**Efficiency**

What does the concept of scarcity mean in economics?

How does the production possibilities curve reflect the concept of scarcity?

How does the production possibilities curve reflect the concept of opportunity cost?

What are some of the opportunity costs of a government decision to produce \_\_\_\_\_?

Under what condition would a government resource allocation decision be considered efficient?

Why is the concept of efficiency important in the study of economics of government?

What is the definition of marginal benefit?

How is marginal benefit measured in economics?

How does the demand curve represent marginal benefit?

Define Private Marginal Benefit (PMB).

Define Social Marginal Benefit (SMB).

For private gods, PMB=SMB. Explain this relationship.

In what way does a supply curve reflect scarcity?

What is the definition of Social Marginal Cost (SMC)?

What is the definition of Private Marginal Cost (PMC)?

What does the condition SMC=PMC mean regarding the production of a specific good or service?

What does an upward sloping supply curve say about the scarcity of inputs?

price

Market

S = SMC

$80

$70

a

$40

$17

D=SMB

150

800

Haircuts /month

500

Within the above market, why is Q=500 haircuts a month considered socially efficient?

What do we know about the net benefits to society of resource use for haircuts at Q=500 compared to any other quantity?

Use this example to explain why social efficiency is a relevant/important concept in economics.

What is the relationship between SMC and SMB at Q=800? Why is society worse off at Q=800 than at the efficient quantity?

What is the relationship between SMC and SMB at Q=150? Why are social net benefits lower at Q=150 than at Q=500?