

Basic Economic Concepts  
Scarcity and the Production Possibilities Curve

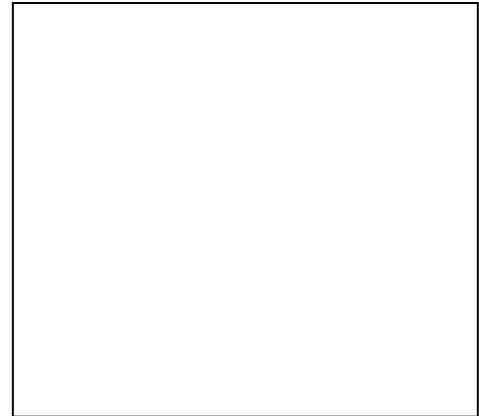
Opportunity cost	Terms	
Increasing opportunity cost	factors of production	constant opportunity cost
	production possibilities curve	

Watch Production Possibilities Curve Micro Topic 1.4 at

<https://www.youtube.com/watch?v=4UbKAIMTL7c&list=PLA46DB4506062B62B&index=6>

Follow along with Mr. Clifford's example and draw squares and triangles according to his instructions.

- In the box to the right draw YOUR production possibilities curve for squares and triangles.
- Place a point on the graph that is inefficient. Label it X.
- Place a point on the graph unobtainable and label it Y.



What does a straight line production possibilities curve demonstrate?

What does a production possibilities curve that is bowed out represent?

What two things will cause the production possibilities curve to shift?

**POP QUIZ** --- answer Mr. Clifford's sample questions!

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

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Watch Crash Course Economics #3 Economics Systems at <https://www.youtube.com/watch?v=B43YEW2FvDs>

What three things do we have to figure out?

- 1.
- 2.
- 3.

The factors of production are the major inputs required to produce stuff. They are classified as:

- 1.
- 2.
- 3.

In a planned economy the \_\_\_\_\_ controls the factors of production.

If an economy is completely controlled by the government, that's called a \_\_\_\_\_ economy.

In a free market or capitalist economy \_\_\_\_\_ own the factors of production and the government keeps its nose out of the stuff and adopts a laissez faire or a \_\_\_\_\_ approach to production, commerce, and trade.

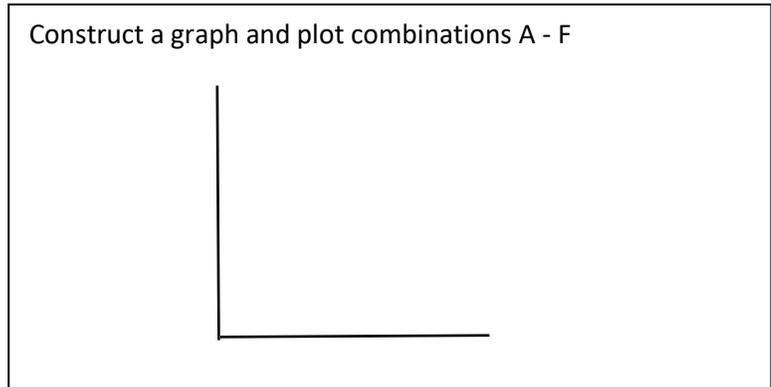
- Scarce resources will go to the \_\_\_\_\_ and they'll be used efficiently
- If a business is wasteful or inefficient, or makes something no one wants to buy then some other business will make a product that is \_\_\_\_\_ or \_\_\_\_\_ or both.

List three things that government must do because free markets won't.

- 1.
  - 2.
  - 3.
- Modern economies are neither \_\_\_\_\_ nor \_\_\_\_\_ there's a spectrum of government involvement.
  - Most modern economies are actually \_\_\_\_\_ economies with both free markets and government intervention.

Pacifica produces rice and coconuts. The table below shows different combinations of that Pacifica can produce.

Output option	Rice bushels	Coconuts pounds
A	2,000	0
B	1,600	250
C	1,200	450
D	800	600
E	400	700
F	0	800



Classify each combination as either

- a. efficient and feasible
- b. feasible but inefficient
- c. not feasible

1. 300 pounds of coconuts, 1,200 bushels of rice.
2. 450 pounds of coconuts, 1,400 bushels of rice
3. 500 pounds of coconuts, 600 bushels of rice
4. What is the opportunity cost of producing 600 pounds of coconuts instead of zero pounds of coconuts/
5. 1,600 bushels of rice instead of 800 bushels of rice.
6. 700 pounds of coconuts instead of 250 pounds of coconuts.