


A spiral-bound notebook with a light brown, textured cover. The spiral binding is on the left side. The text "Production Possibilities Frontier" is centered on the page in a dark brown, sans-serif font.

Production Possibilities Frontier

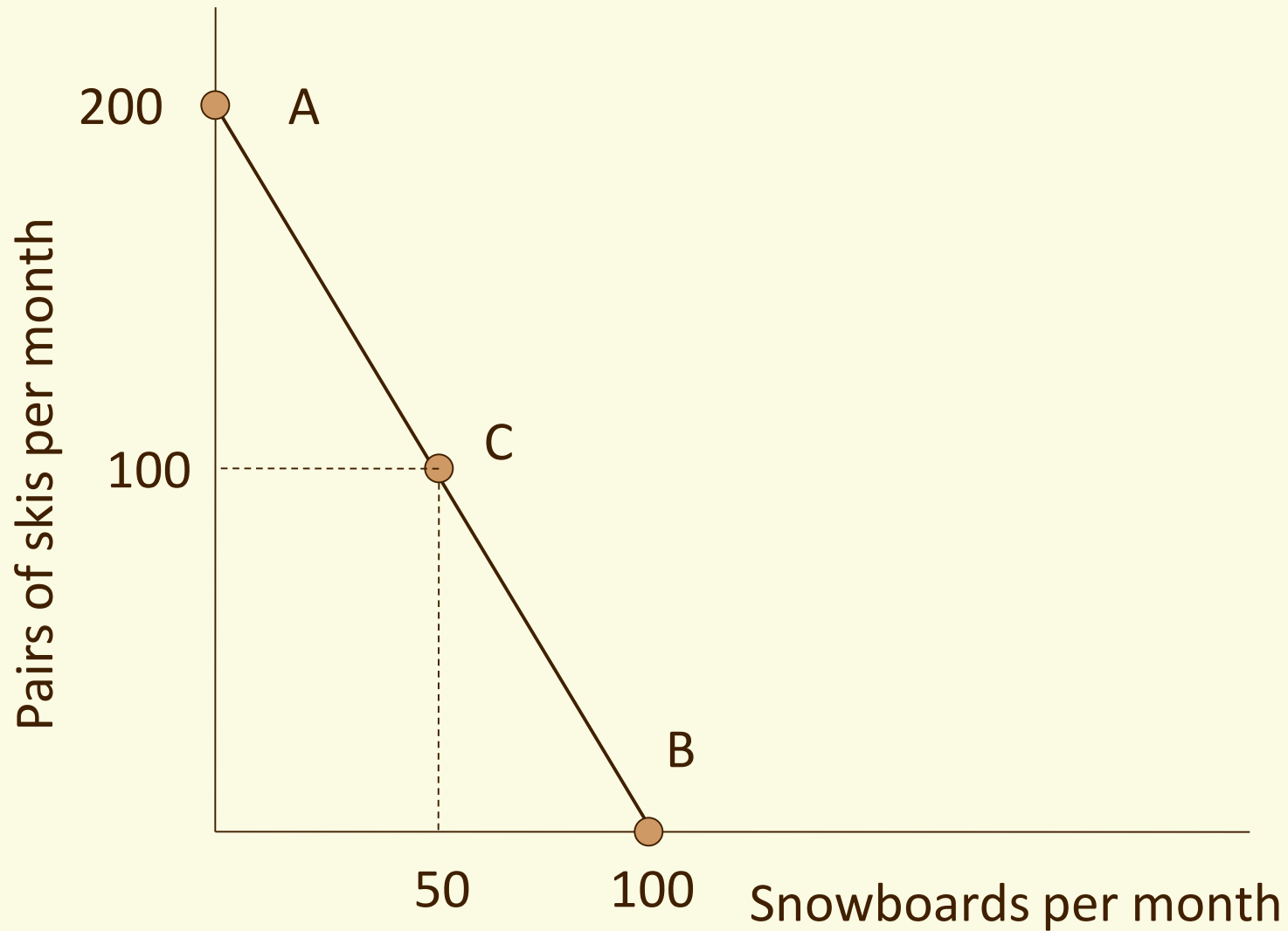
Production

 **Production possibilities frontier (PPF)** shows the **maximum attainable combinations** of two products that may be produced if we use our resources **efficiently**.

Sometimes economists call this Production Possibilities Curve (PPC).

PPF or PPC, we mean the very same thing by them.

