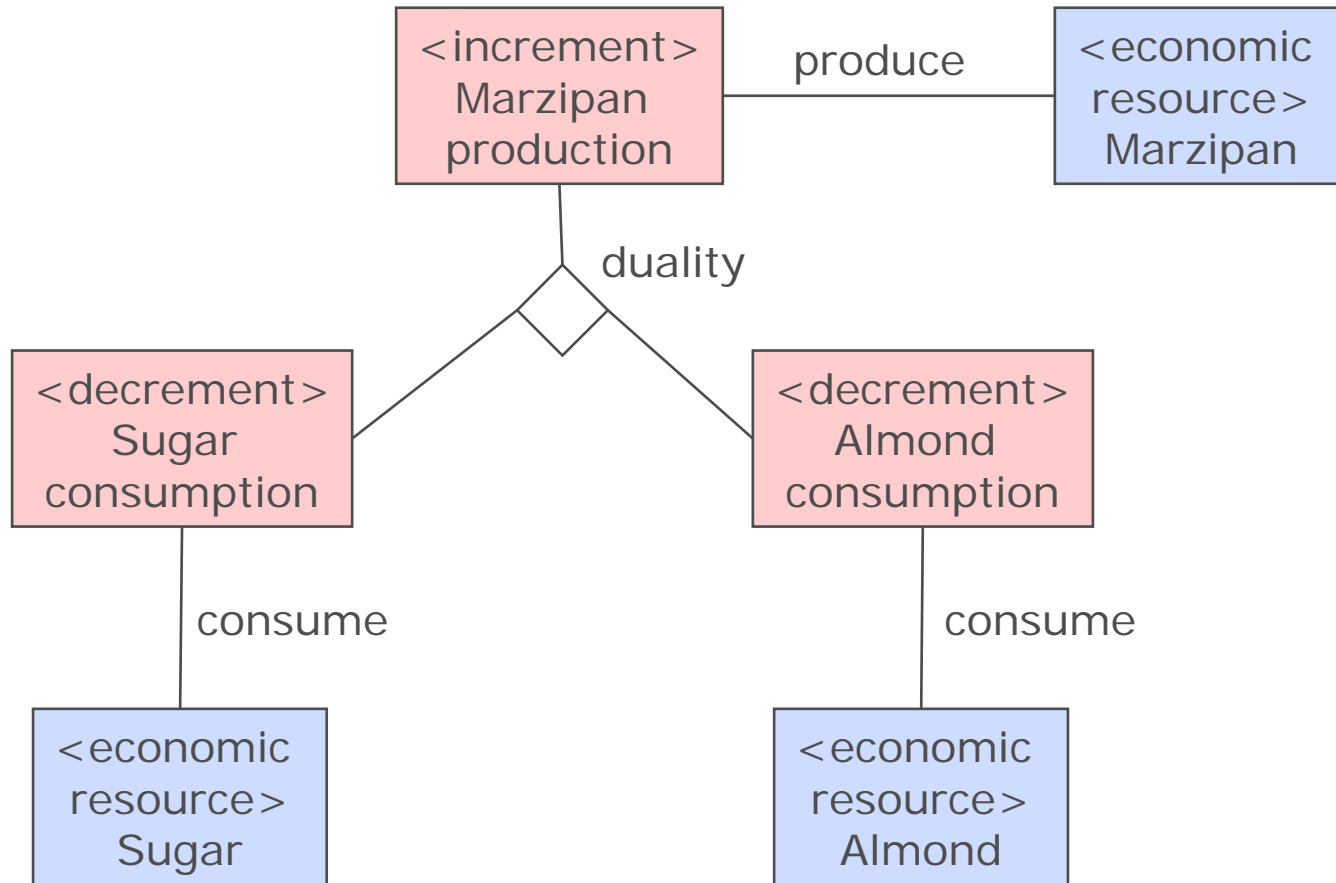


An Exchange Process Exercise

A reader buys a book and gets it delivered to his home

A Conversion Process

Marzipan is made from sugar and almonds



A Conversion Process Exercise

Bread is made from flour and water; it is baked in an oven by a baker