6304640755 Nattanan

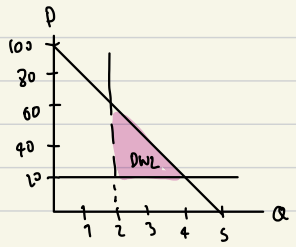
1. You are considering the number of hamburgers that you plan to order. Based on the following table, complete the table and answer the following questions.

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

a. How many units of hamburgers should you order? Why?

4 units because when you have the fifth one the total net benefit start to decline.

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



it is underallocation

$DWL = \frac{1}{2} \times 40 \times 2$

$= 40$

max U at 4 unit = 120

U at 2 unit = 100

DWL = 20

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

it is an overallocation

$DWL = \frac{1}{2} \times 1 \times 20$

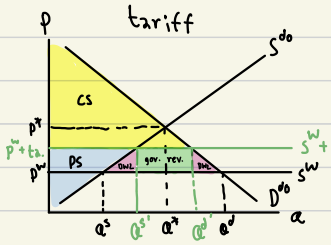
$= 10$

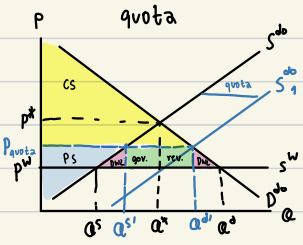
Max V at 4 unit = 120

U at 5 unit = 100

DWL = 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?





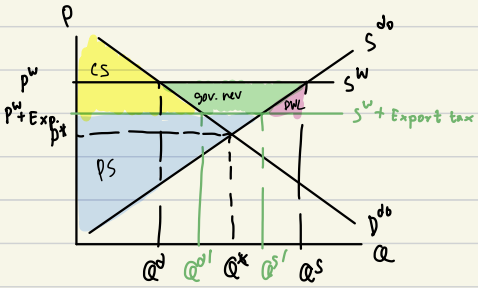
⇒ the different between tariff and quota are that tariff is the shift in supply of the world line. By government impose tax to import goods, and for quota it shift domestic supply curve to the right. By government help limitting the number of import goods in the country.

the impact on domestic stakeholde

tariff → the domestic producer get advantages from the action, while consumers get no benefit from it. Because now the import goods are now more expensive, thus consumer can buy less import goods and buy more of the domestic goods which is good for the domestic producer. The government also get more revenue from the tariff.

Quota → the one that will get the benefit if government have limit import goods will be the producer, because with less amount of import goods the demand of it will exceed supply, thus rise the price of import goods. Again, with higher price buyers will buy more of the domestic product. Government will gain some revenue by the foreign firm that hold import licenses issued by Thai Government.

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).



in this case, consumer will gain benefit. Because producer will not export goods due to higher tax on export goods, therefore they can sell less than before. And government will gain revenue from the tax.

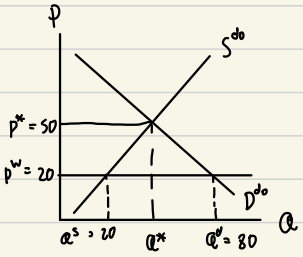
4. A "small", open economy is engaging in international trade. Its domestic demand curve is given by P = 100 – Q and its domestic supply curve is given by P = Q. The world price of the good is 20$. Answer the following questions.

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

small means that even the country participate in the world market, however their action have no or little to the world economy. If we look at a big country like USA, if the country face a recession the world will likely to suffer from it, this is a example of big country which is opposite from "small" economy.

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?

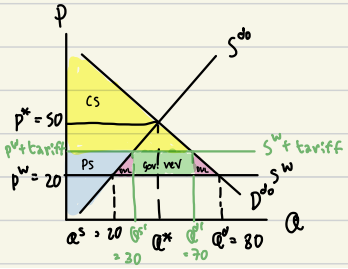
$P^d = 100 - Q$
$P^S = Q$
$P^* = 50$
$P^W = 20$
$Q^d = 80$
$Q^S = 20$



it is an importing country because the price of this goods in the world market is cheaper than what the producer in their country can sell. The country needs to import 60 units of goods.

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



yellow area = Consumer surplus
blue area = Producer surplus

ii. Either subsidy cost or tariff revenue

tariff because the country is an importing country.

iii. Deadweight loss from the intervention.

Pink area

$$DWL = \frac{1}{2} \cdot (30-20) \times (30-20) + \frac{1}{2} (80-70) \times (30+40)$$

$$= 50 + 50$$

$$= 100$$