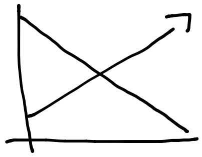
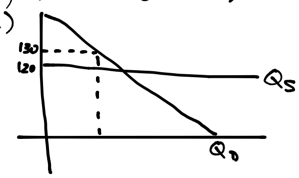
1. a) Show case of perfectly elastic demand (A+B+C)
   b) Perfectly elastic supply. $C > 0$
   c) Demand is perfectly elastic

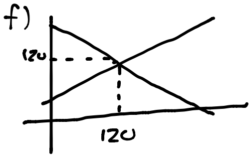
2. a)



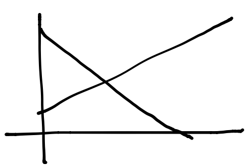
3. a) $600 - 3.5P - .5P = 600 - 4P = Q_I$
   b) $Q_1 = 600 - 480 = 120$, $P = 120$, $Q_D = 600 - 3.5(120) = 180$
   c)



   d) P↑, Q_D↓
   e) $Q_I = 600 - 3.5P - .5P = 600 - 4P$ $\quad Q_I = Q_{S\,world} \Rightarrow 600 - 4P = P \Rightarrow P = 120 \Rightarrow Q = 120$
   f)



etc

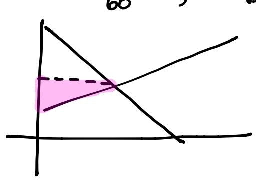


Use P_D from world market as price ceiling for US market

   g) Looking at global graph, $\frac{\text{top of tariff}}{\text{total tariff}}$ = frac US

   h) See solns

4. a) $MC = .02Q_H + 3 = P$
   $Q_H = 50P - 150 \quad Q_I = 300P - 900$
   b) $300P - 900 = 1580 - 10P$
   $P = 8 \Rightarrow Q = 1500$
   c) $Q_D = 1580 - 10P$
   $P_D = \frac{1580 - Q_D}{60}$, $\quad \frac{1580 - Q}{60} = .02Q + 3 \Rightarrow Q = 250$



   d) $C = .05Q_A^2 + 80 \Rightarrow MC = AC \Rightarrow Q_A = 20$
   e) Benefit. Decreases cost.