Exercise walk-through

The Production Possibilities Curve ▪ 1.3

eXercise

You must be able to

- draw and interpret a **production possibilities curve (PPC) 生产可能性曲线**
- use it to show **scarcity**, **opportunity cost**, and trade-offs
- distinguish efficient, inefficient, and unattainable points
- link a **bowed-out** PPC to increasing opportunity cost

Method — The PPC

Shows the maximum combinations of two goods an economy can produce. Points **on** the curve are efficient; **inside** are inefficient; **outside** are unattainable now.

Method — Shape

A **bowed-out** PPC reflects the law of **increasing** opportunity cost; a **straight-line** PPC reflects constant opportunity cost.

Method — Growth

More or better resources, or new technology, shift the PPC **outward**.

Practice 2.1 ▪ 1 mark

State what a point **on** the PPC represents.

Solution 2.1

Worked steps

an efficient, fully-employed use of all resources **B1**.

Practice 2.2 ▪ 1 mark

State what a bowed-out PPC shows about opportunity cost.

Solution 2.2

Method: Shape

Worked steps

the opportunity cost increases as more of a good is produced **B1**.

Practice 2.3 ▪ 2 marks

A country moves from 8 wheat and 30 cloth to 12 wheat and 20 cloth. Find the opportunity cost of the 4 extra wheat.

Solution 2.3

Method: Shape

Worked steps

cloth falls from 30 to 20, a loss of 10 cloth **M1**; so 4 wheat cost 10 cloth **A1**.

Exam-style 3.1 ▪ 1 mark

A point inside the PPC is

A efficient

B inefficient

C unattainable

D optimal

Solution 3.1

- **A** efficient
- **B** inefficient ✓
- **C** unattainable
- **D** optimal

Worked steps

B.

Exam-style 3.2 ▪ 1 mark

A straight-line PPC shows

A increasing opportunity cost

B constant opportunity cost

C zero output

D economic growth

Solution 3.2

Method: Shape

A increasing opportunity cost

B constant opportunity cost ✓

C zero output

D economic growth

Worked steps

B.

Exam-style 3.3 ▪ 1 mark

An economy's resources and technology both improve.
(a) State the effect on the PPC.
(b) Name the process.
(c) State whether a previously unattainable point may now be reachable.

Solution 3.3

Worked steps

(a) it shifts outward **B1**. (b) economic growth **B1**. (c) yes **B1**.