

Production Possibility Curve



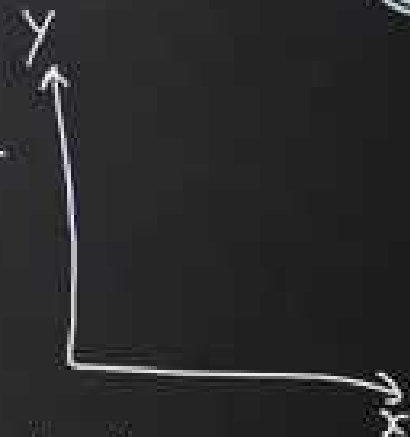
- The Production Possibility Curve is a graphical representation of all possible combinations of
- **two goods** that can be produced in an economy
- **with given resources and technology.**



Production Possibility Curve

The Production Possibility Curve is a graphical representation of all possible combinations of two goods that can be produced in an economy with fixed resources and technology.

PPF (Frontier)
PPB (Boundary)
Transformation Curve



CONNECT

Production Possibility Curve

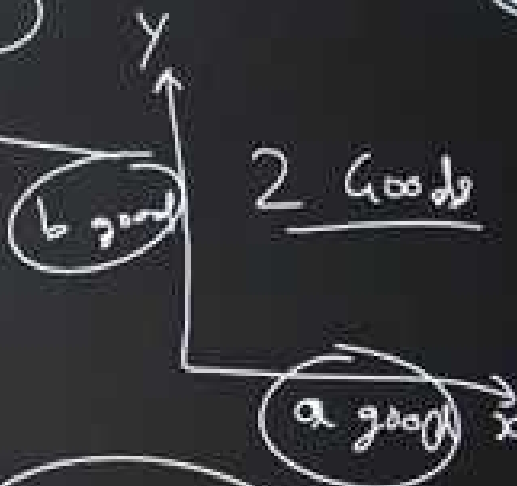
- ① The Production Possibility Curve is a graphical representation of all possible combinations of
- ① two goods that can be produced in an economy
- ① with given resources and technology.

Assumptions

- Resources are fixed
- Resources are limited
- Technology is constant

Goods = 2

Produce



Combination

Marginal Rate of Transformation

Marginal opportunity Cost

Wheat

Rice

MRT

/MOC

$\frac{\Delta S}{\Delta S}$

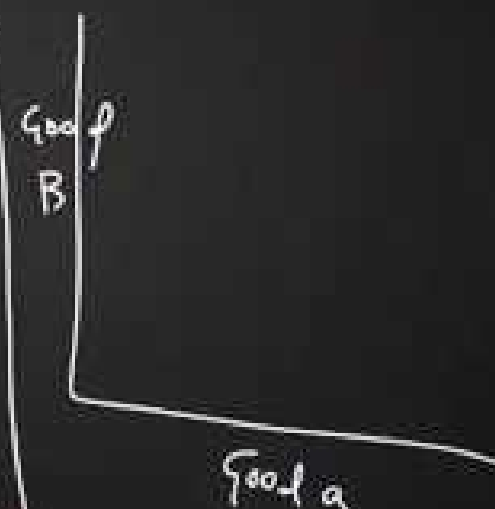
15
 14
 12
 9
 5
 0

0
 1
 2
 3
 4
 5

—
 1/1
 2/1
 3/1
 4/1
 5/1

—
 —
 —
 —
 —

1
 2
 3
 4
 5



Combination

Marginal Rate of Transformation

Marginal opportunity Cost

Comb.

Wheat

Rice

MRT

/MOC

$\frac{\Delta S}{\Delta R}$

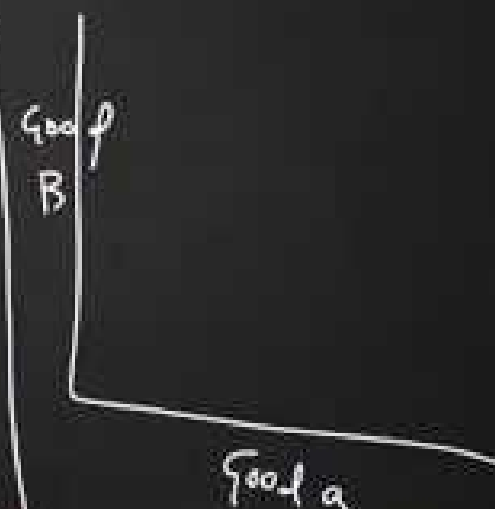
A → 15
B → 14
C → 12
D → 9
E → 5
F → 0

0
1
2
3
4
5

—
1/1
2/1
3/1
4/1
5/1

—
—
—
—
—
—

1
2
3
4
5



Combination

Marginal Rate of Transformation

Marginal opportunity Cost

Comb.

