Reading Guide APE

Module 3 Name:

Terms:

1. Efficiency
2. Allocative efficiency
3. Productive efficiency

Questions:

1. What does the curve (line) on the PPC model?
2. The PPC (PPF) is a valuable model for demonstrating which principles/concepts:
3. Draw a PPC that models your own economy during ONE hour of your day. On the vertical axis show how many laps around the track you could take (in one hour). On the horizontal axis, show how many cookies you could bake (in one hour). Label your graph, then identify:
   1. An efficient production level that would help you stay healthy.
   2. A production level that you could not achieve.
   3. A production level that would result if you had a lazy day.

Lastly, show what would happen if you learn a new trick that makes baking cookies easier and faster.

1. To best model the real world, should the curve/line of the PPC be straight, or curved? Why?
2. What two factors cause economic growth?
3. Show a PPC that models the US economy in 2009, that shows the actual level of output. Refer to Module 2 for help with the state of the US economy in 2009. You can label the axis’s as goods and services.

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