Economic homework 3.24 谈木天 Victor

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a Tariff is a tax on import, which means when people and firms buy import goods, they need to pay more money.

b First, the cost of production of firms may decrease. Because as the output increase, the supply of the products will increase, so the price of the goods will decrease, and firms can import raw materials cheaper.

Second, many countries will experience economic of growth. Because as the output of the world increase, some countries will have higher GDP and will experience economic growth.

c Recession means a decrease in GDP of a country for two session.

First, if a recession is caused by a decrease in aggregate demand, the unemployment rate will increase and the income of people will decrease, so there will be less people who can afford import goods and the country’s import will decrease.

Second, if the recession is cause by decrease in aggregate demand, the price level of the country will decrease. So that more people will tend to buy domestic goods instead of import goods and the import of the country will decrease.

d On one side, the country will benefit from it.

First, if the government moved trade restriction, firms will have more choices when buying raw materials from other countries, so they can buy raw materials with lower price, so the cost of production will decrease and firms will have more money to expand. They will be more likely to have higher output and the country will experience economic of growth.