

Answer on Question #42169, Economics, Microeconomics

1) No international trade: $P_e = \$10$ million per kilo ton, $Q_e = 30$ kilo ton.

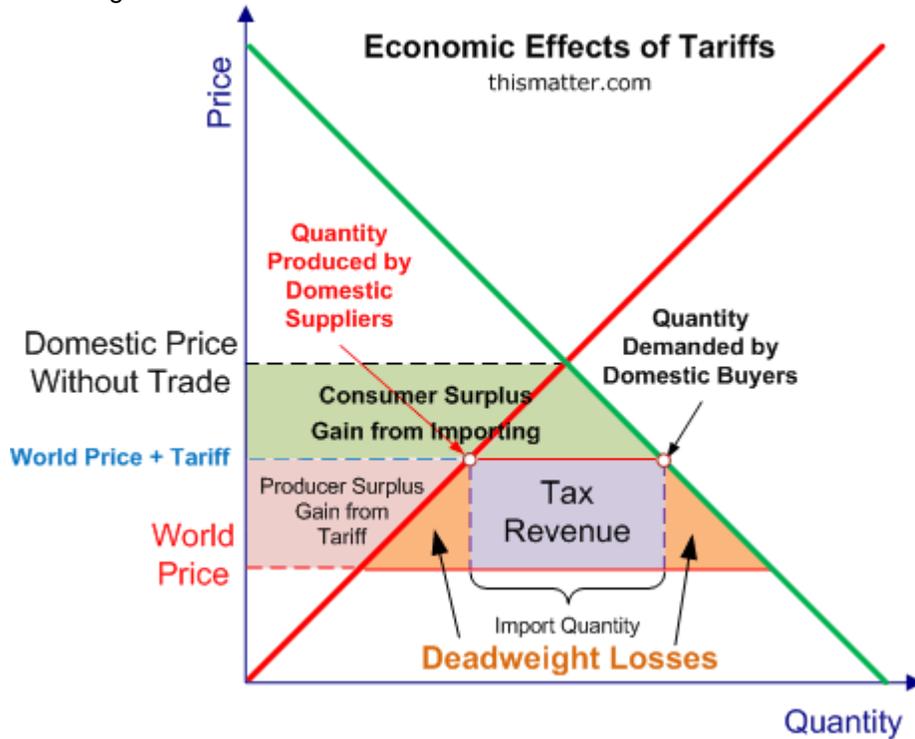
2) If no tariff: $Q_s = 10$, $Q_d = 50$, $P_w = \$5$ million.

3) With 40 per cent tariff rate: $Q_s = 20$, $Q_d = 40$.

Assume that intercept of supply curve is $\$3$ million and demand curve is $\$15$ million per kilo ton.

Import quota = 20 kilo ton.

Draw a graph to identify the areas of gains and losses from the import quota, importers' profit, and the deadweight loss.



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