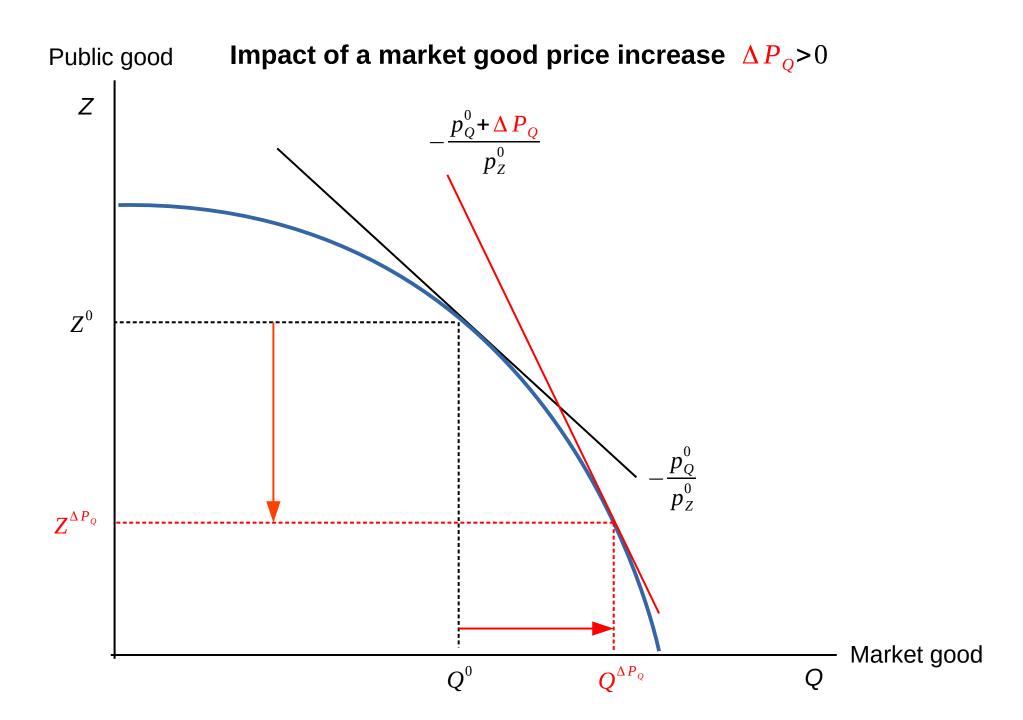
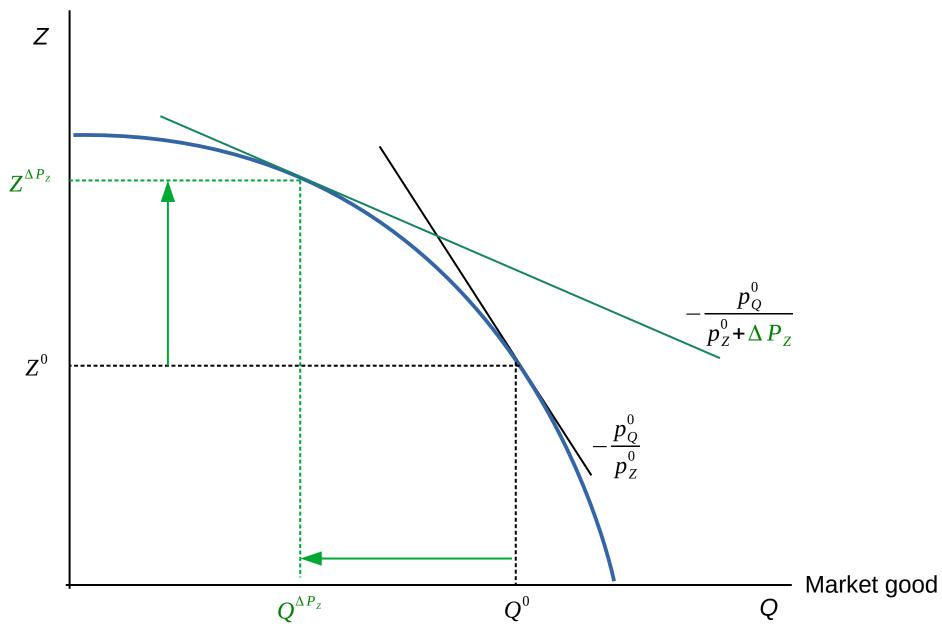
Public good **Production possibility frontiers and optimal production** Z Production possibility set: - feasible production for a given resource or cost constraint Production possibility frontier: - the outer boundary of the production possibility set - relevant region (= where it is Z^0 rational for producers to be): blue segment - only points on the blue seg-Prices $P_O^0 \ge 0$, $P_Z^0 > 0$ ment are technically efficient → optimal allocation of available resources/costs $\{Q^0,Z^0\}$ Market good



Public good Impact of increased public good payment $\Delta P_Z > 0$



Public good Substitution and income effects from price changes

