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Shaping Lives...
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SOCIETY'S TECHNOLOGICAL POSSIBILITIES

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Introduction

“Every gun that is made, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed”

President Dwight D. Eisenhower



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The Three Economic Problems

Society must decide

- (1) *what* outputs to produce, and in what quantity
- (2) *how*, or with what inputs and techniques, to produce the desired outputs
- (3) *for whom* the outputs should be produced and distributed

As Resources are **Scarce**

Continued



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- Every society must make choices about the economy's inputs and outputs
- **Inputs** are commodities or services that are used to produce goods and services.
Outputs
- **Outputs** are the various useful goods or services that result from the production process and are either consumed or employed in further production.



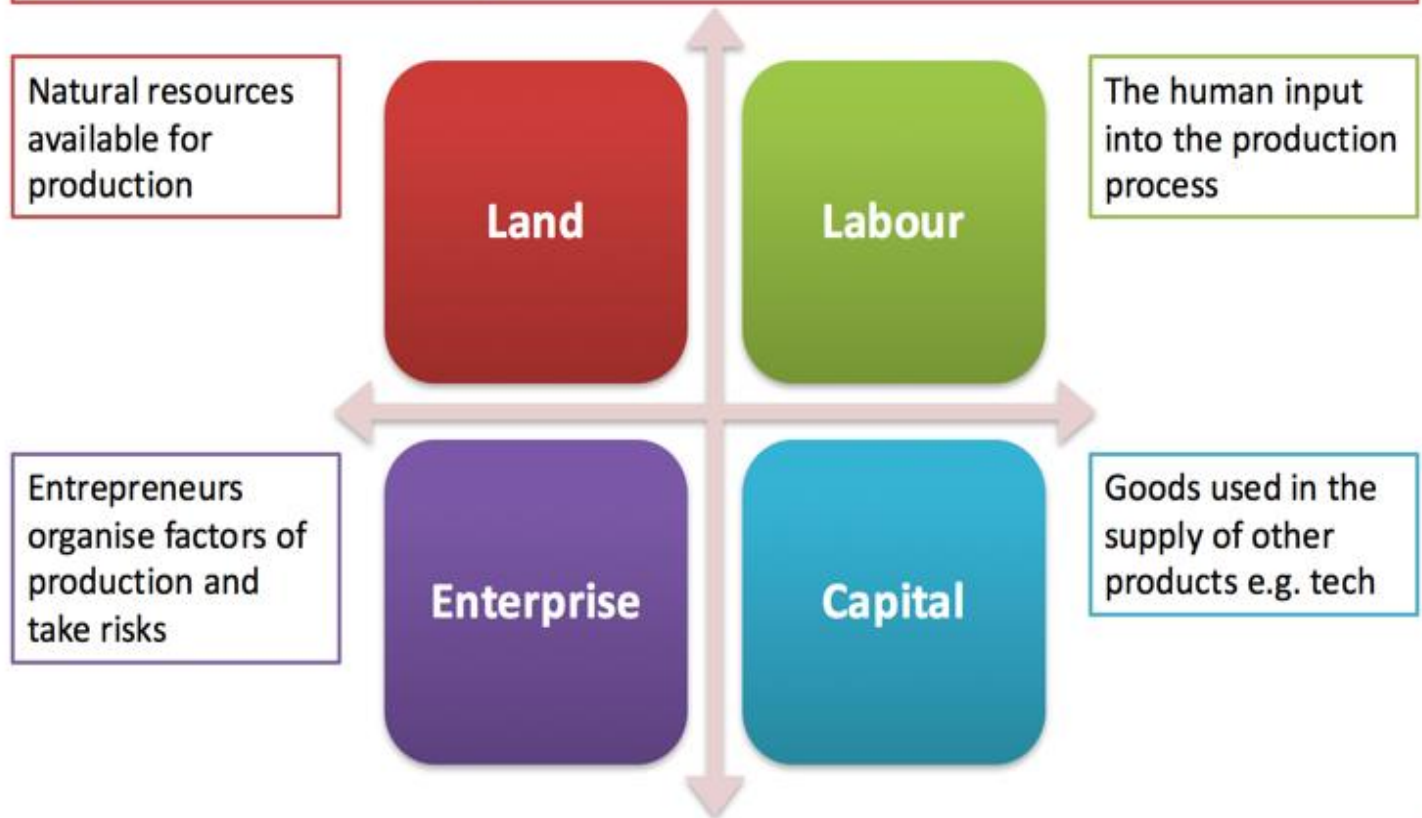
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Inputs

Factors of Production (Factor Inputs)

Factors of production are the inputs available to supply goods and services in an economy.