Wheat

Rice

MRT

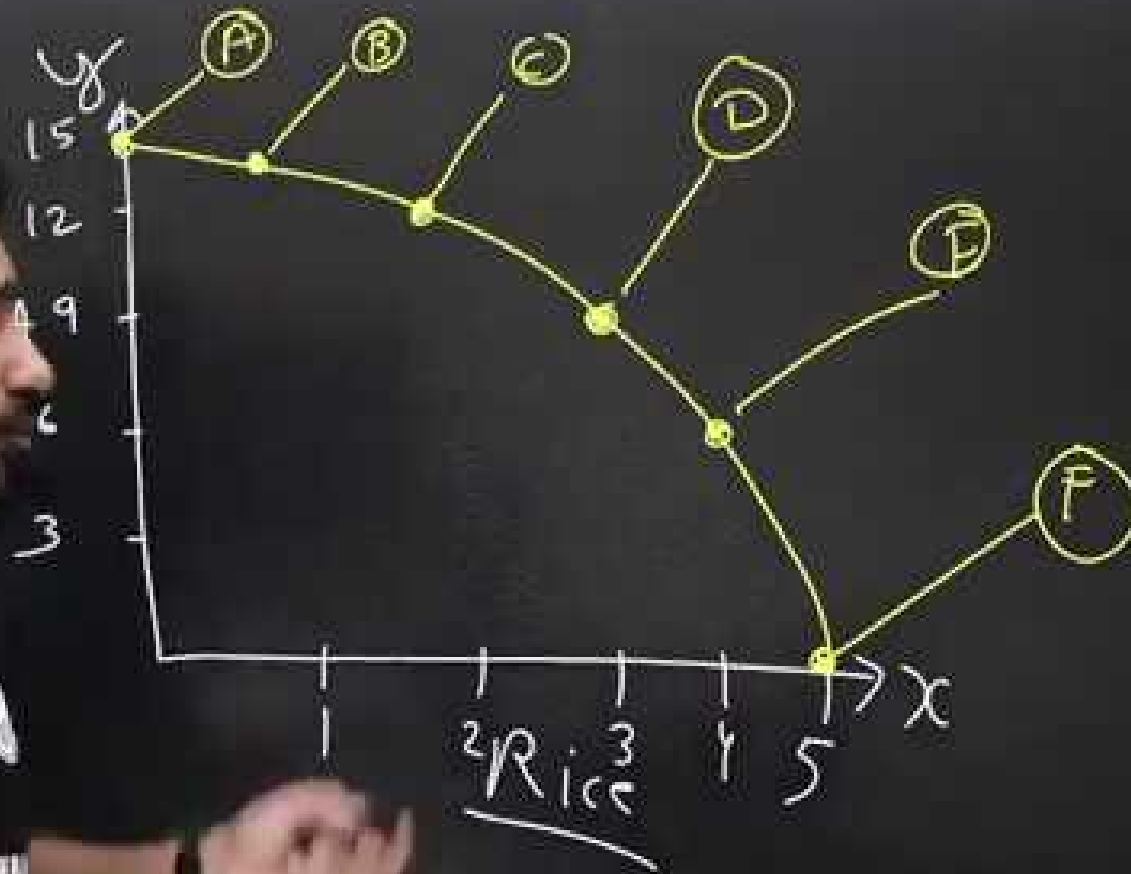
/MOC

$\frac{\Delta S}{\Delta R}$

A	→	↓ 15	0	—	—	1
B	→	↓ 14	1	↑ 1/1	—	2
C	→	↓ 12	2	↑ 2/1	—	3
D	→	↓ 9	3	↑ 3/1	—	4
E	→	↓ 5 ✓	4 ✓	↑ 4/1	—	5
F	→	0	5	↓ 5/1	—	5



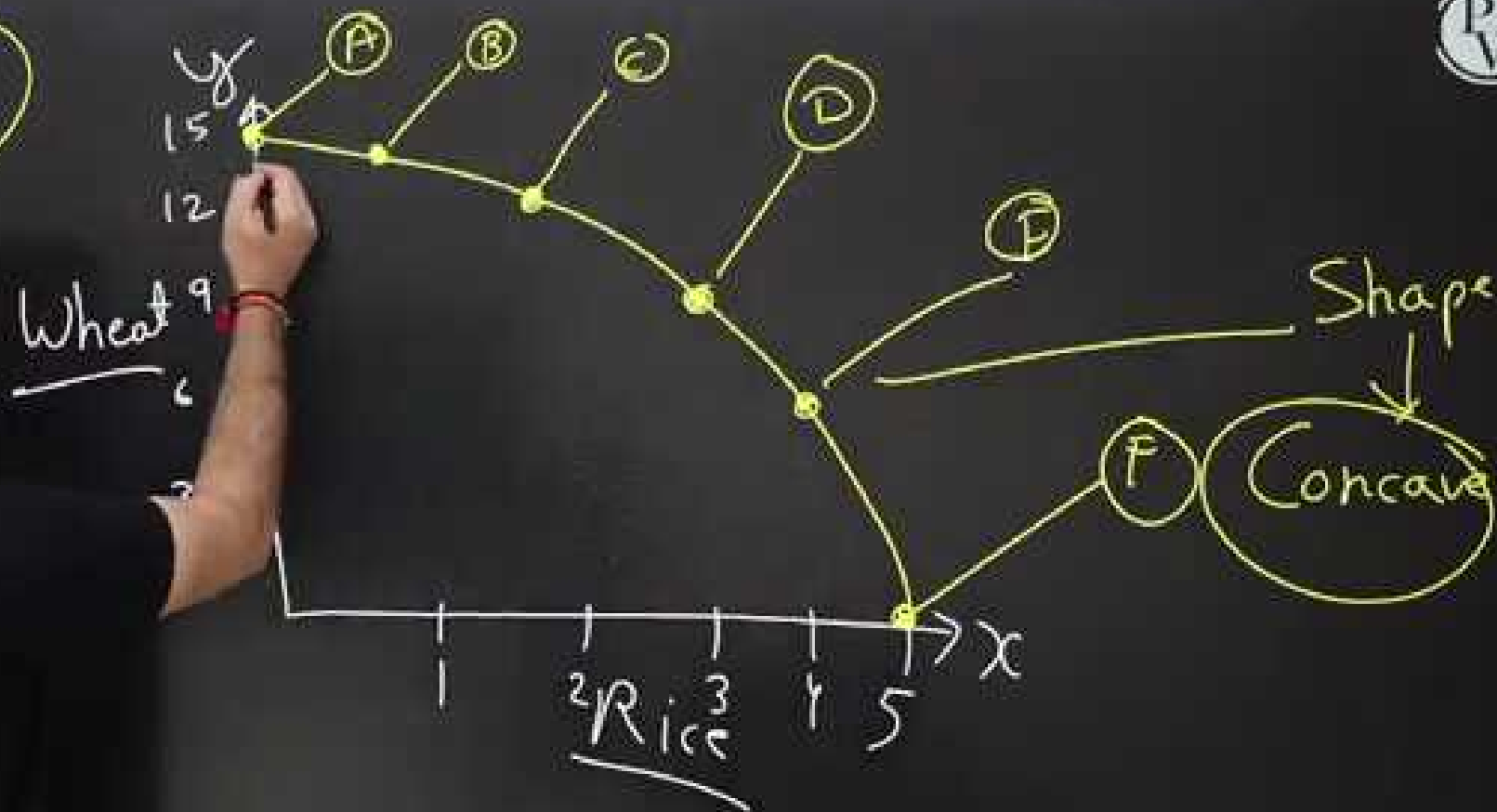
PPC



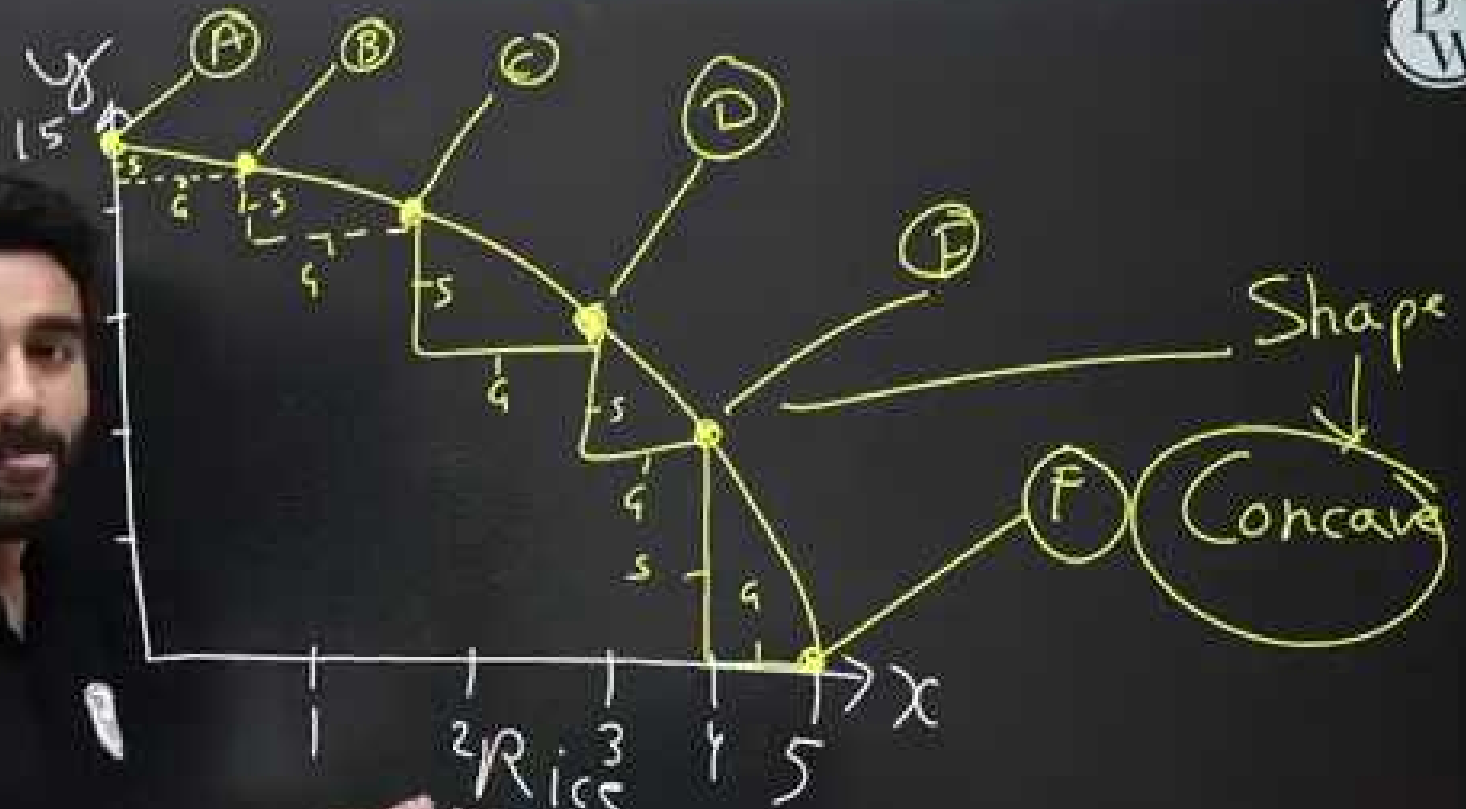
COMMERCE



PPC



PPC



COMMERCE

⊗ Properties of PPC

① Sl inward — inverse Relationship b/w the Quantities
of Wheat & Rice.

② Concave = Convex = Straight
