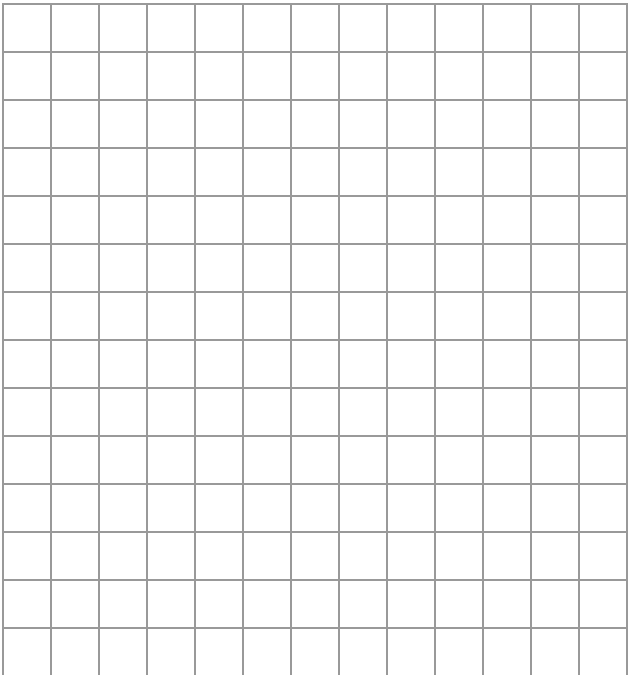


Chapter 1, Section 3

The Production Possibilities Curve (PPC)

	Links	Smiles
Round 1		
Round 2		
Round 3		
Round 4		



Definition of Production Possibilities Curve:

PPC Assumptions

- 1.
- 2.
- 3.
- 4.

Chapter 1, Section 3

- *Review: What is a PPC? What does it show?*
- *What assumptions do we make concerning PPC's?*
- Notes:
- Points along the PPC are _____
- Points underneath the PPC show _____: producing fewer goods than possible
- Points above PPC show _____ levels of production



- Law of Increasing Opportunity Costs:
- *Think of links and smiles: it took more time and effort to produce links out of squares or smiles out of strips.*

Chapter 1, Section 3

- **Questions About Guns and Butter PPC**

- Suppose there were agricultural advancements that made butter production more efficient. How would this change the PPC?
- Suppose the population increases. How will this change the PPC?
- Suppose a plague occurs and 10% of the population is wiped out. How will this change the PPC?
- Indicate a point on the PPC that is impossible given current resources.
- Indicate a point on the PPC that shows underutilization of available resources.

- **Wrap Up**

- *In the 1960's Lyndon Johnson called for a war on poverty by implementing and strengthening many social programs. (butter) But the growing war in Vietnam forced government funds to be redirected to guns, at the cost of funding the social programs.*
- *You can't have an unlimited amount of both!*
- *Guns vs Butter*
- *After WWII, North Korea came under communist control. The North Korean government decided to strengthen its military, choosing guns over butter. By the late 1990's, millions of Koreans were dying of hunger because so many resources had been taken away from the production of necessities, such as food.*