

## Unit 1 Lesson 2 Production Possibility Curve

- **Trade-offs:** All individuals and groups of people make decisions that involve trade-offs
- Guns vs. Butter Trade-off
  - Every country has limited resources and must make decisions between producing more \_\_\_\_\_ or more \_\_\_\_\_
  - \_\_\_\_\_ represent military goods and services
  - \_\_\_\_\_ represents all consumer goods and services

### Thinking at the Margin

- When you decide how much more or less to do, you are thinking at the \_\_\_\_\_.

Options	Benefit	Opportunity Cost
1 <sup>st</sup> hour of extra study time	Grade of C on test	1 hour of sleep
2 <sup>nd</sup> hour of extra study time	Grade of B on test	2 hours of sleep
3 <sup>rd</sup> hour of extra study time	Grade of B+ on test	3 hours of sleep

### Production Possibilities

- A \_\_\_\_\_ shows alternative ways that an economy can use its resources.
- The production possibilities frontier (curve) is the line that shows the maximum possible output for that economy.

### Efficiency

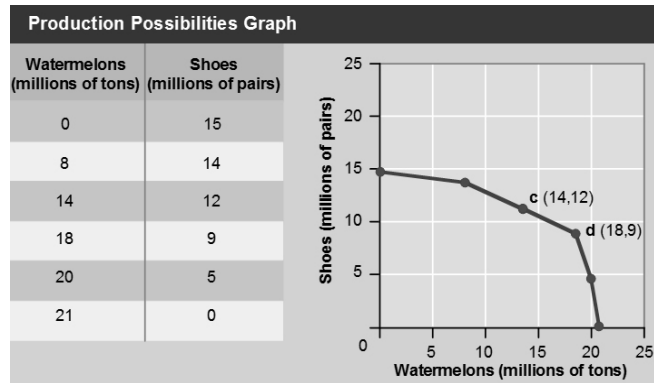
- **Efficiency** means using resources in such a way as to \_\_\_\_\_ the production of goods and services. An economy producing output levels \_\_\_\_\_ the production possibilities frontier is operating efficiently. Points underneath the curve mean that resources are not being used completely. That is called \_\_\_\_\_.

### Growth

- Growth: If more resources become available, or if technology improves, and economy can increase its level of output and growth. When this happens, the entire production possibilities curve “shifts to the \_\_\_\_\_.”

### Cost

- A production possibilities graph shows the cost of producing more of one item. To move from point c to point d on this graph has a cost of \_\_\_\_\_ million pairs of shoes.



Economics U.S.A. Video – Scarcity and PPC

1. What is the trade-off discussed with Alaska?

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2. How could there be an increase in both “guns and butter” during WW2?

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3. What is the trade-off for worker’s safety?

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