



# AP Microeconomics Webinar

## Topic 1.3 - Production Possibilities Curves

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# Agenda

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- *Warm Up*
- *Content Delivery - Factors of Production, Scarcity, and the PPC Content*
- *Topic 1.3 Student Activity*
- *Wrap Up & Evaluation*



# Learning Target

- I can explain how the factors of production (resources) impact the production possibilities frontier.



# Warm Up

Amanda wants to teach a workshop after school, pick up her daughters from school, cook a gourmet dinner, and give her dogs a much needed bath.

Unfortunately, Amanda can't do all of these things.

- Why not?
- How will Amanda choose?



Students, write your response!

Pear Deck Interactive Slide  
Do not remove this bar

# The Factors of Production

*Resources necessary to produce what people want or need.*

1. **Land** is the society's limited natural resources. Ex: crops, physical land, oil, coal, animals.
2. **Capital** is the means by which something is produced such as tools, equipment, machinery, and factories. Human made.



# The Factors of Production



3. **Labor** is the workers who apply their efforts, abilities, and skills to production.

4. **Entrepreneurs** are risk-takers who combine the land, labor, and capital

into new products. Ex: Steve Jobs, Dan Cathy, Jeff Bezos

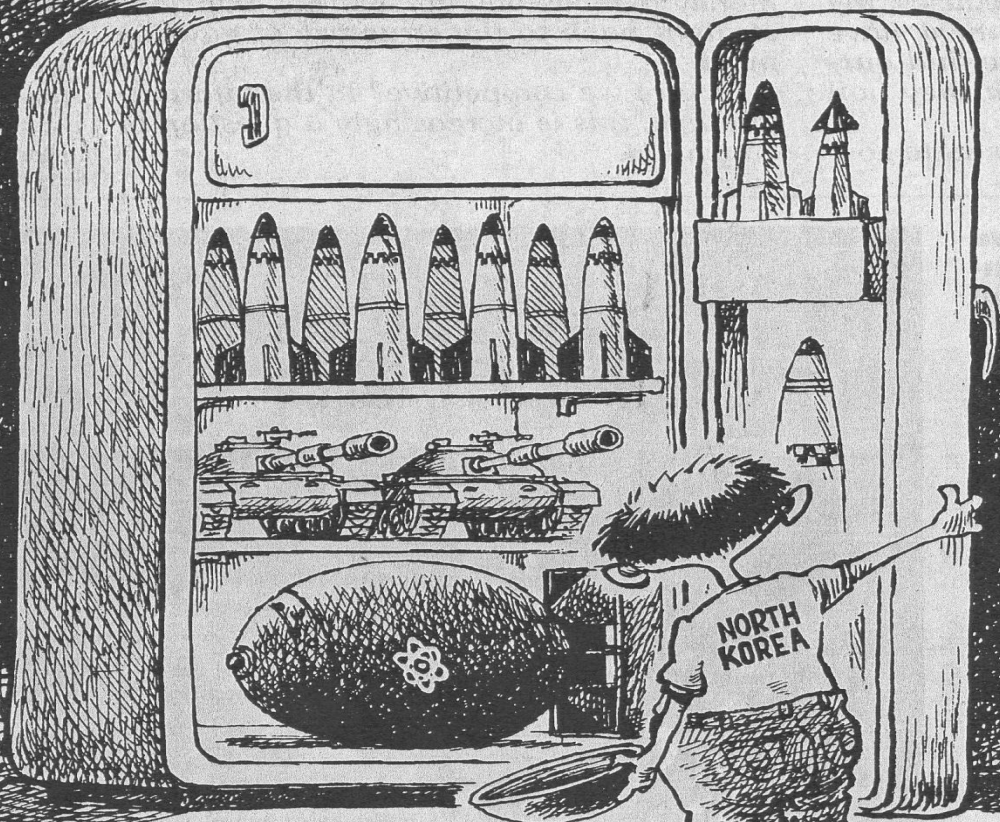


  
Dan Cathy



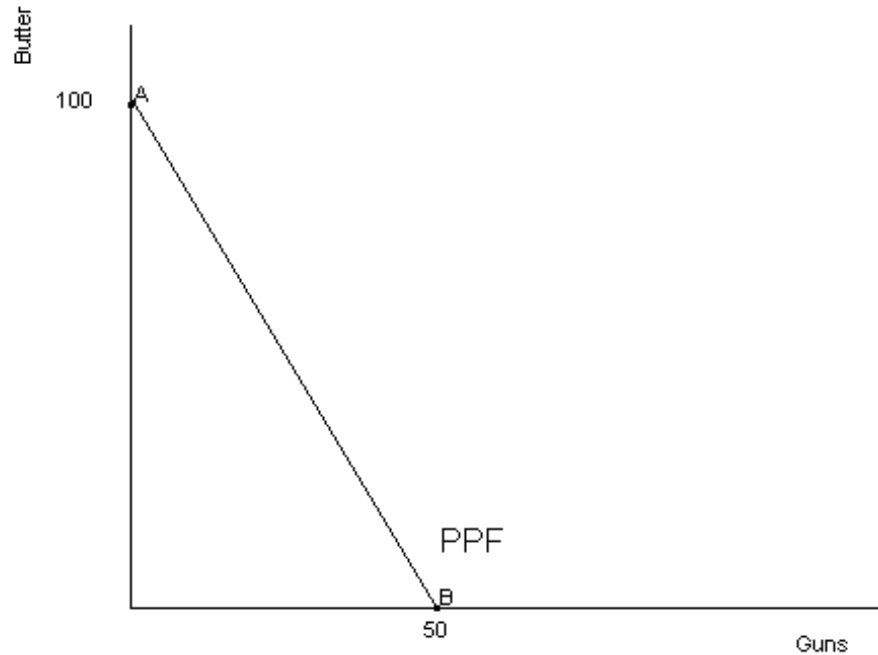
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**All guns –  
no butter ...**



