Production Possibilities Curve Practice

1A) You want to bake cookies for your Economics class. You only have enough ingredients to make five batches of cookies. Pick two different types of cookies you could make. Draw a PPC on the graph below to illustrate the different combinations of cookies you could make. Label your points on the graph.

1B) If you were originally making 5 batches of just one kind of cookie, what would the opportunity cost be if you decided to make 2 batches of the other kind? What is the opportunity benefit?

1C) What would the opportunity benefit be if you went from making 5 batches of just one kind of cookie to making 4 batches of the other kind? What is the opportunity cost?

1D) Just when you thought you ran out of cookie ingredients, your parents came home from Vons with enough cookie ingredients for one more batch of cookies (obviously so you can make an entire batch just for Mrs. T). Illustrate how your PPC would change on the graph above.

1E) Draw a point on your graph (above) that would show an inefficient use of your cookie ingredients.

1F) Draw a point on your graph (above) that would be unattainable given the amount of ingredients you currently have.

2) Answer the following questions about the PPC graph below for Apple’s iPhones and iPads.

2A) What is this graph illustrating?

2B) What is the opportunity cost of moving production from Point B to Point D? What is the opportunity benefit?

2C) Why wouldn’t we want to produce at Point H?

2D) What would make it possible to produce at Point I?