

In the other hand, **Diagram 4** shows an inward shift of PPC, it indicates a fall in the overall productivity in production. There are some reasons that caused this to happen. One of them is the depletion of resources. Resources are limited in supply, therefore they would be finished using one day. If this happens without having a suitable replacement of alternative resources, the production will corrupt, which will decrease the overall output of the economy. Also, natural disasters such as earthquakes and floods will cause a supply chain to break as a result of inability to produce.

Based on the analysis above, it is more likely that PPC would shift outward overtime. In a long run, advanced technology would help in solving scarcity of resources through research and development (R&D) by creating alternative resources. For example, the use of algae to produce flip-flops instead of plastic (made from petroleum).

Globalisation encourages companies to be more efficient in production in order to increase its competitiveness in the global market. To achieve profit maximization as a producer, price mechanism is used which encourage optimum utilization of resources, improving the economic efficiency. This would lead to an increase in the potential max capacity of output of the economy, which shift PPC outwards.

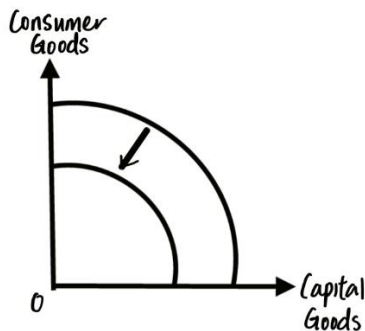


Diagram 4

Preview from Notesale.co.uk
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