

What is the production possibility curve?

The production possibility curve is a visual representation of the resources in the economy and how they are being distributed. The production possibility curve indicates whether or not the economy is using all of its resources efficiently. If the current economy is on the line or curve then it is making use of all of its resources. The production possibility curve also often shows us the opportunity cost. Point A shows that resource A is being produced more while resource B is produced less, Point B shows that both resources are being produced equally and point C shows that resource B is being produced more than resource A.

The production possibility curve shows us how the resources in the economy are being used and whether or not the economy is at its full potential, if a point is inside the curve then the economy isn't reaching its full potential or production.