NORTH KOREA

# *All guns no butter PPF?*

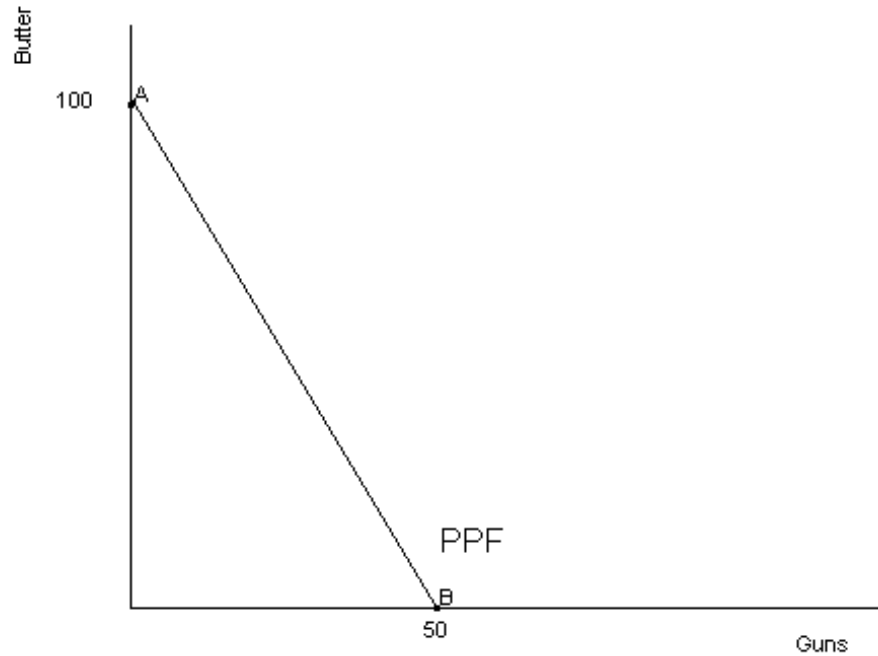




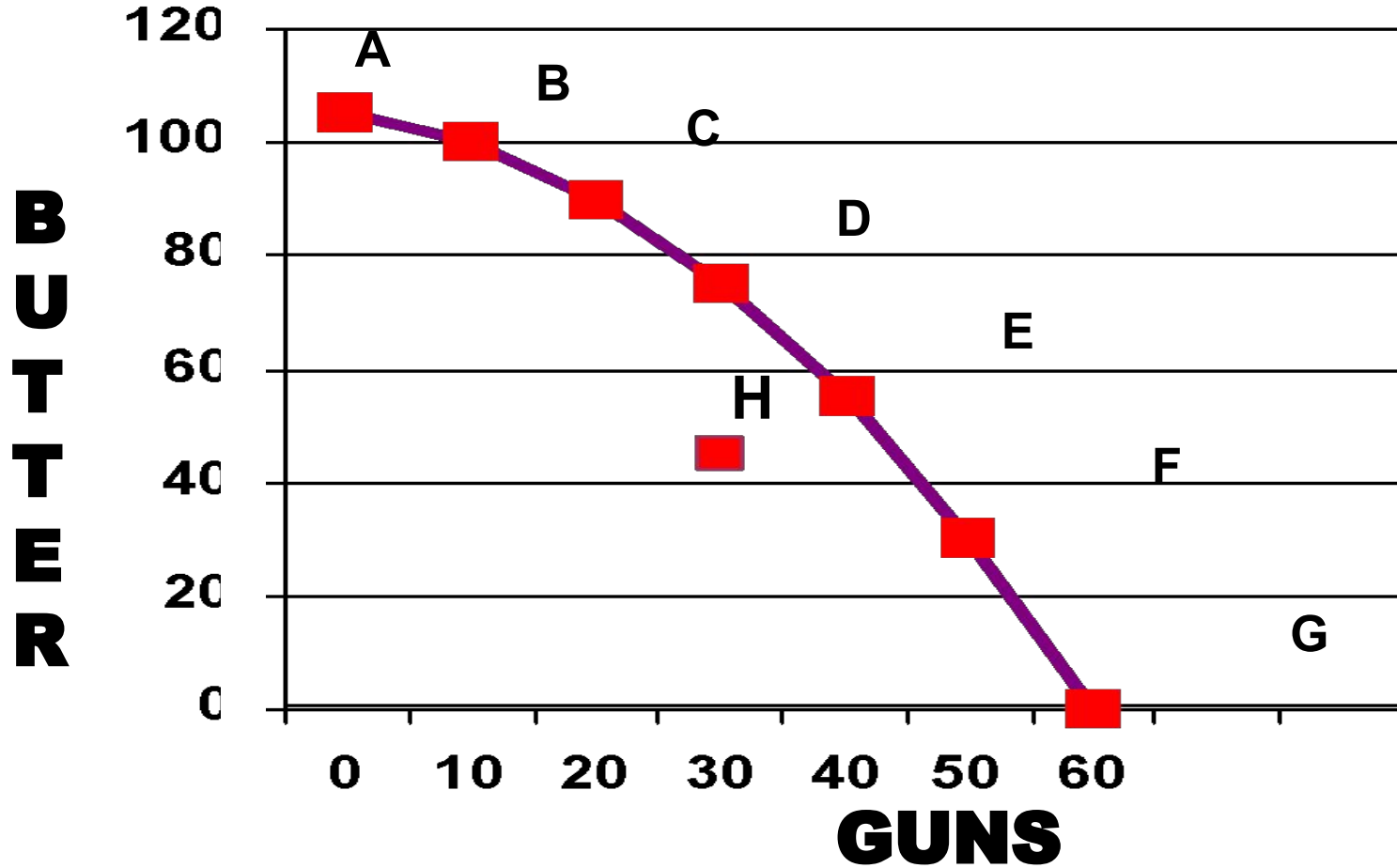
**All butter - no guns.**

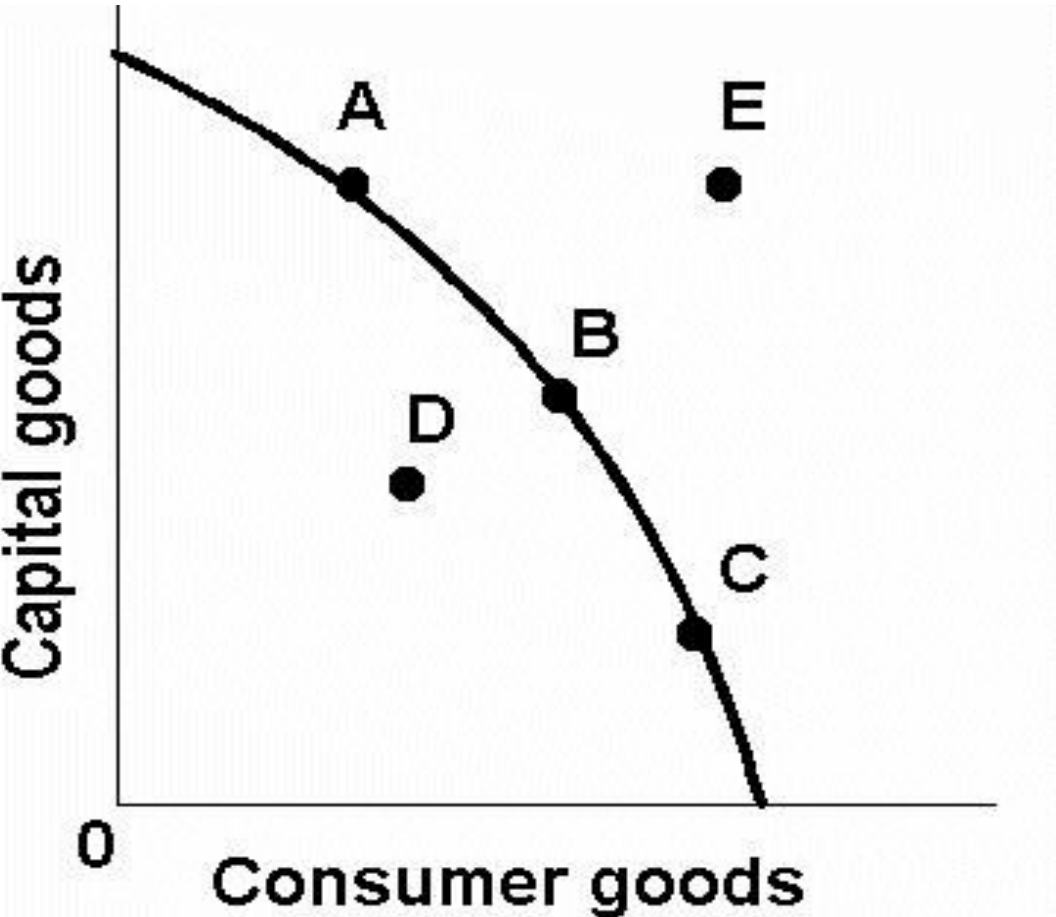


# *All butter and no guns PPF?*



# GUNS AND BUTTER





1. How could this economy be operating at D?  
-lazy workers, machines break down, inefficient use of land, labor, capital, entrepreneurship
2. How could the economy operate at E?  
-if it trades; otherwise impossible
