Production Possibilities Curve Review

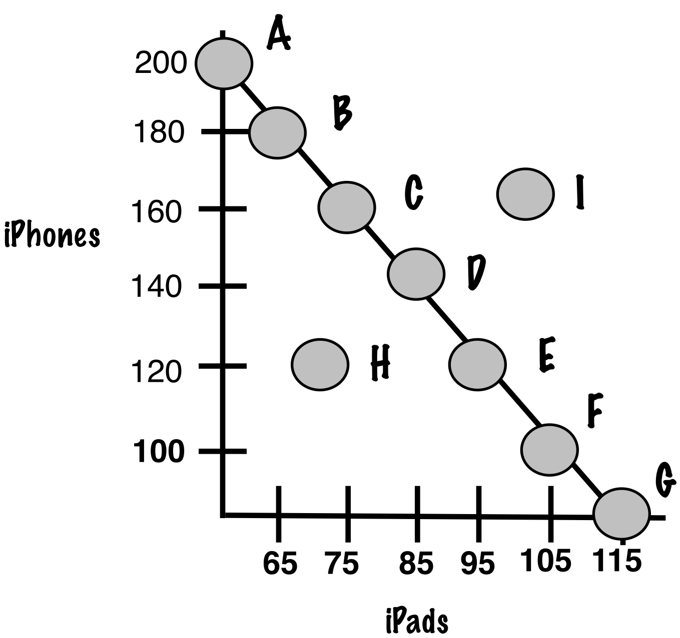
Production Possibilities:
All the G&S we can produce with our current resources

Production Possibilities Curve:
A graph that show the trade off or options for production. It shows that if we want to produce more of one good, we have to produce less of the other.

Opportunity Cost in a PPC:
Opportunity COST in the PPC is measured by the quantity (#) that is LOST in one good if you produce more of another.

Opportunity Benefit in a PPC:
Opportunity BENEFIT in the PPC is measured by the quantity (#) that is GAINED if you produce more of a good.

Example:



In the graph on the left, we are looking at the production possibilities for Apple's iPhones and iPads.

Trade offs: iPhones and iPads

If we move from point D to point F:

Opportunity Cost: 40 iPhones (we lose 40 iPhones)
Opportunity Benefit: 20 iPads (we gain 20 iPads)

Point H is **inefficient**. This is bad because resources are not being used fully. We could be producing more.

Point I is **unattainable.** We cannot currently produce at that point. We would need **more resources** or **better technology** to get to this point. By better technology, I mean something that would make the actual production more efficient.

Moving from Inefficient to Production to Efficient Production

This means moving from a point INSIDE the curve to a point ON the curve (below).

Shift in PPC due to ECONOMIC GROWTH

When we get more resources (factors of production) or better technology, the WHOLE CURVE WILL SHIFT OUTWARD (below).