HL (2020) Domestic Subsidies Quantitative Techniques



1. Label the domestic demand and supply curves.

2. Indicate the original equilibrium price and quantity before free trade.

3. Draw World Supply with P=$10

4. Indicate the new quantity supplied by domestic producers and imports on the graph.

5. The government introduces a $10 domestic subsidy per unit, draw the new domestic supply curve.

6. Calculate the change in domestic supply

7. Calculate the change in import quantities

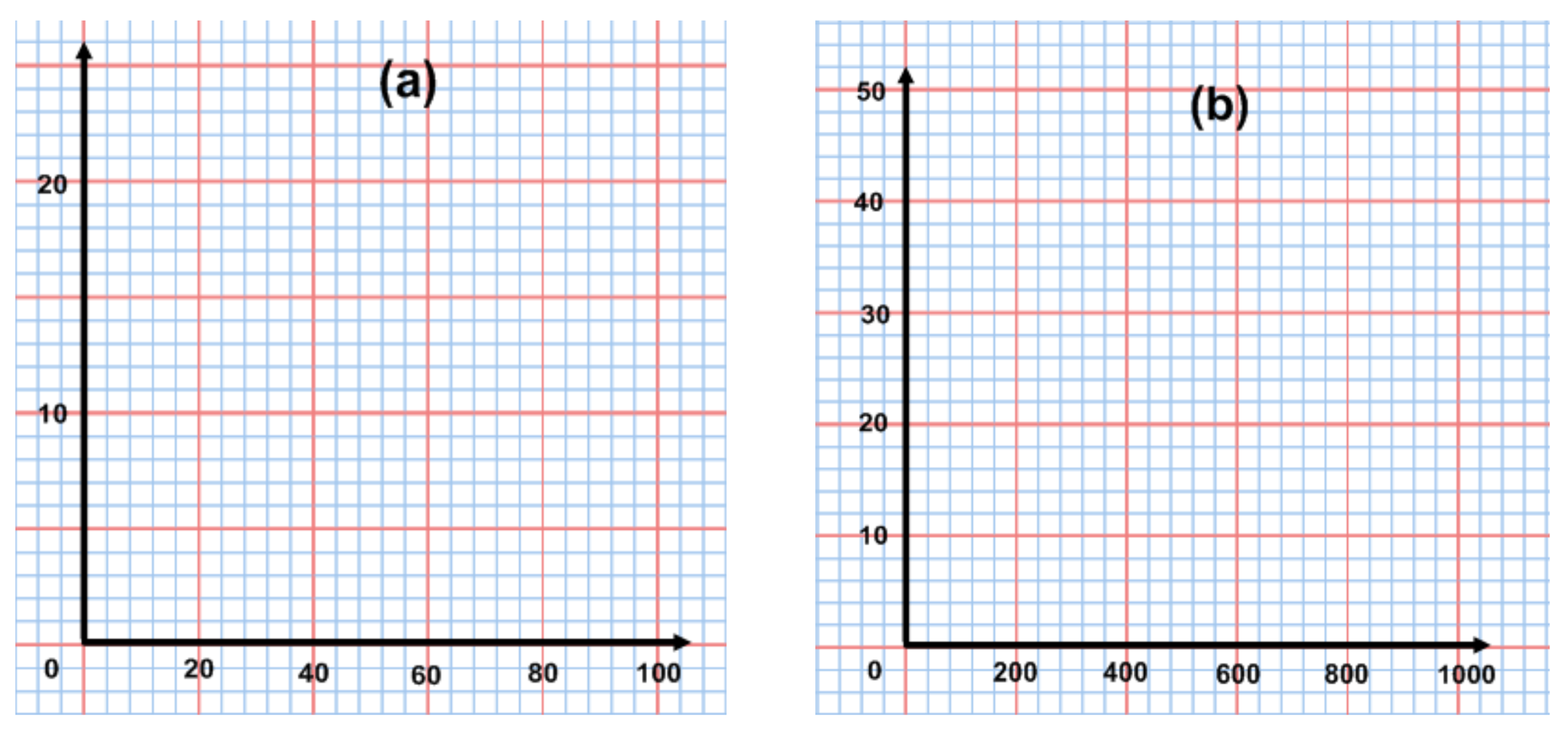
8. Calculate the consumer surplus before and after the domestic subsidy

9. Calculate the change in producer revenue before and after the domestic subsidy

10. Calculate the total expenditure required for the domestic subsidy.

11. Calculate the dead weight loss of the subsidy

12. Comparing a Tariff and a domestic subsidy, identify 4 differences in outcome.



Quantity of Video Games (00’s thousands)

Price of Video games ($’s)