

PRODUCTION POSSIBILITY CURVE

MODELS

1.3- Demonstrate an ability to interpret the PPC Model.

KICKOFF:

- ❖ Go to Google Classroom and complete the assignment **“9/9- KO”**
 - Vocab practice
- ❖ Pick up both handouts and put them away
- ❖ Need one of my Chromebooks today
- ❖ **Roll Call:** Hometown



ANNOUNCEMENTS

- ❖ Have Section 1, Module 4 read by 9/11
- ❖ **9/17**- Unit 1 Test
- ❖ Bell to bell schedule next week
- ❖ Heels win!



QUIZ:

- ❖ 15 Questions
- ❖ 20 minutes
- ❖ ABSOLUTLEY NO TALKING, EVEN WHEN YOU ARE DONE
- ❖ When you are finished try and complete the handout you picked up on the way into the classroom
- ❖ If you finish that, you may start reading module 4 in the textbook

PRODUCTION POSSIBILITY CURVE

MODELS

1.3- Demonstrate an ability to interpret the PPC Model.

WHAT DO THEY DO??

- ❖ Graphically demonstrates basic economic concepts of trade-offs, scarcity, opportunity cost, and efficiency
 - Efficient- no way to make anyone better off without hurting another
 - Productive efficiency- production at a point on the PPC
 - Allocative efficiency- producing at point on PPC that maximizes consumer benefit

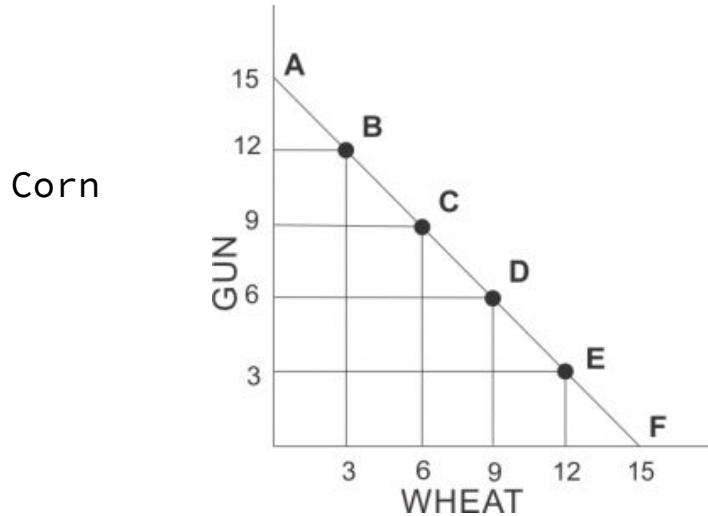
PPC ASSUMPTIONS:

- ❖ Economy produces two goods
- ❖ All resources are used
- ❖ Fixed resources
- ❖ Fixed technology



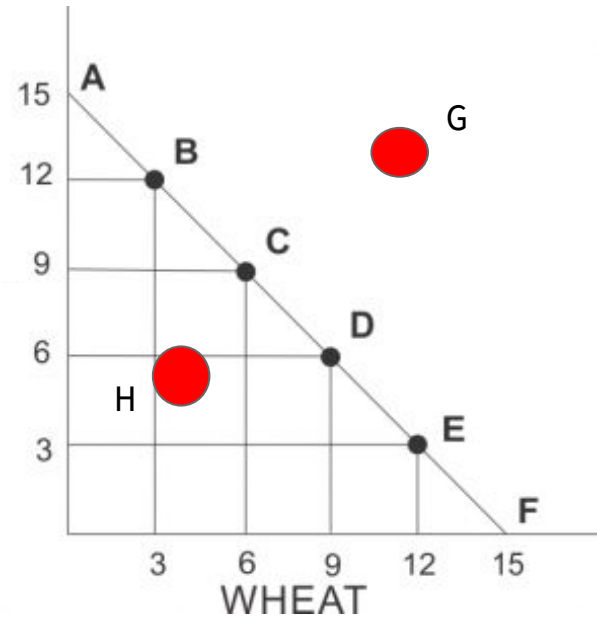
DRAW THE PPC MODEL FOR THIS ECONOMY THAT ONLY PRODUCES CORN AND WHEAT- ON GRAPH PAPER

