

Problem Sets 4

(Due May 6 W in class)

1. Suppose the commerce department in a small importing country recently found that an exporter is dumping potatoes in the economy. Given the following scenarios, rank each from best to worst in terms of the importing country's welfare. Explain.
 - 1) Free trade
 - 2) Foreign dumping
 - 3) Foreign dumping with an antidumping duty
 - 4) Coordination between the foreign and domestic producers after the antidumping petition is withdrawn
2. Rank the following in ascending order of Home welfare and justify your answers. If two items are equivalent, indicate this accordingly.
 - 1) Tariff t in a small country with perfect competition
 - 2) Tariff t in a small country with a Home monopoly
 - 3) Quota with the same imports M in a small country, with a Home monopoly
 - 4) Tariff t in a country facing a Foreign monopoly
3. Describe the impact of each of the following goals from the Hong Kong WTO meeting on domestic prices and welfare of the country taking the action and world prices and welfare for the partner countries.
 - 1) Reduction of agricultural tariffs
 - 2) Elimination of agriculture export subsidies
 - 3) Duty-free, quota-free access for 97% of goods originating in the world's least developed countries.
4. To improve national welfare, a large country would do better to implement an export subsidy rather than an import tariff. Is this true or false? Explain why.
5. Provide reasons for countries to use export subsidies. Does your answer depend on whether firms compete under perfect or imperfect competition?