

A SIMPLE ECONOMIC MODEL

Production Possibilities Frontier

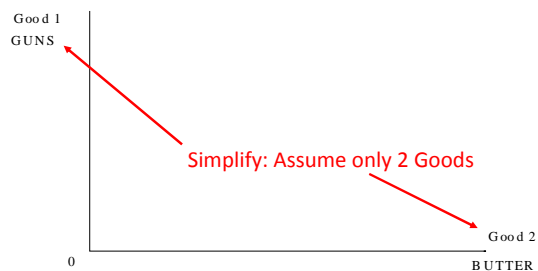
BASIC ECONOMIC PRINCIPLES

- PPF Model: A Very Simple Economic Model
- Economic Principles:
 - Scarcity
 - Trade Offs
 - Opportunity Cost
 - Specialization
 - Unemployment
 - Growth

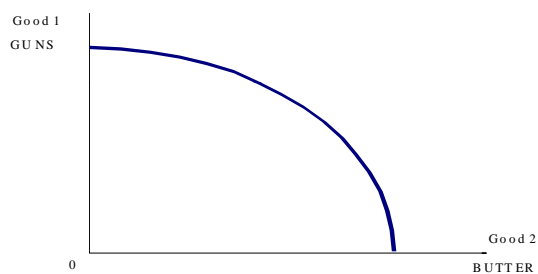
PRODUCTION POSSIBILITIES FRONTIER

- **Definition:**
 - All Combinations of Goods that it is Possible to Produce
 - **Given:**
 - Resources Available
 - Technology
- } Constraints → Scarcity

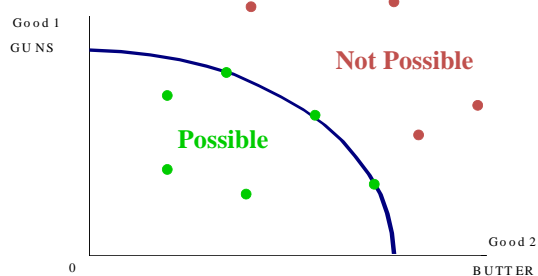
Focus on Just 2 Goods



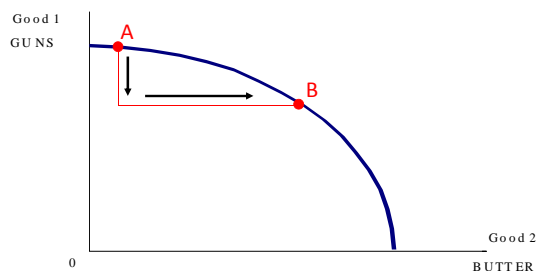
Production Possibilities Frontier



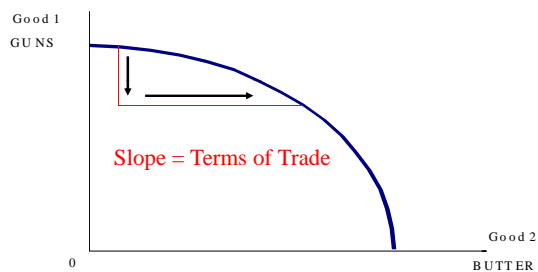
PPF & Scarcity



PPF & Trade Offs



PPF & Trade Offs = Slope



Wrap Up:

- PPF Highlights a Variety of Economic Issues
- PPF: Possibilities & Constraints
- Simplified 2 Good Presentation
- Scarcity: Inside or Beyond The Frontier
- Trade Offs: Slope Shows the Terms of Trade
