Figure 2

**Elasticity Curve**

- **E** is the elasticity of output with respect to an increase in the input of a factor of labor (L) and capital (K).
- The elasticity curve shows the relationship between labor and capital, with labor on the vertical axis and capital on the horizontal axis.
- Slope at O/L = 1 indicates a unitary elasticity, meaning a proportional change in output for a proportional change in input.

**Factor Box**

- The factor box illustrates the combination of labor and capital inputs to produce output.
- Slope at O/L = 1 shows a unitary elasticity.

**Product Possibilities Box**

- The production possibilities box indicates the maximum outputs that can be produced with given inputs.
- The curve represents the trade-offs between labor and capital.

For each point, the production possibilities box shows the combination of labor and capital that can be used to produce output.