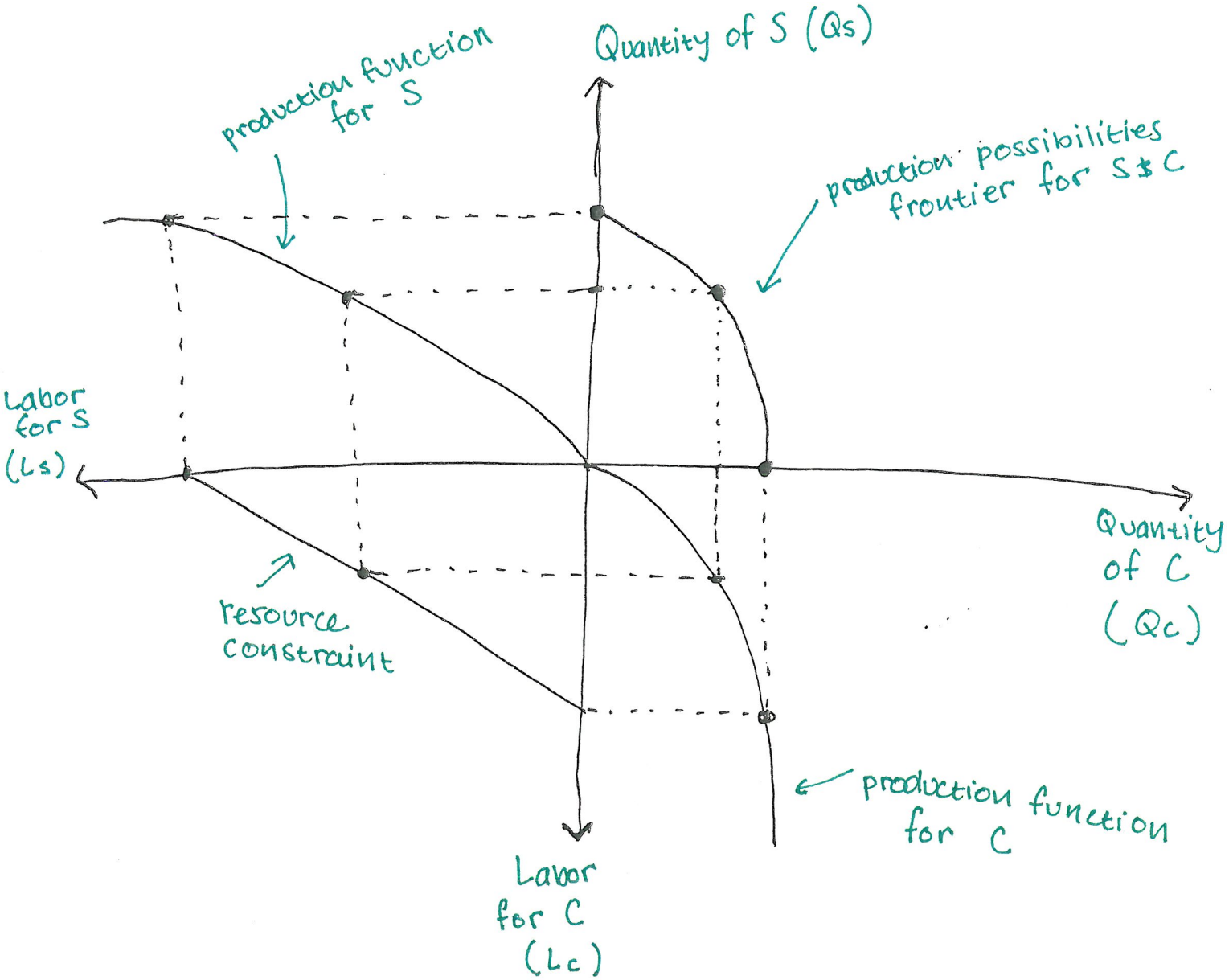
Warmup – Labeling the PPF

NAME: KEY

Econ 142 Discussion 09/08/2015

Add labels to the following four quadrant production possibilities frontier graph. You should label each axis, and each curve. Assume that there are two goods that can be produced using labor: spaceships (S) and candy canes (C).

