

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

Given the responses to my e-mail, this is how I plan to make up the material which we should have gone over on Wednesday. The next three classes will be an extra half hour long. On Monday 4/7, we will go over what we should have gone over on 4/2 and $\frac{1}{3}$ of what we were supposed to go over on 4/9. This homework will be due 4/9 unlike the 4/7 the syllabus says. On Wednesday 4/9 we will go over the exam and $\frac{1}{3}$ of what we planned to go over on 4/9 (the rest except for the homework). On Monday 4/14, we will go over this homework and what was scheduled for 4/14. Unfortunately, because 4/9 will be almost no new material, the next homework will be due 4/16. Therefore, on 4/16, we will not be able to go over HW#8. So, we will cover more of Chapter 13 that class and go over HW #8 on Monday 4/21 which is the day HW#9 is due.

1) (25 points) Draw the supply and demand for a good which a small country imports. Illustrate the effects of an import quota. Explain why the graph moved as drawn. What happens to the domestic price, quantity produced, quantity consumed, and quantity imported? Assuming that the quota rights are auctioned off, what are the consumer surplus, producer surplus, and government revenue with the quota? State how you found each. How could the same result be achieved by using a tariff?

2) (10 points) In Question #1, you proved that tariffs and quotas can be set such that they have the same effect. If that is true, then why does the WTO want all quotas replaced with tariffs?

3) (15 points each) For each of the following arguments to restrict trade, explain the argument and explain its weakness.

A) Technical requirements (like Germany's now defunct law allowing only certain ingredients in beer)

B) Optimal tariff.

4) (20 points) What are the three types of dumping? Which one economists say cannot exist? Why can't it exist?

5) (15 points) What is the difference between the politicians' definition of dumping and the economists' definition? Why isn't the politicians' definition a problem for the country being dumped on?