

ECON1010

LECTURE 1-2

MODEL

- A simplified representation of reality

FACTORS DURING TRADING

- No transaction costs (negotiation/transportation costs)
- No other barriers (import quotas, tariffs)

PRODUCTIVITY

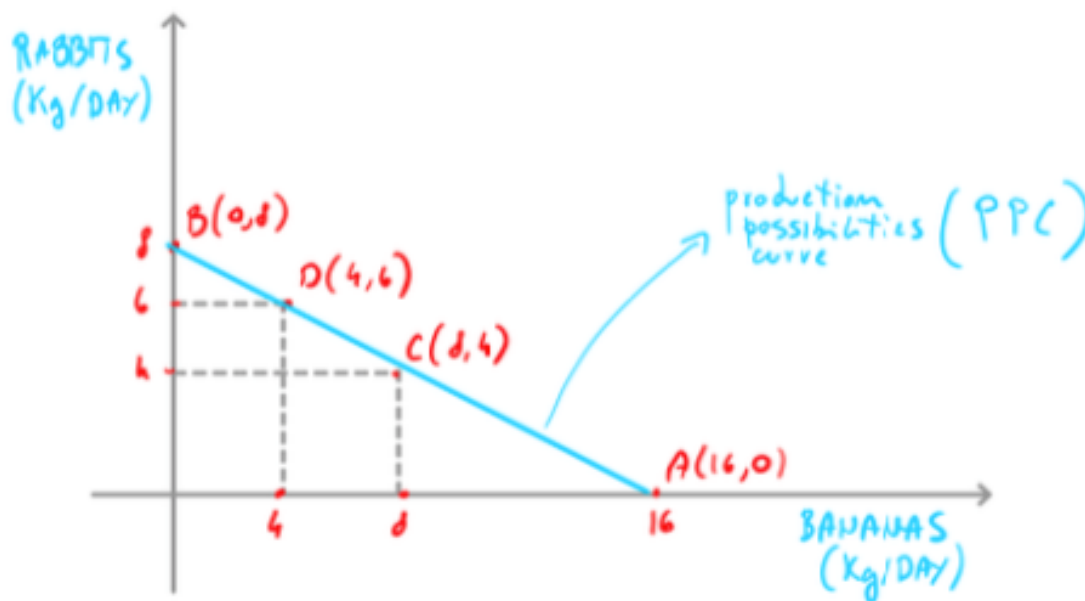
- The amount of resources used to perform a productive activity

CONSTRAINTS ON PRODUCTIVITY

- Resources are scarce → often we operate in a constrained environment (i.e. financial constraints, time constraints)

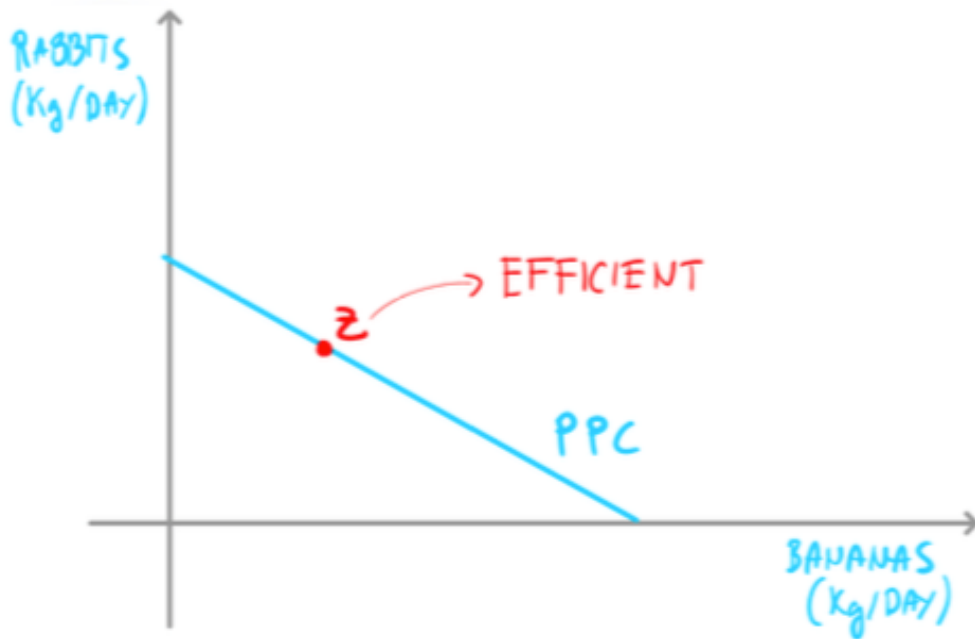
PRODUCTION POSSIBILITY CURVE

- Captures all maximum output possibilities for two (or more) goods, given a set of inputs (or resources - i.e. time) if inputs are used efficiently



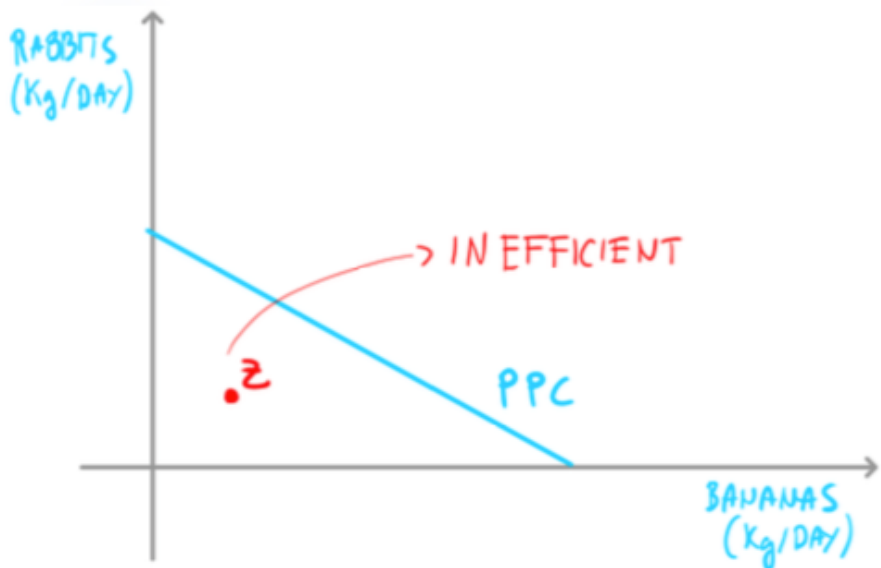
EFFICIENT PRODUCTION POINT

- Represents a combination of goods for which currently available resources do not allow an increase in the production of one good without a reduction in the production of the other
- All the points on the PPC are efficient



INEFFICIENT PRODUCTION POINT

- Represents a combination of goods for which currently available resources allow an increase in the production of one good without a reduction in the production of the other
- All points below and to the left of the PPC are inefficient



ATTAINABLE PRODUCTION POINT

- Represents any combination of goods that can be produced with the currently available resources
- All the points on the PPC or below and to the left of the PPC are attainable