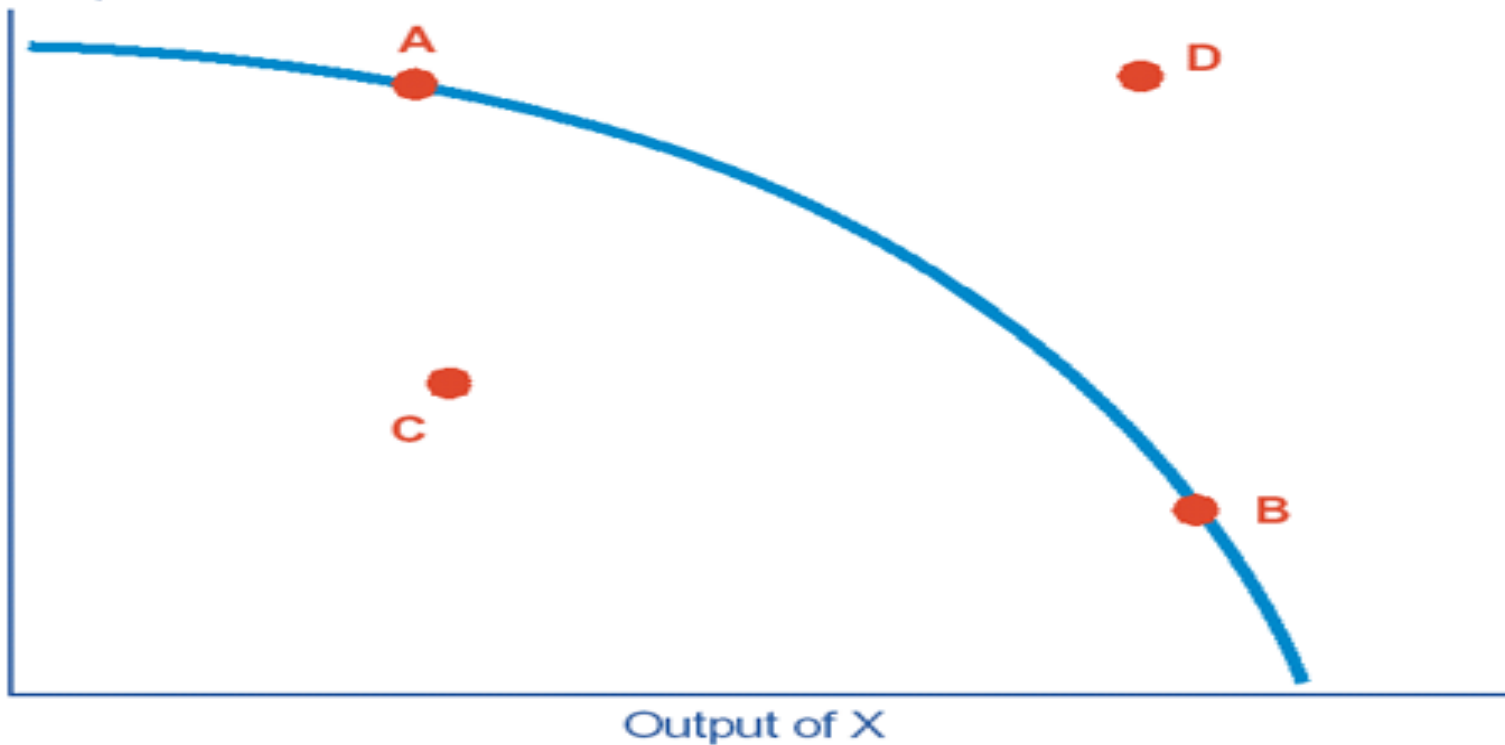


- How can trade-offs and opportunity costs be shown on a production possibilities curve (PPC)?

## Production Possibilities Curve

Output of Y



Producers have options. Should a farmer grow corn or broccoli?

