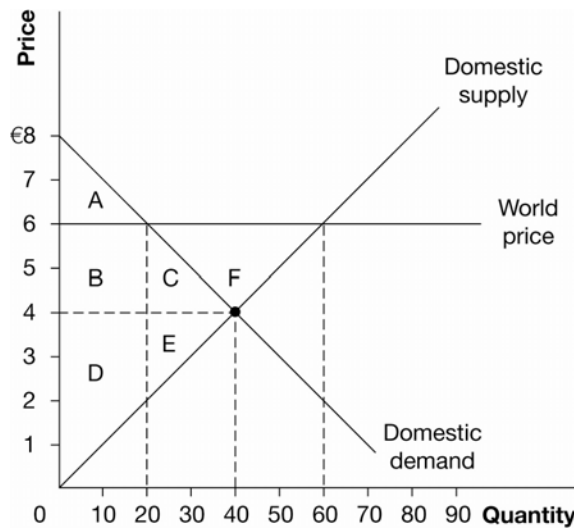


## Chapter 9

1. Use Exhibit 3 to answer the following questions.

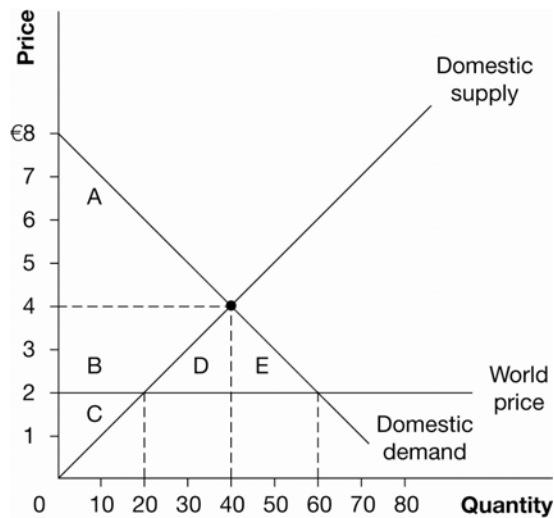
Exhibit 3



- a. If trade is not allowed, what is the equilibrium price and quantity in this market?
- b. If trade is allowed, will this country import or export this commodity? Why?
- c. If trade is allowed, what is the price at which the good is sold, the domestic quantity supplied and demanded, and the quantity imported or exported?
- d. What area corresponds to consumer surplus if no trade is allowed?
- e. What area corresponds to consumer surplus if trade is allowed?
- f. What area corresponds to producer surplus if no trade is allowed?
- g. What area corresponds to producer surplus if trade is allowed?
- h. If free trade is allowed, who gains and who loses, the consumers or the producers, and what area corresponds to their gain or loss?
- i. What area corresponds to the gains from trade?

2. Use Exhibit 4 to answer the following questions.

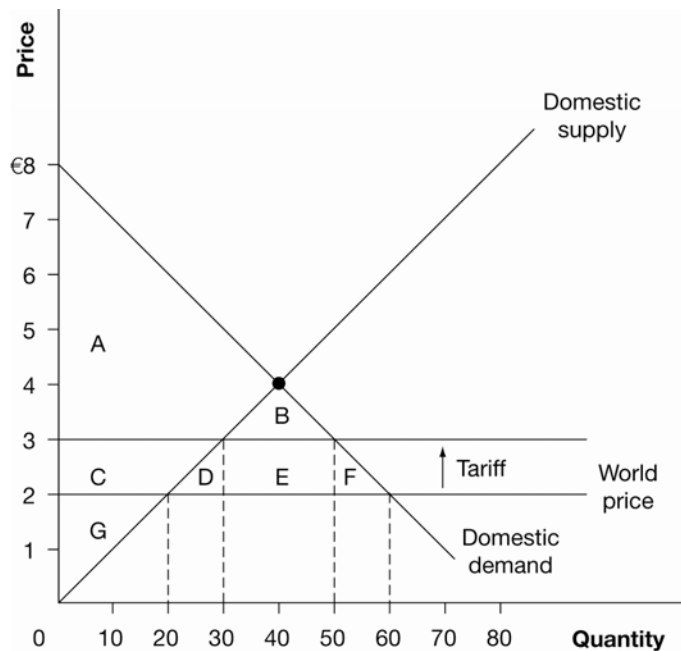
Exhibit 4



- If trade is not allowed, what is the equilibrium price and quantity in this market?
- If trade is allowed, will this country import or export this commodity? Why?
- If trade is allowed, what is the price at which the good is sold, the domestic quantity supplied and demanded, and the quantity imported or exported?
- What area corresponds to consumer surplus if no trade is allowed?
- What area corresponds to consumer surplus if trade is allowed?
- What area corresponds to producer surplus if no trade is allowed?
- What area corresponds to producer surplus if trade is allowed?
- If free trade is allowed, who gains and who loses, the consumers or the producers, and what area corresponds to their gain or loss?
- What area corresponds to the gains from trade?

3. Use Exhibit 5 to answer the following questions.

Exhibit 5



- If free trade is allowed, what is the domestic quantity supplied, domestic quantity demanded, and the quantity imported?
- If a €1 tariff is placed on this good, what is the domestic quantity supplied, domestic quantity demanded, and the quantity imported?
- What area corresponds to consumer and producer surplus before the tariff is applied?
- What area corresponds to consumer surplus, producer surplus, and government revenue after the tariff is applied?
- What area corresponds to the deadweight loss associated with the tariff?
- Describe in words the sources of the deadweight loss from a tariff.
- What is the size of the import quota that would generate results most similar to this €1 tariff?
- What is the size of the tariff that would eliminate trade altogether (i.e. that would return the market to its no-trade domestic solution)?