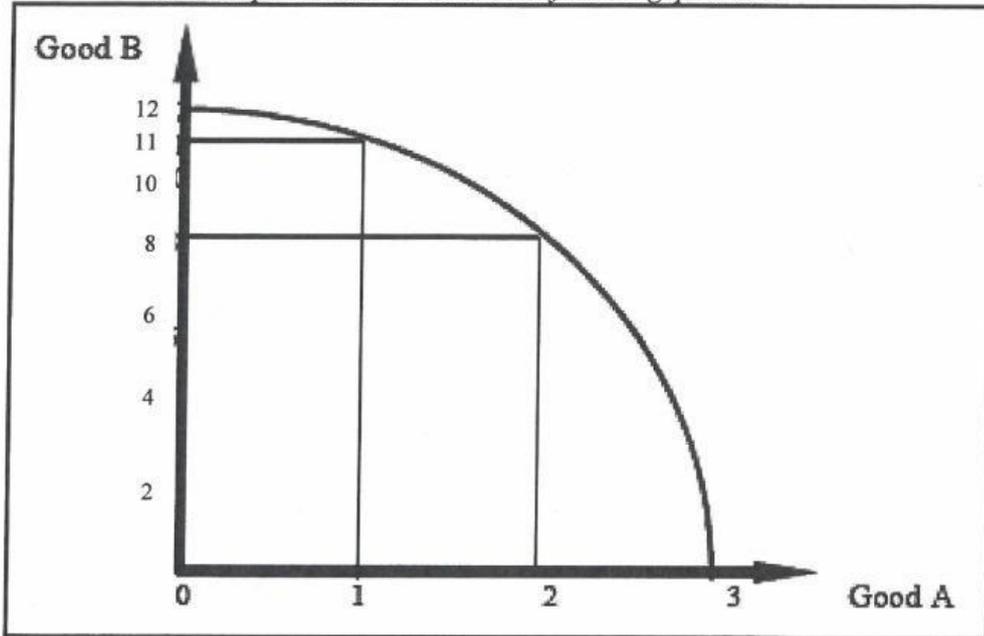


DUE DATE: _____

NAME: _____

PRODUCTION POSSIBILITIES CURVE (FRONTIER) WORKSHEET

Use the space below to answer the following question:



If this economy is presently producing 12 units of Good B and 0 units of Good A...

- 1...the opportunity cost of increasing production of Good A from 0 units to 1 unit is the loss of _____ unit(s) of Good B.

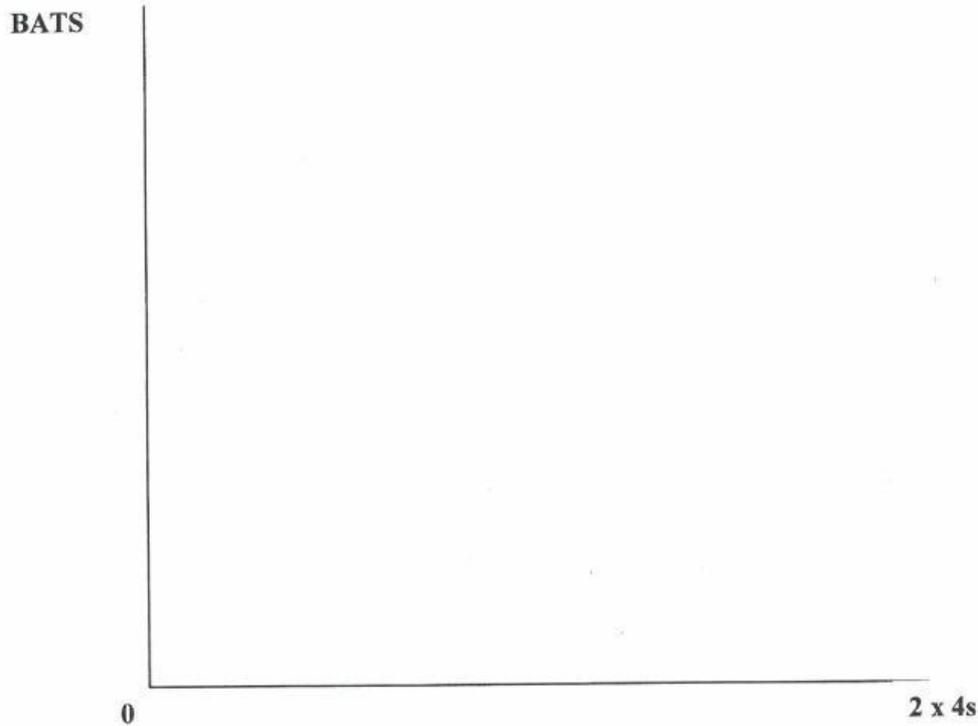
- 2...the opportunity cost of increasing production of Good A from 1 unit to 2 units is the loss of _____ unit(s) of Good B.

