

production Possibilities Frontier: (PPF) is the boundary between those combinations of goods and services that can be produced and those that cannot.

we achieve **production efficiency:** if we produce goods and services at the lowest possible cost. This outcome occurs at all the points on the PPF. At points inside the PPF, production is inefficient because we are giving up more than necessary of one good to produce a given quantity of the other good. Production inside the PPF is inefficient because resources are either unused or misallocated or both. resources are ensued when they are idle but could be working. Resources are misallocated when they are assigned to tasks for which they are not the best match.

Opportunity Cost: the highest valued alternative forgone. the PPF makes this idea precise and enables us to calculate opportunity cost. Opportunity cost is a ratio, it is the decrease in the quantity produced of one good divided by the increase in the quantity produced of another good as we move along the ppf.

Allocative efficiency: is achieved when goods and services are produced at the lowest possible cost and in quantities that provide the greatest possible benefit.

marginal cost: the opportunity cost of producing one more unit of it. We calculate marginal cost from the slope of the PPF. As the quantity of x increases, the PPF gets steeper and the marginal cost of x increases.

marginal benefit: from a good or service is the benefit received from consuming one more unit of it. This benefit is subjective, it depend's on people's preferences. The most that you are willing to pay for something it its marginal benefit.

marginal benefit curve: a curve that shows the relationship between the marginal benefit from a good and the quantity consumed of that good.

economic growth: the expansion of production possibilities

technological change: the development of new goods and of better ways of producing goods and services.

Capital accumulation: is the growth of capital resources, including human capital.

comparative advantage: in an activity if that person can perform the activity at a lower opportunity cost than anyone else. difference arises from difference in individual abilities and from differences in the characteristics of other resources

A person who is more productive than others has an **absolute advantage**. **Absolute advantage** involves comparing productivities- production per hour- whereas comparative advantage involves comparing opportunity cost.

a **firm** is an economic unit that hires factors of production and organizes them to produce and sell goods and services.

a **market** is any arrangement that enables buyers and sellers to get information and to do business with each other.

property rights: the social arrangements that govern the ownership, use, and disposal of anything that people value. Real property includes land and buildings- the things we call property in ordinary speech- and durable goods such as plants and equipment. Financial property includes stocks and bonds and money in the bank. Intellectual property is the intangible product of creative effort.

Money: is any commodity or token that is generally acceptable as a means of payment.