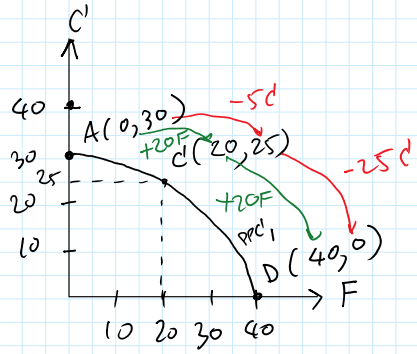
22.01.19

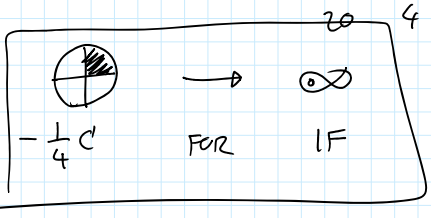
Fact #4 When PPC is not a straight line but concave, it means that opp. cost is not constant, but increasing..



IF he moves From A → C':

To get 20F, he must give up 5C'

" " 1F, " " $\frac{5}{20} = \frac{1}{4}$ or 0.25C'

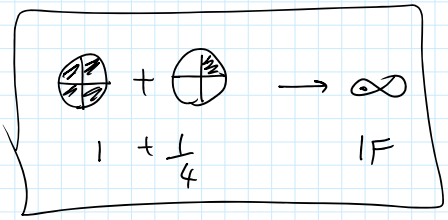


opp. cost is increasing by 5 times!!!

IF he moves From C' to D:

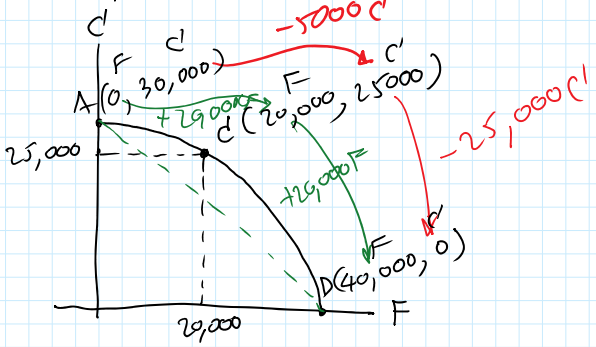
To get 20F, he must give up 25C'

" " 1F " " " $\frac{25}{20} = 1\frac{1}{4}$ or 1.25C'

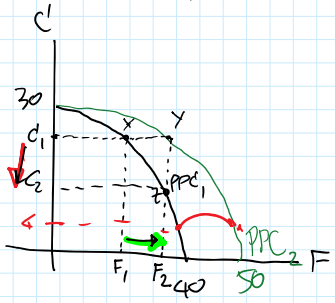


Q: Why opp. cost is increasing?

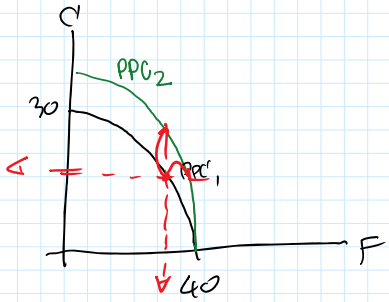
A: Differences in skills and specialization leads to concave PPC.



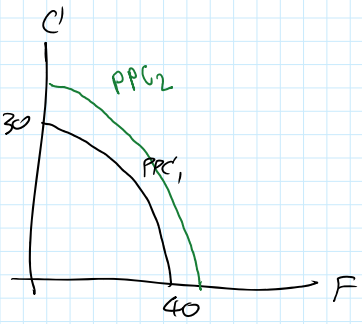
Fact #5 Improvement in production technology matters. It could shift PPC outward.



