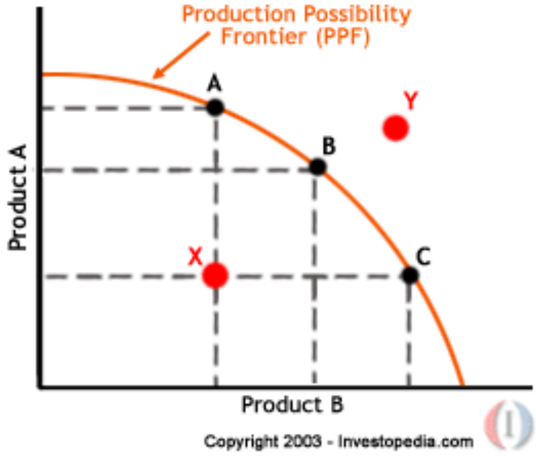
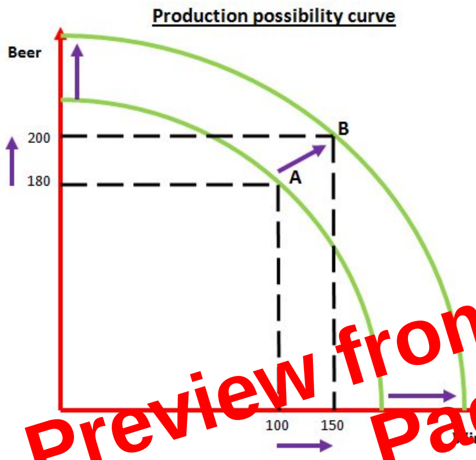
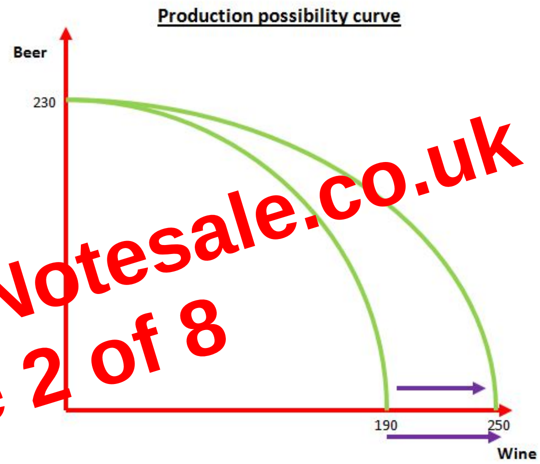
Production Possibility Curve (PPC)



- If production is on the line (A,B,C), **maximum productivity** is being achieved.
- All the factors of production are **fully employed** and **used efficiently**.
- Point X shows when production **isn't efficient,** operating inside the PPC. There are unemployed resources.
- Point Y cannot be achieved due to **lack of provision** and **factors of production.**
- PPC's are curved because having straight lines would assume all skills are fully transferrable.
- The PPC shows the "opportunity cost". If the firm chose to produce 'A' numbers of good A and B, the opportunity cost is the cost of producing less of A.





- A business cannot produce beyond the PPC. The curve must shift for maximum production to increase. This can be achieved by increasing the quantity/quality of factors of production:
    - Improved machinery → increased efficiency
    - Larger work force
    - More land (e.g for a farmer, more crops can be produced)