**AS Economics**

**Unit 1 – Production Possibility Boundaries**

**Assume an economy makes only two types of goods, consumer goods and capital goods, and is producing at a point D on its’ PPB as shown below:**

**Explain, using a diagram in each case, the likely effect of the following on the PPB:**

1. An improvement in the available technology for producing consumer goods only.
2. A hurricane that destroys approximately 5% of all factories and production facilities.
3. A decision by individuals to allocate more resources towards producing consumer goods at the expense of producing capital goods.

**D**

**Consumer Goods**

**Capital Goods**

**A**

**0**

**C**