

1 Definitions

1. graph (production frontier), GR
2. output set, $P(x)$
3. input set, $L(y)$
4. constant returns to scale
5. Farrell input technical efficiency TE_i
6. Farrell output technical efficiency TE_o
7. scale efficiency (SE_i, SE_o)

2 Concepts, problems, etc

1. Be able to construct GR, $L(y)$ and $P(x)$ from ‘data sets’—like we did in class—using what we called the activity analysis model. Be able to write out the linear programming problem to estimate technical efficiency.
2. Be able to show the decomposition of overall cost and revenue efficiency into technical and allocative efficiency diagrams.
3. Be able to discuss the Farrell article.