	A	B	C	D	E	F
Corn	15	12	9	6	3	0
Wheat	0	3	6	9	12	15



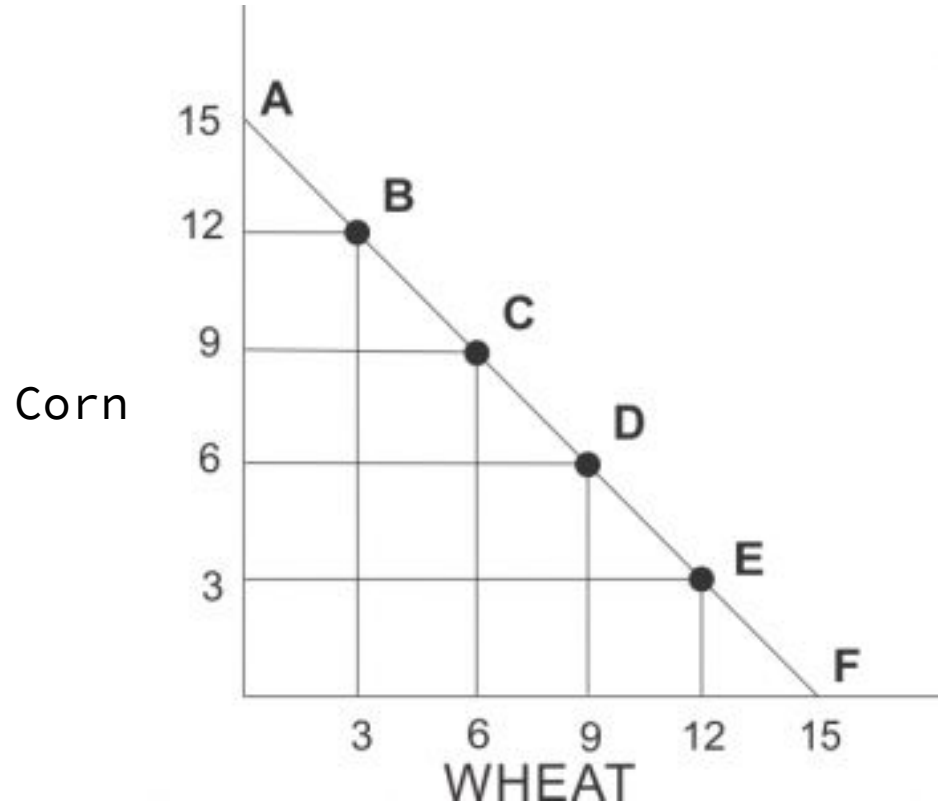
COMPREHENDING EFFICIENCY AND POSSIBILITY

- ❖ Which point(s) are possible?
 - A, B, C, D, E, F, H
- ❖ Which points are productively efficient?
 - A, B, C, D, E, F
- ❖ Which point(s) are not possible?
 - G



OPPORTUNITY COST

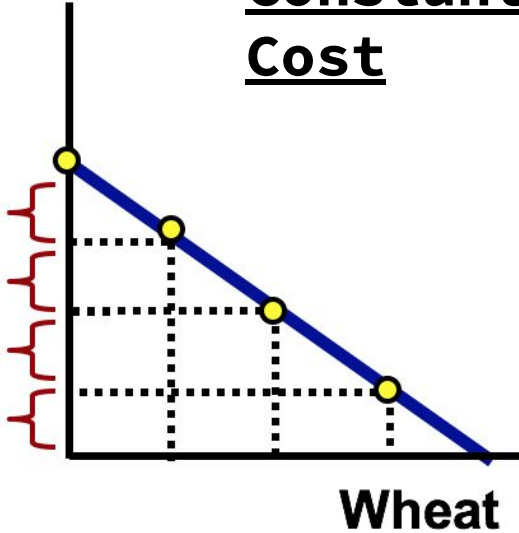
- ❖ What is the opportunity cost of moving from B to C?
 - 3 Units of corn
- ❖ From E to D?
 - 3 Units of wheat



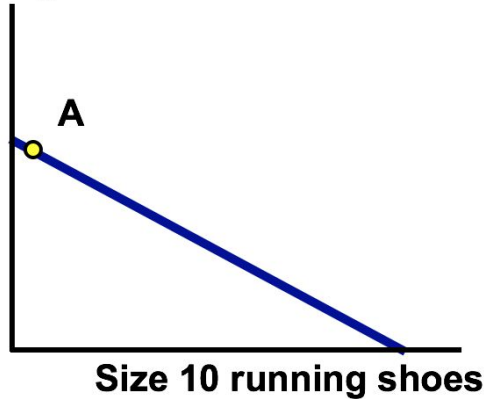
WHAT DO ALL OF THESE HAVE IN COMMON?

