**Assignment: 9 (0 marks as no reference to diagram)**

**Production possibility curve:**

The PPC graph Illustrates the trade-offs facing an economy that produces only two goods. The PPC Shows the maximum quantity of one good that can be produced for any given production of the other.

In the PPC graph, concept of trade-off can easily be understood graphically. The Production possibility Curve describes the Efficiency, opportunity cost, Law of increasing Cost and the Economic growth.

**Scarcity:**

The scarcity is defined as; it is the economic concept in which we come to know that the resources are less than the wants we demand. The PPC graphs help us to understand the concept of scarcity.

**Example**

The best example to understand the scarcity is fire and log. Fire can be personified as unlimited wants and log can be considered as limited resources. The more log we put into the fire the more log fire demands, at the end we are in the conclusion that we can not satisfy the fire (unlimited wants) with log (limited resources) we have.

**Choice:**

Human has two ways to go, as we know that we have limited resources, we confront the limited resources and satisfy but not fully with the concept of choice.

**Example**

If government has to improve the quality of education and he does not have enough amount to spend on it, then government will have to cut-off its budget which is used in defence and use that budget into the quality of education.

**Opportunity cost:**

Opportunity costs the value of your additional benefit which you get.

**Examples**

If farmer produces 100 unit of apples and mechanic produces 200 units of tools, once the weather becomes suitable for farming, government tends to utilize its resources on farming and reduces its resources in capital goods, because farming becomes more productive and efficient because of nice and suitable weather. This is the opportunity cost.