3. What do the points along the curve represent?  
-efficiency; land, labor, capital, entrepreneurship being used the best way possible.
4. How could the production possibilities curve shift to the right?  
-getting more land, labor, capital, entrepreneurship.
5. To the left?  
-losing land, labor, capital, entrepreneurship (war, natural disaster, increasing the working age)

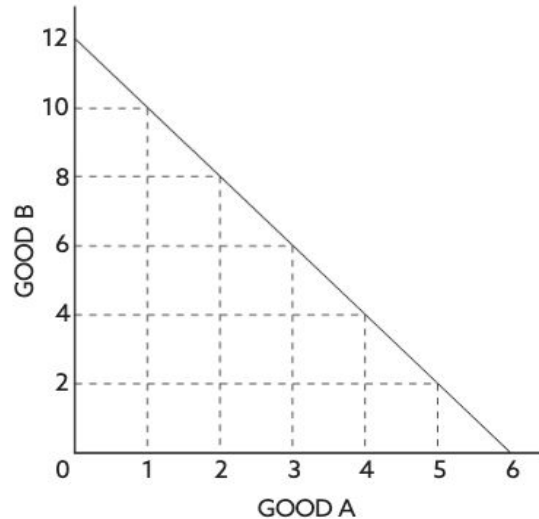


# PPCs and Opportunity Cost



Figure 1-3.1

A LINEAR PRODUCTION POSSIBILITIES CURVE



1. Assume the economy represented by Figure 1-3.1 is presently producing 12 units of Good B and 0 units of Good A:
  - The opportunity cost of increasing production of Good A from 0 units to 1 unit is the loss of \_\_\_ unit(s) of Good B.
  - The opportunity cost of increasing production of Good A from 1 unit to 2 units is the loss of \_\_\_ unit(s) of Good B.
  - The opportunity cost of increasing production of Good A from 2 units to 3 units is the loss of \_\_\_ unit(s) of Good B.



