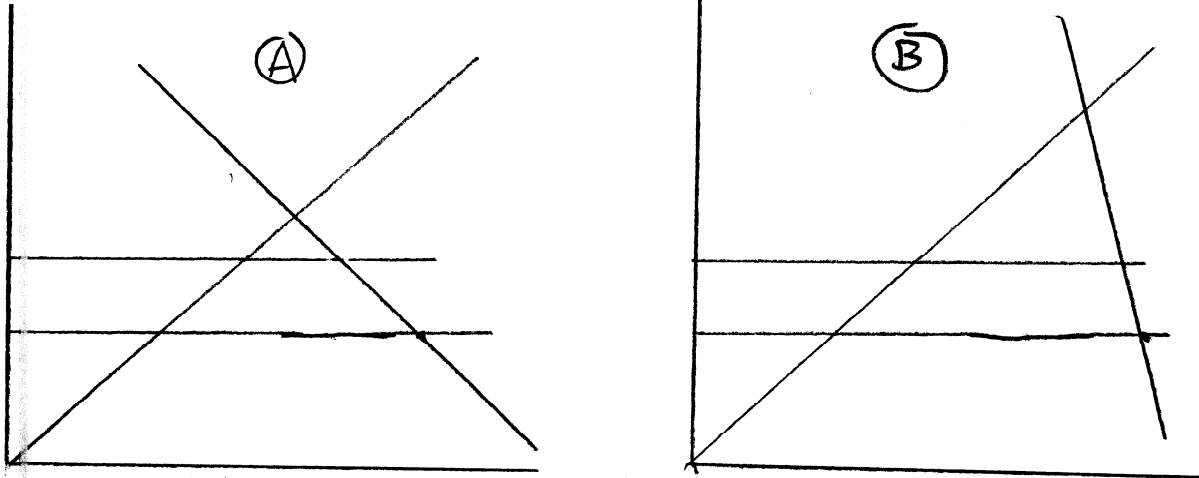


Your name (first name, then last name): _____

Your TA's name: _____

SUNY-Binghamton Economics 160, Principles of Microeconomics, Christopher Hanes
Problem set 6 Welfare economics, foreign trade

1) The graphs below show the effects of imposing a tariff in two different situations, Situation A and Situation B. In one of the situations, demand is very elastic; in the other situation, demand is less elastic.

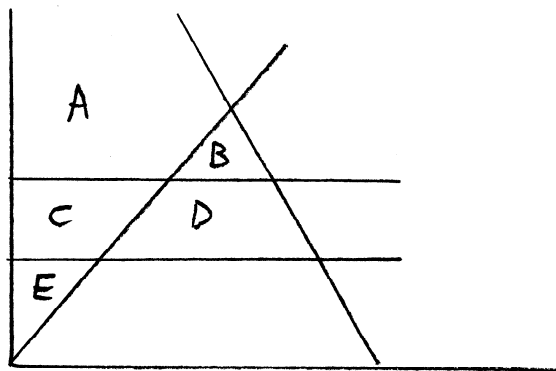


a) In each graph above, shade in the area that represents the deadweight loss of the tariff.

b) In which situation, A or B, is demand more elastic? _____

c) In which situation, A or B, is deadweight loss greater? _____

3) The graph below shows a tariff and its effects on CS, PS and government revenue.



a) The suppliers in this industry belong to an association that can collect money from its members and bribe Congressmen. How much should the producers' association be willing to pay in bribes in order to gain this tariff? (The answer is an area or set of areas on the graph, e.g. ABC, or AC, or..)

b) Imposing the tariff would hurt consumers. How much would you have to pay consumers to compensate them for the imposition of the tariff?

(The answer is an area or set of areas on the graph, e.g. ABC, or AC, or..) _____