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Production Possibility Frontier

- Suppose an economy produces only two economic goods-guns and butter
- The guns represent military spending, and the butter stands for civilian spending



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Alternative Production Possibilities

Possibilities	Butter (millions of pounds)	Guns (thousands)
A	0	15
B	1	14
C	2	12
D	3	9
E	4	5
F	5	0



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Continued: The Possibilities

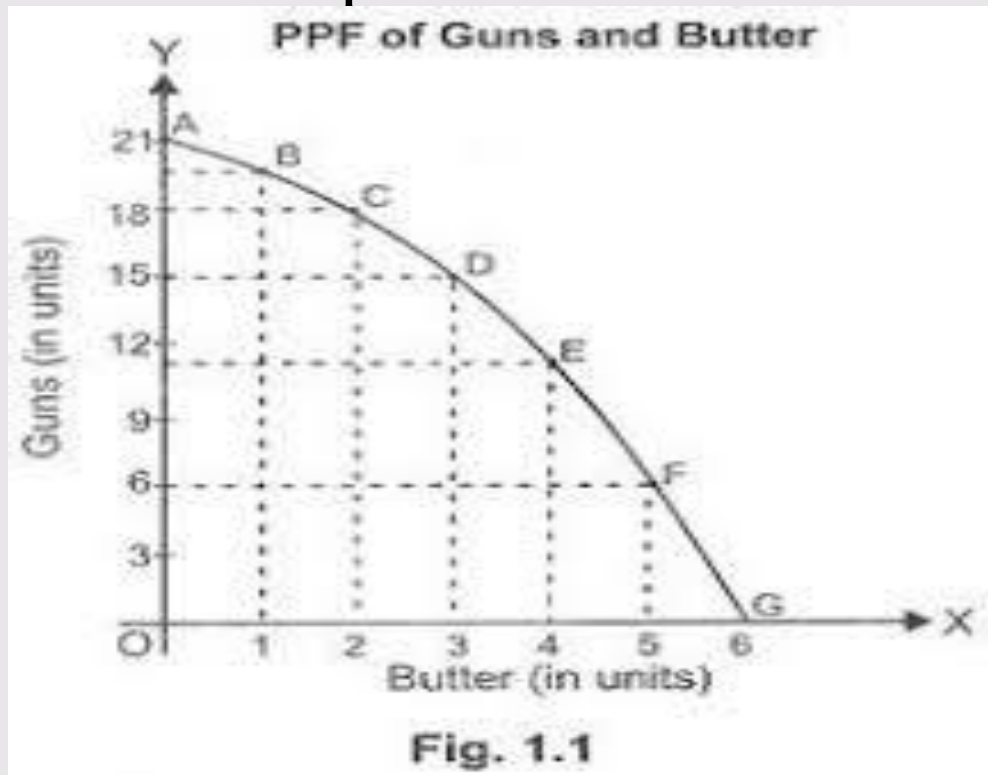
- If we are willing to give up some butter, we can have some guns
- If we are willing to give up still more butter, we can have still more guns
- Combination F shows the extreme, where all butter and no guns are produced, while A depicts the opposite extreme, where all resources go into guns
- In between—at E, D, C, and B—increasing amounts of butter are given up in return for more guns.



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Production Possibility Frontier

The **production-possibility frontier** (or *PPF*) shows the maximum quantity of goods that can be efficiently produced by an economy, given its technological knowledge and the quantity of available inputs





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Applying the PPF to Society's Choices

- PPF can be applied to a broad range of economic choices
- Thus the more resources the government uses to spend on public highways, the less will be left to produce private goods like houses
- The more food we choose, the less we can consume of clothing
- The more an economy consumes today, the less can be its production of capital goods



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Happy Learning

