

Day - 4

- Interest rate is paid not for any goods and services
- You are buying a future promise that borrower will return the money in future. Eg: sales, loans.
- Profit is an outcome of decision-making factor.
- $\frac{a_{lc}}{a_{lw}}$ (from slides) - Extra wine produced for every unit of cheese given up. (opportunity cost)

Depends on technology, not labour.

$\frac{a_{lc}}{a_{lw}} \rightarrow$ opportunity cost of cheese

$\frac{a_{lw}}{a_{lc}} \rightarrow$ " " " wine

- OC involves the efficiency in the usage of the resource.
- Efficiency is embedded in OC.
- Production of rose in US is inefficient. So, Patrick Buchanan's statement is wrong.
- Slope: $-\frac{a_{lc}}{a_{lw}} \rightarrow$ marginal rate of Transformation (MRT)

• Growth - Production Possibility Frontier

• Graph - Production Possibility Frontier.