Exercise walk-through

Production possibility curve (PPC) diagrams ▪ 1.4

eXercise

You must be able to

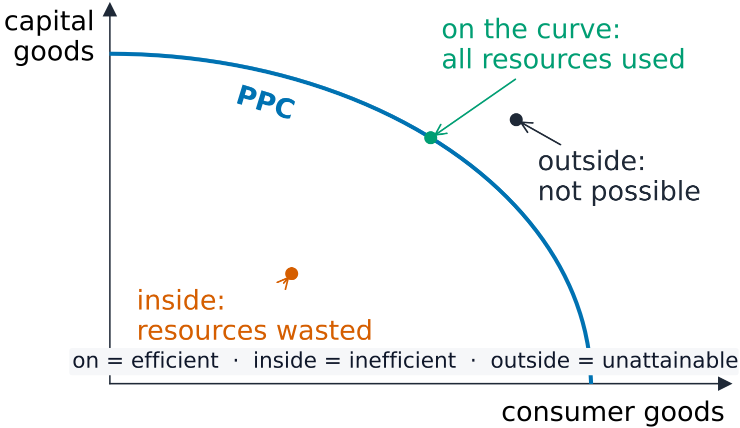
- draw and label a PPC and interpret points on, inside and outside it
- explain a movement along the curve (opportunity cost)
- explain shifts of the curve (growth and decline)

Method — Reading a PPC

- **On** the curve: all resources used. **Inside:** waste (e.g. **unemployment 失业**). **Outside:** impossible now.
- **Movement along** the curve = a **trade-off 取舍** → the good given up is the opportunity cost.
- **Shift outward** = **economic growth 经济增长** (more/better resources). **Shift inward** = decline (war, disaster).

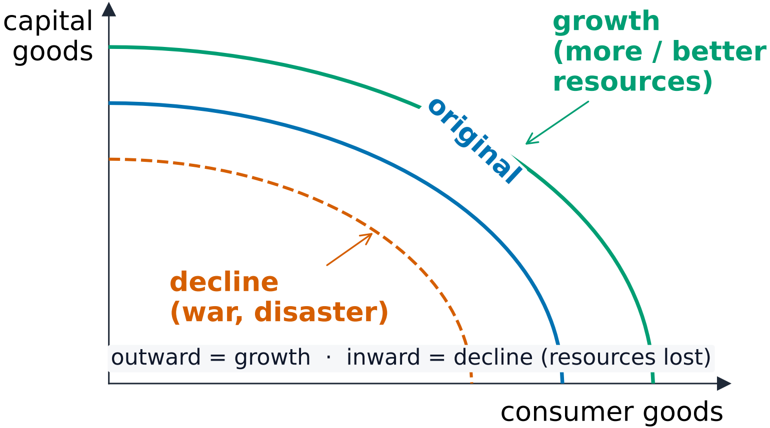
Answer shapes: an **Analyse [up to 6]** answer should use a labelled PPC diagram; **Discuss [8]** adds a judgement (Ev).

Method — Reading a PPC



A point on the curve uses all resources; inside means waste; outside is impossible

Method — Reading a PPC



More or better resources push the whole curve outward — economic growth

Practice 2.1 ▪ 1 mark

State what a point **inside** the PPC shows.

Solution 2.1

Method: Reading a PPC

Worked steps

that resources are wasted or not all used (e.g. unemployment) — the economy could make more (1).

Practice 2.2 ▪ 2 marks

Define the term *production possibility curve*.

Solution 2.2

Worked steps

a curve showing the maximum amounts of two goods an economy can make when it uses all its resources fully (2 for a clear definition; 1 for a partial idea).

Practice 2.3 ▪ 2 marks

State two causes of an outward shift of the PPC.

Solution 2.3

Method: Reading a PPC

Worked steps

any two of: more resources (a bigger workforce, more land); better resources / new technology / training (1 + 1).

Exam-style 3.1 ▪ 1 mark

An outward shift of a country's PPC represents:

- **A** unemployment
- **B** economic growth
- **C** opportunity cost
- **D** a movement along the curve

Solution 3.1

Method: Reading a PPC

A unemployment

B economic growth ✓

C opportunity cost

D a movement along the curve

Worked steps

B. An outward shift of the PPC shows economic growth.

Exam-style 3.2 ▪ 4 marks

Using a PPC diagram, explain the opportunity cost of an economy making more capital goods.

Solution 3.2

Method: Reading a PPC

Worked steps

[4] K 1 + **diagram up to 2** (labelled PPC, capital vs consumer goods, a movement along it) + An 1 — to make more capital goods the economy moves along the curve, so it must make fewer consumer goods → the forgone consumer goods are the opportunity cost.

Exam-style 3.3 ▪ 8 marks

Discuss whether an economy should always aim to move its PPC outward.

Solution 3.3

Method: Reading a PPC

Worked steps

[8] K/App/An up to 5 + Ev up to 3. **For outward growth:** more of both goods, higher living standards, more jobs. **Against:** growth may use up non-renewable resources, cause pollution, or need fewer consumer goods now (more capital goods) which lowers living standards today. **Judgement (Ev):** moving the PPC outward usually helps, but the *type* of growth matters — sustainable growth is good, but growth that exhausts resources or harms the environment may not be worth it; it depends on how it is achieved.