Exercise walk-through

Production possibility curves ▪ 1.5

eXercise

You must be able to

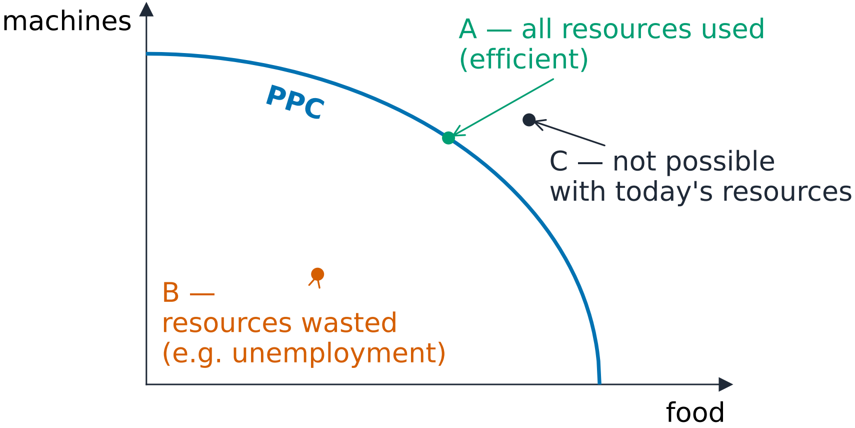
- draw and label a PPC and interpret points on, inside and outside it
- explain opportunity cost and the shape of the curve
- analyse PPC shifts (economic growth, capital vs consumer goods)

Method — Reading a PPC

- **On** the curve: all resources used efficiently. **Inside:** waste (e.g. **unemployment 失业**). **Outside:** impossible today (scarcity).
- Moving along the curve shows **opportunity cost 机会成本** — more of one good means less of the other.
- A **bowed-out** curve = *increasing* opportunity cost; a **straight** curve = *constant* opportunity cost.
- The whole PPC shifts **outward** for **economic growth 经济增长** (more/better resources).

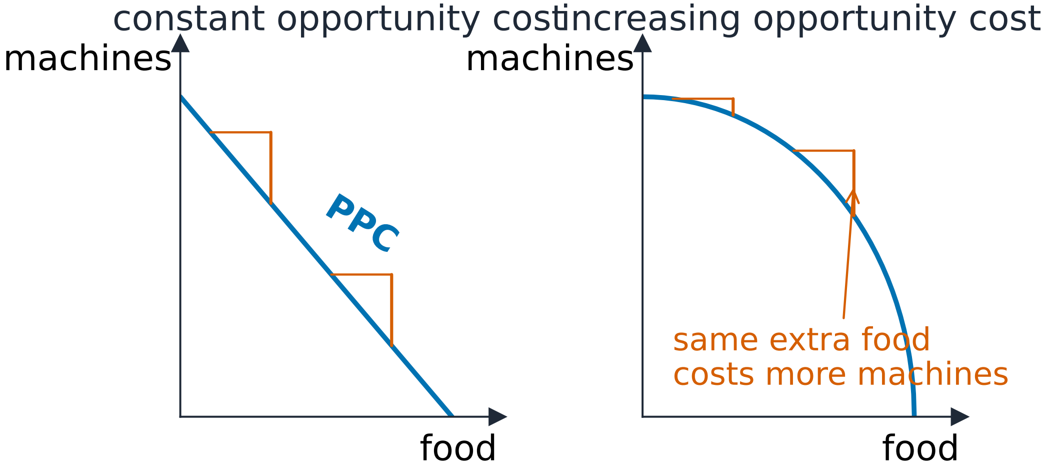
Answer shapes: an **Explain [up to 8]** answer should include a labelled diagram (AO3); **Discuss/Evaluate [12]** adds a judgement (AO4).

Method — Reading a PPC

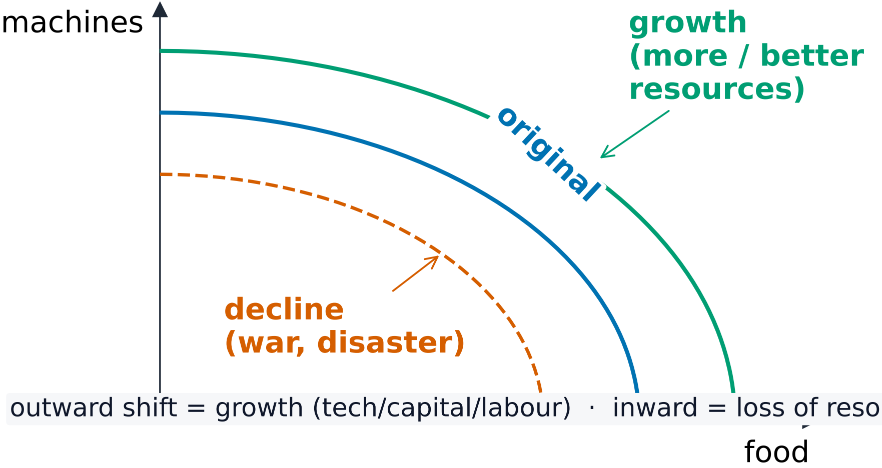


A point on the curve is efficient; inside means waste; outside is not yet possible

Method — Reading a PPC



Method — Reading a PPC



outward shift = growth (tech/capital/labour) · inward = loss of resources

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 not fully or efficiently used (e.g. unemployment) — the economy could produce more (1).

Practice 2.2 ▪ 2 marks

Define the term *production possibility curve*.

Solution 2.2

Worked steps

a curve showing the maximum combinations of two goods an economy can produce when all its resources are fully and efficiently used (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; better resources / new technology; a larger or more skilled workforce $(1+1)$.

Exam-style 3.1 ▪ 1 mark

A point **outside** a country's PPC represents output that is:

A efficient

B wasteful, with unemployment

C not possible with current resources

D the optimum allocation

Solution 3.1

Method: Reading a PPC

A efficient

B wasteful, with unemployment

C not possible with current resources ✓

D the optimum allocation

Worked steps

C. Outside the PPC is unattainable with current resources.

Exam-style 3.2 ▪ 8 marks

Using a PPC diagram, explain the opportunity cost of a country producing more capital goods.

Solution 3.2

Method: Reading a PPC

Worked steps

[8] AO1 1–2 (define PPC/opportunity cost) + **AO3 diagram up to 4** (correctly labelled PPC, axes capital goods vs consumer goods, a movement along the curve) + AO2/AO3 up to 2 — producing more capital goods means moving along the curve, so fewer consumer goods can be made now; that forgone output is the opportunity cost.

Exam-style 3.3 ▪ 12 marks

Discuss whether producing more capital goods today is always the best choice for an economy.

Solution 3.3

Method: Reading a PPC

Worked steps

[12] AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** more capital goods raise future productive capacity → the PPC shifts out further → faster growth and more of both goods later. **Against:** fewer consumer goods now means lower living standards today, which may be hard on a poor population. Judgement: investing in capital goods aids long-run growth, but the best balance depends on current living standards and how urgently people need consumer goods now.