IGCSE ECONOMICS • EXERCISE SHEET

1.4 Production possibility curve (PPC) diagrams

Name: ____________ Class: ________ Date: __________ **Total: 18 marks**

KEY WORDS production possibility curve 生产可能性曲线 • economic growth 经济增长 • unemployment 失业 • non-renewable resources 不可再生资源 • shifts 移动

Objective

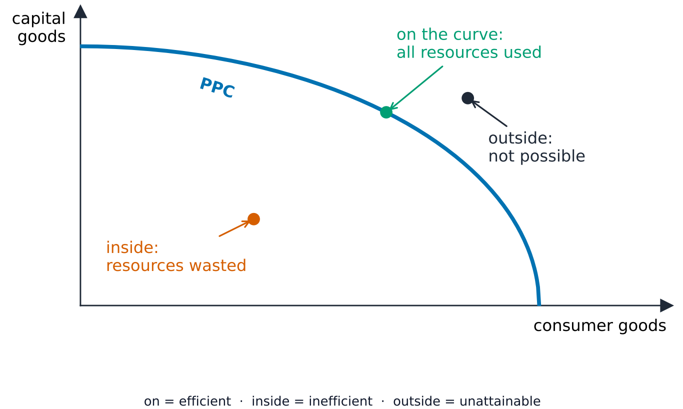
Build the skills to answer exam questions on **production possibility curve (PPC) diagrams** 生产可能性曲线 — points on, inside and outside the curve, **movements along** 沿曲线移动 it, and **shifts** 移动 for growth and decline.

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)

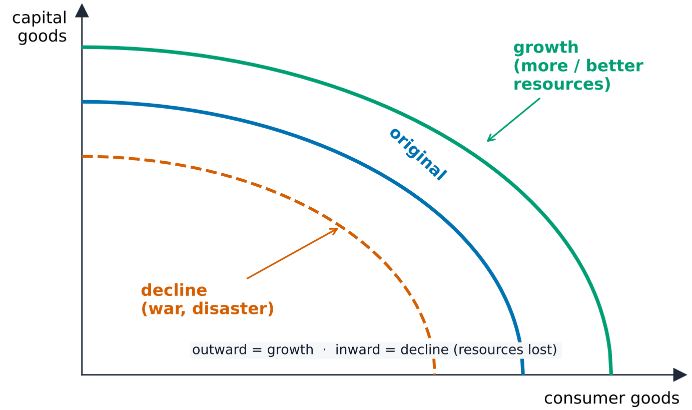
1 Worked examples

■ Reading a PPC



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** 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).



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]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

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

2.2 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).

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

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

3.2 *[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.

3.3 *[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.