Wilf Csaplar Jr.   Economics 162   Homework #2   **Due Friday 9/8**

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.
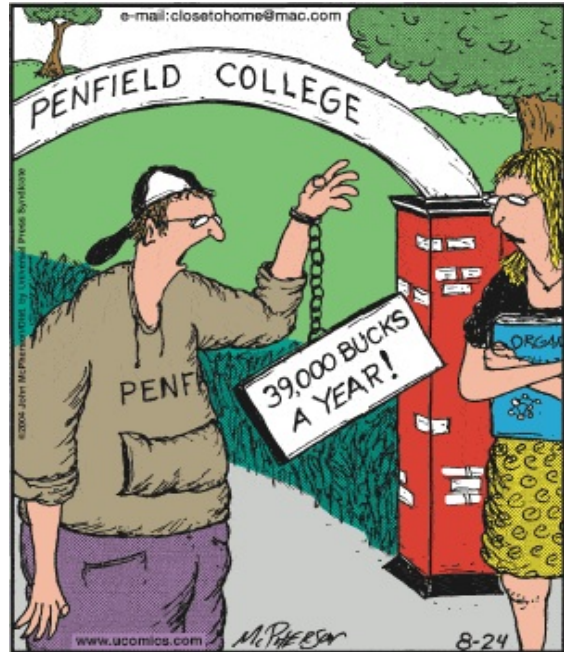
1) (20 points) Assume the $39,000 in the comic strip by John McPherson is the value of the opportunity costs of a year at Penfield College. If you were his father, what things would you have included in **calculating** the number? Note, I am asking how the father calculated the number – not the uses 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 (PPC) for wheat and computers. Illustrate the effects of an improved fertilizer. Explain why the curve moved as drawn.

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

4) (20 points) Draw the PPF for oil and ski vacations. In the past week, the Houston area, a large oil producing area, has had a lot of damage from flooding including the closure of at least one oil refinery Illustrate the effects of the flooding on the PPF. Explain why the curve moved as drawn.

5) (20 points) Draw the supply and demand for land-line phones. Illustrate what happened when cell phones became popular. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?