

# 1.3

## **Production Possibilities Curves**



## **As a Young Economist, I will be able to...**

- Interpret a production possibilities curve.
- Explain how production possibilities curves show efficiency, growth, and opportunity cost.
- Explain why a country's production possibilities depend on its resources and technology.

# Production Possibilities

How do nations decide what to produce?

**Production Possibilities Curve-** Graph that shows alternative ways to use an economy's productive resources

You can use different axes to compare or contrast services!



# Drawing the Curve

**You need to first discover the resources you want to examine**

**You are trying to find a middle ground of a balance to create both materials!**

**Production Possibilities Frontier-** The line that shows the combinations of products to find maximum output!

**Trade-offs are important to not waste resources**



# Challenging Production Possibilities

**Efficiency-** Use of resources in such a way as to maximize the output of goods & services

Do economies run of inefficiency? What are some examples?

**Underutilization-** The use of fewer resources than the economy is capable of using.

What would an example of this be?



# Growth & Opportunity

**Resources such as country growth and make production curves rise or “shift to the right”**

**Curves can be analyzed to determine cost. Cost may not mean money!!!**

**Law of increasing costs-** As production shifts from one item to another, more resources are needed to produce second item

**Technology & Training can improve efficiency...how?**