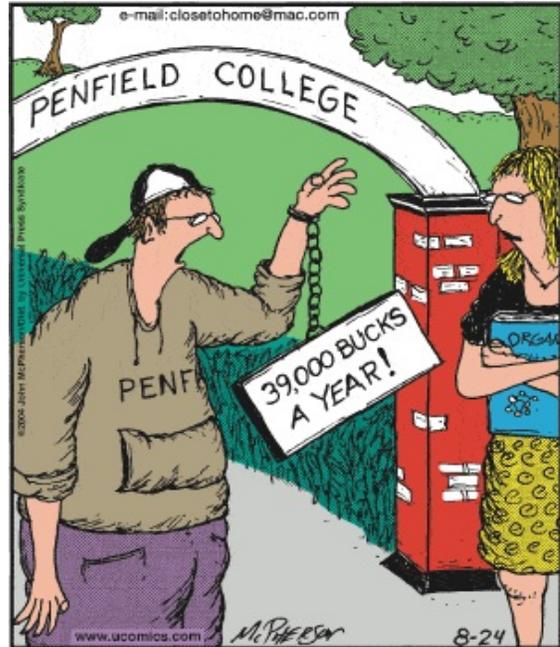


Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. 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 (a.k.a. PPC) for filing cabinets and corn. Illustrate the effects of a new fertilizer. Explain why the curve moved as drawn.

3) (20 points) Draw a PPF (a.k.a. PPC) for filing cabinets and corn. Illustrate the effects an increase in the population. Explain why the curve moved as drawn.



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

4) (15 points) Explain why the PPF is drawn the way we normally draw it.

5) (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.

6) (20 points) Draw the supply and demand for blueberries. Illustrate the effects of people learning that blueberries have many health benefits. Explain why the curve(s) moved as drawn. What happens to the price charged and the quantity sold? (The equilibrium is where the curves cross.)