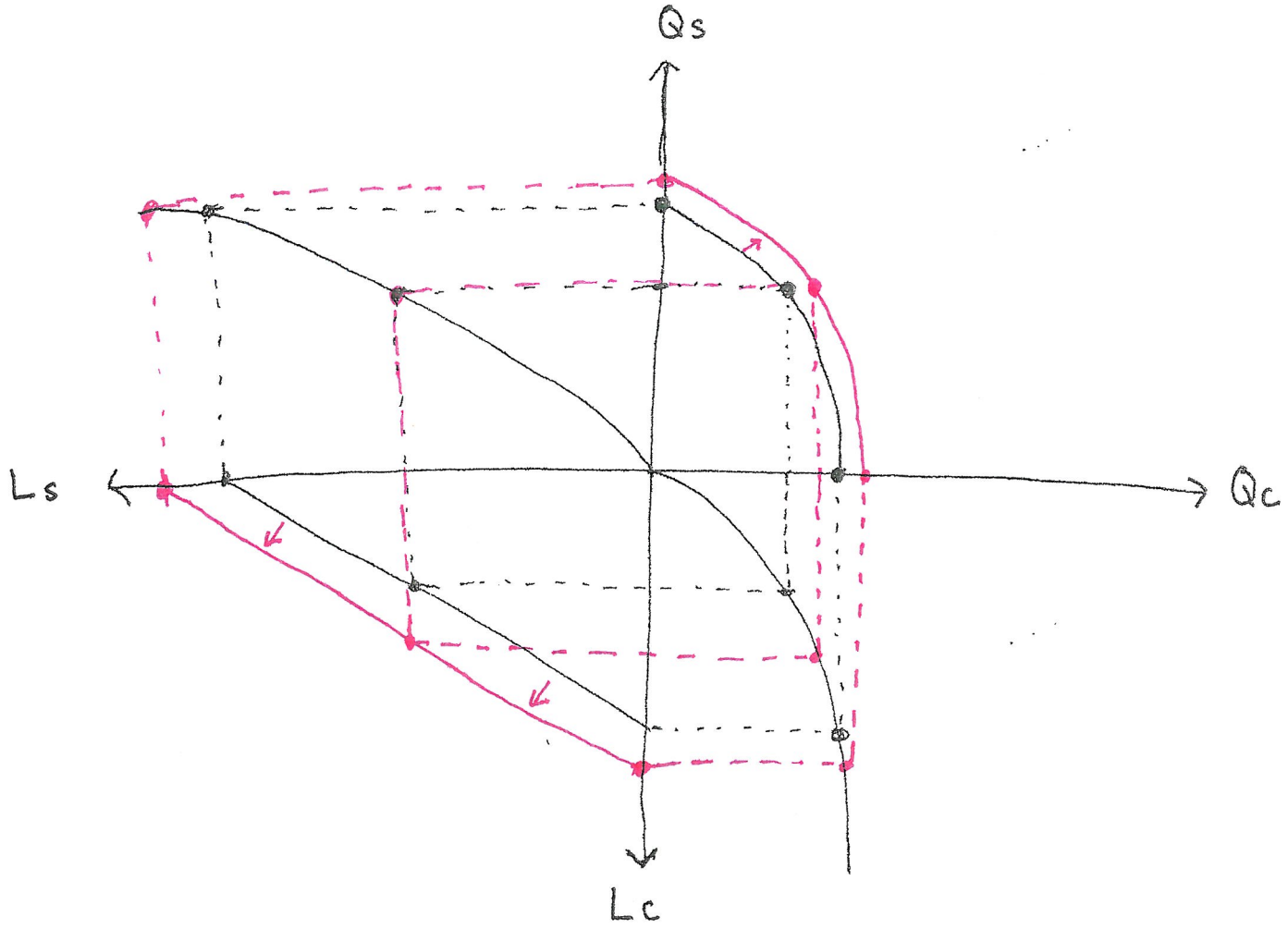


Shifting the PPF: Increase in Resources

NAME: KEY

Econ 142 Discussion 09/08/2015

The below graph is the four quadrant PPF for production of spaceships (S) and candy canes (C) using labor as an input. Show what happens on the graph if there is an increase in labor. Explain what happens (Which curves shift, and in what order? Can more or fewer units of each product be produced than before the change?).



An increase in labor will shift the resource constraint curve to the left. With more labor available more spaceships & candy canes can be produced than before. This is shown by the PPF shifting out (to the right).

