

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (20 points) Assume the \$39,000 in the comic strip by John McPherson is the value of the opportunity costs of a year at Penfield College. If you were his father, what things would you have included in calculating the number? Note, I am asking how the father calculated the number – not the uses of the money. Therefore, do not say, “He could have bought a new car.” Explain your logic and include at least four items. (More of his comics can be found at <http://www.closetohome.com/>.)

2) (15 points) Draw the PPF (PPC) for bread versus corn. Illustrate the effects of the drought which has hit most of the farming areas of the USA. Explain why the curve moved as drawn.

3) (15 points) Draw the PPF (PPC) for cars versus tomatoes. Illustrate the effects of a new fertilizer. Explain why the curve moved as drawn.

4) (15 points) Draw the PPF (PPC) for hats versus paper. Illustrate the effects of an increase in the population of the USA. Explain why the curve moved as drawn.

5) (20 points) Draw a PPF (PPC) with desks on the vertical axis and shoes on the horizontal axis. How would you find the opportunity costs of making the fifth pair of shoes? Do **not** do the calculation, just tell me the process you would follow. Why does it make sense that your formula will work?

6) (15 points) State and prove the Law of Comparative Advantage.

