

# The background of production possibility curve economics essay

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No it cannot produce 150 tons of potatoes and 50 tons of wheat because it is outside of the PPC which means that it cannot be produced with the current resources. The opportunity costs from increasing 140 tons of potatoes to 190 tons per year is 50 tons of potatoes extra however there will be a loss of 30 tons of wheat per year. Point G found on graph at the point 100 on the Y axis and 40 on the X axis. In moving from G to the opportunity cost involved are an increase in both the amount of potatoes and the amount of wheat produced per year. The potatoes will increase by 40 tons and the wheat will increase by 5 tons per year. Question 22. 2) For excess demand it starts at point 600: 5 and ends at 1000: 7 and for excess demand it starts at 600: 5 and ends at 400: 71) Expectations of future price increase 2) An increase in disposable income 3) An increase in the price of a substitute 4) A fall in the price of a complement 5) A decrease in price 6) An increase in the number of potential consumers in the market 2. 5) The equilibrium price will increase while the quantity in this market would remain the same as it was before the increase in demand. 2. 6) The equilibrium price would increase while the quantity in this market would also increase. Question 3 North and South Korea are direct neighbours however their economic stands are extremely different. While North Korea has a Command Economy and South Korea has a Market Economy, their development as two different countries is in different directions and ironically North Korea is going "south" while South Korea is continuously growing. The wars between North and South Korea during the Cold War times cause huge tension between the two countries. North Korea was supported by China and the USSR who at the time were fully communist and who were trying to spread the idea of communism

(Command Economies). South Korea was supported by the democratic countries such as the USA and Britain (market economies) and even though no extreme war had broken out these support systems stayed in place and the economy of each country did not change. While South Korea had democratic votes, North Korea has the Kim Jong family who has remained in power of the country since the Cold War. North Korea has a command economy which has five main characteristics starting with the fact that the government creates a central economic plan for all the different sectors and regions of the country, the government is often a lighter form of a communist government. Second point is that the government will allocate all the resources (nation's capital, natural resources and labour) according to their central plan, this does benefit the country because it guarantees many jobs and will lower unemployment within the country. Third point is that the basic needs (food, water and shelter) are fulfilled, in order to satisfy the needs of the people so that they will be encouraged to work harder. The next point is that the government is a monopoly who controls different prices of goods and services and they have very little or no competition, this also means that whatever the government decides to produce will be produced, not what the people want. Lastly the government will keep control of all the capital and should share it between the people of the country equally, however this is not often the case as seen in North Korea. North Korea's government has tried to not export or trade with other countries because they have a belief that they do not need to rely on the Western world and their money. However this is a disadvantage as seen in previous countries such as Russia, Cuba, Zimbabwe and even South Africa when its sanctions

were placed on it, the country will be able to grow, economically, to a certain point but then it can no longer grow and because it can no longer grow its stand in the world decreases as well as its economy this means that the country starts to decay rather than develop. South Korea has a market economy which means that there is fair competition between different companies and there is a larger variety of different but similar products available, foreign investment is accepted and involved in the country's economy (something North Korea does not have), there is government involvement but they are seen as completion to the competitors and there is more unemployment than a command economy however it is able to allow the country to grow and develop economically. Seeing an economical difference between the two countries we see that South Korea is growing rapidly because of its involvement with import and trade between different countries. Their market economy allows for businesses and the country itself to grow financially, many large million dollar companies such as Hyundai and Samsung are based in South Korea. Technologically South Korea is one of the most advanced countries in the world. North Korea however is no longer developing and even though it was seen at a stage to be a first world country like its neighbour South Korea, it is now seen as a third world country because its economy is starting to decay. North Korea is now more focused on building their military powers rather than looking at the needs of their people, who are the backbone of making this type of economic system successful. North Korea also refuses to export or import goods to and from Western countries and because they do not do this their relationships with different countries are weak and thus not attracting and potential investors.

Socially North Korea stands alone, no information goes into North Korea and nothing leaves, people living in North Korea often never leave or have the opportunity to travel due to the strict laws, this also effects North Korea's tourism sector because nobody wants to visit a country who is trying to exclude themselves from the rest of the world. Investors also do not want to invest in a country which they don't see growing financially. South Korea is opposite they have many investors and tourists who are visiting the country. Their constant growing of the imports and export sectors are helping the country to grow faster. According to the United Nations Statistic Division and the International Monetary Fund, in 2011 in the world rankings for the GDP (Gross Domestic Product) showed all the different countries ranked in order from largest income to lowest and on both rankings South Korea was ranked 15th with an estimate GDP of 1 116 247 Million Dollars while North Korea was ranked 125th with an estimated GDP of 12 385 Million Dollars however these figures were never released into North Korea. It is clearly visible that South Korea is a much more developed country compared to their neighbour from the north but to blame it on the economic structures might be to large of a statement to make however countries who have used a Command Economic Structure have not seen as much success as the Market Economic Structured countries. North Korea has many natural resources while South Korea has a larger working force so for these two countries to unite, make peace and work with the same economic system would help both the countries to grow largely. C: UsersRobbiePicturesNorth-and-south-korea.jpgImaged taken for outer space showing lighting atnight in North Korea (outlined area) and South Korea. Showing the development of North Korea

