

Part D: Economic Growth

Over time, most countries see an increase in their ability to produce goods and services. This “economic growth” is shown as an outward shift of the PPC and results from a variety of factors, including improved technology, better education, and the discovery of new resources.

Use Figure 1-2.7 to answer the next five questions. Each question starts with Curve BE as a country's PPC.		Use Figure 1-2.8 to answer the next three questions.	
Figure 1-2.7 Production Possibilities Curve: Capital Goods and Consumer Goods		Figure 1-2.8 Production Possibilities Curve: Economic Growth	
3. Suppose there is a major technological breakthrough in the consumer-goods industry, and the new technology is widely adopted. Which curve in the diagram would represent the new PPC? (Indicate the curve you choose with two letters.) <input type="checkbox"/> AD <input type="checkbox"/> BE <input type="checkbox"/> BF <input type="checkbox"/> CG		8. What change could cause the PPC to shift from the original curve (HJ) to the new curve (MN)?	
4. Suppose a new government comes into power and forbids the use of automated machinery and modern production techniques in all industries. Which curve in the diagram would represent the new PPC? (Indicate the curve you choose with two letters.) <input type="checkbox"/> AD <input type="checkbox"/> BE <input type="checkbox"/> BF <input type="checkbox"/> CG			
5. Suppose massive new sources of oil and coal are found within the economy, and there are major technological innovations in both industries. Which curve in the diagram would represent the new PPC? (Indicate the curve you choose with two letters.) <input type="checkbox"/> AD <input type="checkbox"/> BE <input type="checkbox"/> BF <input type="checkbox"/> CG		9. Under what conditions might an economy be operating at Point Z?	
6. If BE represents a country's current PPC, what can you say about a point like X? (Write a brief statement.)			
7. If BE represents a country's current PPC, what can you say about a point like Y? (Write a brief statement.)		10. Why might a government implement a policy to move the economy from Point V to Point W?	