

ECO 120: Global Macroeconomics

Production Possibilities Frontiers

Suppose Florida can produce the following combinations of Oranges and Grape Jelly if it uses all its resources efficiently:

Oranges	Jelly	Op. Cost of Oranges	Op. Cost Jelly
0	30		
2	28		
4	24		
6	18		
8	10		
10	0		

1. Graph the PPF. Label what is possible, but inefficient, efficient, and not possible.
2. Does it bow outward, inward, or is it a straight line?
3. What is the opportunity cost of Oranges at each given level?
4. What is the opportunity cost of grape jelly at each given level?
5. Is the movement of opportunity costs consistent with the shape?
6. Show what would happen if there was an excellent farming season that made all fruit crops very productive.
7. Show what would happen if there was an overnight freeze that destroyed many orange crops.