

Production Possibilities Frontier Problem Sets

The following table is a schedule for the production possibilities for a company that can produce textbooks or novels:

Production Alternatives

Products	A	B	C	D	E
Novels	0	40	70	90	100
Textbooks	4	3	2	1	0

1. Graph the data above. Put **Novels** on the vertical axis and **Textbooks** on the horizontal axis. Make sure to label each point a-e.
2. The opportunity cost of increasing production of textbooks from 0 to 1 is the loss of ____ novels
3. The opportunity cost of increasing production of textbooks from 1 to 2 is the loss of ____ novels.
4. The opportunity cost of increasing production of textbooks from 2 to 3 is the loss of ____ novels.
5. The opportunity cost of increasing production of textbooks from 3 to 4 is the loss of ____ novels.
6. Explain why the answers from numbers 2 through 5 are different.

7. Suppose a new technology was increasing the efficiency of **novel** production, with no application to the production of textbooks. Illustrate on the original graph how we would represent this change in production possibilities. **Label this shift as F.**

8. Suppose that a hurricane resulted in a 50% reduction in paper output (which is a key resource in the production of novels and textbooks). Illustrate on the original graph how we would represent this change in production possibilities. **Label this shift as G.**