Production Possibilities Frontier



Production Possibilities Frontier

 **PPFs** can be used to demonstrate:

 a) opportunity costs (trade-offs).

 b) efficient production.

 c) economic growth.

a) Understanding opportunity costs - The Shape of PPFs

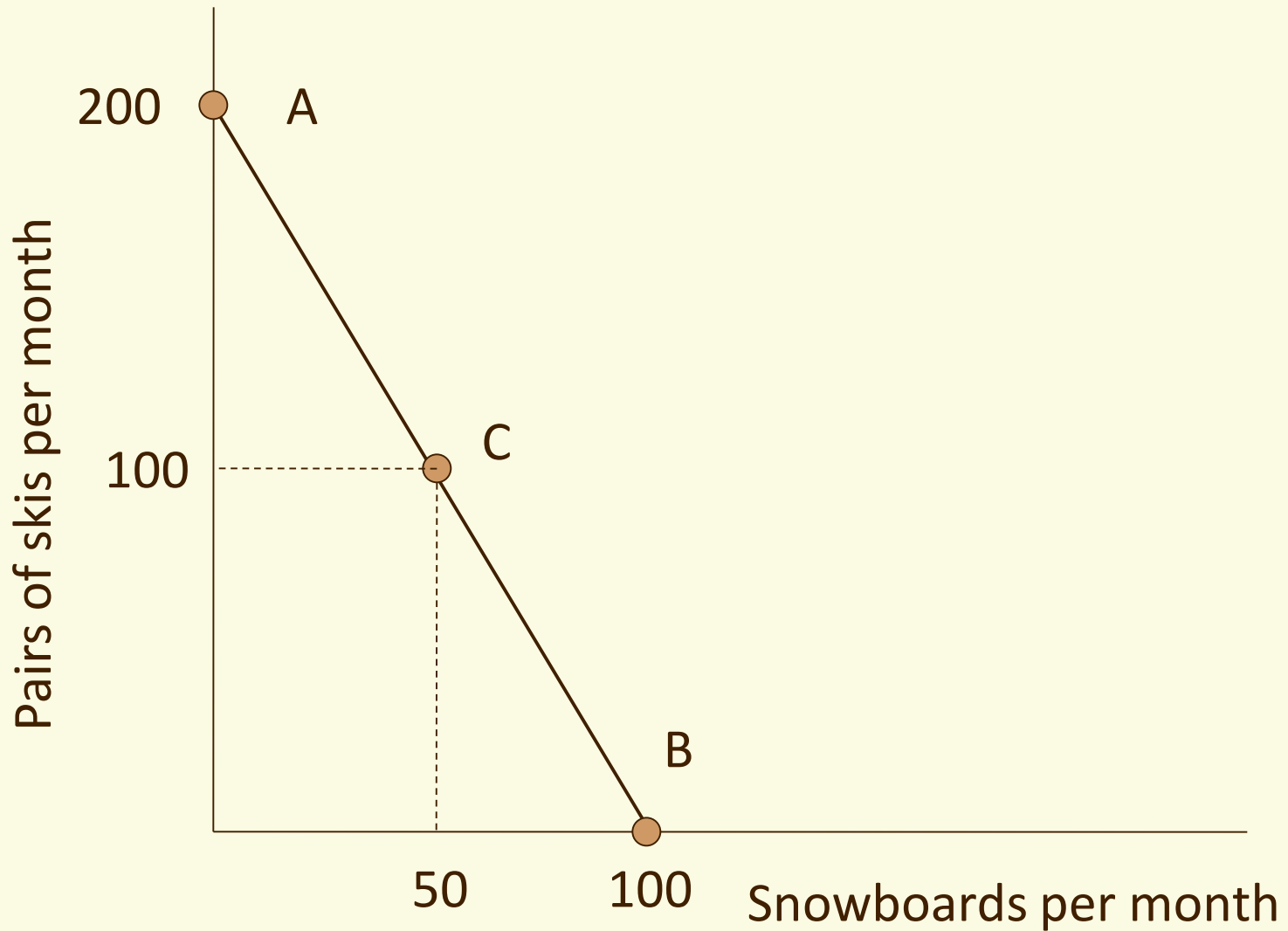
 Constant opportunity cost PPFs are

- **Linear lines**
- Opportunity cost is constant (the same) no matter where you produce.

