

CHAPTER  
**1**  
SECTION 3

**GUIDED READING AND REVIEW**

**Production Possibilities Curves**

**3**

**As You Read**

As you read Section 3, answer the questions on the lines provided. Then apply your knowledge to the Guiding Question:



**How does a nation decide what and how much to produce?**


1. Where on a production possibilities curve are the categories or specific goods to be compared shown? \_\_\_\_\_  
\_\_\_\_\_
2. Where on a production possibilities curve is the economy working at its most efficient production levels? \_\_\_\_\_  
\_\_\_\_\_
3. Where on a production possibilities curve is the economy working below its most efficient production levels? \_\_\_\_\_  
\_\_\_\_\_
4. What could cause a production possibilities frontier to shift to the right? \_\_\_\_\_  
\_\_\_\_\_
5. Three pieces of information provided by a production possibilities curve are \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Reviewing Key Terms**

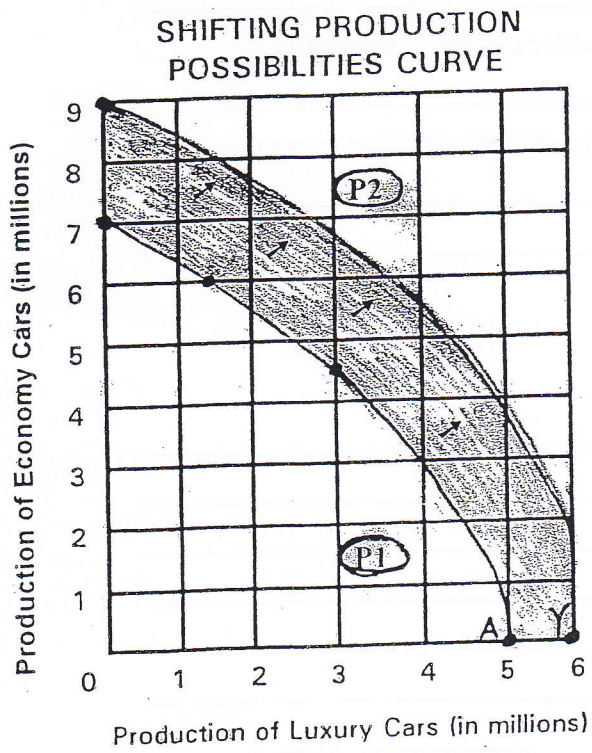
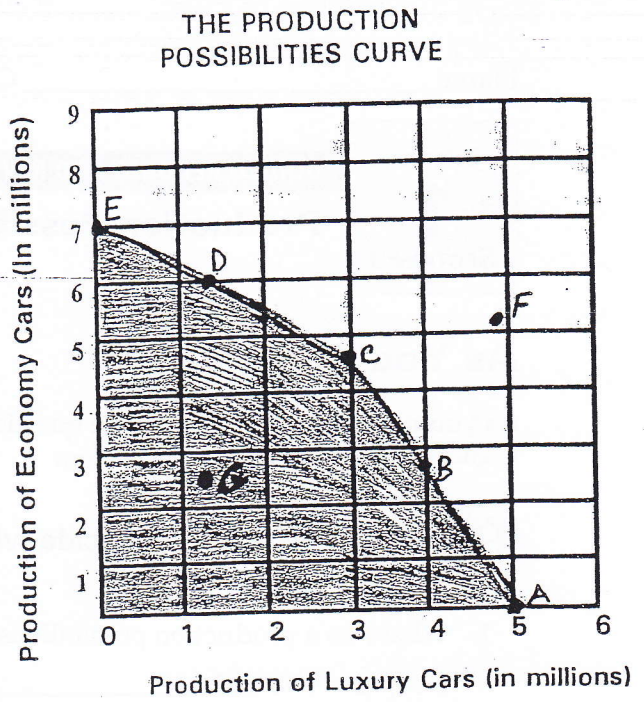
Define the following terms.


6. production possibilities curve \_\_\_\_\_  
\_\_\_\_\_
7. efficiency \_\_\_\_\_  
\_\_\_\_\_
8. underutilization \_\_\_\_\_  
\_\_\_\_\_
9. law of increasing costs \_\_\_\_\_  
\_\_\_\_\_

# SECTION 3

**A:** Explain what the various points mean on the PRODUCTION POSSIBILITY CURVE: 

1. Point A: \_\_\_\_\_
2. Point F: \_\_\_\_\_
3. Point C: \_\_\_\_\_
4. Point G: \_\_\_\_\_
5. Point E: \_\_\_\_\_
6. What is the opportunity cost of moving from Point C to Point D? \_\_\_\_\_



**B.** Future Production Possibilities 

1. What could cause the entire curve to move to the right? \_\_\_\_\_
2. What could cause the entire curve to move to the left? \_\_\_\_\_
3. What is the difference between a shift of the curve and the movement along the curve? \_\_\_\_\_