

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/>.)

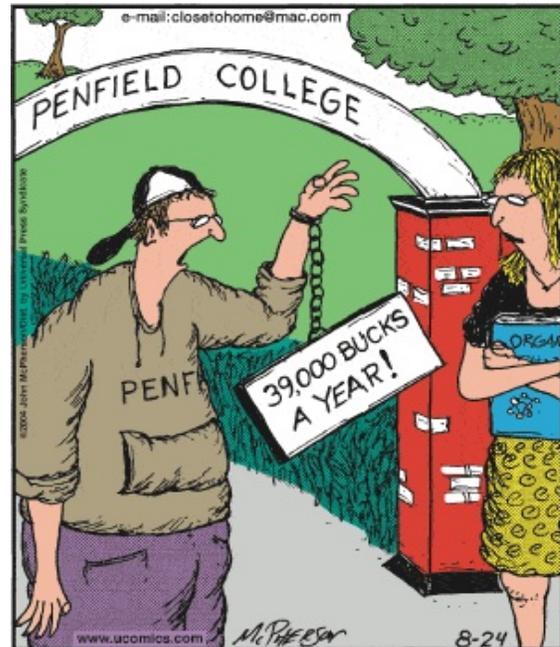
2) (20 points) Draw a PPF (PPC) for corn and brick houses. Illustrate the effect of an increase in the number of tractors available. Explain why the curve moved as drawn.

3) (20 points) Draw a PPF (PPC) for shirts and pants. Illustrate the effects of an increase in the population. Explain why the curve moved as drawn.

4) (5 points) Is the absolute value of the slope of the PPF the opportunity costs of the good on the horizontal axis or the good on the vertical axis? Use the slope formula to state why this makes sense.

5) (15 points) Explain why the PPF is drawn the way we normally draw it.

6) (20 points) Draw the supply and demand for hats. Illustrate the effects of people deciding they like to wear hats as a fashion statement. Explain why the curve(s) moved as drawn. The equilibrium price and quantity is where the lines cross. What happens to it?



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