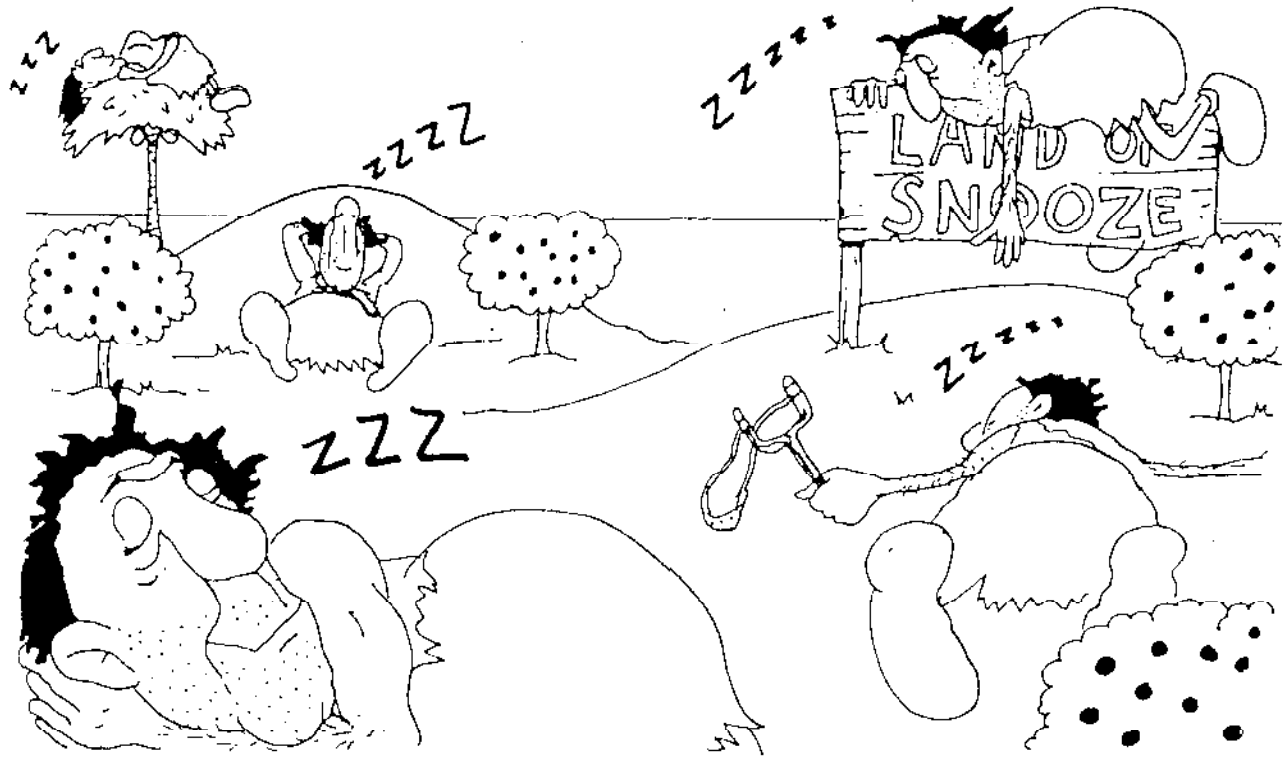
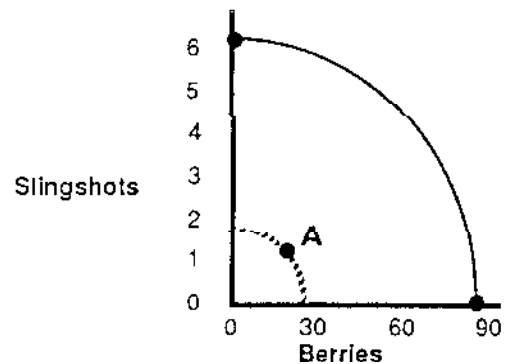


# ECONOMICS USA

## PRODUCTION POSSIBILITIES IN THE LAND OF SNOOZE



Long ago, and even farther away, there was a small island where sleep was the primary occupation. The people of SNOOZE were under the spell of a wicked sorceress and slept through most everything. Little work was done, so few consumer goods (berries) and military goods (slingshots) were produced. SNOOZE had the lowest standard of living in the uncivilized world. Its production possibilities looked like this:



1. At point A, how many berries are produced? \_\_\_\_\_ Slingshots? \_\_\_\_\_
2. Was the economy capable of producing more than this? Explain.