- 3...the opportunity cost of increasing production of Good A from 2 units to 3 units is the loss of _____ unit(s) of Good B.

Suppose that an economy produces only 2 goods: **baseball bats** and **2 x 4's**. Also, the only input needed to make these goods is trees. Basically, 1 tree makes 10 baseball bats, and 1 tree makes 20 2 x 4's. If there are 5 trees in the economy, draw the production possibilities frontier for this economy.

HINT: Put bats on one axis and 2 x 4s on the other axis.

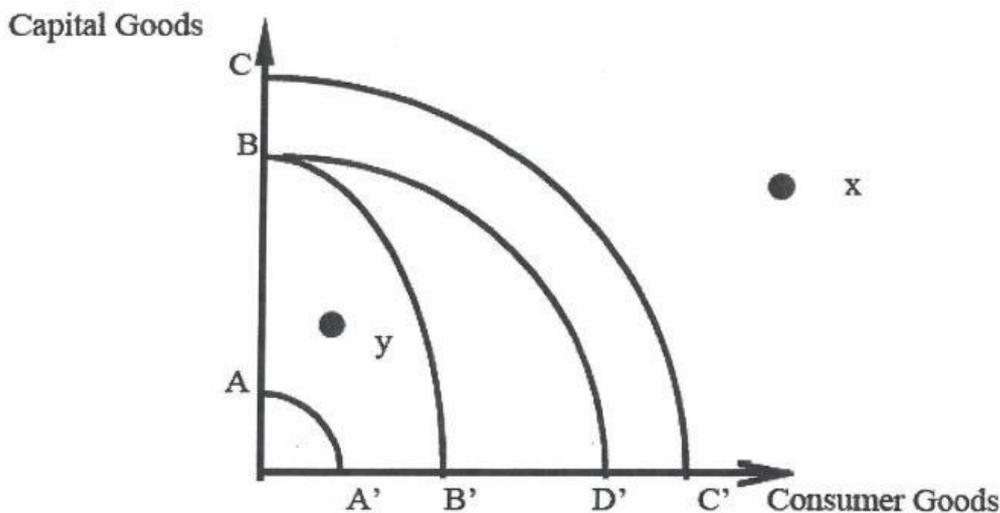
- Plot any **two** points on the curve and label them A and B. Then, describe the opportunity cost (what did you have to give up) by moving from point A to point B. (*estimating is ok*)



- How does this frontier illustrate the principle of increasing opportunity costs?
- What could cause the frontier (curve) to **shift outward**?
- What could cause the frontier (curve) to **shift inward**?

Use the PPF below to answer the following questions.

NOTE: THAT CURVE "BB" IS THE CURRENT FRONTIER FOR THIS ECONOMY.



8. Suppose massive new sources of oil and coal are found within the economy and there are major technological innovations in both sectors of the economy. Which curve in the diagram would represent the new production possibility curve? (Indicate the curve you choose with two letters.)

9. Suppose that a new government comes into power that forbids the use of automated machinery and modern production techniques in all industries. Which curve in the diagram would represent the new production possibility curve? (Indicate the curve you choose with two letters.) _____

10. Suppose there is a major technological breakthrough in ONLY the consumer goods industry, and the new technology is widely adopted. Which curve in the diagram would represent the new production possibilities curve? (Indicate the curve you choose with two letters.) _____

11. If BB' represents a country's current production possibilities frontier, what can you say about a point like x? (Write a brief statement.)

12. If BB' represents a country's current production possibility frontier, what can you say about a point like y? (Write a brief statement.)

