

4. What influences our choices?
5. What is the role of people's taste in the economic marketplace?

Define the following words and expressions.

head down	occur
languish	supply and demand
slow down	gear up
witness	taste
transition	spring up
vehicle	register

1.10. GOALS OF OUR ECONOMIC SYSTEM

TECHNICAL EFFICIENCY

Engineers measure physical efficiency by the **ratio** of physical output to physical input. The greater the ratio, the greater the physical efficiency. If an engine, for example, uses 100 units of energy input to produce 75 units of energy output, the engine is said to be 75 percent efficient. A firm, an industry, or an **entire** economy is said to have **achieved** technical **efficiency** when it is producing maximum output by making the fullest possible **utilization** of **available** inputs. The available resources are then said to be **fully employed** in the most effective way.

ECONOMIC EFFICIENCY

Suppose a society has achieved technical efficiency and is making full use of its available resources. Would you give high marks to such a society if families who wanted a larger apartment had to wait 10 years before one became available? Would you think the economy is efficient if people who wanted to buy meat for dinner were required to spend all afternoon waiting in line outside the meat market? Most people agree that an economic system ought to **deliver** the goods and services that people want and are able to pay for. A **standard** that is useful in determining the success of an economy is economic efficiency.

Now look at the relation between technical and economic efficiency

1. A society that has achieved technical efficiency is making full use of its available resources. But the society is not economically efficient unless it is producing the goods that people prefer to **purchase** with their existing **incomes**.

2. A society that has achieved economic efficiency has also achieved technical efficiency. That is, the society is not only producing the largest possible output with the available resources but also satisfying consumer preferences. Economic efficiency is thus a general **concept** that includes technical efficiency.