

## **Natural Resource and Energy Economics**

**These topics do not appear on the AP Economics Course Description. You should skip this chapter.**

People like to consume goods and services. But to produce those goods and services, natural resources must be used up. Some natural resources, such as solar energy, forests, and fish, are renewable and can potentially be exploited indefinitely. Other resources, such as oil and coal, are in fixed supply and can be used only once. This chapter explores two issues in relation to our supplies of resources and energy. The first is whether we are likely to run out of resources in the near or even distant future and thereby face the possibility of either a drastic reduction in living standards or even, perhaps, the collapse of civilization as we know it. The second is how to best utilize and manage our resources so that we can maximize the benefits that we receive from them both now and in the future.

We begin the chapter by addressing the issue of whether we are about to run out of resources. We then turn to energy economics and natural resource economics, focusing on the incentive structures that help to promote conservation and sustainability.