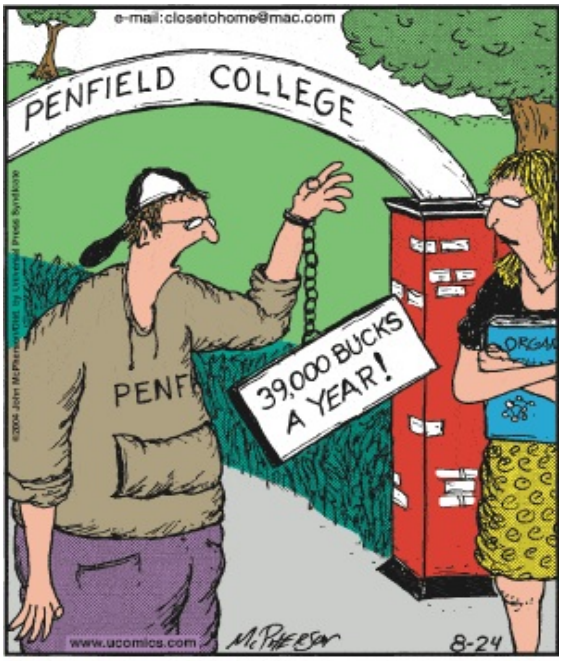
Wilf Csaplar Jr. Economics 162 Homework #2 **Due Thursday 1/24**

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.



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

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/.)

2) (15 points) Draw a PPF for computers and mugs. Illustrate the effects of a new technology which doubles the amount of memory can be stored in a small space. 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 hats and coats. Find a point on the curve where the opportunity cost of a coat is approximately 2 hats. Explain how you know that point has that opportunity cost.

5) (15 points) Draw a PPF for desks and fences. Illustrate the effects of the government allowing more logging on government owned property. Explain why the curve moved as drawn.

6) (15 points) Draw a PPF for phones and food. Illustrate the effects of an increase in the population. Explain why the curve moved as drawn.