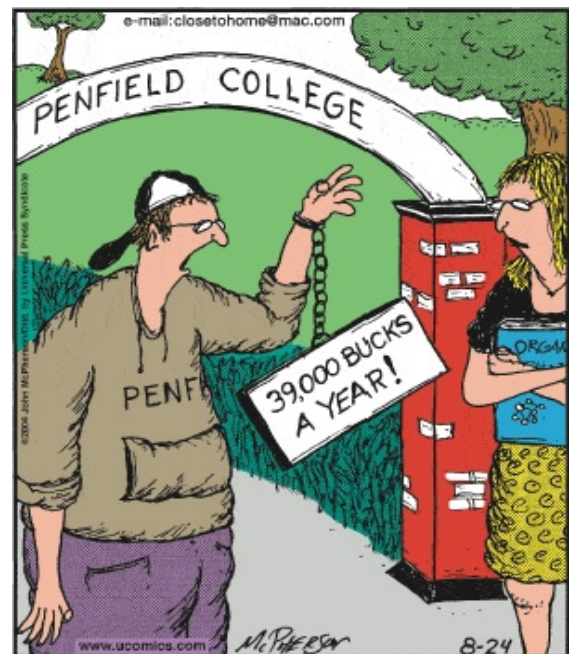


Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by 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) (10 points) The news reporters normally try to be objective and make only positive statements (unless they are explicitly giving an opinion). However, there are decisions involved in the news broadcast which are inherently normative. Give an example and explain why it is a normative decision. Hint: I am looking for a decision which is being made when not giving an opinion.

2) (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."

3) (20 points) Draw the PPF for corn and telephones. Illustrate the effects of a new better fertilizer. Explain why the curve moved as drawn.

4) (20 points) Draw the PPF for pants and shirts. Illustrate the effects of a new better than normal crop of cotton. Explain why the curve moved as drawn.

5) (20 points) Draw the PPF for books and cucumbers. Illustrate the effects of an increase in the population. Explain why the curve moved as drawn.

6) (10 points) What does the law of comparative advantage imply about whether or not the USA should be restricting trade with China? Briefly explain your logic.