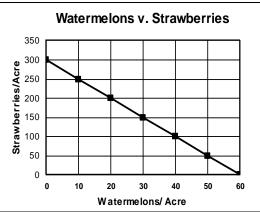
Practice with PPCs

Introduction to Economics

name:
Unit 1

Farmer Bob owns 1 acre of farmland. He must decide what he wants to grow on this land: either strawberries or watermelons.

Answer the following questions based on the PPC that Farmer Bob created to help him make his decision.



1) At the current level of resources and technology	
a) if Farmer Bob wanted to grow only watermelons, how many	a)
could he grow?	
b) if Farmer Bob wanted to grow only strawberries, how many could	b)
he grow?	
2) Right now, Farmer Bob is growing 100 strawberries. How many	2)
watermelons is he also growing?	
3) If Farmer Bob wanted to increase his current strawberry production	3)
from 100 to 150, how many watermelons would he have to give up?	
4) In terms of watermelons, what is the opportunity cost to grow 50	4)
more strawberries?	

the right based on Farmer Bob's PPC.
6) Here is something new, if Farmer Bob can sell
his strawberries for 25¢ each and watermelons for
\$2.50 each, how much money will he make is he

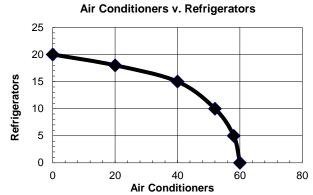
grows 150 strawberries?

5) Fill in the empty lines on the PPC schedule to

Strawberries	Watermelons
0	60

300

Cool Air Industries produces air conditioners and refrigerators. Based on the resources they have at their disposal the PPC to the left shows the number of air conditioners and refrigerators they can produce. Answer the following questions based on this PPC and that air conditioners sell for \$350 and refrigerators for \$800.



	1) At the current level of resources and technology	
	a) if Cool Air wanted to produce only refrigerators how many could	a)
	they produce?	
	b) if they wanted to produce only air conditioners how many could	b)
	they produce?	
	2) Right now Cool Air is producing 52 air conditioners, how many	2)
	refrigerators are they producing? How much money would they be	
	making if they sold all the items they produced?	
	3) If Cool Air wanted to increase their production of air conditioners to	3)
	56, what would the opportunity cost be in terms of refrigerators? What	
	is the opportunity cost in terms of dollars?	

4) Create a PPC schedule based on the PPC for	
Cool Air Industries.	

Refrigerators	Air
	Conditioners

Part D: Economic Growth

Over time, most countries see an increase in their ability to produce goods and services. This "economic growth" is shown as an outward shift of the PPC and results from a variety of factors, including improved technology, better education, and the discovery of new resources.

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Use Figure 1-2.7 to answer the next five questions. Each question starts with Curve BE as a country's PPC.	Use Figure 1-2.8 to answer the next three questions.
Figure 1-2.7	Figure 1-2.8
Production Possibilities Curve: Capital Goods and	Production Possibilities Curve: Economic Growth
Consumer Goods	
SQO B	M W W
CONSUMER GOODS	CAPITAL GOODS A A A A A A A A A A A A A
	CONSUMER GOODS
3. Suppose there is a major technological breakthrough in the consumer-goods industry, and the new technology is	8. What change could cause the PPC to shift from the original curve (HJ) to the new curve (MN)?
widely adopted. Which curve in the diagram would	curve (11)) to the new curve (1111)!
represent the new PPC? (Indicate the curve you choose with	
two letters.)	
☐ AD ☐ BE ☐ BF ☐ CG	
4. Suppose a new government comes into power and forbids the use of automated machinery and modern production	
techniques in all industries. Which curve in the diagram	
would represent the new PPC? (Indicate the curve you	
choose with two letters.)	
☐ AD ☐ BE ☐ BF ☐ CG	9. Under what conditions might an economy be operating at
5. Suppose massive new sources of oil and coal are found within the economy, and there are major technological innovations in both industries. Which curve in the diagram would represent the new PPC? (Indicate the curve you choose with two letters.)	Point Z?
☐ AD ☐ BE ☐ BF ☐ CG	
6. If BE represents a country's current PPC, what can you say	
about a point like X? (Write a brief statement.)	
	10. Why might a government implement a policy to move the economy from Point V to Point W?
7. If BE represents a country's current PPC, what can you say	
about a point like Y? (Write a brief statement.)	