

1.4 Production possibility curve (PPC) diagrams

Name: _____ Class: _____ Date: _____

Total: 18 marks

KEY WORDS production possibility curve

• unemployment • non-renewable resources

• economic growth

• shifts

Objective

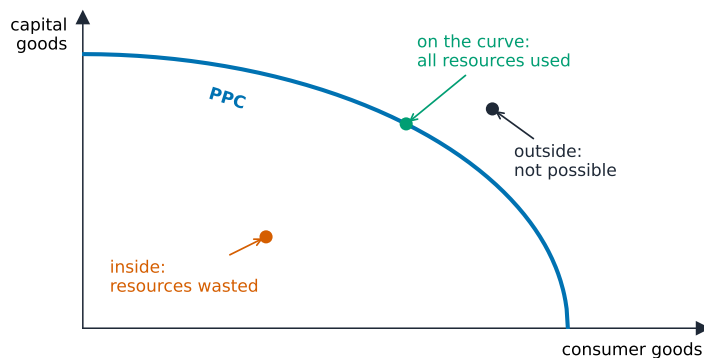
Build the skills to answer exam questions on **production possibility curve (PPC) diagrams** – points on, inside and outside the curve, **movements along** it, and **shifts** for growth and decline.

You must be able to:

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

1 Key knowledge and worked examples

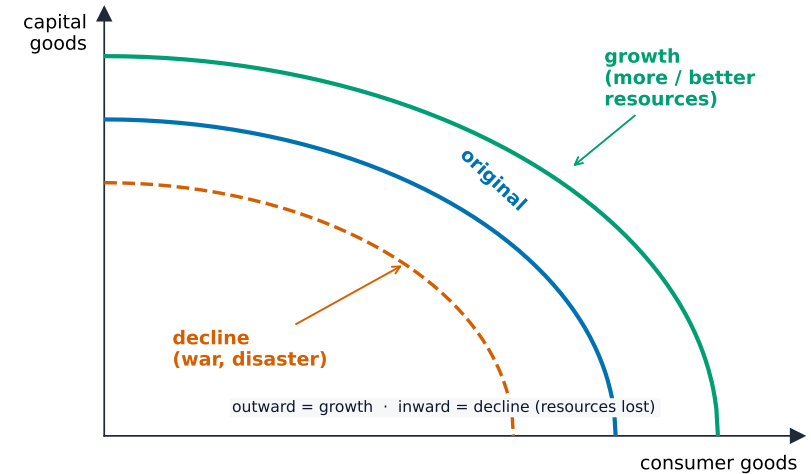
■ Reading a PPC



on = efficient • inside = inefficient • outside = unattainable

The PPC shows the most two goods an economy can make with full use of resources

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



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

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

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 An outward shift of a country's PPC represents: [1]

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

3.2 Using a PPC diagram, explain the opportunity cost of an economy making more capital goods. [4]

3.3 Discuss whether an economy should always aim to move its PPC outward. [8]