Wilf Csaplar Jr.   Economics 162   Homework #2   **Due Friday 9/6**

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/.)

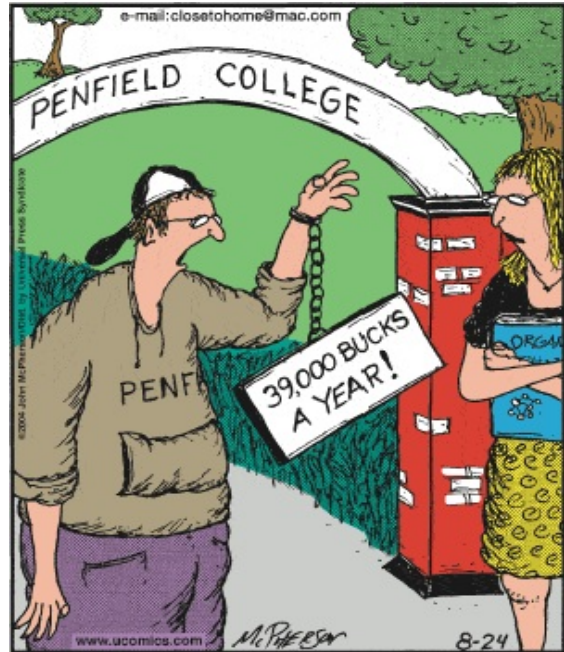"My dad is making me wear this until I get my GPA over 2.2."

2) (15 points) Draw the PPF (PPC) for tomatoes and windows. Illustrate the effects of an improved fertilizer. Explain why the curve moved as drawn.

3) (15 points) Draw the PPF (PPC) for cotton shirts and briefcases. Illustrate the effects of a drought in the area cotton is grown. Explain why the curve moved as drawn.

4) (15 points) Draw the PPF for cell phones and lightbulbs. 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 blueberries. Illustrate the effect of a news report stating that blueberries are the best food to eat. Explain why the curve(s) moved as drawn. What happens to price and the quantity sold?

6) (15 points) State the Law of Comparative Advantage. President Trump has imposed trade restrictions on trade with China. Does the law of comparative advantage mean that his actions will help or hurt our economy if the trade restrictions remain in place? Explain your logic.