compared to all the countries around it. Question 4 Petrol plays a role in our everyday lives and has become a need to a modern world without us even realising it. Goods we buy in stores and even services done for us have the cost of petrol included, so when the government increases the prices so does the price of goods and services. The government in South Africa regulates the price of petrol to what they think is a suitable price based on different factors. According to Sasol (one of the leading petroleum producers in South Africa) these factors which determine the Basic Fuel Price (BFP) changes every first Wednesday of every month based on the average daily international exchange rate and international price movements. It is also made up of different components which include International petroleum market spot prices, freight cost to bring products to South African ports, insurance costs, ocean loss allowance, cargo dues, coastal storage and stock financing cost. These factors just tell us the BFP so that even before it is ready to be sold to the public. Once all the factors are done and the government has decided a price then more costs are added by the government and large companies such as Sasol and BP these new costs are Transport costs (so more inland areas it costs more for petrol), Equalisation Fund Levy (money given to the minister of Finance who uses the money to buy more petrol in order to help lower the price), Fuel Tax (like all products, tax is added to the price of fuel only done once a year) Customs and Excise Levy (duty collected in terms of the Customs Union agreement), RAF (Road Accident Fund, which pays compensation to a third party victim who has been injured in a motor accident), Slate Levy (money which is "owed" to oil companies due to the time delay in adjustment of the petrol pump price) and

Delivery costs (this is services and storage of petrol and the final costs and the last amount added to the BFP and this is what the general public will be paying) . All this added pricing onto petrol and diesel leaves a huge hole in the pockets of the consumer and there is no way to dodge it. Price of petrol is placed on all our goods and services and as the petrol price increases so too does the price of simple goods and services and it is even worse for a vehicle car owner who is paying over 50 rand to fill up their car since the previous year. The price regulation of petrol does not benefit the consumer in any way, however in the governments defence we they do make a comment that states that the government has created a transparent system where all the money added to the BFP is going into use and not into the pockets of the government and that if petrol was not regulated many people would lose their jobs. They also stated that petrol price is always going to go up and by having a regulation on petrol the price of inflation on petrol is much lower than it would be if there were no regulations. It is true that the government is helping us the public lower the inflation of petrol and they are giving people jobs however there have been many cases that the Road Accident Fund has not paid people who have been victims of major accidents because the RAF claims not to have enough funds. The other issue is that why must the public be paying for the Slate Levy, the government owes the money to the oil companies and should pay them using our taxes however we have to pay more on our petrol to settle this debt. Over all consumers are better off having the government regulate the price of petrol because of the inflation costs especially in current economy of the world however the government has seen this opportunity and charged different funds to our

petrol prices and we as the public have nowhere else to go to because it is basically monopoly run sector and the main people in charge is the government. In my opinion all the factors in the BFP are reasonable and are necessary to being added to the price of petrol however once the petrol is on land then the only factors I agree with are Transport Costs, Delivery Costs, Fuel Tax and the Road Accident Fund (if it is being used correctly and is monitored). I believe these few factors should ultimately make up the price of petrol because petrol is a need and the basic human need costs should be kept at the lowest possible cost for the consumers because it is in high demand. The government is often able to supply this need, unless there is a strike of the workers or delay in the delivery of the goods, so therefore the price of petrol should not be raised by much each time there is a rise.

However if we look at the demand and supply of oil we see that the supply of oil is not able to match the demand and this could ultimately be the main reason to the price of petrol escalating so much over the past few years. In the end us as the consumer of petrol will always be paying and it does benefit us to have the price of petrol regulated because it does save us money, in my opinion the government has seen this as an opportunity to add more fees and funds to the price of petrol which don't really benefit the consumer however it still is cheaper than having no price regulations. We just need to bite the bullet and deal the forever rising price of petrol because it will always be there, a quote by D. Lujinovic explains the situation we are in perfectly, " we either accept the hike or we ride a bike". <http://www.sapia.co.za/images/petrol-usage.jpg> Pie charts showing where petrol and diesel is usage around South Africa. Resources: <http://edition.cnn>.



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