

Exercise 1

1. You are considering the number of hamburgers that you plan to order. Based on the following table, complete the table and answer the following questions.
 - a. How many units of hamburgers should you order? Why? *4 b/c $MC = MB$*
 - b. Suppose you decide to order 2 hamburgers. Is this underallocation or overallocation? Explain. How much is your deadweight loss? *underallocation b/c At 4 unit ($MB = MC$) that is max utility to order*
 - c. Suppose you decide to order 5 hamburgers. Is this underallocation or overallocation? Explain. How much is your deadweight loss? *overallocation b/c At 5 unit is under max utility at 4th unit*

Quantity	Total Benefit	Marginal Benefit	Total Cost	Marginal Cost	Total Net Benefit
1 st	<i>80</i>	80	<i>20</i>	20	<i>60</i>
2 nd	<i>140</i>	60	<i>40</i>	20	<i>100</i>
3 rd	<i>180</i>	40	<i>60</i>	20	<i>110</i>
4 th	<i>200</i>	20	<i>80</i>	20	<i>110</i>
5 th	<i>200</i>	0	<i>100</i>	20	<i>100</i>

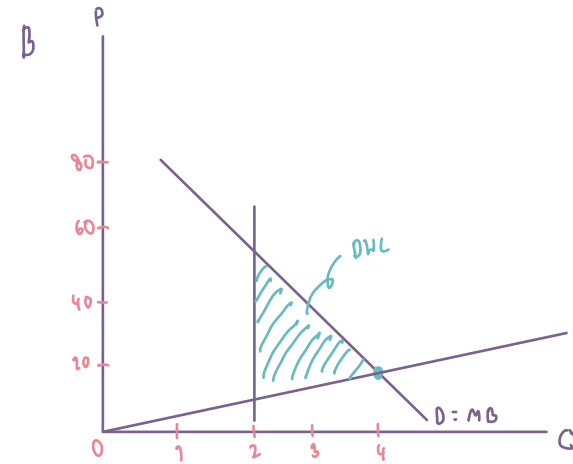
2. With diagrams, explain the differences between tariff and quota. Also, explain the impact on domestic stakeholders (consumers, producers, and government), i.e., who is better off and who is worse off? Why?
3. Consider an exporting country. Analyze welfare effect on all stakeholders when its government impose "Export Tax", i.e., per-unit tax imposed on the exported good. Draw a diagram(s) and provide complete analysis on who gain(s) and who lose(s).
4. A "small", open economy is engaging in international trade. Its domestic demand curve is given by $P = 100 - Q$ and its domestic supply curve is given by $P = Q$. The world price of the good is 20\$. Answer the following questions.
 - a. What does it mean for a country to be "small"? What implication of being "small" has on the world supply curve?
 - b. Is this economy either an exporting or important country? Why? How many units of the goods is the country is currently importing or exporting?
 - c. Now suppose the government decides to intervene. If the country is importing, the government will impose import tariff of 10\$ per unit. If the country is exporting, the government will impose export subsidy of 10\$ per unit. Calculate
 - i. Domestic consumer and producer surplus after the intervention
 - ii. Either subsidy cost or tariff revenue
 - iii. Deadweight loss from the intervention.

Quantity	Total Benefit	Marginal Benefit	Total Cost	Marginal Cost	Total Net Benefit
1 st	80	80	20	20	60
2 nd	140	60	40	20	100
3 rd	180	40	60	20	120
4 th	200	20	80	20	120
5 th	200	0	100	20	100

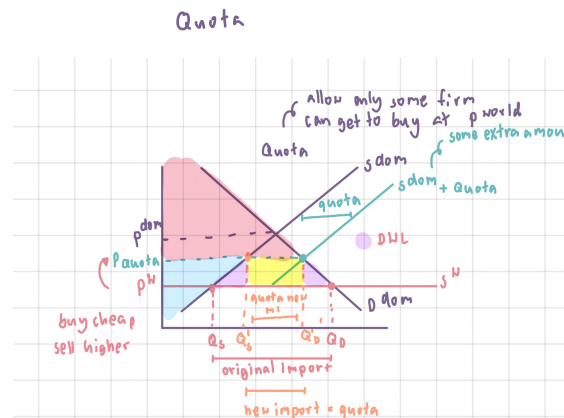
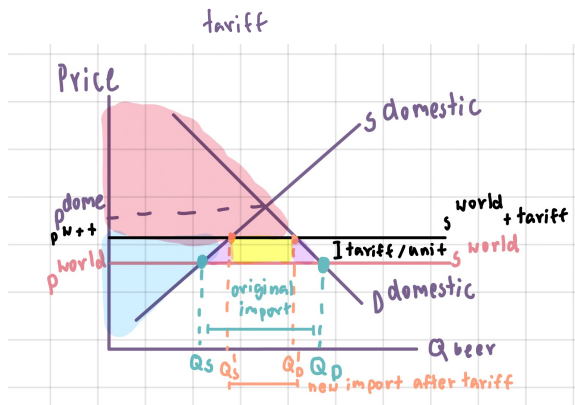
exercise 1

1. You are considering the number of hamburgers that you plan to order. Based on the following table, complete the table and answer the following questions.

- How many units of hamburgers should you order? Why? *4 b/c MC = MB*
- Suppose you decide to order 2 hamburgers. Is this underallocation or overallocation? Explain.
How much is your deadweight loss? *underallocation b/c At 4 unit (MC=MB) that is max utility to order which mean that is 2*
- Suppose you decide to order 5 hamburgers. Is this underallocation or overallocation? Explain.
How much is your deadweight loss? *overallocation b/c At 5 unit is under max utility at 4th unit which mean that is 1*



2. With diagrams, explain the differences between tariff and quota. Also, explain the impact on domestic stakeholders (consumers, producers, and government), i.e., who is better off and who is worse off? Why?

