NAME ________________________ DATE ____________ CLASS ____________

Lesson Summary

Production Possibilities Curves

Economists use graphs that are called **production possibilities curves** to show alternative ways of using a country's resources. For example, an economist might want to examine the production of shoes and watermelons. A production possibilities curve can show how the number of shoes produced is affected by the number of watermelons grown. As the number of watermelons produced is increased the number of shoes produced will decrease. This happens because land is scarce, and more land for watermelon farms means less land for shoe factories. Similarly, as more shoes are produced fewer resources are available to grow watermelons.

Efficiency means an economy is using resources in such a way as to maximize the production of goods and services. In the above example, efficiency would mean that the most watermelons and shoes possible are being produced. The line on the curve that shows the maximum possible production is called the **production possibilities frontier**. If factory workers and farmers lost their jobs, fewer shoes and watermelons would be produced. In this case the economy would suffer from **underutilization**, or using fewer resources than it is capable of using. A country's resources are always changing.

In the future, resources may increase, causing the economy to grow. If more labor becomes available, there will be more workers to produce more goods. Improvements in technology, or know-how, will also help the economy grow. This growth can be shown by a shift to the right on the production possibilities frontier.

Copyright © Savvas Learning Company LLC. All Rights Reserved.

Savvas is not responsible for any modifications made by end users to the content posted in its original format.