

PRODUCTION POSSIBILITIES CURVE (PPC)

This graph will show potential prospects for the production of a pair of products.

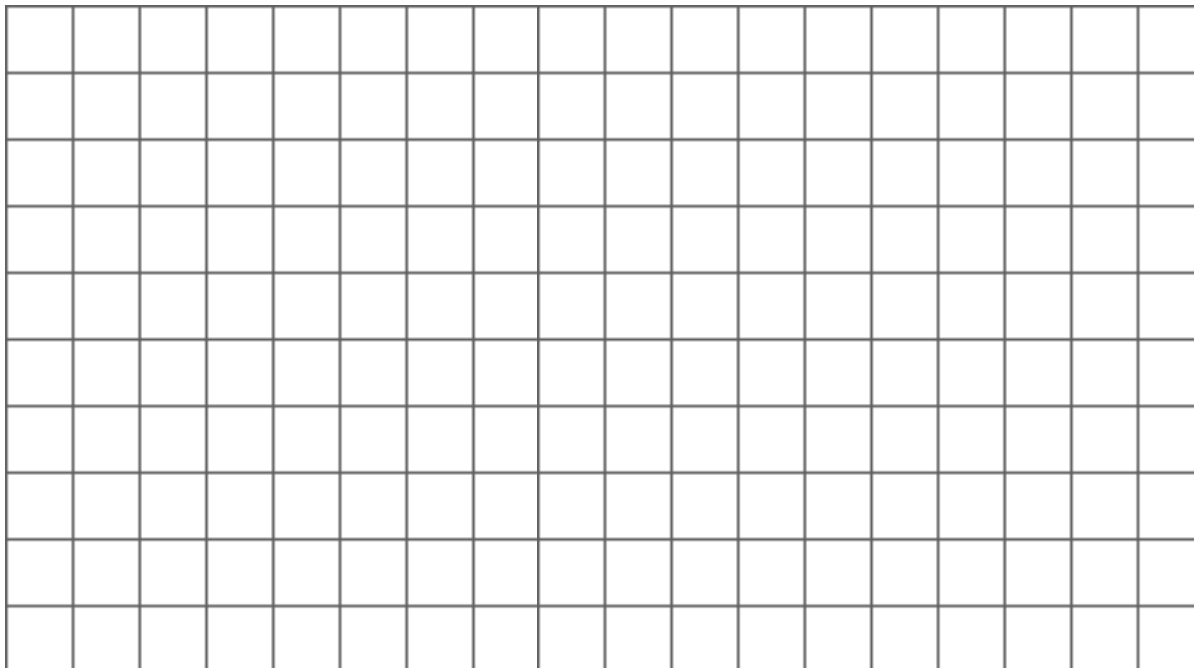
Start off with a table:

	A	B	C	D	E
Videos					
Hats					

If Mr. Clifford uses all his time and resources in a week to make videos, how many can he make? _____

If Mr. Clifford uses all his time and resources in a week to make hat, how many can he make? _____

Plot the points: (label point, axis, etc)



What is another term for the Production possibilities curve? _____

KEY CONCEPTS scarcity, trade offs, opportunity costs & efficiency

How does the production possibilities curve show SCARCITY?

Curve shows that there are _____

How does the production possibilities curve show TRADE-OFFS?

Must choose _____.

Have to give up _____ to produce _____.

Have to give up _____ to produce _____.

How does the production possibilities curve show OPPORTUNITY COST?

The specific number of _____ that are given up to make a _____.

The specific number of _____ that are given up to make a _____.

How does the production possibilities curve show EFFICIENCY?

INEFFICIENT: _____ the curve: can happen, but not using all the _____ to the fullest

EFFICIENT: _____ the curve: using all the _____ available

UNATTAINABLE: _____ the curve: impossible, because do not have _____

Calculate the opportunity cost of each of the following, moving from: *be sure to identify what is being given up*

What is the opportunity cost moving from point A to point D _____

What is the opportunity cost moving from point B to point C _____

What is the opportunity cost moving from point E to point D _____

What is the opportunity cost moving from point C to point A _____

What does **constant opportunity cost** mean? Sketch a graph.

What does **increasing opportunity cost** mean? Sketch graph

SHIFTING THE PRODUCTION POSSIBILITIES CURVE (PPC)

What 2 things shift the PPC?

1. Change in the _____
2. Change in _____

Show the difference in a PPC of cars in 1920 to 2015



Specialization & Trade

Allows countries to _____ beyond their own production possibilities curve.

Can get _____ because of trade.

** See notes on comparative advantage.

Identify what will happen to the PPC for consumer goods & capital goods.

Consumer goods – products created for _____ (pizza)

Capital goods – products that _____ (oven)



Plot the following curves



Faster computers and better technology



Destruction of a country's power plant (less electricity)



TRICKY: think. High unemployment



Better educated workers