

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/>.)

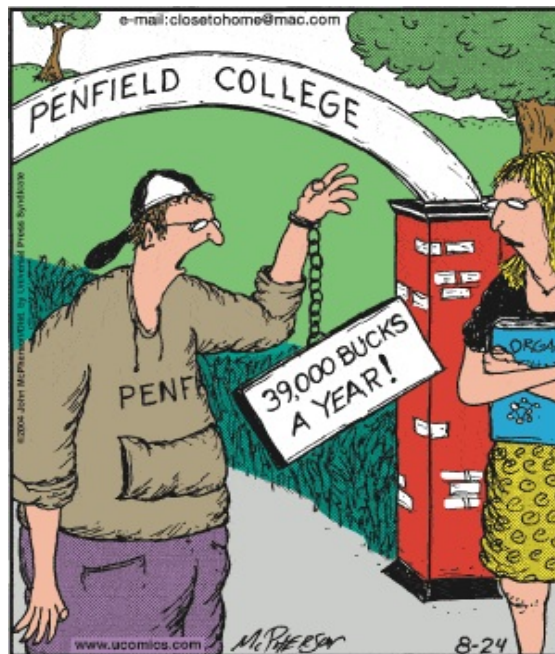
2) (20 points) Draw the PPF (PPC) for doors and chairs. Illustrate the effects of the government deciding that some land which could not have the trees cut down, now is allowed to have the trees cut down. Explain why the curve moved as drawn.

3) (20 points) Draw the PPF (PPC) for cars and wine. Illustrate the effects of a drought where the wine is made. Explain why the curve moved as drawn.

4) (20 points) Draw the PPF for shirts and telephones. Illustrate the effects of an increase in population. Explain why the curve moved as drawn.

5) (10 points) President Trump wants to restrict imports. Referring to opportunity costs and the law of comparative advantage, explain what the overall impact on the USA would be if he succeeds in restricting imports. Explain your logic.

6) (10 points) Explain the difference between an increase in demand and an increase in the quantity demanded. Which would occur if the price of the good went up? Explain your logic.



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