

# Chapter 1 Section 3

## Production Possibilities

# Notes: What is a PPC?

- Production Possibilities Curve
- Shows max number of goods that can be produced with limited resources

# PPC Assumptions

- Resources are fixed: (you can't get more paper, scissors, labor, etc)
- All resources are being used fully
- Only 2 things can be produced
- Technology is fixed: no improvements in efficiency

	Links	Smiles
Round 1		
Round 2		
Round 3		
Round 4		

# Links and Smiles Experiment

- Prepare:
- Each person needs 2 sheets of paper, scissors and tape
- Prepare the paper:
- Fold the two most distant ends together
- Fold the new most distant ends together
- Undo the last fold and fold each of the most distant ends in so that they touch the center line

# Continued...

- Choose one side of the “swinging door” and fold it into the middle again.
- Unfold the papers and cut along the creases. Also, cut the wider strips in half width-wise. You should then have 16 strips and 16 rectangles.

# Links and Smiles

- Every person is a manufacturer of links and smiles.
- A link is a strip of paper wrapped into a circle and taped in place. (like a Christmas chain)
- Smiles are made by cutting squares into circles and drawing 2 eyes and a smile on each
- Only one piece of paper can be cut at a time.

# Rules

- Strips and squares can be altered for the alternative use. Strips can be taped together and cut in half to make squares, and therefore smiles. Squares can be taped together and cut lengthwise to make strips, and therefore links.
- Each round: 4 strips, 4 squares, scissors, tape.
- Cut only one layer of paper at a time.



# Rules

- Each round is 70 seconds.
- Record your production in the chart for each round.

# Production Goals

- Round 1: make 4 smiles and as many links as you can
- Round 2: make only links
- Round 3: make only smiles
- Round 4: make one smile and as many links as you can

# Graph Your Results

- Smiles on horizontal axis
- Links on vertical axis
  
- Congratulations!! You've just created your first production possibilities curve!!

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# Notes:

- Points along the PPC are efficient
- Points underneath the PPC show underutilization: producing fewer goods than possible
- Points above PPC show impossible levels of production