# A Production Possibilities Graph

- A Production Possibilities Graph shows alternative ways of using a country's or producer's resources.
- If a farmer uses more of his land to grow corn, he has less land for broccoli.
- Every decision has its cost.

CDs

T-shirts

0

80

40

60

70

40

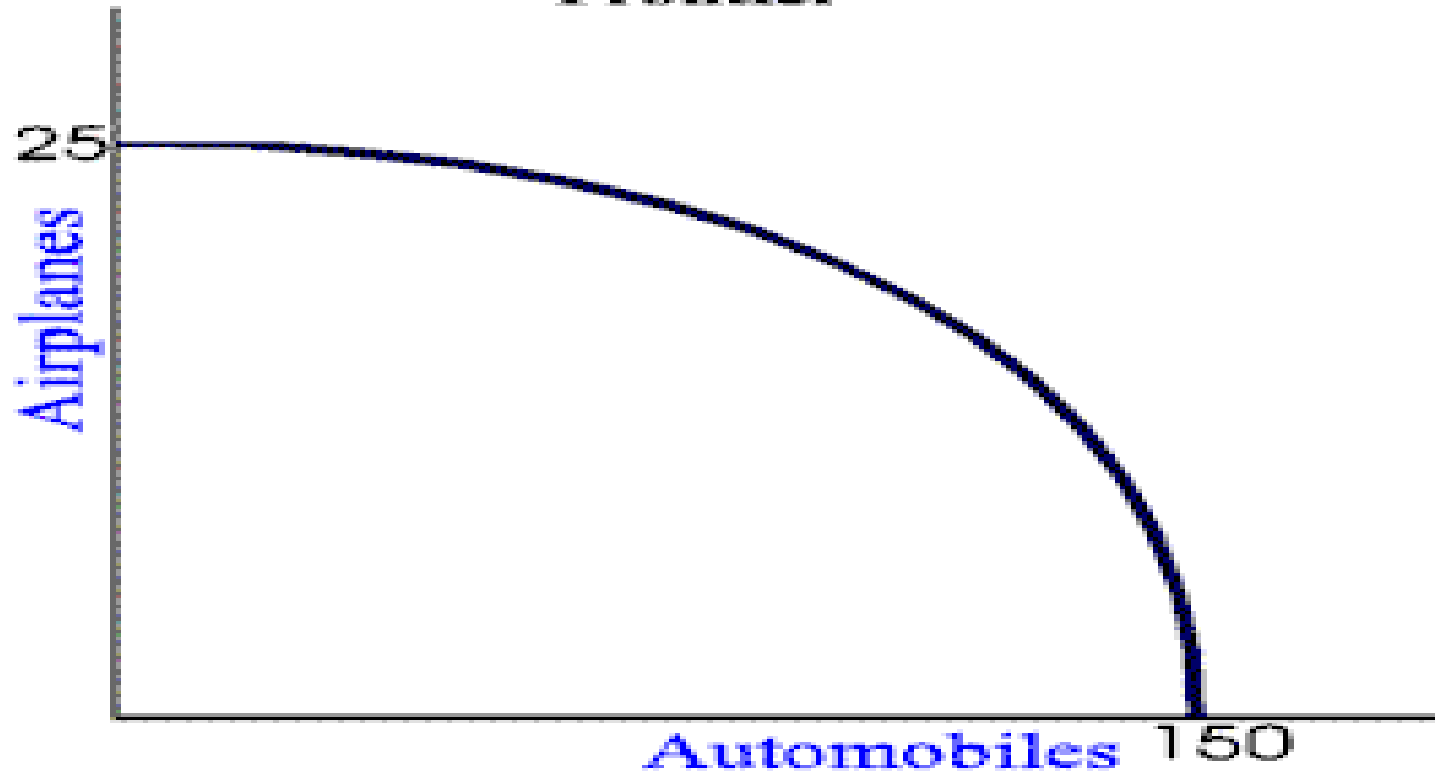
90

20

100

0

**Figure 1-1 The Production Possibilities Frontier**



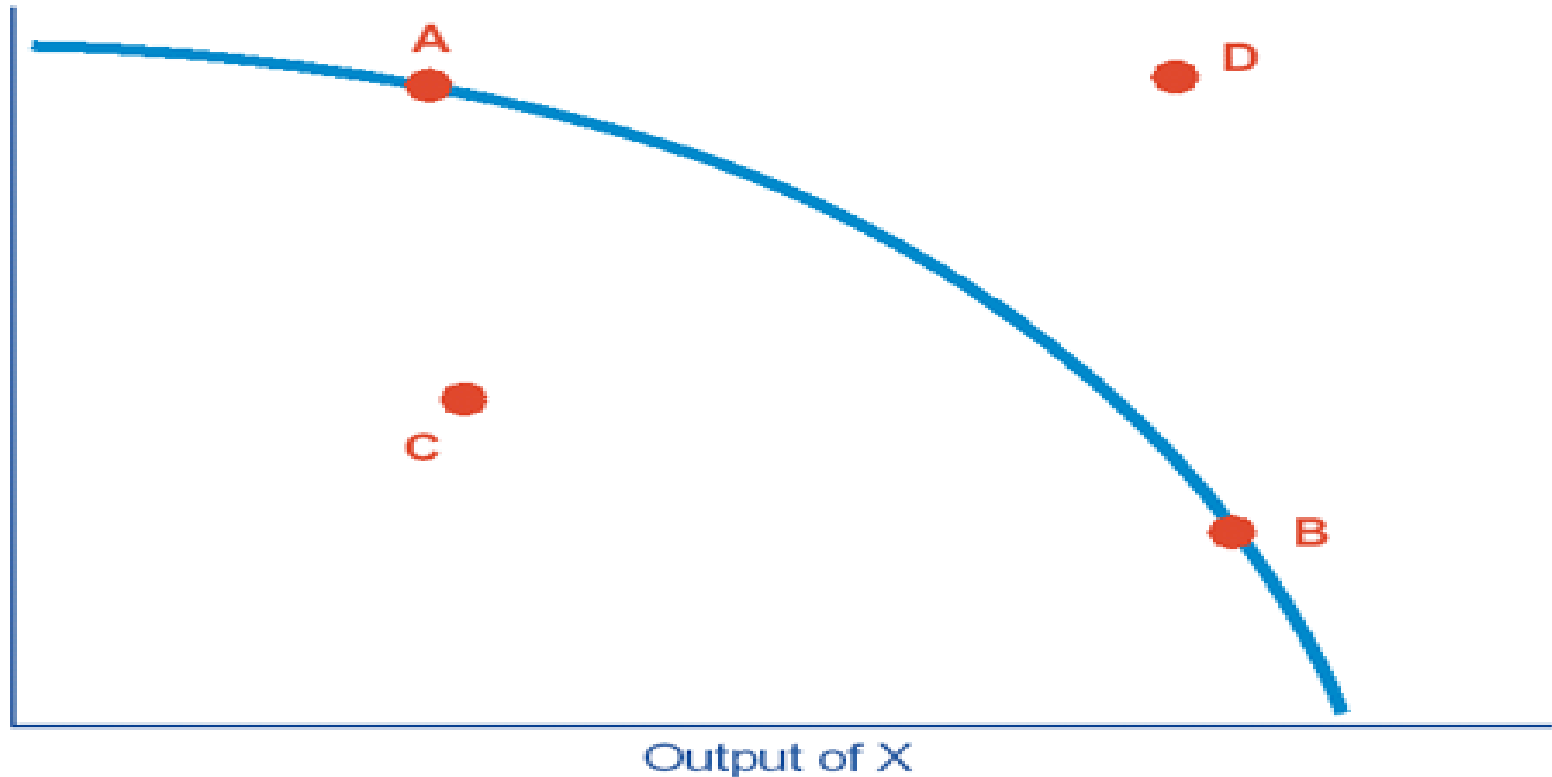
What is the cost of producing more automobiles?

