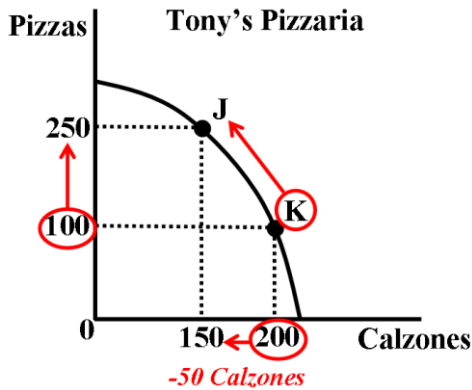


The PP Curve and Opportunity Cost

In Class Example



Step 1: Circle the current production point and draw an arrow towards the new production point.

Step 2: Match your circles. Follow the intersection lines of the one you circled over to each axis and circle the number. If there are no intersection lines, draw them. If there are no numbers, just make a circle where there would have been a number.

Step 3: Match your arrows. Follow or draw the intersection lines from number being pointed at and draw arrow pointing at each number.

Step 4: Look at your arrows, the one that shows a DECREASE in production (toward zero) is showing the opportunity cost, how many of the products listed along THAT line that you have to give up in order to produce at the original point. Subtract the numbers. (200-150 = 50)

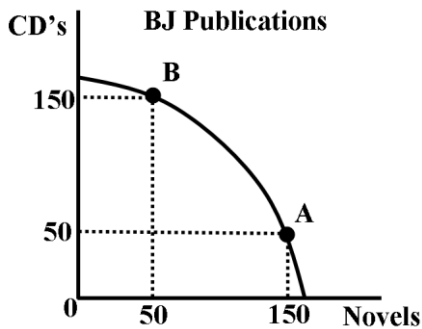
Answer: Opportunity cost is always expressed in terms of the product that had to be given up, so the opportunity cost of producing at Point J is 50 Calzones. Another way to think of it is if you were producing at K and changed to J you would make 150 more Pizzas, but you would have to make 50 less Calzones.

1) What is the opportunity cost of changing production from point K to J?

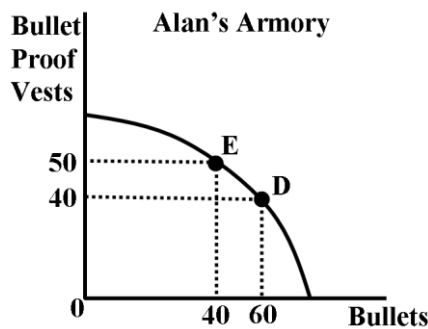
50 Calzones

4) What is the opportunity cost of producing at Point H instead of Point G?

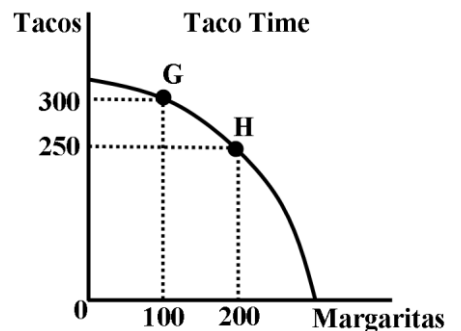
****you must show your work with circles and arrows to get the credit for each question***



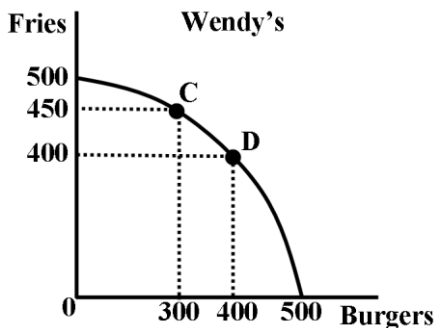
2) What is the opportunity cost of changing production from point A to B?



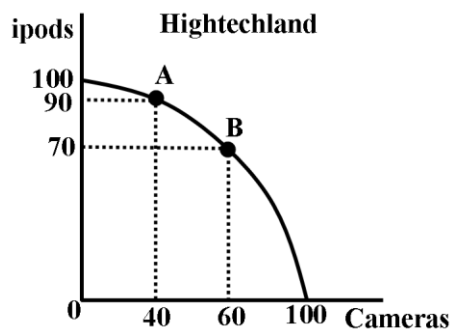
3) What is the opportunity cost of changing production from E to D?



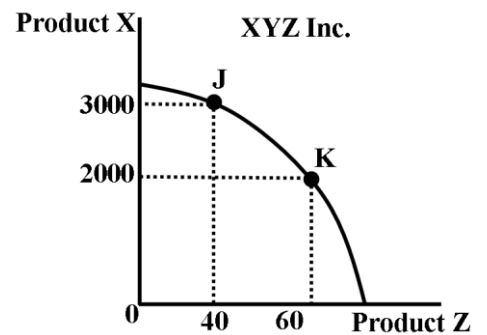
4) What is the opportunity cost of changing production from G to H?