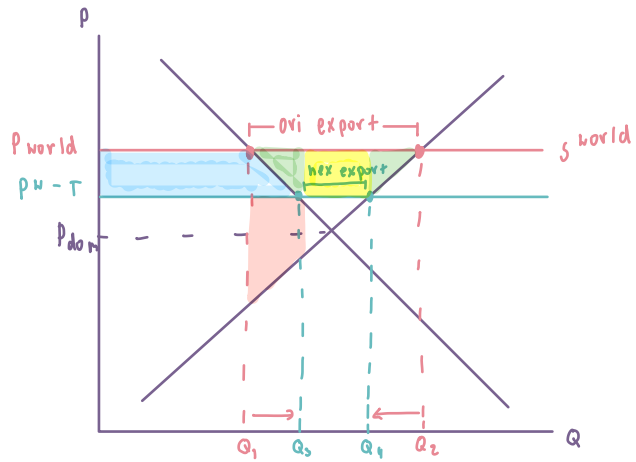


diff btw tariff & quota : gov limit import in quota and allow only some firm can get to buy at P world only firm has license. Quota can adapt to envi but tariff not have

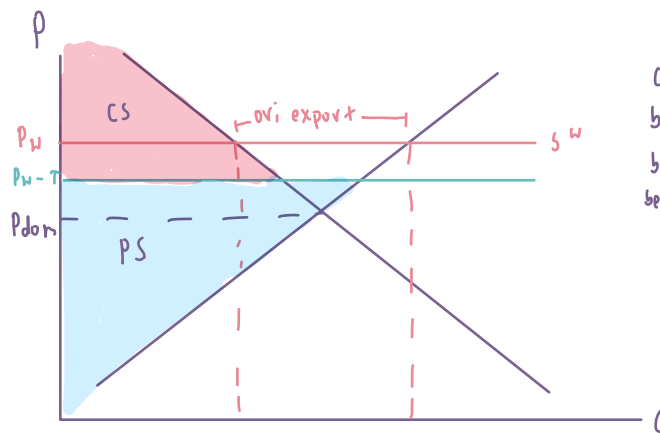
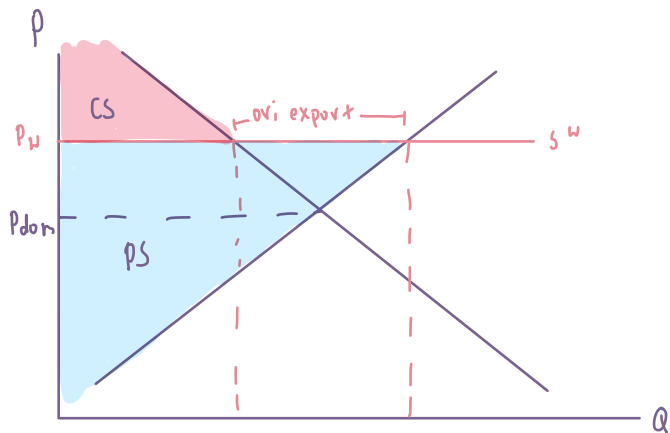
in tariff :- consumer worse off b/c consumer pay more according to they buy less
 - producer better off b/c producer sell at higher price so they will produce more they can produce at P world + P tariff that is maximum price
 - gov better off b/c gov can get revenue from new import and tariff / unit

in quota :- consumer worse off b/c before have quota they will buy at P world, but now they can buy at P quota that is expensive more than before
 - producer better off b/c they can sell higher price at P quota can get more benefit
 - gov receive revenue from quota license

3. Consider an exporting country. Analyze welfare effect on all stakeholders when its government impose "Export Tax", i.e., per-unit tax imposed on the exported good. Draw a diagram(s) and provide complete analysis on who gain(s) and who lose(s).



	gain	Loss
consumer	■	■
producer	■	■
government	■	■



consumer gain benefit due to consumer surplus have larger size before that mean consumer can buy cheap price. Producer get loss because producer must pay tax so producer surplus will be smaller than before. govt receive tax

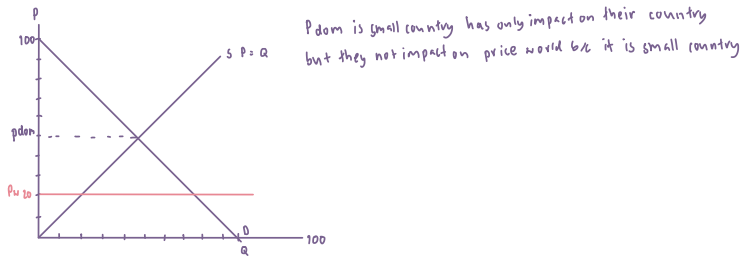
4. A "small", open economy is engaging in international trade. Its domestic demand curve is given by

$P = 100 - Q$ and its domestic supply curve is given by $P = Q$. The world price of the good is 20\$.

Answer the following questions.

a. What does it mean for a country to be "small"? What implication of being "small" has on the world supply curve?

$p = 100 - Q$ $P = 100, Q = 100$
 supply curve $P = Q$



b. Is this economy either an exporting or important country? Why? How many units of the goods is the country is currently importing or exporting?

- it is import country because other country sell cheaper price than small country. people will be import
 - import > export

c. Now suppose the government decides to intervene. If the country is importing, the government will impose import tariff of 10\$ per unit. If the country is exporting, the government will impose export subsidy of 10\$ per unit. Calculate

- i. Domestic consumer and producer surplus after the intervention $CS = 450$ $PS = 2450$
- ii. Either subsidy cost or tariff revenue $10 \times 100 = 100$
- iii. Deadweight loss from the intervention. 100