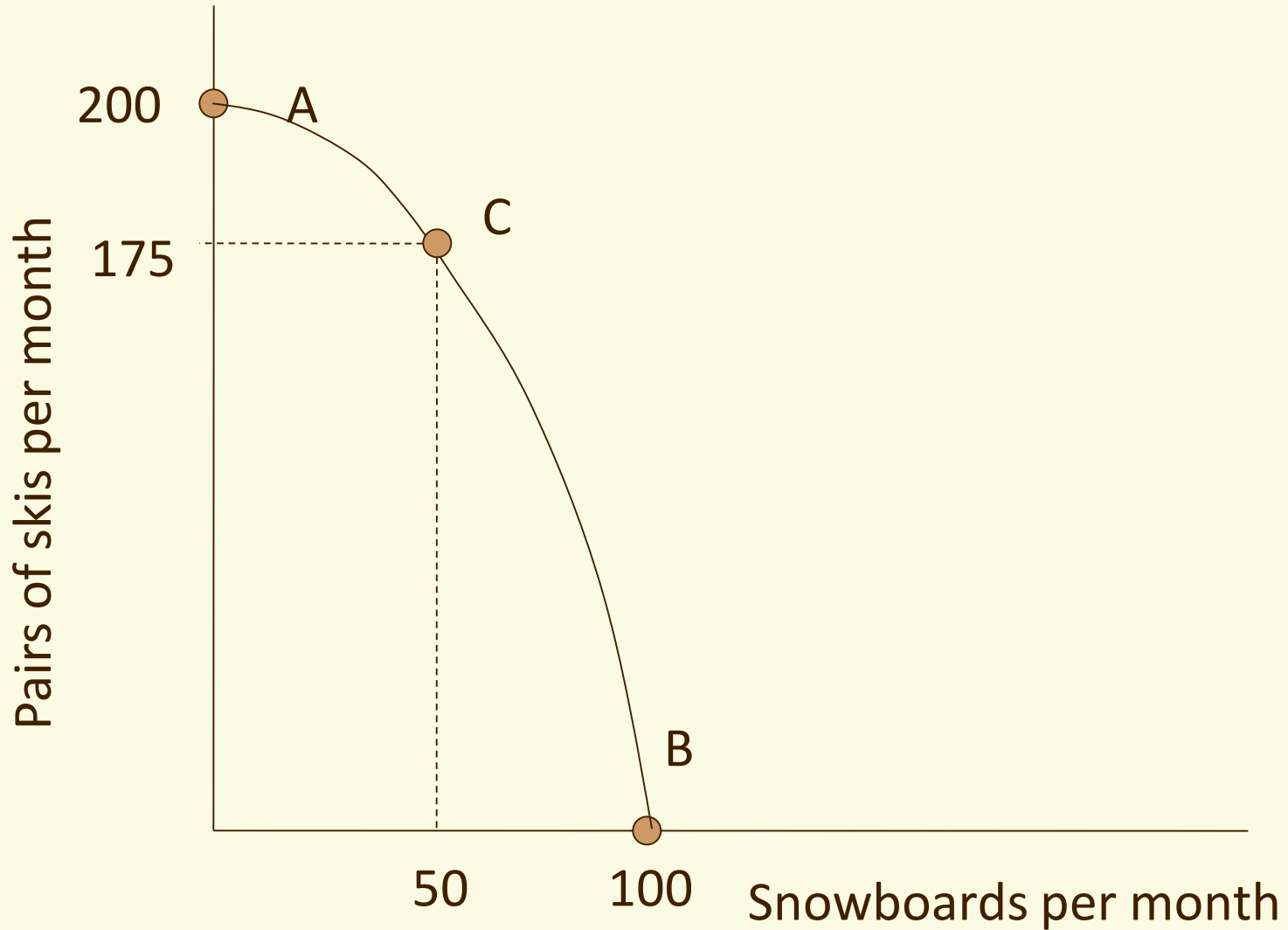
 Increasing opportunity cost PPFs are

- **Bowed outwards**
- As you keep increasing production, opportunity cost is increasing.