# Efficiency

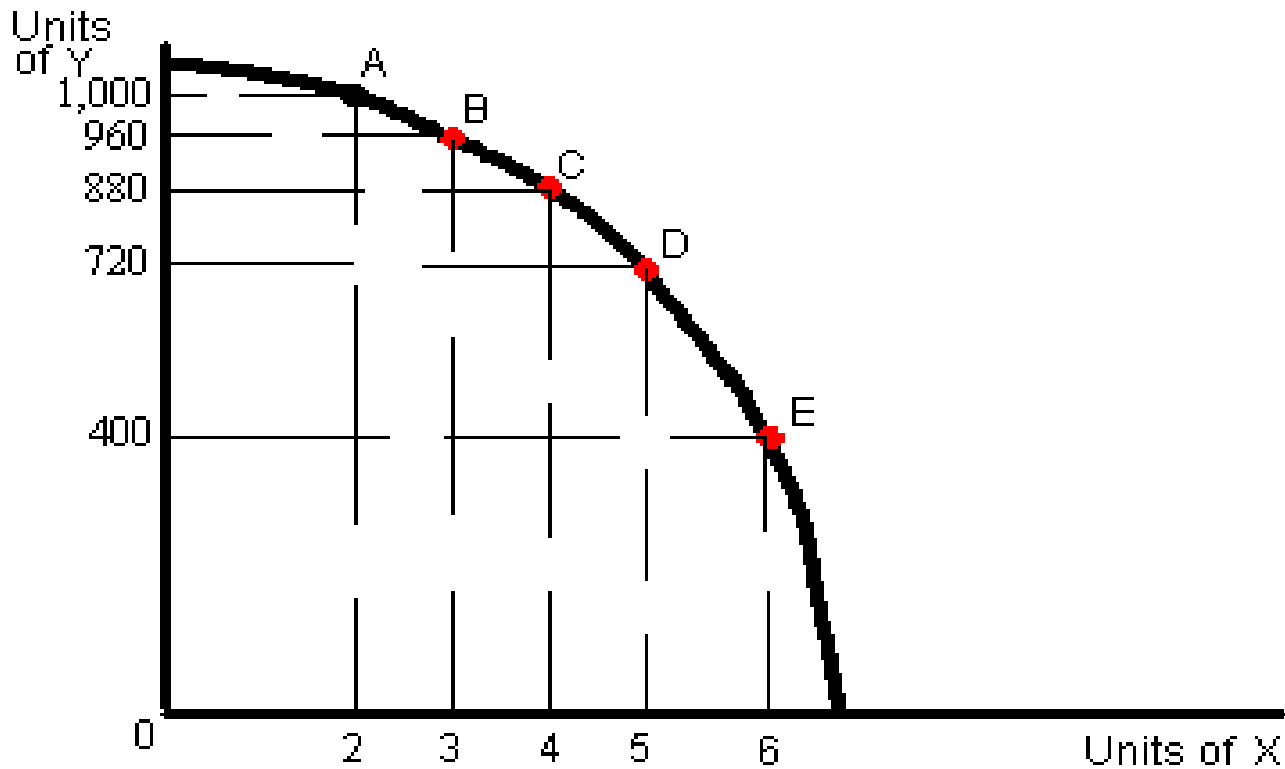
- An economy is efficient when it uses resources in such a way as to maximize production.
- Why is it important to be efficient?

## Production Possibilities Curve

Output of Y



Look at the graph. Where is efficiency occurring?



Look at this graph. Where is efficiency occurring?

