Sample Problem: Dumping

Suppose the Home firm is considering whether to enter the Foreign market. Assume that the Home firm has the following costs and demand:

Fixed Costs = $150

Marginal Costs= $15 per unit

Local Price = $35

Local Quantity = 10

Export Price = $20

Export Quantity = 5

1. (5 points) Calculated the firm’s total costs from selling only in the local market.
2. (5 points) What is the firm’s average cost from selling only in the local market?
3. (5 points) Calculate the firm’s profit from selling only in the local market.
4. (5 points) Should the Home firm enter the Foreign market? Explain why.
5. (5 points) Calculate the firm’s profit from selling to both markets.
6. (5 points) Is the Home firm dumping? Explain.