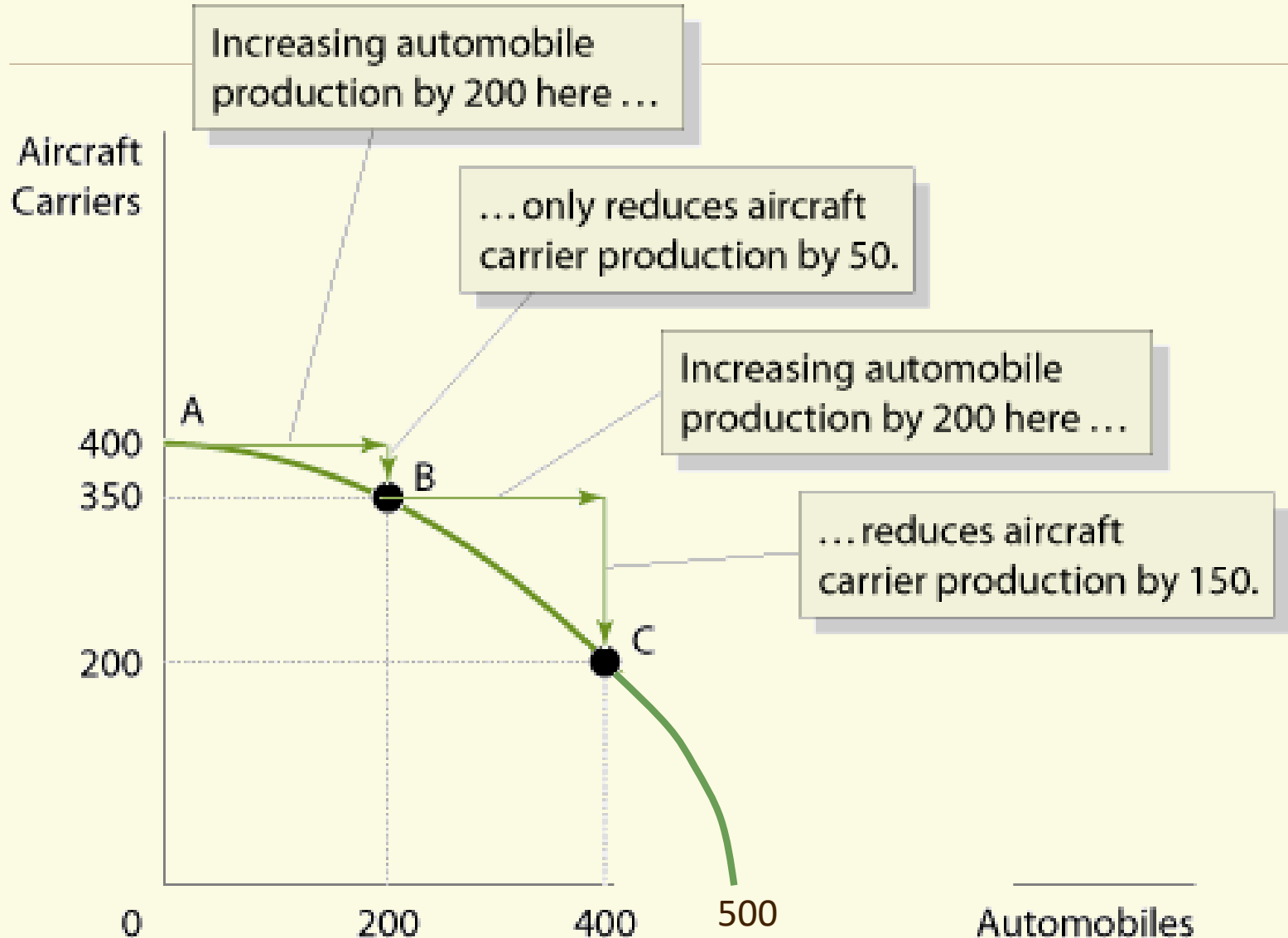
a) Constant opportunity cost PPF



a) Increasing opportunity cost PPF



a) Increasing Opportunity Costs



a) Increasing vs. constant opportunity cost PPFs

📄 What is the importance of the difference?

📄 Why is there a difference?

📄 Which is more realistic?

📄 What is the advantage of using the constant opportunity cost PPF?

a) Characteristics of PPF

- Both constant and increasing opportunity cost PPFs have a negative slope (they are downward sloping).
- This is because of the **trade-offs**. Due to scarcity we can only produce more of one product if we give up some of the other product.

