

1.5 Production possibility curves

Name: _____ Class: _____ Date: _____

Total: 26 marks

KEY WORDS opportunity cost 机会成本 • capital goods 资本品 • consumer goods 消费品
• economic growth 经济增长 • goods 物品

Objective

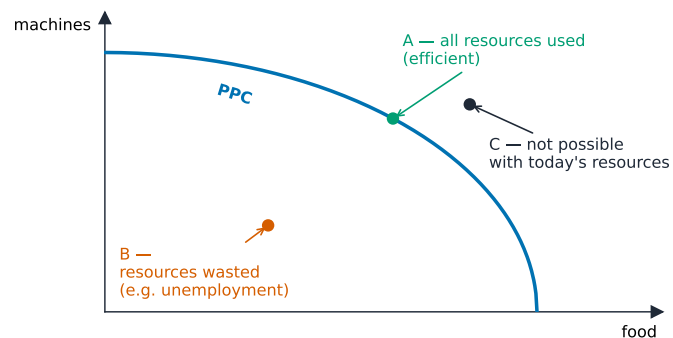
Build the skills to answer exam questions on the **production possibility curve** 生产可能性曲线 (PPC) — points on, inside and outside the curve, **opportunity cost** 机会成本 along it, and **shifts** for growth and decline.

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)

1 Worked examples

■ Reading a PPC

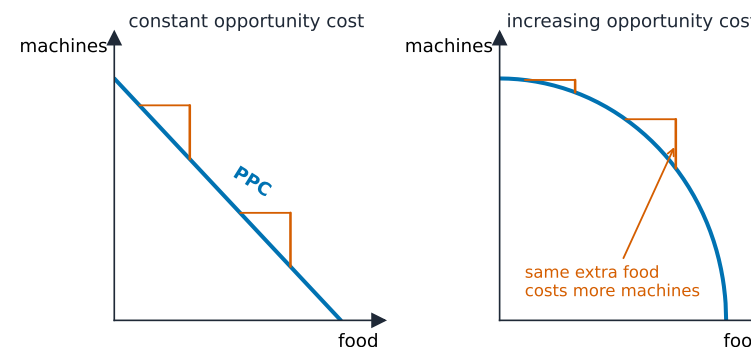


on = efficient • inside = inefficient • outside = unattainable

The PPC shows the maximum output of two goods when resources are fully used

- **On** the curve: all resources used efficiently. **Inside:** waste (e.g. unemployment 失业). **Outside:** impossible today (scarcity).

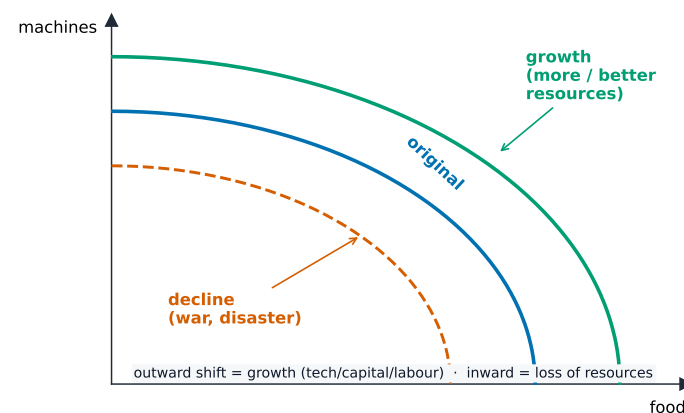
- Moving along the curve shows **opportunity cost** 机会成本 — more of one good means less of the other.
- A **bowed-out** curve = *increasing* opportunity cost; a **straight** curve = *constant* opportunity cost.



opportunity cost = goods forgone • bowed-out PPC ⇒ increasing opportunity cost

The shape of the PPC shows whether opportunity cost is constant or increasing

- The whole PPC shifts **outward** for **economic growth** 经济增长 (more/better resources).



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

An outward shift of the PPC is economic growth; an inward shift is decline

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

2 Practice

2.1 State what a point **inside** the PPC shows. [1]

2.2 Define the term *production possibility curve*. [2]

2.3 State two causes of an outward shift of the PPC. [2]

3 Exam-style questions

3.1 A point **outside** a country's PPC represents output that is: [1]

- A

B
- C

D
- A efficient
B wasteful, with unemployment
C not possible with current resources
D the optimum allocation

3.2 Using a PPC diagram, explain the opportunity cost of a country producing more capital goods. [8]

3.3 Discuss whether producing more capital goods today is always the best choice for an economy. [12]