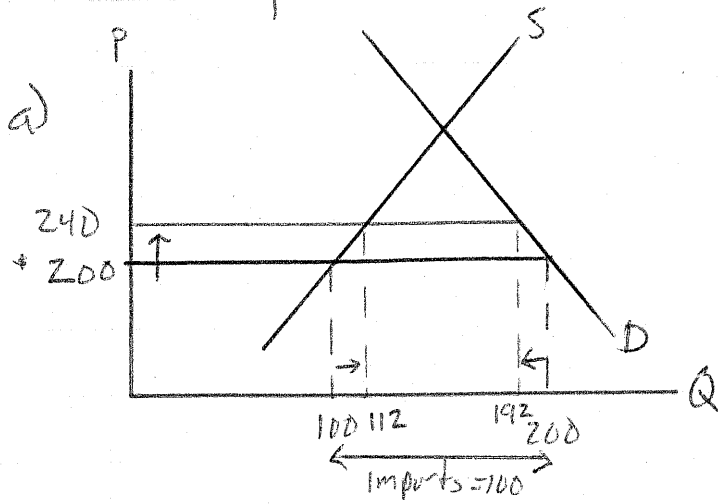


Quiz 5 Key



b) $P = \$240$ with tariff

$$Q_s = 112, Q_D = 192, \text{imports} = 80$$

$$\Delta PS = 4240, \Delta CS = -7840,$$

$$\Delta GB = 3200, \Delta EB = 600$$

$$\text{net } \Delta = +200$$

Country is better off.

c) A production subsidy? P remains at $\$200$, $Q_s = 112$, $Q_D = 200$,
 $\text{imports} = 88$. $\Delta CS = 0$, $\Delta PS = 4240$, $\Delta GB = -4480$, $\Delta EB = 600$,
 $\text{net} = +360$. Better off than free trade or tariff

d) At $P = 250$ (tariff of $\$50$)

$$Q_s = 115, Q_D = 190, \text{imports} = 75$$

$$\Delta CS = -9750, \Delta PS = 5375,$$

$$\Delta GB = +3750, \Delta EB = 750,$$

$\text{net} = +125$. Worse than $\$40$ tariff

At subsidy of $\$50$, $P = 200$

$$Q_s = 115, Q_D = 200, \text{imports} = 85$$

$$\Delta CS = 0, \Delta PS = 5375,$$

$$\Delta GB = -5750, \Delta EB = +750,$$

$\text{net} = +375$. Better than

$\$40$ subsidy.