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?
    b. Suppose you decide to order 2 hamburgers. Is this underallocation or overallocation? Explain. How much is your deadweight loss?
    c. Suppose you decide to order 5 hamburgers. Is this underallocation or overallocation? Explain. How much is your deadweight loss?

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

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.

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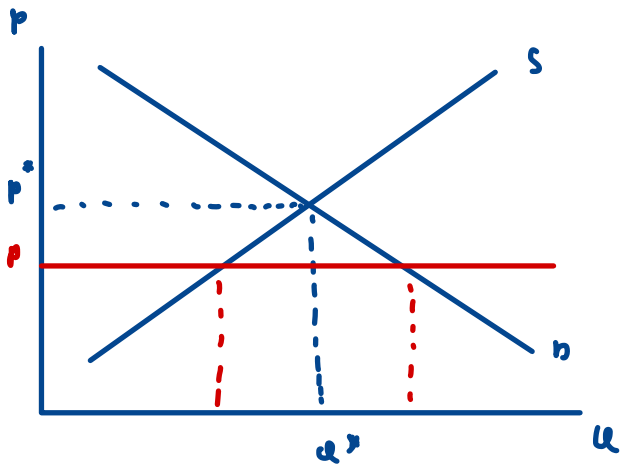
Quantity	Total Benefit	Marginal Benefit	Total Cost	Marginal Cost	Total Net Benefit
1st	80	80	20	20	60
2nd	120	60	40	20	100
3rd	120	40	60	20	100
4th	80	20	80	20	60
5th	0	0	100	20	-20

a.) The unit of hamburgers that should buy is 2 and 3 because after marginal cost two units of quantity has most net benefits.

b.) If you buy hamburgers for 2 unit it will cause overallocation from high utility after eating hamburger with no dwl.

c.) If you buy hamburgers for 5 unit it will cause underallocation from over eating hamburger utility will suspended with dwl 20 after marginal cost.

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?



The effect of tariff will benefits government to collect more imports tax which give producers more cost of production and make reduction of buying in consumers.

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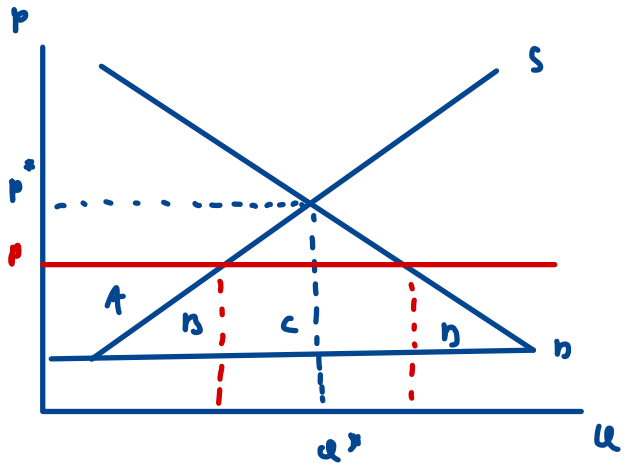

The gainers of impose tax of exported goods is producers and government, producers can raise their price of goods while government gain more tax collection. The consumers and welfare seem to lost after imposed tax cause of higher price of goods consumers have to spend more money to get all quantity and after total sum of gainers and lost total welfare of country will decline.

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?
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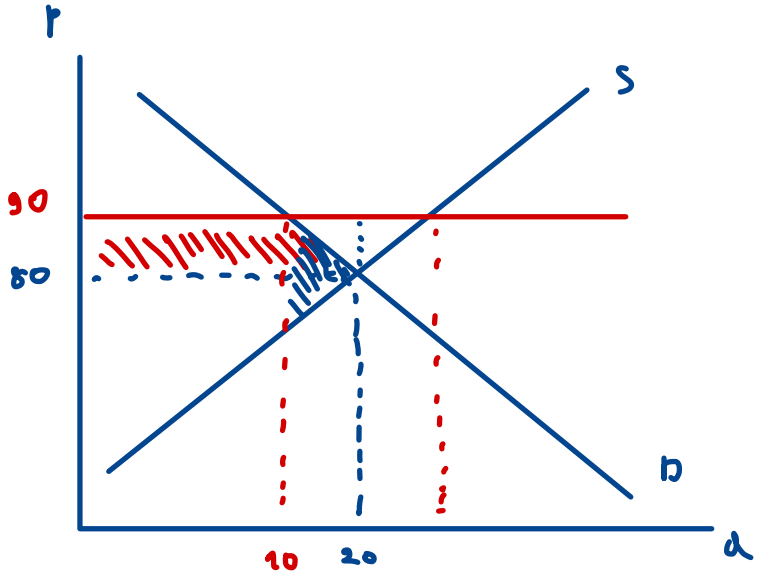
a.) The small represents to scale of market in country which compare to international trade.

b.) The small country usually rely on importing country because the scale of market cannot represents on international trade in this country unit of goods is 80.

c.)



i.) Consumer surplus $(80)(20) - (30)(10) = 700$

producer surplus $(80)(20) - 700 = 900$

ii.) $(30 - 80)(10) = 100$

iii.) $900 - 100 - 700 = 100$