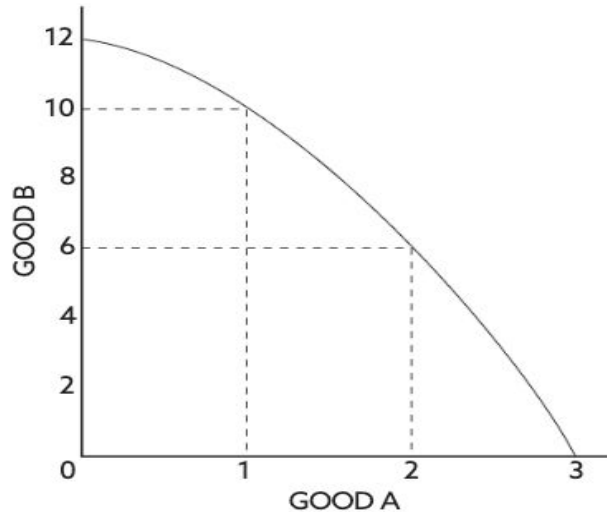
Students, write your response!

# PPCs and Opportunity Cost



Figure 1-3.2

A CONCAVE PRODUCTION POSSIBILITIES CURVE



2. If the economy represented in Figure 1-3.2 is presently producing 12 units of Good B and 0 units of Good A:
  - The opportunity cost of increasing production of Good A from 0 units to 1 unit is the loss of \_\_\_ unit(s) of Good B.
  - The opportunity cost of increasing production of Good A from 1 unit to 2 units is the loss of \_\_\_ unit(s) of Good B.
  - The opportunity cost of increasing production of Good A from 2 units to 3 units is the loss of \_\_\_ unit(s) of Good B.



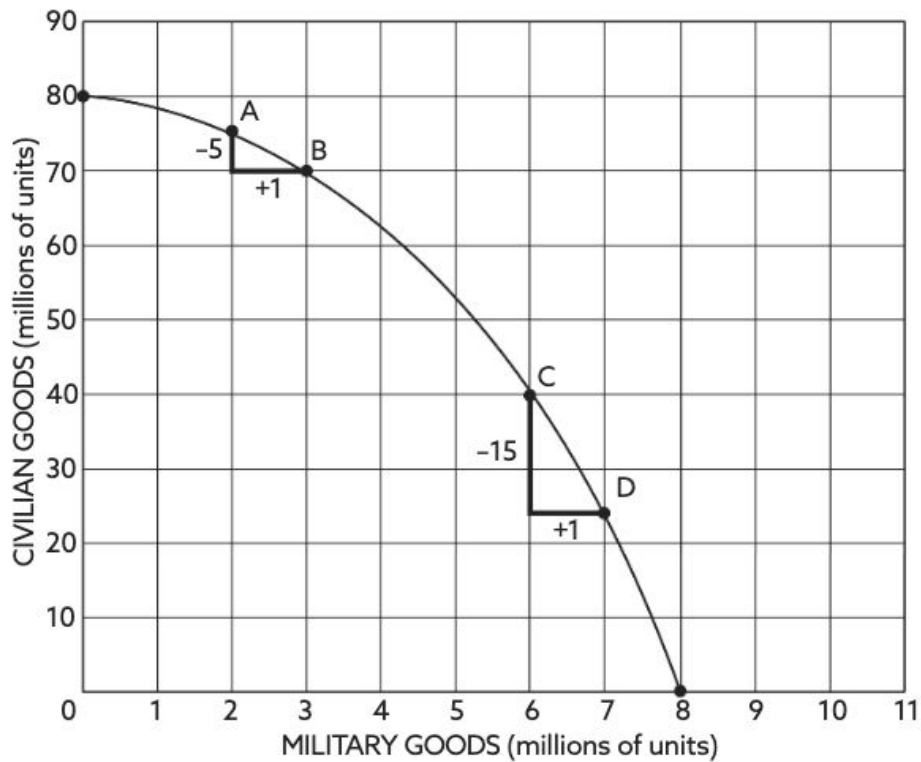
Students, write your response!