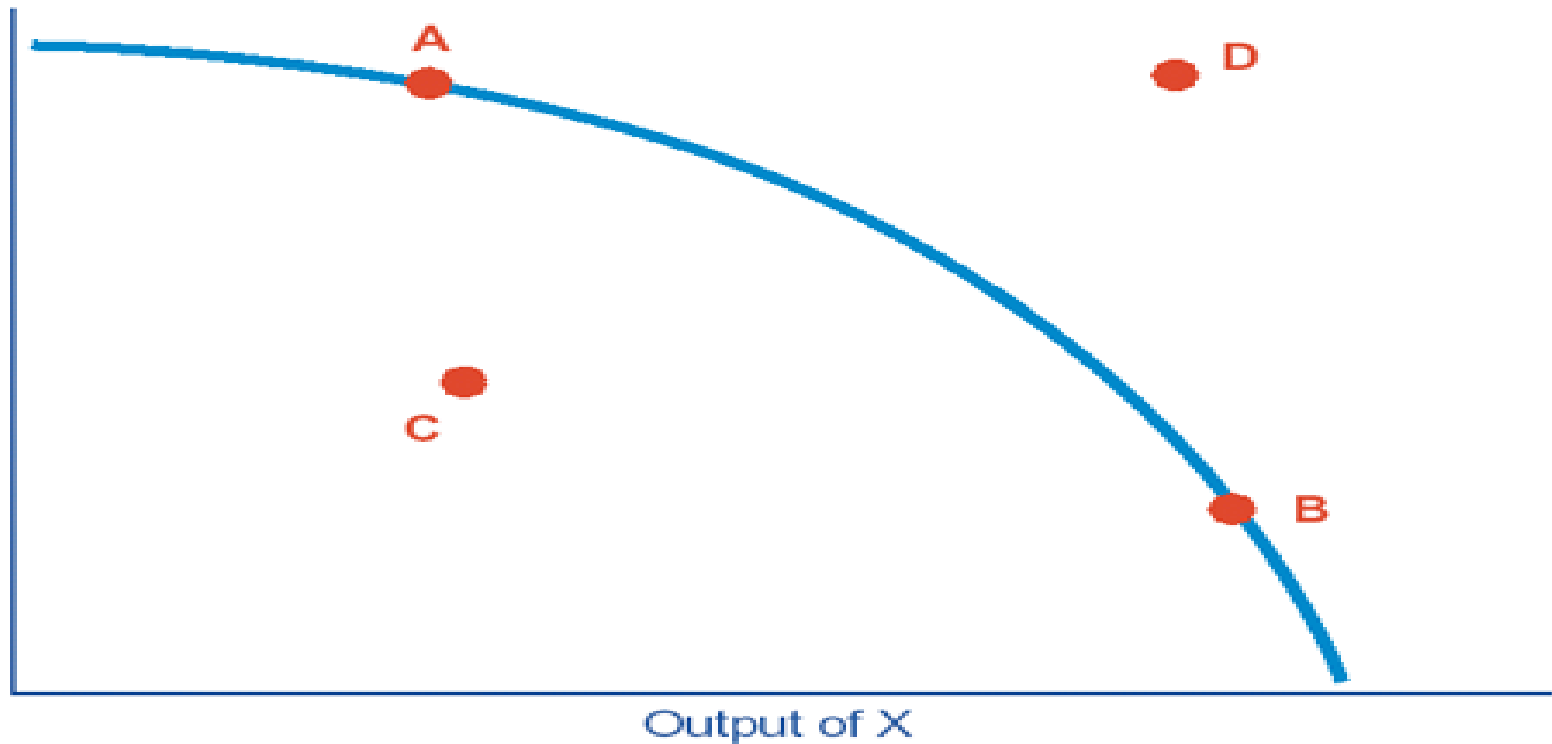


# Underutilization

- Underutilization is the opposite of efficiency.
- Underutilization occurs when an economy uses fewer resources than it is capable of using.
- Why do producers avoid the underutilization of resources?