a) Increasing opportunity cost

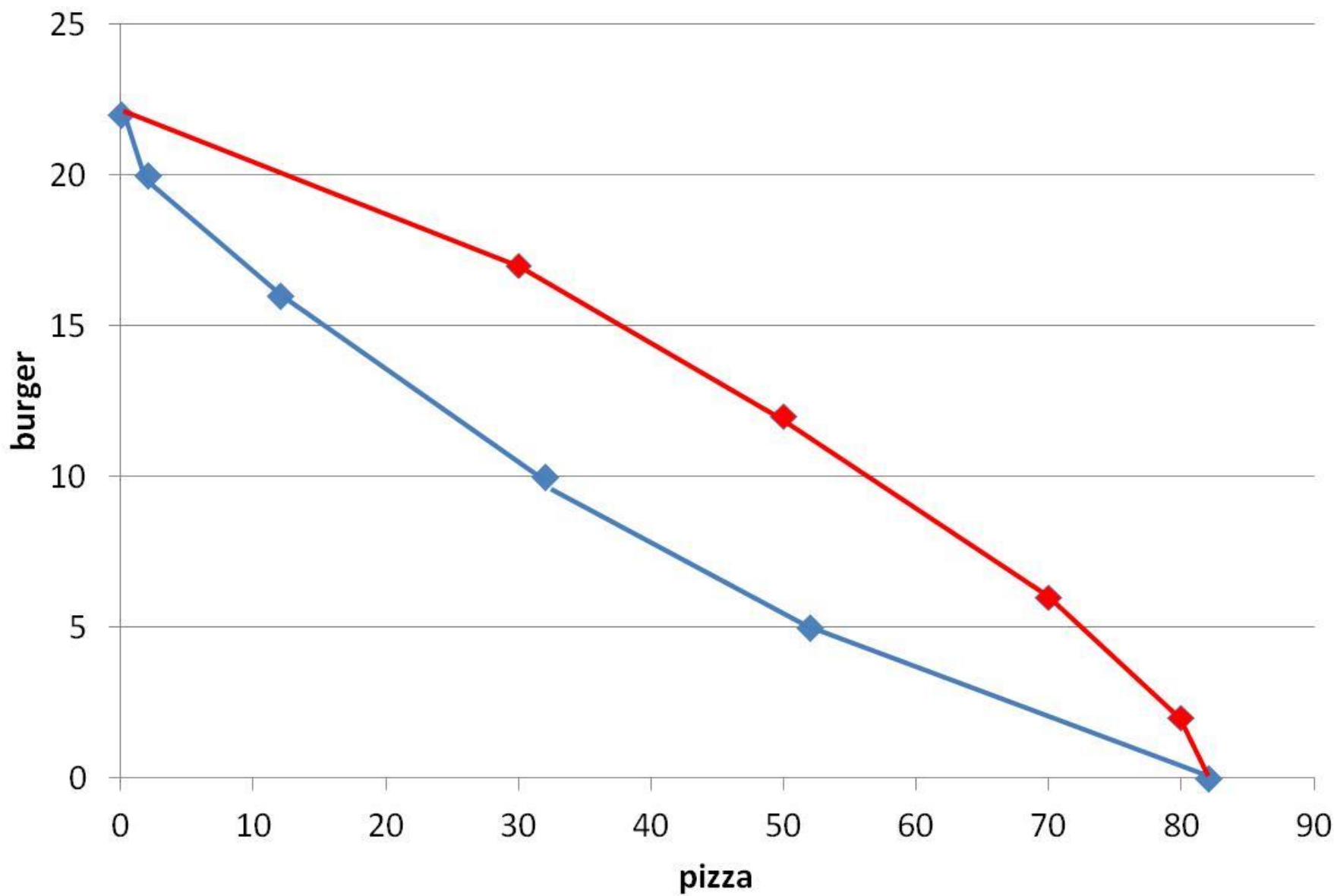
PPF

Let's assume that five people can produce Burgers OR Pizzas.

Further, suppose that you are responsible of deciding who has to do what. IF a heroine is assigned to burgers, all she does is burger production. If she is assigned to pizza, she will not do any burgers.

	Burger	Pizza
Cindarella	2	2
Ariel	10	4
Pocahontas	20	5
Tinker Bell	30	5
Snow White	20	6

Production of pizzas and burgers

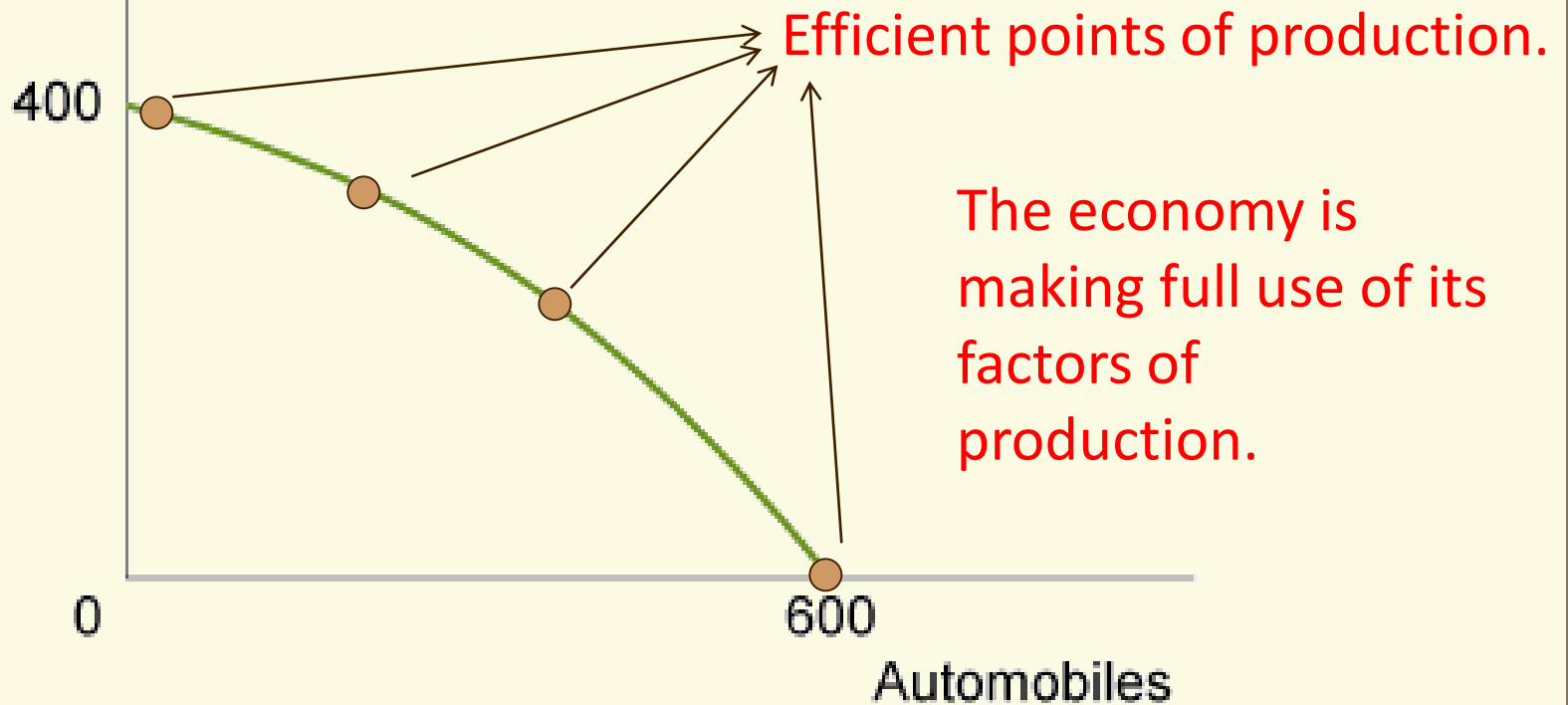


Opportunity costs

	opp. cost of a pizza
Cindarella	1.00 burger
Ariel	2.50 burgers
Pocahontas	4.00 burgers
Tinker Bell	6.00 burgers
Snow White	3.33 burgers

