Change along the production possibility curve economics essay

According to McTaggard D et al. (1999), production possibility curve shows all the possible combinations of two goods that a firm can produce within a particular time period with all its resources fully and efficiently employed. What is more, droughts and extreme climate conditions could shift the frontier to the left. However, technological improvement, the capital stock rise and grow in the amount of employees, in their skills and educational levels bring movement to the right. Moreover, increase or decrease in quantity of one goods leads to change along the PPF.

When human capital in protest, there will be decrease in workforce. Therefore (→ production possibility curve will shift to within frontier.

During the event of protest or strike, there will be drop in human capital. Furthermore PPF shifts to the left.

In order to produce more of one goods, we have to give up the other goods because of scarcity. That is why, movement occurs along the PPF (from point A to B).

As a mentioned in case c, if we want to increase one goods we have to decrease number of other goods. In that case, we face movement along the PPF(from point C to D)

In this situation, female and male both prohibited from entering some occupations. Therefore they have less ability to access which means drop in number of workforce then PPF will shift to the left.

Spending less on defence and more on education means they are giving up one good and service in order to increase other one. At a moment change occurs along the PPF (from point E to F). But supporting education level may bring economic growth in the future economy.

When government giving higher rate of unemployment benefit, it discourages school-leavers from work. On the other hand, people seem to be preferred being unemployment. As consequence, in the economy there will be decrease in workforce. Therefore, it leads PPF shift to the left.

Section 2

To define what is happening in France and Australia’s economy first let’s examine what is supply, demand, and equilibrium and why they do change.

Demand

According to Begg D et al. (2003) demand refers the maximum amount of a product that consumers are willing and able to buy during a particular period at various prices, holding all other relevant factors constant. What is more, holding all other relevant factors constant as price grows quantity demanded drops and as price declines quantity demanded rises. In addition, demand curve shifts when its relevant factors change such as the price of other products, income, population, preferences and future price expectations. A shift of demand curve is change in demand. The shift to outward represent rise in demand and shift to inward is a decline in demand. Furthermore, when price of good and service change, we face movement along the demand curve.

Supply

Supply is the quantity of a good and service that manufacturers are willing and able to produce in the market at various prices, all other relevant factors being held constant. The relationship between price and quantity are positive. If price of good and service is high manufacturers are happy to produce more and more. On the other hand, if the price of good and service set low, they will supply fewer. Change in price does not shift supply curve but it leads to movement along the supply curve. Moreover, supply curve may shift because of change in substitutes and complements in production, price of factors of production, technology, future price expectations, effects of the weather and number of producers.

Equilibrium

According to Sloman and Hinde (2007) supply and demand both together describe market equilibrium. Equilibrium price and quantity exists where the quantity supplied exactly equal quantity demanded for the good and service. Therefore, when demand and supply curves change, equilibrium price and quantity change too.

Because of the poor grape harvest the supply of French wine decreased which is supply curve shifted to the left. As a result of supplying fewer quantity of French wine in the market, its price increased. Therefore, equilibrium quantity and price both change as well. The graph below shows decrease in quantity supply leads to increase in product’s price. As consequence, decrease in quantity demanded new equilibrium price and quantity take place in the market.(E1-E2).

Decrease in supply of French wine leads to increase its price. As result, there will more demand for Australian wine (Australian wine demand will shift to the right). Moreover, when demand increases product's price and quantity will increase. Also, change in equilibrium price and quantity too.(E0 -E1)

Section 3

1. C
2. D
3. A
4. A
5. B
6. C
7. D
8. B
9. A
10. D