Wilf Csaplar Jr.   Economics 162   Homework #2   **Due Friday 9/7**
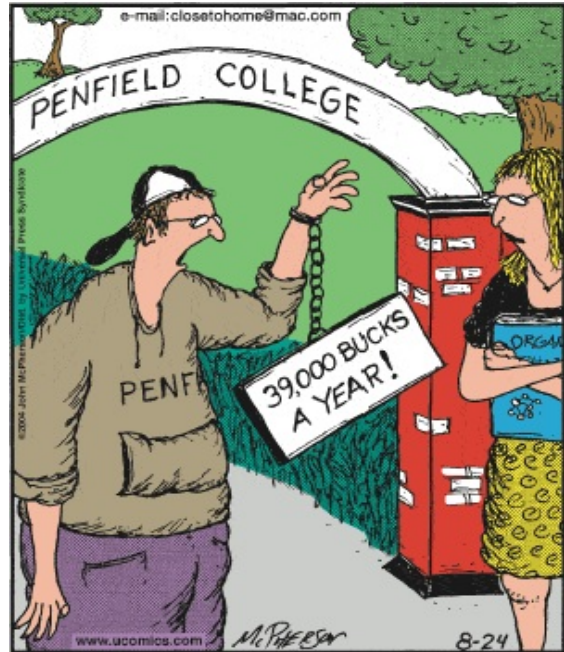
Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by 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) (25 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) (15 points) Draw a PPF for air conditioners and corn. Illustrate the effects of an invention which means that air conditioners can be made with less material. Explain why the curve moved as drawn.

3) (15 points) Draw the PPF for wheat and barley. (These are two crops grown in New South Wales.) The Australian state called New South Wales is having one of the worst droughts they have ever seen. Illustrate the effects of the drought on the PPF. Explain why the curve moved as drawn.

4) (15 points) Draw a PPF for cars and hats. Illustrate the effects of an increase in the population. Explain why the curve moved as drawn.

5) (20 points) Draw the supply and demand for landline telephones. Illustrate the effects of smart phones becoming cheaper. Explain why the curve(s) moved as drawn. What happens to the price charged and the quantity sold?

6) (10 points) What is wrong with this statement? "When the price of apples increases it causes fewer people to want apples, so the demand curve shifts down/left."