Macroeconomics hw

HERE YOUR HERE HERE HERE The United s and Trade QUESTION 12 a. Consumers gain surplus as a result of the pricereductions that occur when tariffs are eliminated. Under the law of demand, as the price falls, consumer demand rises with removal of the tariffs. Surplus gains are represented in the diagram by (A + B + C + D).

b. Producers lose surplus in this situation with tariff removals. Producer surplus is represented by Quadrant A in the diagram. Changes that occur to the supply curve and the demand curve would reduce producer surplus as these lines connect at the Pw line for new non-tariff pricing.

c. The government loses revenue when the tariffs are removed. This is represented by a shrinking Quadrant C as the two lines (Pw and Pt) become equal.

d. To the economy as a whole, there would seem to be more losses than gains. Government loses revenue, there is consumer surplus as the market becomes more attractive for foreign imports (goods made overseas and shipped to the U. S.). Because domestic supply increases when a tariff is in place, lowering the tariff would be less financially beneficial to the domestic producers.

QUESTION 13

Yes, the economy has been made better off by trade. Understanding that tariffs increase government revenues and also increase domestic supply, it prevents many foreign-made products from flooding the U. S. market. When the government is in a better financial position, these investments can be made in stimulus or other beneficial financial programs to spark growth. The government maintains even more control with the import quota, which further stimulates growth in domestic sales, but also gives consumers more product options. Losses in manufacturing are offset by growth in other industries, which still provide workers with quality jobs just with less focus on production facilities. Trade can stimulate a need for better training to consumers for jobs such as technology, thus providing a competitive advantage with other nations despite the trade situation.

QUESTION 14

The first argument about national security is not justified as it relates to agriculture. The United States maintains very high agricultural output and thus foreign agriculture would not be considered critical to sustaining the well-being and health of Americans. Except for items like coffee that have no substitutes, shifts in supply of foreign produced agriculture are not a security risk.

The second argument about job creation, however, is justified by the argument for trade protection. If too many agricultural products are imported into the U. S., it could affect domestic production and thus create job losses for farmers, canners, or other jobs related to food supply.

The last argument, about infant industries, is not really relevant to the U. S. This country has a strong balance between technology and other industries and is not considered a developing country. Losses in one region can be made up in other regions of growth, such as improved technology industries. Foreign agriculture would not impact such growth in this country as it is already a developed industry.