Constant Opportunity Cost

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Guns | 5 | 4 | 3 | 2 | 1 | 0 |
| Butter | 0 | 1 | 2 | 3 | 4 | 5 |

Increasing Opportunity Cost

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Cell Phones | 10 | 9 | 7 | 4 | 0 |
| Coffee Makers | 0 | 1 | 2 | 3 | 4 |

Fixed resources

Fixed level of technology

All resources are used efficiently

Levels of output that are unobtainable / unsustainable are outside the chart

Levels of output that are inefficient are inside the chart

Slope of curve is marginal rate of transformation.

Example: Move a guy who has manufactured guns for 20 years to making butter, you can see you will increase your opportunity cost.

If the curve goes outward it means either improved technology or more resources

Scarcity – PPC reflects scarcity and choice.

Three economic questions:

1. What are we going to produce?
2. How are we going to produce them?
3. Who is going to get what we produce?

Market – institution that brings buyers and sellers together.