**Production Possibilities Curve**- a graph that shows alternative ways to use an economy’s resources

**Production Possibilities Frontier**- the line on a production possibilities graph that shows the maximum possible output using all resources for two specific products

\*\*Example of p. 14

**Efficiency**- using resources in such a way to maximize the production of goods and services

**Underutilization**- using fewer resources than an economy is capable of using

**Law of Increasing Costs**- states that as we shift factors of production from making one good or service to another, the cost of producing the second item increases

Ex: A restaurant🡪 A restaurant may have the following costs to consider:

-$15/hr for a chef that can cook 9 filet mignons per hour

-$5 per filet mignon

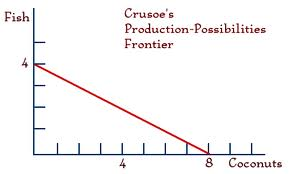
-$10 in overhead costs (electricity, ingredients, etc.) per hour

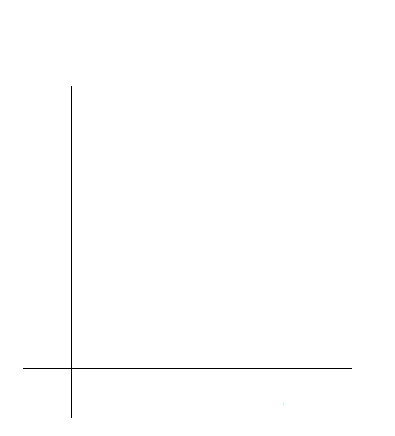
***The total cost per hour is $30***

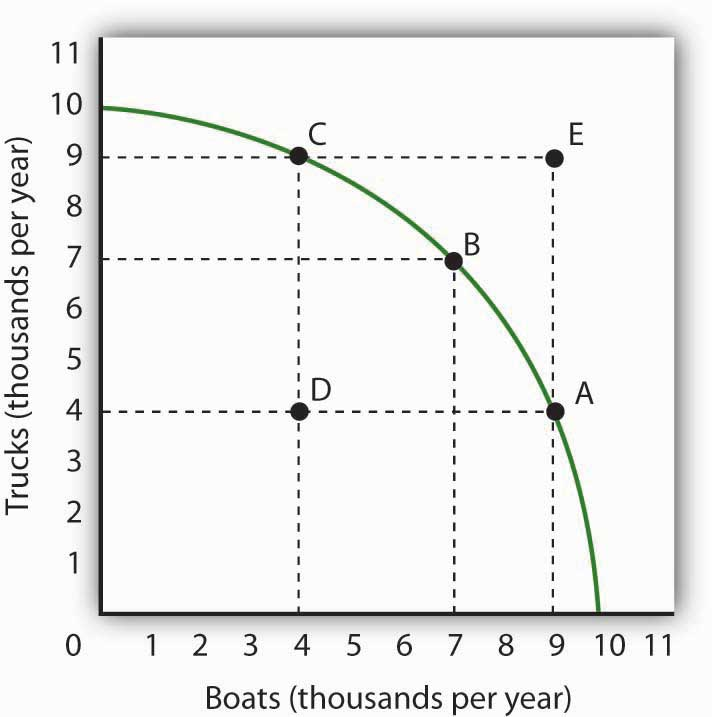
*\*\*However, if one more steak were produced, the company would need to hire another chef and pay for more overhead costs, thus increasing the total cost.*

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Production Possibilities Frontier Worksheet**

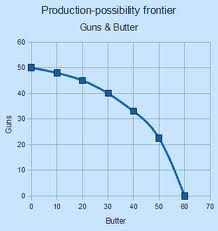


1. The opportunity cost of increasing coconut production from 7 units to 8 units is the loss of \_\_\_\_\_ units of fish.
2. The opportunity cost of increasing production of coconuts from 2 units to 6 units is the loss of \_\_\_\_ units of fish.
3. Draw a point on the graph that shows the production of 3 coconuts and 2 fish. Label it “A”. This is an example of (circle one of the following): efficiency/underutilization. This point is (circle one of the following): attainable/unattainable.
4. Chart the following information onto a production possibilities graph. Then, graph a point (label it point “A”) that depicts an example of underutilization. Then, graph another point (label it point “B”) that depicts a production level which is unattainable for this economy.



1. The opportunity cost for increasing the production of boats from 3,000 to 7,000 is the loss of \_\_\_\_\_\_\_ trucks per year.
2. Point D is an example of (circle one of the following): ***maximum output/underutilization/efficiency.***

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1. Use the information on the graph to complete the chart below. Pick any four points you want to complete the chart.

|  |  |
| --- | --- |
| Guns | Butter |
| 50 |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  | 60 |