## Part B: Understanding the Shape of a Concave PPC

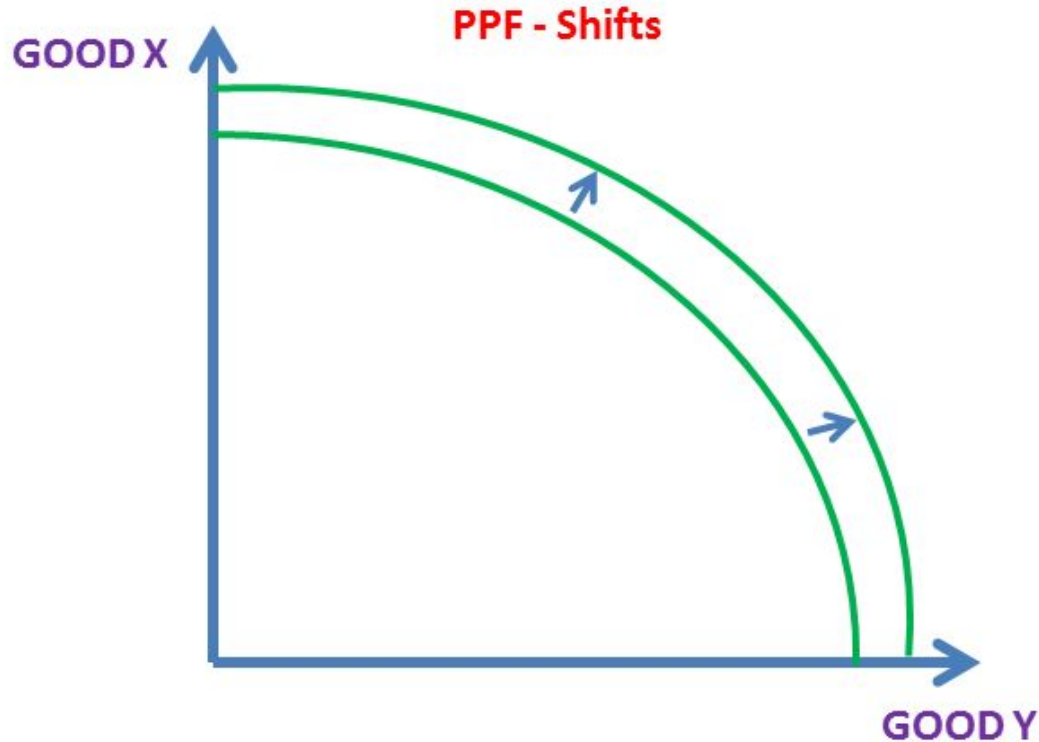


Figure 1-3.3

THE LAW OF INCREASING OPPORTUNITY COST



# Shifting the PPC(PPF)

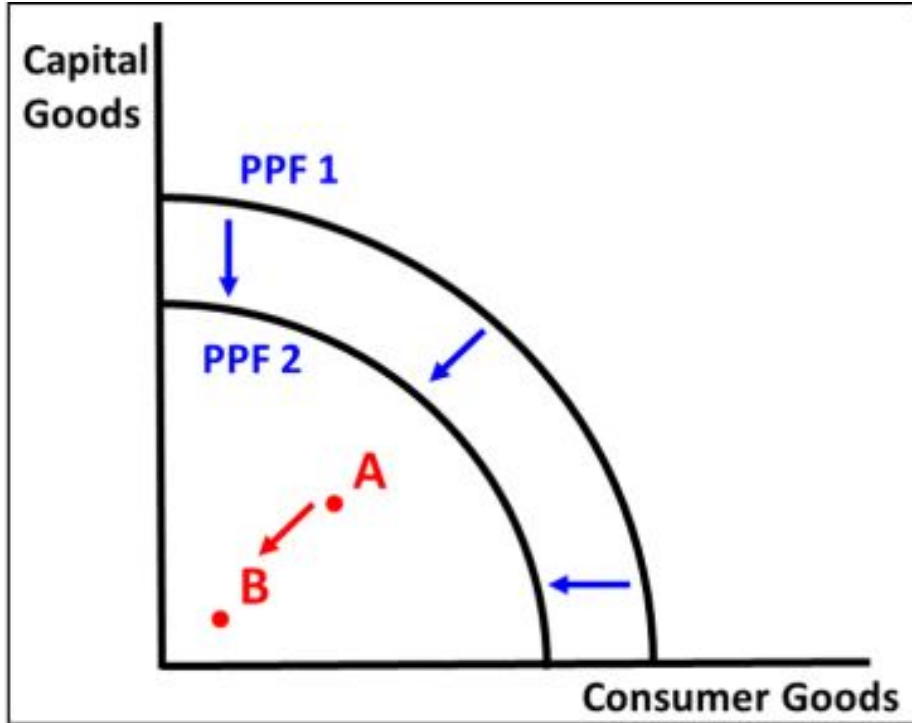


**MORE Resources!**

- More land(natural resources)
- Labor (human resources)
- Capital resources
- Entrepreneurship



# Shifting the PPC Inward



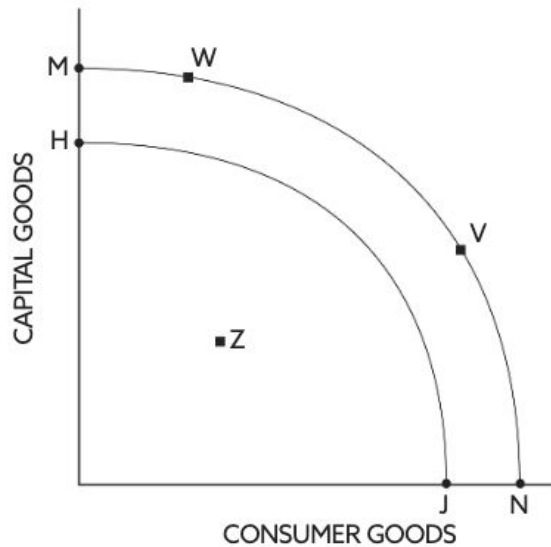
## LOSE Resources!

- lose land(natural resources)
- Lose labor (human resources)
- Lose capital resources
- Lose entrepreneurship



Figure 1-3.8

PRODUCTION POSSIBILITIES CURVE: ECONOMIC GROWTH

