Growing the Pie

Human capital, technology, and trade all push a nation's production possibilities outward.

Name: _____ Date: _____

OBJECTIVE

Explain how human capital, technology, and trade raise living standards, and illustrate economic growth on a production possibilities curve (PPC).

1. Match the investment to its effect

____ 1. Investment in human capital

____ 2. Investment in equipment/technology

____ 3. Specialization and voluntary trade

A. A factory installs faster machines, producing more with the same workers

B. A country focuses on what it does best and trades for the rest, benefiting both sides

C. A worker completes a training program and earns a higher wage doing more valuable work

2. Plot a production possibilities curve

A small country makes only two goods: tractors and blankets. Use the data to sketch a PPC in the box below (tractors on the vertical axis, blankets on the horizontal).

Combination	Tractors	Blankets
A	10	0
B	8	6
C	5	10
D	0	14

Sketch axes, plot points A–D, connect them, then mark a point INSIDE the curve labeled 'X' and a point OUTSIDE it labeled 'Y.'

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What does point X represent? _____ What would it take to reach point Y? _____

3. Which shifts the whole PPC outward: producing more tractors this year, or building a new factory that can produce more of both goods next year? Explain.