

**Q. 10** Explain the different concepts related to production possibility curve.

Ans: The following are the concepts related to production possibility curve:

(i) If any of the point is on the PPC then it always represents fuller utilization of resources. AB curve is representing fuller utilization of resources.

(ii) If PPC entirely shifts upward, right hand side, then it shows growth of resources.  $A_1B_1$  curve is representing growth of resources. *For example*—Increase in availability of skilled man power like IT Engineers, Discovery of Oil or Natural gas etc.

Two causes for upward shift of PPC are:

- (a) **Increase in resources available to an economy** (natural, physical or human resource). New resources may increase the output potential in an economy resulting in shift of PPF away from origin.
- (b) **Improvement in technology**, when technology improves the production potential increases, i.e. economy may be able to produce more output using existing resources efficiently.

(iii) If PPC entirely shifts downward, left hand side, then it shows under utilisation of resources or decrease in resources.  $A_2B_2$  curve is representing decrease in resources or under utilisation of all the resources. But PPC never shifts towards left hand side, it is only possible when there is any natural calamities like—earthquake, flood, war etc.

(iv) If any of the point comes inside the PPC then it represents insufficient use of resources. In the given curve point 'H' is representing insufficient use of resources. It is possible due to massive unemployment in the economy.

(v) If any of the point comes outside the PPC then it represents over-sufficient use of resources. In the given curve point 'G' is representing over-sufficient use of resources. This is also known as unattainable combination.