## Production Possibilities Curve

Output of Y



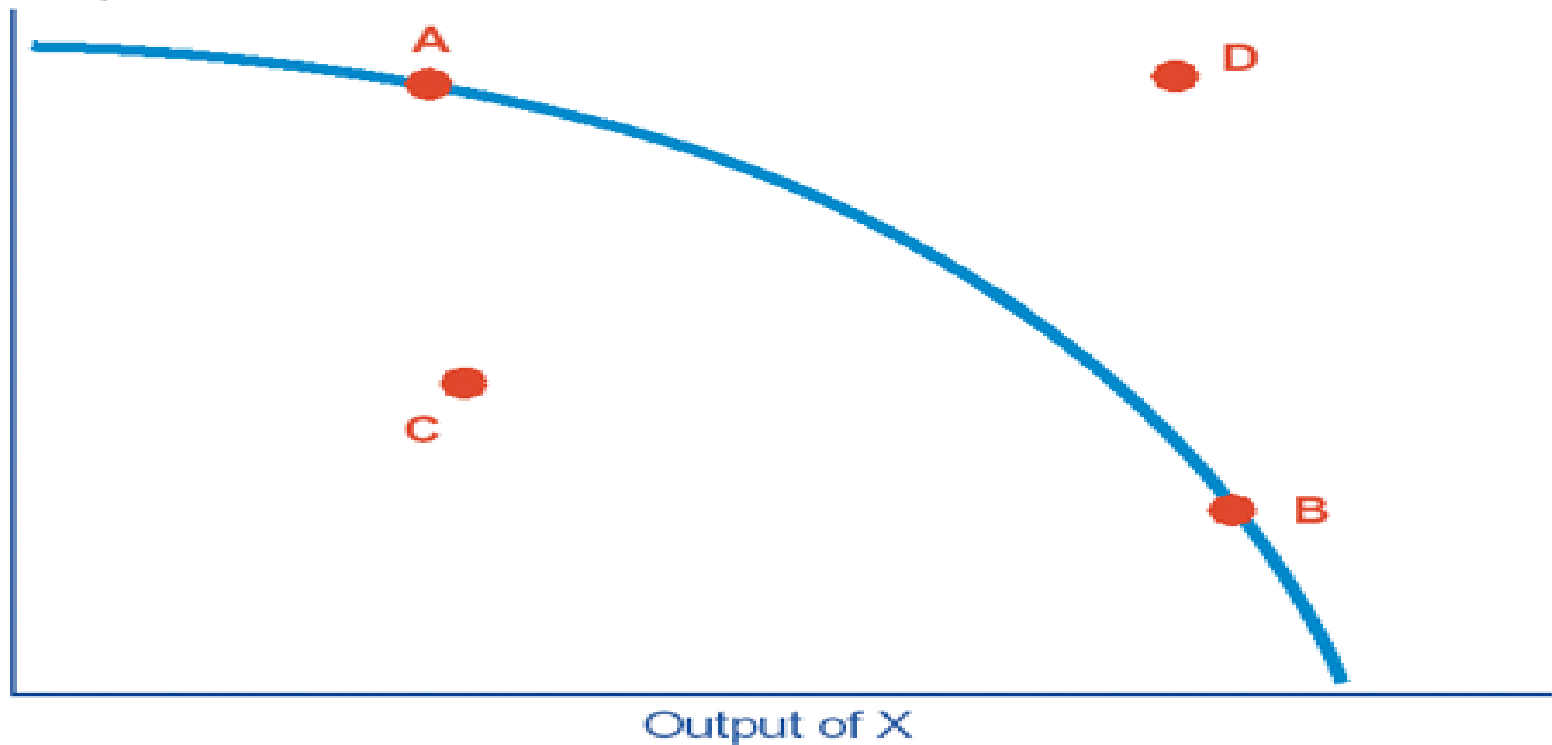
Look at the graph. Where is underutilization occurring?

# The Production Possibilities Frontier

- The line on the graph that shows the maximum possible production is called the production possibilities frontier.
- At the frontier, efficiency is occurring.
- However, new technology can shift the frontier. Think about it!

## Production Possibilities Curve

Output of Y



Look at the graph. Where is underutilization occurring?

# Don't Forget Scarcity!

- A producer cannot produce everything.
- A producer must make choices.
- Remember: It's all about scarcity. Our resources are limited but our wants and desires are unlimited.