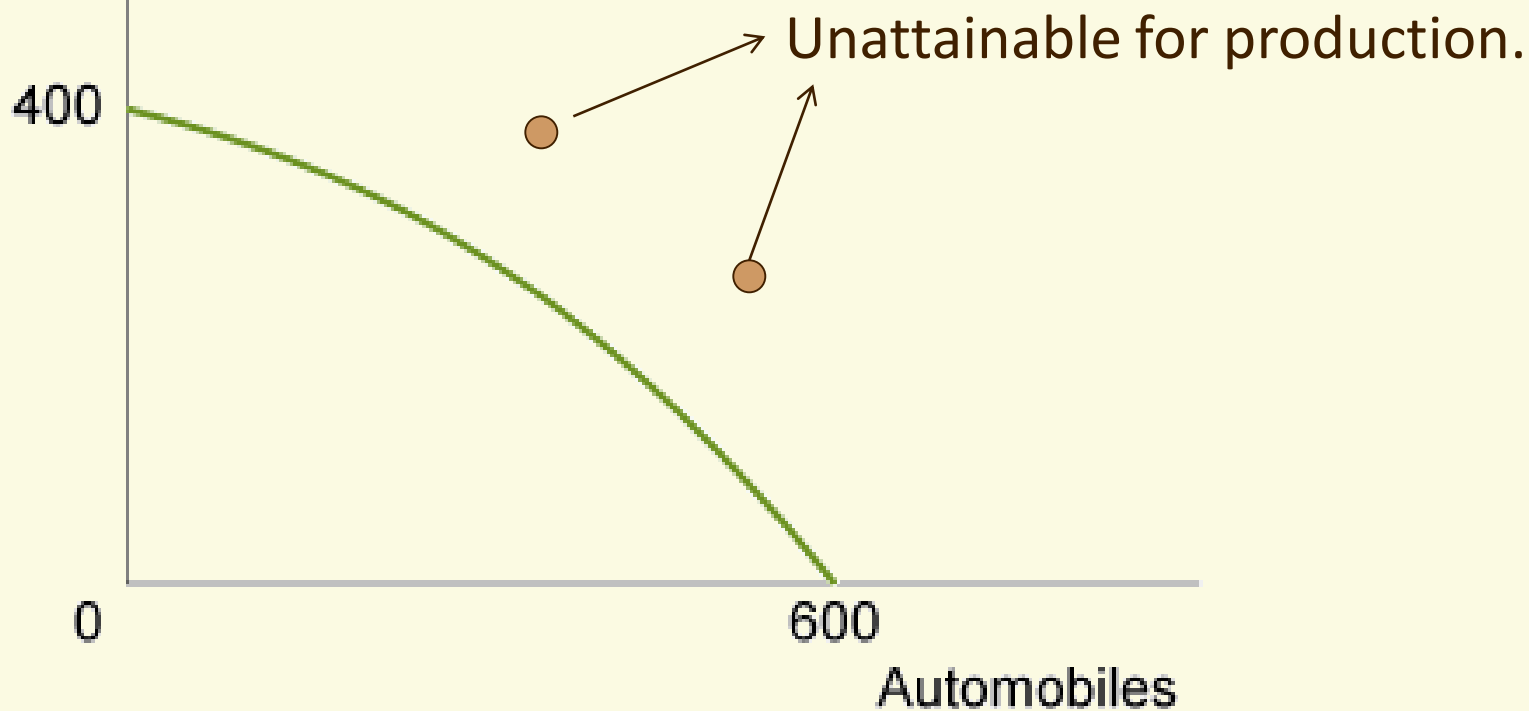
b) Efficiency

Aircraft
Carriers



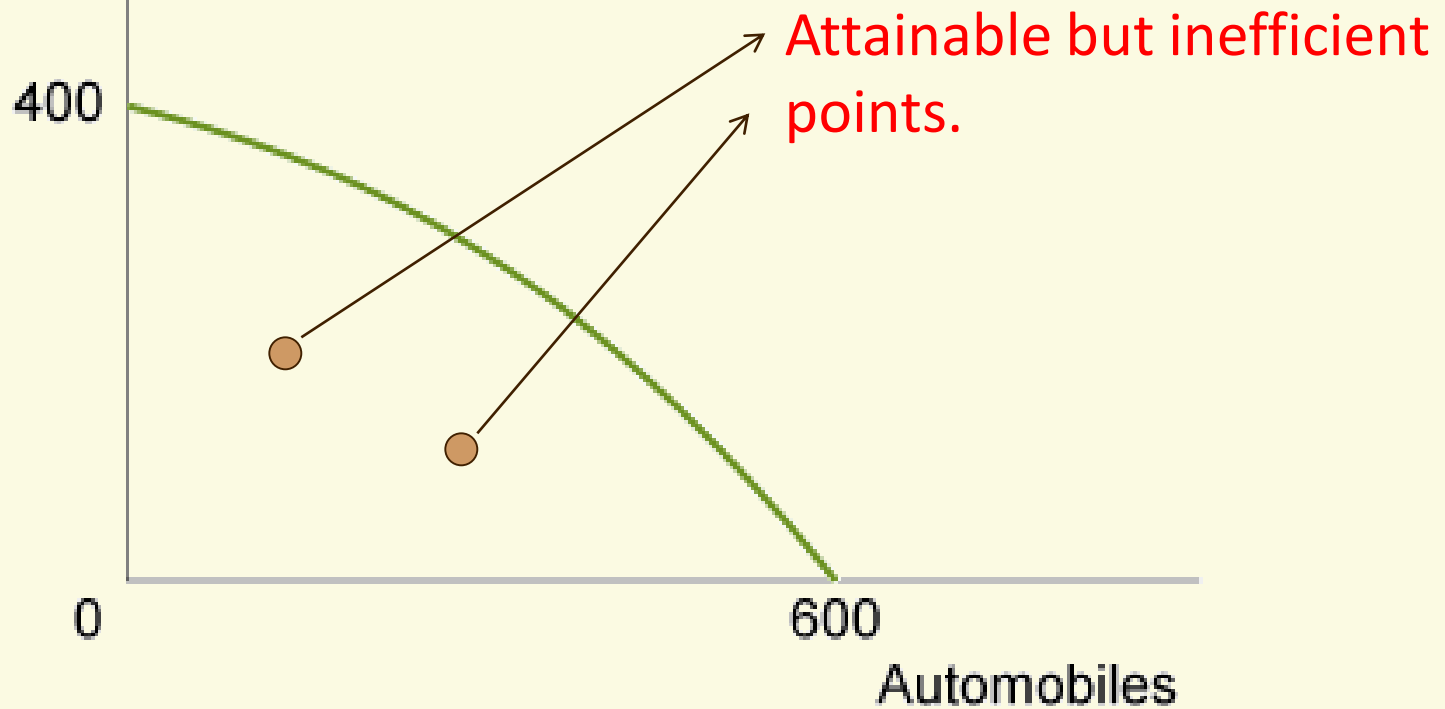
b) Efficiency

Aircraft
