**Production Possibility Frontier – Sheet 2**

**Capital Goods**

**Consumer Goods**

Plot and label the following scenarios on your diagram above:

* A) All resources devoted to production of capital goods.
* B) All resources devoted to production of consumer goods.
* C) The economy has unemployed resources
* D) The economy is working at maximum capacity
* E) There is a 50-50 proportion of resources devoted to the production of capital/consumer goods **but** only 50% of resources within the economy are being employed.
* F) Scenario which is currently not possible to achieve
* G) Economic growth occurs.

How does the PPF curve demonstrate that an opportunity cost is occurring?

Why is the PPF curved and not a straight line?

As previously mentioned, economic models are simplified representations of the real world, so what are the limitations of the PPF curve?

1. In terms of representing any service industry.

1. Any other criticisms that you can think of?





















