



## **[Glossary]**

### **Pareto Optimality and Grand Utility Possibility Frontier**

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| <b>Subject:</b>                 | Business Economics  |
| <b>Course:</b>                  | B. A. (Hons.), 2 <sup>nd</sup> Semester,<br>Undergraduate                     |
| <b>Paper No. &amp; Title:</b>   | Paper – 201<br>Microeconomics-II  |
| <b>Unit No. &amp; Title:</b>    | Unit – 3<br>General Equilibrium   |
| <b>Lecture No. &amp; Title:</b> | Lecture – 2<br>Pareto Optimality and<br>Grand Utility Possibility<br>Frontier |

## **Glossary**

**Efficiency in Consumption:** A redistribution of resources from some consumers to others cannot cause some utilities to increase without a loss in other others

**Efficiency in Production:** A reallocation of resources from one use to another cannot cause some outputs to increase without a loss in other outputs

**Pareto Improvement:** A situation in exchange where one consumer is made better off by a trade without harming the other consumer.

**Pareto Optimum:** A situation where it is not possible to exchange goods or services without harming one of the agents involved.

**Price Taker:** A firm that is unable to set a price that differs from the market price without losing profit; a firm in a perfectly competitive industry.

**Production Possibilities Frontier:** A table or graph that shows the full employment capacity of an economy in the form of possible combinations of two goods, or two bundles of goods, that could be produced with a given amount of productive resources and level of technology.

**Public Goods:** Goods, often supplied by the government, for which use by one person does not reduce the quantity of the good available for others to use, and for which consumption cannot be limited to those who pay for the good.

**Relative Price:** The price of one good in relation to the price of another good; a measure of opportunity costs and therefore the price that affects economic decision making.

**Resources:** The basic kinds of resources used to produce goods and services: land or natural resources, human resources (including labor and entrepreneurship), and capital.

**Utility:** A measure of the satisfaction received from some type of economic activity (i.e., consumption of goods and services or the sale of factor services).