 \downarrow \downarrow \downarrow
MOC/MRT MOC/MRT MOC/MRT
 \downarrow \downarrow \downarrow
Increase Negative/decrease Constant

⊗ Properties of PPC

① Slopes Downward — inverse Relationship b/w the Quantities of Wheat & Rice.

② Shape = Concave = Convex = Straight

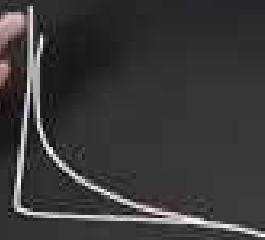
\downarrow	\downarrow	\downarrow
<u>MOC/MRT</u>	<u>MOC/MRT</u>	<u>MOC/MRT</u>
<u>Increase</u>	<u>Negative/decrease</u>	<u>Constant</u>

⊗ Properties of PPC

① Slopes Downward — inverse Relationship b/w the Quantities of Wheat & Rice.

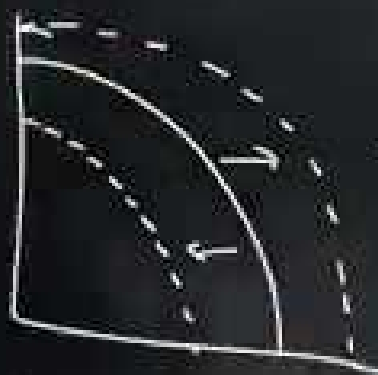
② Shape = Concave = Convex = Straight

\downarrow	\downarrow	\downarrow
$\frac{MOC}{MRT}$	$\frac{MOC}{MRT}$	$\frac{MOC}{MRT}$
\downarrow	\downarrow	\downarrow
<u>Increase</u>	<u>Negative/decrease</u>	<u>Constant</u>



⊗ Properties of PPC

- 1) Slopes Downward — inverse Relationship b/w the Quantities of Wheat & Rice.



= Rightward

Leftward

Resources



Resources

