

1 Opportunity cost and the PPC – Part 2

Name: _____ Class: _____ Date: _____

Vocabulary

Write each word three times.

English

Write it 3 times (English)

opportunity cost

production possi-
bility curve (PPC)

Recall

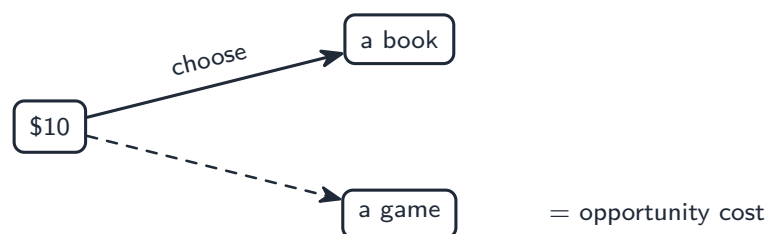
Every choice means giving something up, and a curve can show what an economy can produce.

New ideas

Read these first, then do the Practice.

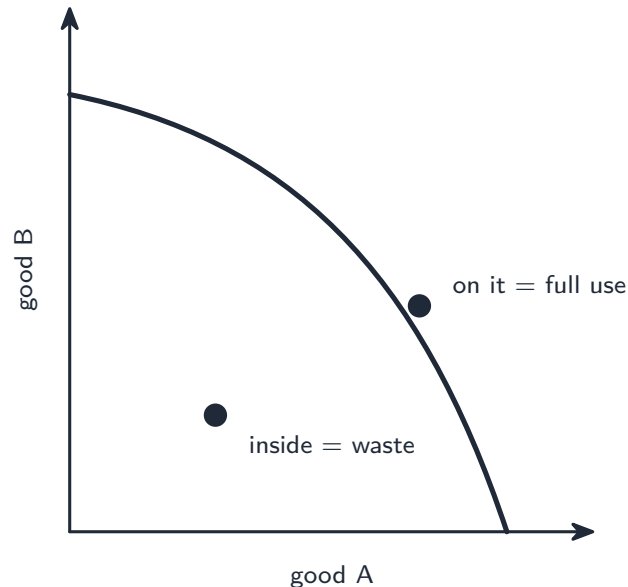
■ 1 Opportunity cost

The **opportunity cost** of a choice is the next best thing you give up:



■ 2 The production possibility curve

A **production possibility curve (PPC)** shows the most an economy can make of two goods:



Watch out: **opportunity cost** is the *single next best* thing you give up – not everything you didn't choose. On a **PPC**, a point *on* the curve uses all resources (efficient); a point *inside* wastes some.

Practice

Try these in order.

1.6 What is *opportunity cost*?

[1]

1.7 You spend your money on a book instead of a game. What is the opportunity cost?

[1]

1.8 What does a PPC show?

[1]

1.9 What does a point **on** the PPC mean?

[1]

1.10 What does a point **inside** the PPC mean?

[1]

1.11 Challenge. A country uses all its resources to make either tractors or guns. Using a PPC, explain the opportunity cost of choosing to make more guns.

[2]