Essential graphs for microeconomics assignment

Economics, Microeconomics

Allocation efficiency meaner that a good’s output is expanded until its marginal benefit and marginal cost are equal. No resources beyond that point should be allocated to production. Theory: Resources are efficiently allocated to any product when the MBA and MS are equal. Essential Graph: Application : External costs Ana External Be External Costs and Benefits occur when some of the costs or the benefits of the good or service are passed on to parties other than the immediate buyer or seller.

Diminishing Marginal Utility Definition: As a consumer increases consumption of a good or service, the additional usefulness or satisfaction derived from each additional unit of the good or service decreases. Utility is want-satisfying power?? it is the satisfaction or pleasure one gets from consuming a good or service. This is subjective notion. Total Utility is the total amount of satisfaction or pleasure a person derives from consuming some quantity. Ђ Marginal Utility is the extra satisfaction a consumer realizes from an additional unit of that product. Theory: Law of Diminishing Marginal Utility can be stated as the more a specific product consumer obtain, the less they will want more units of the same product. It helps to explain the downward-sloping demand curve. Essential Graph: Teaching Suggestion: begin lesson with a quick “ starter” by tempting a student with how many candy bars (or whatever) he/she can eat before negative marginal utility sets in when he/she gets sick!

Law of Diminishing Returns Definitions: Total Product: total quantity or total output of a good produced Marginal Product: extra output or added product associated with adding a unit of a variable [Epic]PM = resource Average Product: the output per unit of input, also called labor productivity AP =

[epic] Theory: Diminishing Marginal Product … S successive units of a variable resource are added to a fixed resource beyond some point the extra or the marginal product will decline; if more workers are added to a constant amount of capital equipment, output will eventually rise by smaller and smaller amount.

Short Run Costs Fixed Cost: costs which in total do not vary with changes in the output; costs which must be paid regardless of output; constant over the output examples?? interest, rent, depreciation, insurance, management salary variable cost: costs winch change Walt ten level AT output; Increases In variable costs re not consistent with unit increase in output; law of diminishing returns will mean more output from additional inputs at first, then more and more additional inputs are needed to add to output; easier to control these types of costs material, fuel, power, transport services, most labor Total Cost: are the sum of fixed and variable. Most opportunity costs will be fixed costs. Average Costs (Per Unit Cost): can be used to compare to product price (or AFC + PVC) [epic] Marginal Costs: the extra or additional cost of producing one more unit of output; these are the costs in which the firm exercises the most control