

1.3 The Production Possibilities Curve

Name: _____ Class: _____ Date: _____

Total: 9 marks

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
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3.2 A straight-line PPC shows [1]

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

4 Go further

- work through the **1.3 The Production Possibilities Curve** lesson on the **Learn** page;
- read the **Basic Economic Concepts** section of the AP Microeconomics handout on the **Know** page.

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.