

## ECON: Chapter 1.3

### Production Possibilities Curves

**Example:** As US entered WWII, we had to either produce what we needed to win the war or face defeat. America turned its factories, farms and mines into military production institutions instead of consumer production outlets.

#### I. Production Possibilities

- A. Graphs help us see how one value relates to another
  1. Production possibilities curve (graph) show alternative ways to use an economy's productive resources
  2. Efficiency, Growth, and Cost
    - a. **Efficiency** (DEF= using resources in such a way to maximize the production or output of goods and services)
    - b. **Underutilization** (DEF= using fewer resources than the economy is capable of)
    - c. (p.16)
    - d. **Cost** (DEF= alternative we give up when we choose one option over another)
      1. **Law of Increasing Cost** (DEF= as production switches from one item to another, more and more resources are needed to produce 2<sup>nd</sup> item.
  3. Resources and Technology
    - a. A country's resources include its land and natural resources, its work force, and its physical and human capital.
      1. **Technology**= know how
      2. Production possibilities depend on both resources and technology.