Wilf Csaplar Jr.   Economics 162   Homework #1   Due 2/4
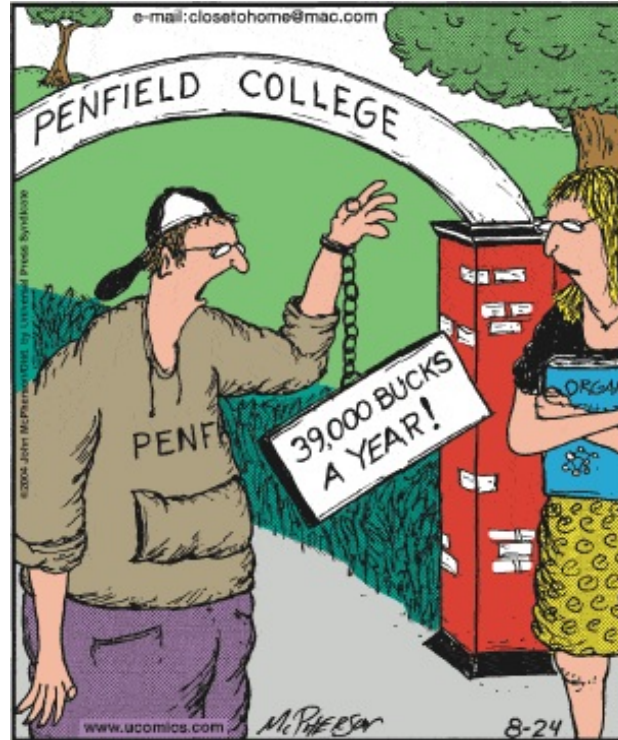
Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure 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) (10 points) What is wrong with saying, "My opportunity costs of going to a movie on Wednesday night is that I could have gone to a concert and I could have slept and I could have done the homework for this class. I also have the cost of the gas, wear and tear on my car, and the price of the food at the movie."?

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

3) (20 points) Illustrate a discovery of a new oil field on the PPF (PPC) for gasoline and pears. Explain why the curve moved as drawn.

4) (20 points) Illustrate the earthquake in Haiti on the PPF (PPC) for sugar cane and clothing. (Haiti exports both products.) Explain why the curve moves as drawn.

5) (20 points) Illustrate a new computer chip on the PPF (PPC) for computers and books. Explain why the curve moved as drawn.

6) (10 points) Is the opportunity costs of the good on the Y-axis |slope| or 1/|slope|? Explain your logic.