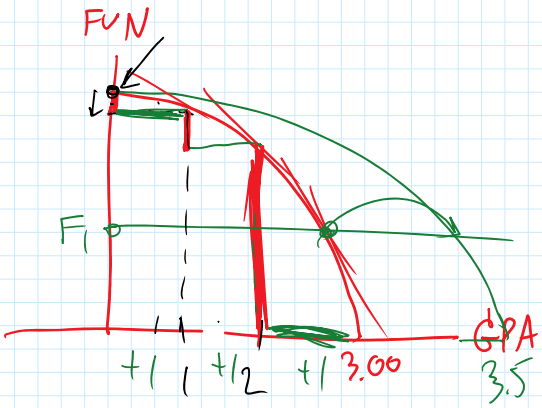
(a) w/ fishing rod



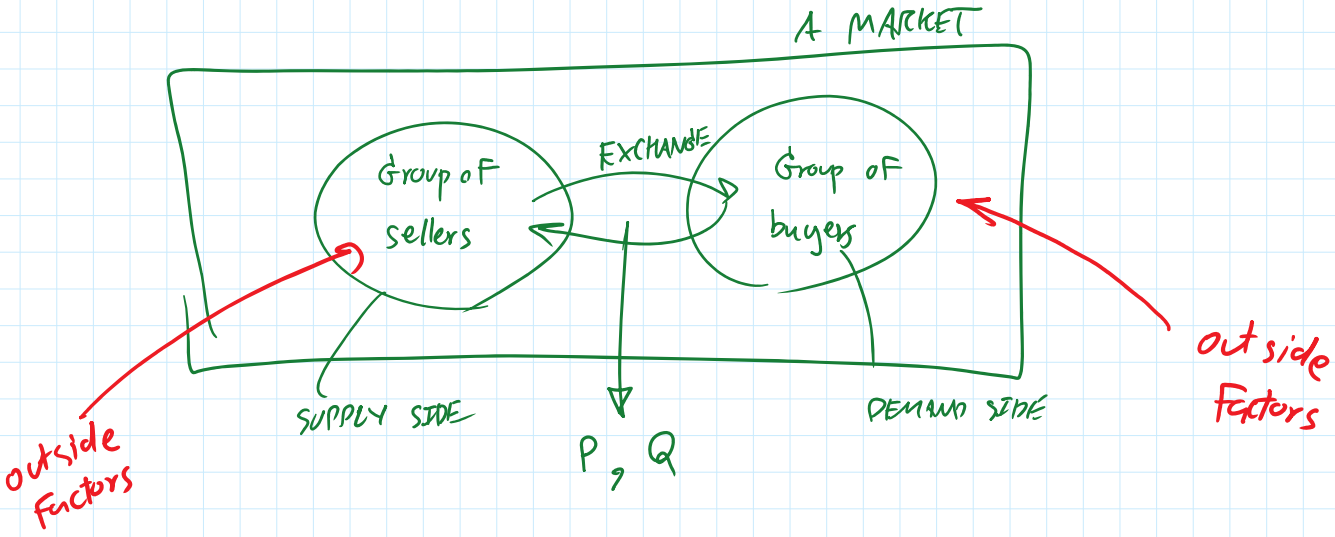
(b) w/ ladder



(c) w/ both fishing rod and ladder



SUPPLY AND DEMAND

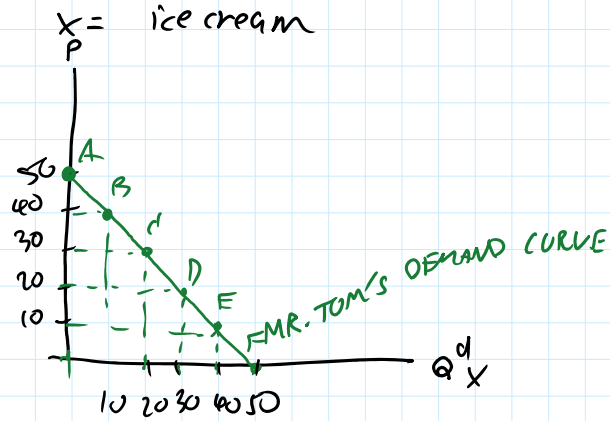


DEMAND

quantity demanded = amount of a good or service buyer(s) is (are) willing to buy at a given price level

Mr. Tom's Demand Schedule

	P_x — Baht/scoop	Q^d_x — scoops/wk
A	50	0
B	40	10
C	30	20
D	20	30
E	10	40
F	0	50



Demand curve: Graphical representation of "inverse relationship" between Price (P_x) and Quantity demanded for good x (Q^d_x)

Law of Demand: If P_x ↑, Q^d_x ↓ and if P_x ↓, Q^d_x ↑, ceteris paribus

when all other factors that can affect demand are holding constant.