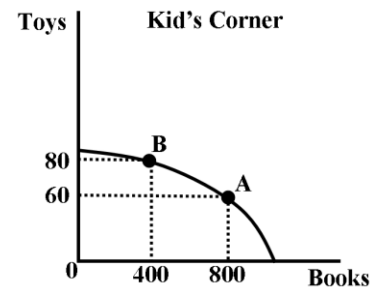
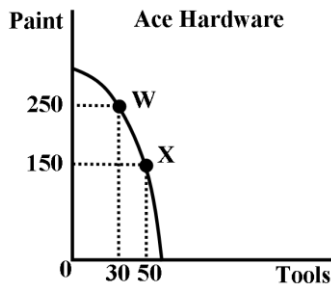
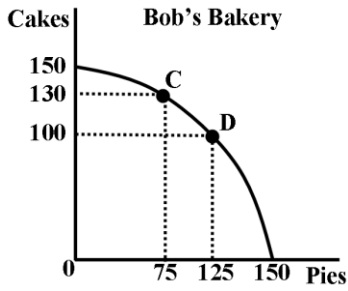
5) What is the opportunity cost of changing production from D to C?



6) What is the opportunity cost of changing production from A to B?



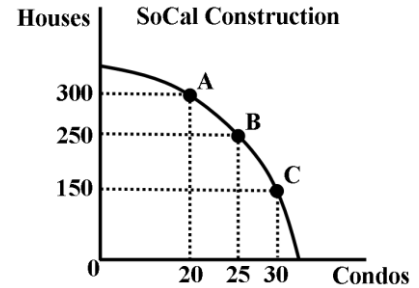
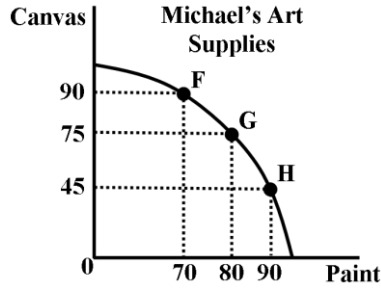
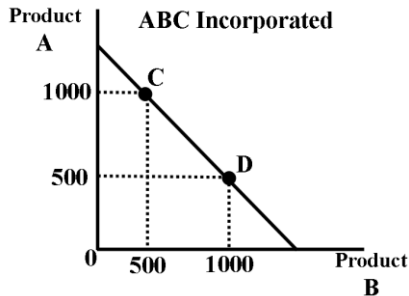
7) What is the opportunity cost of changing production from J to K?



8) What is the opportunity cost of changing production from C to D?

9) What is the opportunity cost of changing production from X to W?

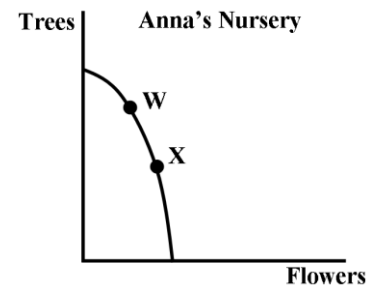
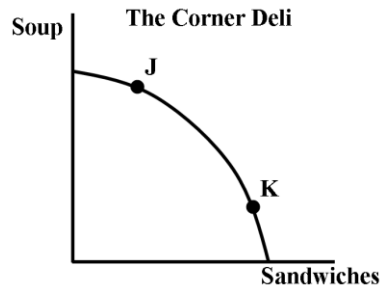
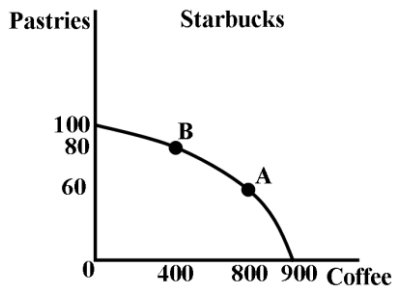
10) What is the opportunity cost of changing production from B to A?



11) What is the opportunity cost of changing production from C to D?

12) What is the opportunity cost of changing production from H to F?

13) What is the opportunity cost of changing production from C to B?

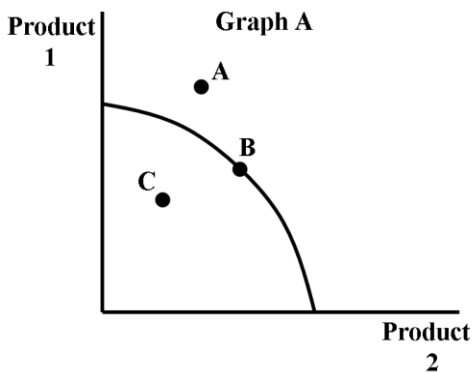


14) What is the opportunity cost of changing production from A to B?

15) The opportunity cost of changing production from J to K is producing less of which product?

16) The opportunity cost of changing production from X to W is producing less of which product?

REVIEW:



17) Which point on Graph A represents a society with unused resources like discrimination in hiring or unemployment?

Point: _____

18) Which point on Graph A represents a society that is using all of its productive resources efficiently?

Point: _____

19) Which point on Graph A represents a level of production which is impossible to produce, but can be consumed through specialization and trade?

Point: _____

Grading:
3pts = All 19
2pts = 10-18 answered
1pt = 1-9 answered
0pts = 0 answers

Check the even #s (you must show your work with arrows & circles to get credit for the question.)

Even Answers:

2) 100 novels 4) 50 tacos 6) 20 iPods 8) 30 cakes 10) 20 toys 12) 20 paint 14) 400 coffee 16) flowers 18) B