Wilf Csaplar Jr.   Economics 162   Homework #2   **Due Friday 9/9**

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 10 points. 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.
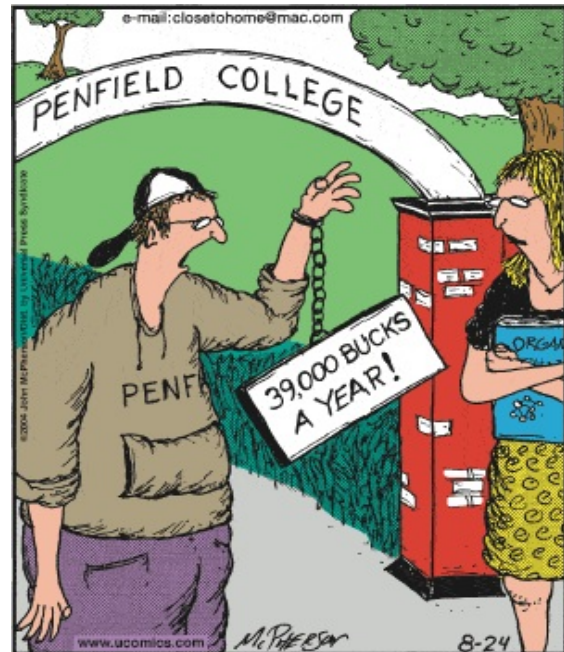
1) (20 points) Assume the $39,000 in the comic strip by John McPherson is the value of the opportunity costs of a year at Penfield College. If you were his father, what things would you have included in **calculating** the number? Note, I am asking how the father calculated the number – not the uses 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/.)

"My dad is making me wear this until I get my GPA over 2.2."

2) (20 points) Draw the PPF for books and corn. Illustrate the effects of a new way of making paper which uses fewer resources. Explain why the curve moved as drawn.

3) (20 points) Draw the PPF for fans and potatoes. Illustrate the effects of an increase in the population. Explain why the curve moved as drawn.

4) (20 points) State and prove *the law of comparative advantage*. Explain the logic as to why it makes sense.

5) (20 points) Draw the supply and demand for bread. Illustrate the effects of an increase in the price of peanut butter. Explain why the curve(s) moved. The equilibrium is where the lines cross. What happens to the equilibrium price and quantity?