Shifting the PPF: Increase in Technology

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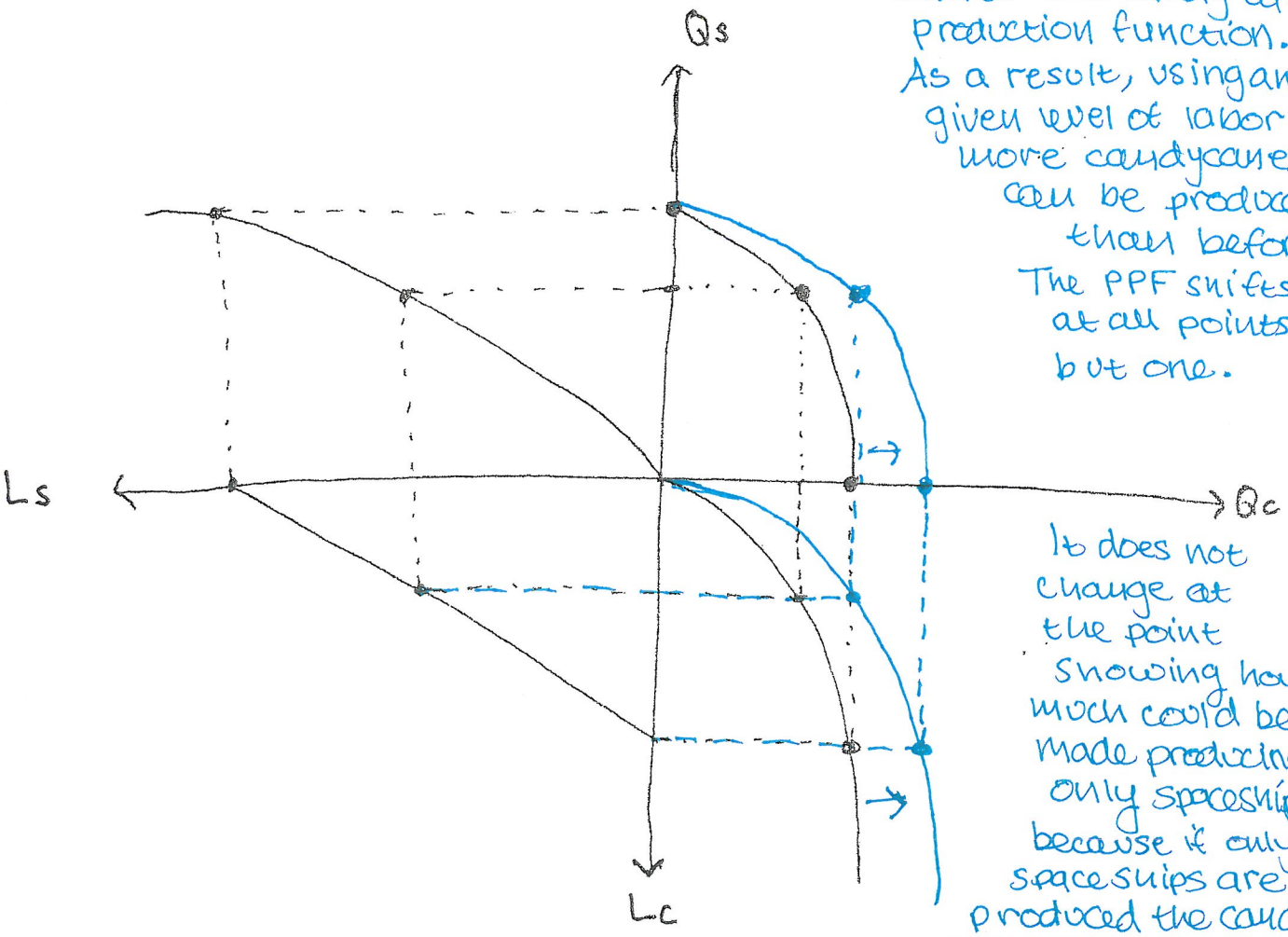
The below graph is the four quadrant PPF for production of spaceships (S) and candy canes (C) using labor as an input. Show what happens on the graph if there is an improvement in the technology used to produce candy canes. Explain what happens (Which curves shift, and in what order? Can more or fewer units of each product be produced than before the change?).

An improvement in candy cane production technology shifts the candy cane production function. As a result, using any given level of labor more candycanes can be produced than before. The PPF shifts at all points but one.



It does not change at the point showing how much could be made producing only spaceships, because if only spaceships are produced the candy cane tech would not make a difference.

How would the change be different if there was an improvement in the technology used to produce both spaceships and candy canes?

If space ship tech improved the space ship production function also would have shifted. The PPF would have shifted at both ends as a result.