MicroEconomics

PPF Elaboration

- Its primary aim is to illustrate trade-offs faced in Economy that produces two goods. Shows you the maximum quantity of one good that can be produced that can be produced for any other good. Example: Corn vs. Cows. Natural Resources are limited. What's Fish water (fixed)

Factors of PPF to understand

1. Use PPF
2. Efficiency
3. Opportunity cost
4. Growth of both

This shows you feasible combinations of fish and coconuts. One can produce with no fixed resource.

PPF* Also highlights what is favorable and non-favorable to produce.

- Production Efficiency: Cannot produce more of one good without giving up something else.
- All points on the PPF are efficient.
- Allocative Efficiency: Cannot make someone better off without making someone worse off. Some cannot afford resources or are not allocated, so that consumers are well off (as specific).

Opportunity Cost: A true cost of a good. What you must sacrifice to achieve what you want or where you need to be. (like time, money, effort, energy to make a milk)

The slope of the PPF is considered the Opportunity cost.

Fish costs 304.00 vs coconut.

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\begin{align*}
\frac{\pi}{2} &= \theta \\
\cos \theta &= \frac{x}{20} \\
\sin \theta &= \frac{y}{36}
\end{align*}
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