1.3 The Production Possibilities Curve

Name: ______________ Class: __________ Date: ____________ **Total: 9 marks**

KEY WORDS efficient 有效率 • unattainable 无法实现 • economic growth 经济增长 • production possibilities curve • opportunity cost 机会成本

Objective

Build the skills to answer exam questions on **the production possibilities curve**.

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

1 Worked examples

Study these first. Each one shows the method for a question type used later.

■ 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.

■ Shape

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

■ Growth

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

2 Practice

2.1 State what a point **on** the PPC represents. [1]

2.2 State what a bowed-out PPC shows about opportunity cost. [1]

2.3 A country moves from 8 wheat and 30 cloth to 12 wheat and 20 cloth. Find the opportunity cost of the 4 extra wheat. [2]

3 Exam-style questions

3.1 A point inside the PPC is [1]

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

3.2 A straight-line PPC shows [1]

- **A** increasing opportunity cost
- **B** constant opportunity cost
- **C** zero output
- **D** economic growth

3.3 An economy's resources and technology both improve.

(a) State the effect on the PPC. [1]

(b) Name the process. [1]

(c) State whether a previously unattainable point may now be reachable. [1]

Solutions

2.1 an efficient, fully-employed use of all resources.

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

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

3.1 **B**.

3.2 **B**.

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