

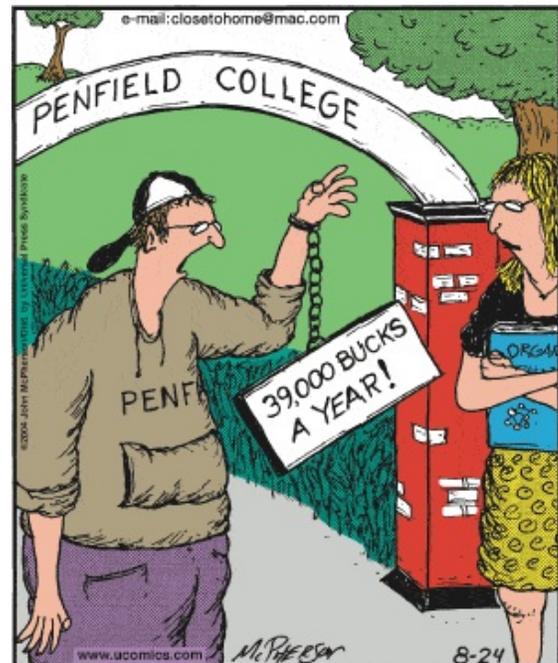
Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. 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) Draw the PPF (PPC) for cars and butter. Illustrate the effect of a new technology which allows cars to be made using less materials. Explain why the curve moved as drawn.
- 2) (20 points) Draw the PPF (PPC) for coats and shoes. Illustrate the effect of an increase in the population. Explain why the curve moved as drawn.
- 3) (10 points) Draw a PPF (PPC) with bananas on the vertical axis and desks on the horizontal axis. What is the formula for the opportunity cost of the fifth desk? Explain why the formula you gave makes sense.

4) (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/>.)

5) (10 points) State the law of comparative advantage. Explain why it makes sense. (You do not need to do the mathematical proof. I want you to talk about intuition.)

6) (20 points) What are the opportunity costs of you doing this assignment? Mention at least three and explain your logic.



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