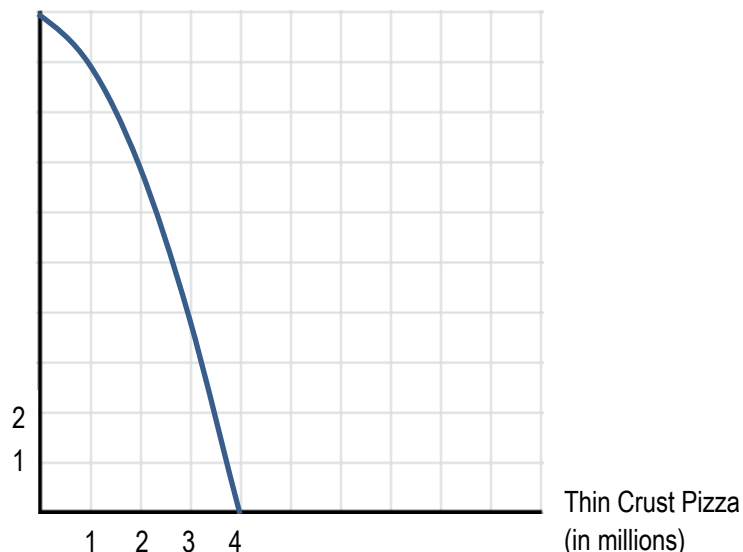<u>**CONCEPT:**</u> PRODUCTION POSSIBILITIES FRONTIER (PPF) – INTRODUCTION AND PRODUCTIVE EFFICIENCY

● The **PPF** is a graph showing the combinations of output an economy can produce with its available resources.

Robots
(in thousands)

Thin Crust Pizza
(in millions)

□ **Unattainable** – any point outside the PPF curve

□ **Attainable** – any point on the PPF curve or inside the curve

- **Productive Efficiency** – producing at any point on the PPF curve

- **Allocative Efficiency** – producing the correct mix based on consumer preferences

EXAMPLE:

Assume Clutchtopia features the PPF curve illustrated above. Mark the following levels of production as Attainable (A) or Unattainable (U). If production is attainable, mark the level of production as Efficient (E) or Inefficient (I).

Levels of Production	A/U	E/I
5,000,000 Pizzas and 3,000 Robots		
1,000,000 Pizzas and 9,000 Robots		
4,000,000 Pizzas and 0 Robots		
3,000,000 Pizzas and 3,000 Robots		
2,000,000 Pizzas and 7,000 Robots		

PRACTICE: A point inside the production possibilities frontier is

    a. Attainable, but inefficient
    b. Efficient, but unattainable
    c. Efficient and attainable
    d. Inefficient and unattainable

PRACTICE: The economy of Clutchtopia can be summarized as seen on the PPF below. Consider the production mixes denoted alongside the graph. Mark the levels of production as Attainable (A) or Unattainable (U). If production is attainable, mark the level of production as Efficient (E) or Inefficient (I).
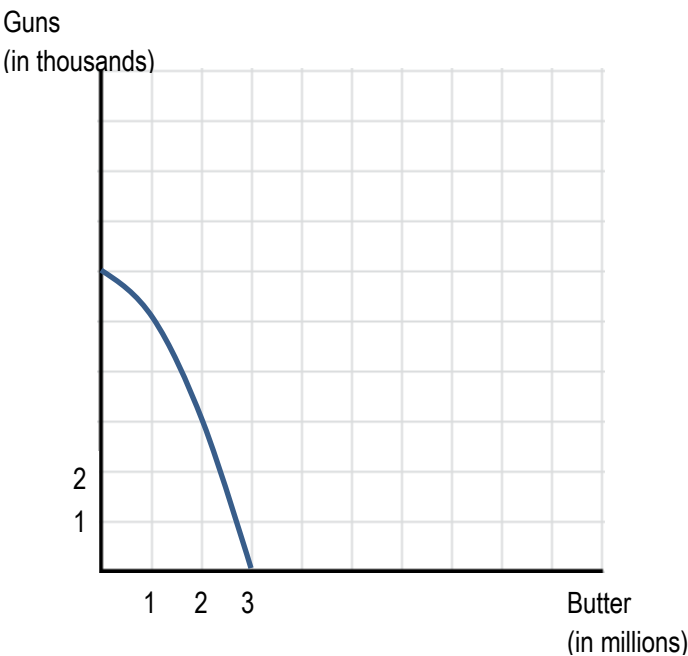
Guns
(in thousands)

Levels of Production	A/U	E/I
3,000,000 Butter and 6,000 Guns		
2,000,000 Butter and 5,000 Guns		
0 Butter and 6,000 Guns		
1,000,000 Butter and 4,000 Guns		
2,000,000 Butter and 3,000 Guns		
0 Butter and 0 Guns		

Butter
(in millions)