***AP Economics***

***The Production Possibilities Curve Model***

***(10 Points)***

*Read pages 16-28 in the Krugman text and answer the following questions related to the Production Possibilities Curve.*

1. Explain the main idea behind the Production Possibilities Curve. What does the curve demonstrate when it comes to use of resources in an economy? (Trade-Off / Opportunity Cost)

2. What do points inside the line, on the line, and outside the line represent?

3. Where do we find efficiency and inefficiency when we look at the curve? Explain efficiency and inefficiency as it relates to the curve.

4. If a point outside the curve is not feasible at this moment, how could we ever make it feasible to produce at that point? Give at least three specific examples.

5. Explain comparative advantage and absolute advantage as it relates to the production possibilities curve.

***Drawing a PPC graph would really help to answer #2 and #3!***