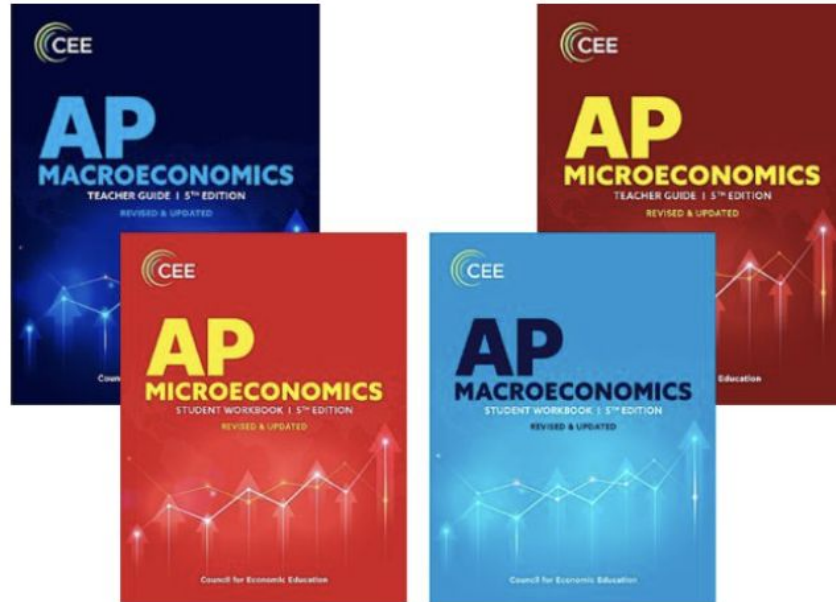


7. What change could cause the PPC to shift from the original curve (HJ) to the new curve (MN)?
8. Under what conditions might an economy be operating at Point Z?
9. Why might a government implement a policy to encourage the economy to move from Point V to Point W? Student  
Reminder: A consumer good is intended for final use by individuals; a capital good is used to produce other goods and services.



Students, write your response!

# Content Delivered Thanks to....





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