Wilf Csaplar Jr.   Economics 162   Homework #2   **Due Friday 2/7**

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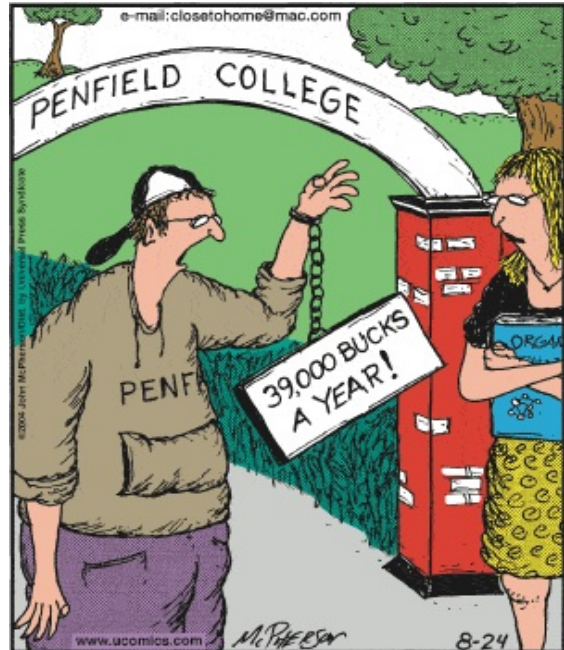
1) (20 points) Assume the $39,000 in the comic strip by John McPherson is the value of the opportunity costs of a year at Penfield College. If you were his father, what things would you have included in **calculating** the number? Note, I am asking how the father calculated the number – not the uses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

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

2) (20 points) Draw the PPF (PPC) for cars and wool hats. Illustrate the effect of an increase in the number of sheep in the world. Explain why the curve moved as drawn.

3) (20 points) Draw the PPF (PPC) for food and clothing. Illustrate the effect of an increase in the population. Explain why the curve moved as drawn.

4) (20 points) Draw the supply and demand for ham sandwiches. Illustrate the effects of an increase in the price of peanut butter. Explain why the curve(s) moved as drawn. What happens to the price paid and the quantity sold?

5) (20 points) Draw the supply and demand for hats. Illustrate the effects of last week's weather. Explain why the curve(s) moved as drawn. What happens to the price paid and the quantity sold?