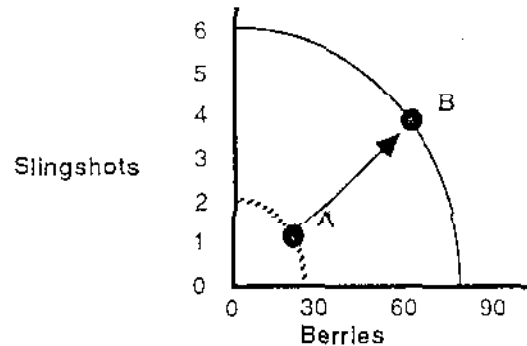
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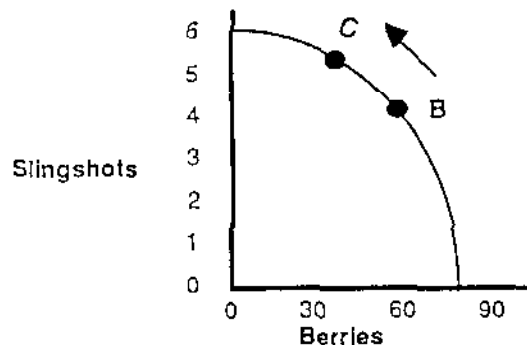
## Snooze Wakes Up

One day a remarkable thing happened: the spell wore off. Suddenly, the whole island was jumping! The islanders looked around and saw there was nothing to buy. No shopping malls, no mini-marts! Furthermore, the army was so ill-equipped, a band of hermit crabs looked like a serious threat. The people hopped to it and began producing berries and slingshots. The economy now looked like this:



1. How many berries were produced at B? \_\_\_\_\_ Slingshots? \_\_\_\_\_
2. How was SNOOZE able to get more *guns and butter*?

The Island of SNOOZE, nicknamed WORKALOT, was no longer the laughing stock of the uncivilized world. The soaring GNP was the envy of neighboring islands. It wasn't long before WORKALOT was attacked by jealous foes from across the sea. The citizens of SNOOZE now went into full war production. More slingshots were produced and less berries:

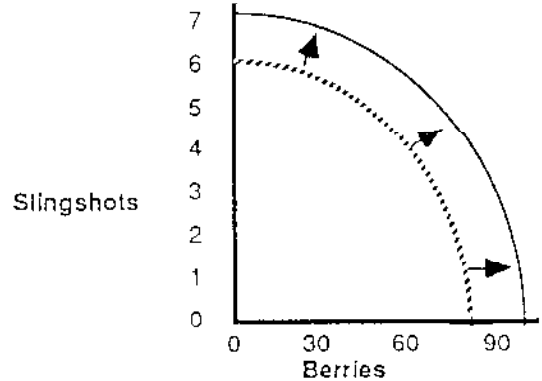
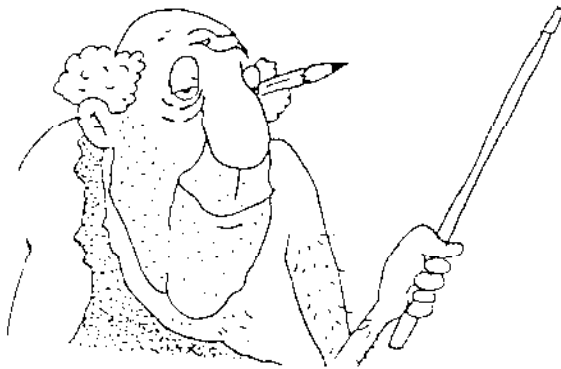


1. What was the opportunity cost (in berries) of increasing slingshot production (B to C)? \_\_\_\_\_
2. Is there a way to increase slingshot production *WITHOUT* giving up berries?

# ECONOMICS USA

## Toward New Possibilities In SNOOZE

"We might as well go back to sleep!" the people complained. But YAWN, the economist, informed them: "There is a way to increase both slingshots and berries. We must increase our productive capacity." YAWN penciled in a whole new curve, and the people of WORKALOT set out to reach new possibilities:



Which of the following would move SNOOZE'S production possibilities curve to the right? Explain why:

- A better way of harvesting berries:
- An increase in the work force:
- Discovery of new minerals:
- Educated workers escape the island to avoid war:
- Women set up home factories to assist war effort:

## Back to the "civilized" world . . .

*"Economics is fundamentally concerned with scarcity -- limits. But we do not always produce to our limits, and those limits change over time."*

(Richard Gill, Economist)

- In your own words, tell what this economist is saying.
  - Can you explain how the U. S. economy managed to produce *more guns AND more butter* during the early years of World War II?
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