Corn

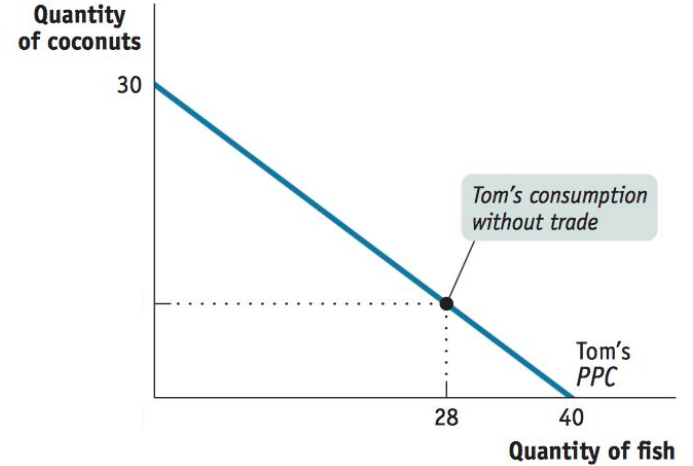
Constant (Opportunity)
Cost



Size 20 running shoes



(a) Tom's Production Possibilities



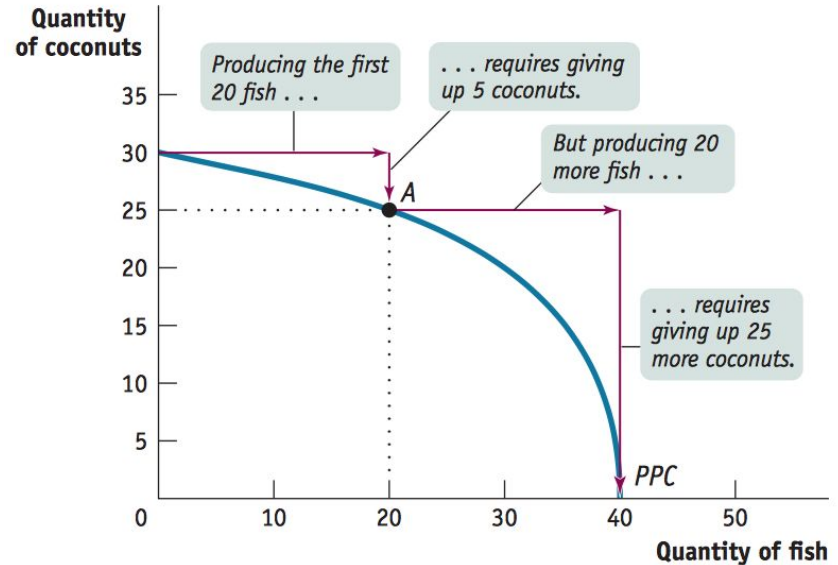
PRACTICE

- ❖ On the other side of your graph paper, graph this PPC Model for basketballs and baseball bats

	A	B	C	D	E
Basketballs	20	19	16	10	0
Baseball bats	0	1	2	3	4

WHY ARE MOST PPCS BOWED OUT (CONCAVE)?

- ❖ Law of increasing (opportunity) cost
 - As you produce more of a good, the opportunity cost will increase
- ❖ Why?
 - Resources aren't easily adaptable



PRACTICE

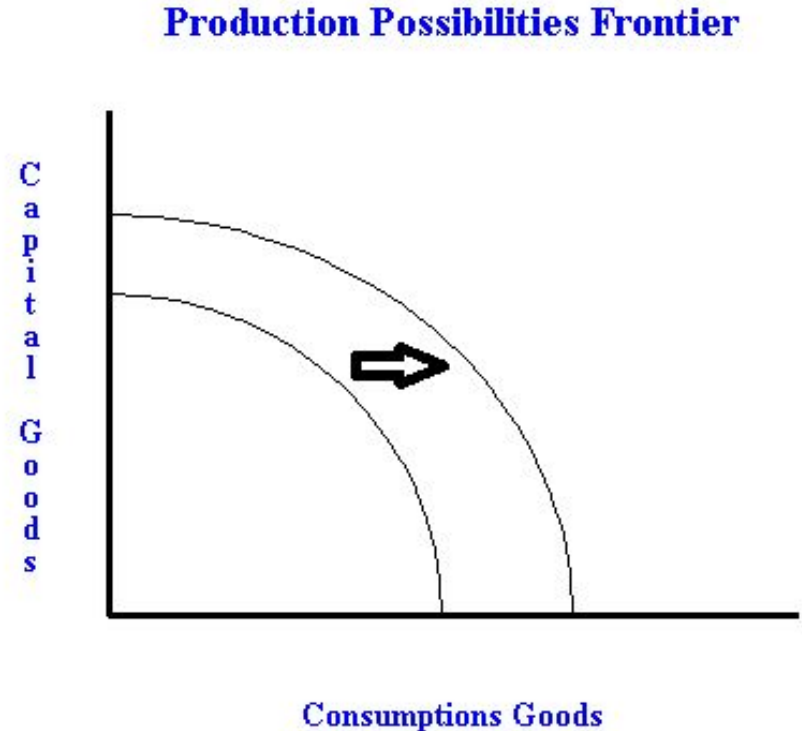


- ❖ What is the opportunity cost of moving from point B to C?
 - 3 basketballs
- ❖ Point D to E?
 - 10 basketballs
- ❖ Point E to D?
 - 1 baseball bat



SHIFTS OF THE PPC

- ❖ What cause this shift in the PPC?
 - Economic Growth
 - Increase in resources
 - Increase in technology
- ❖ What would cause an inward shift?



OPPORTUNITY COST CONTINUED (FORMULA)

- ❖ Opp. Cost of good X = Change in good Y/Change in good X
- ❖ What is the opportunity cost of each unit of wheat

	A	B	C	D	E	F
Y Corn	50	40	30	20	10	0
X Wheat	0	3	6	9	12	15

- ❖ 10/3 units of corn

PRACTICE

❖ What is the per unit opp. Cost of moving from A to B?

➤ 1

❖ C to D?

➤ 6

❖ D to B?

➤ $2/9$

❖ A to E

➤ 5

	A	B	C	D	E
Basketballs	20	19	16	10	0
Baseball bats	0	1	2	3	4

ALPHA BOX
CHALLENGE

CLOSURE