Carriers



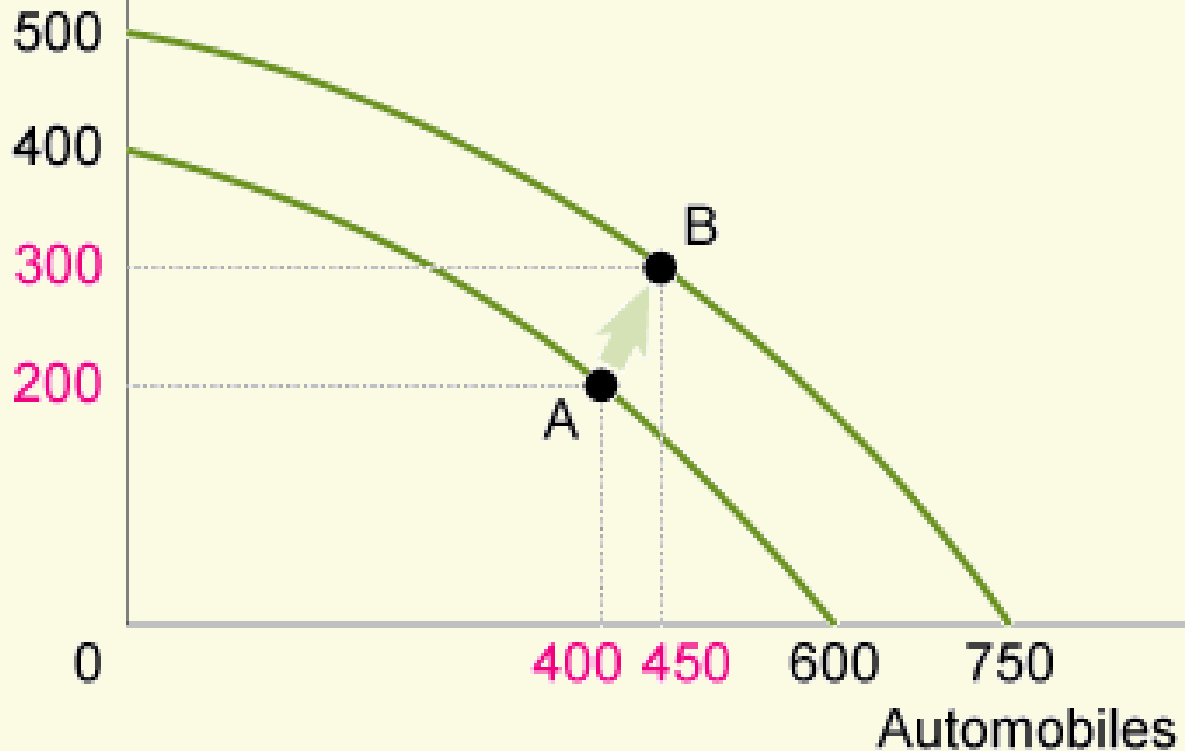
b) Efficiency

Aircraft
Carriers



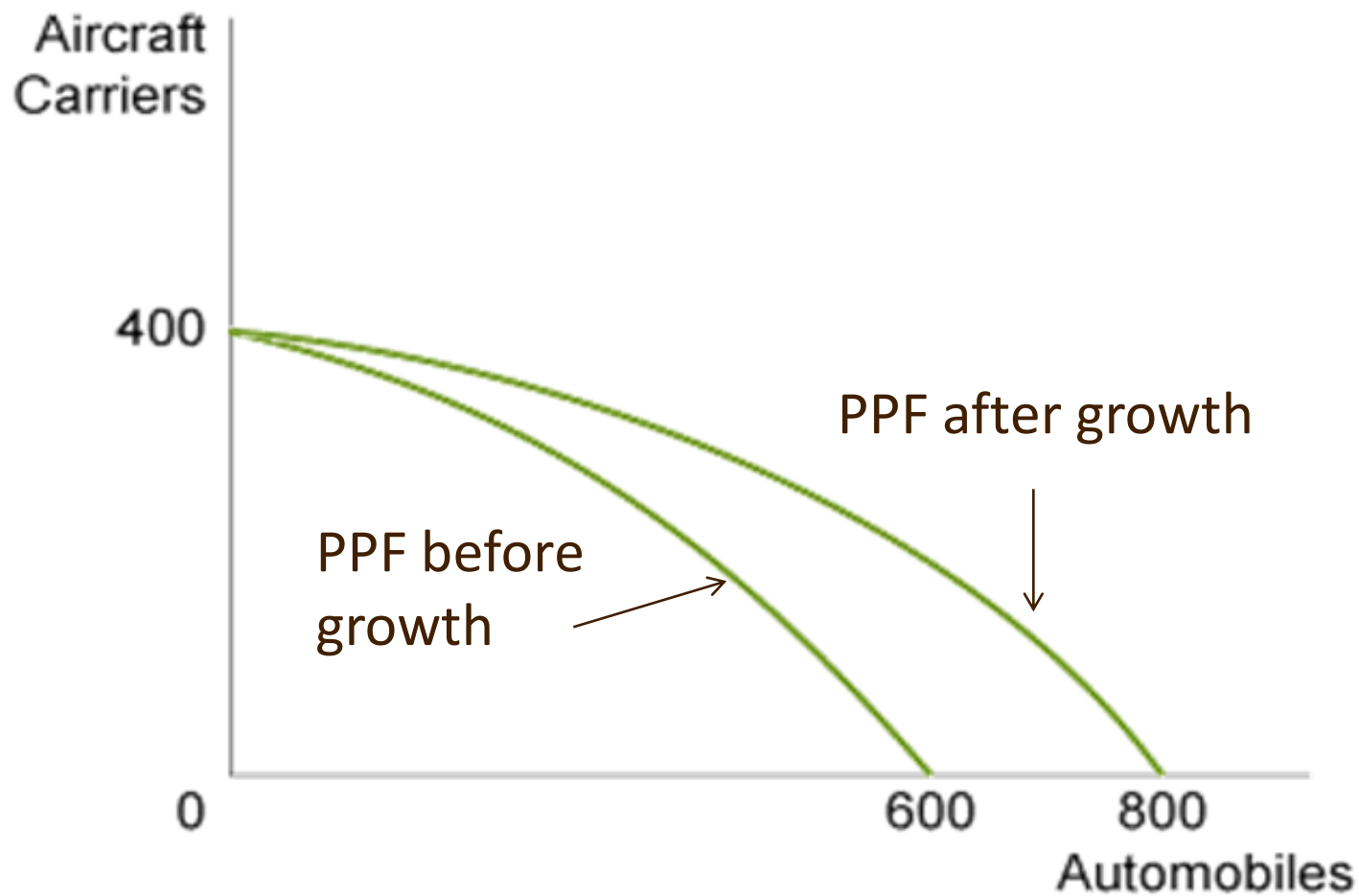
c) Economic Growth

Aircraft
Carriers



(a) Shifting out the production possibilities frontier

c) Economic Growth



(b) Technological change
in the automobile industry