

1. Production Possibility Frontiers – an Introduction

1. Fill in the missing words, using the list below

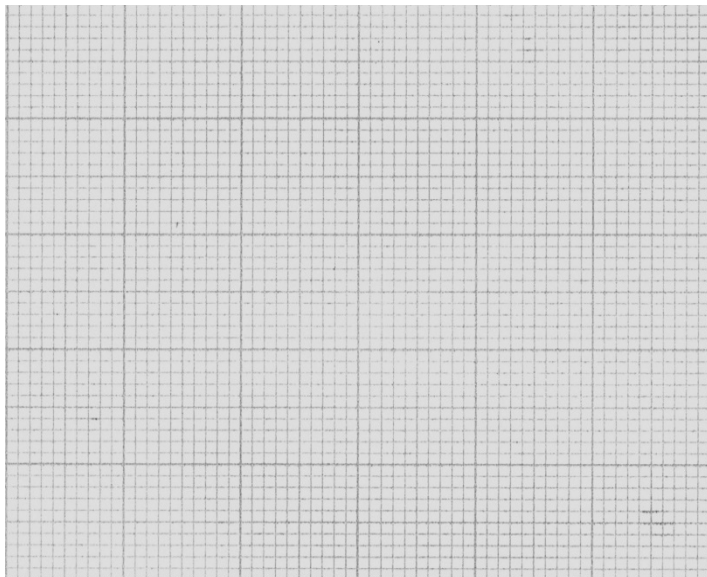
A production possibility frontier (PPF) is a graphical representation of the _____ number of goods or _____ an economy can produce using all its resources to their full potential. When an economy operates on the PPF it is said to be _____ efficient. A PPF is drawn on the basis of two goods or services being produced in an economy and resources – land, labour, capital & _____ being perfectly mobile, in other words they can move from one industry into another without any difficulties.

Missing words: productively, services, entrepreneurship, maximum

2. Graphical Work

Plot the following data for an economy on the graph paper below – remember that your two axes should be rugby balls and footballs.

Footballs	Rugby Balls
10	0
8	2
6	4
4	6
2	8
0	10



2.1. Explain the relationship shown in the PPF you have plotted. _____

2.2. What does this suggest about the resources being used to manufacture rugby balls and footballs? _____

3. Explain Why

3.1 Governments hope that the PPF for their country's economy will move to the right every year. _____

3.2 If output is sharply to the left of the PPF, there is likely to be serious unemployment. _____