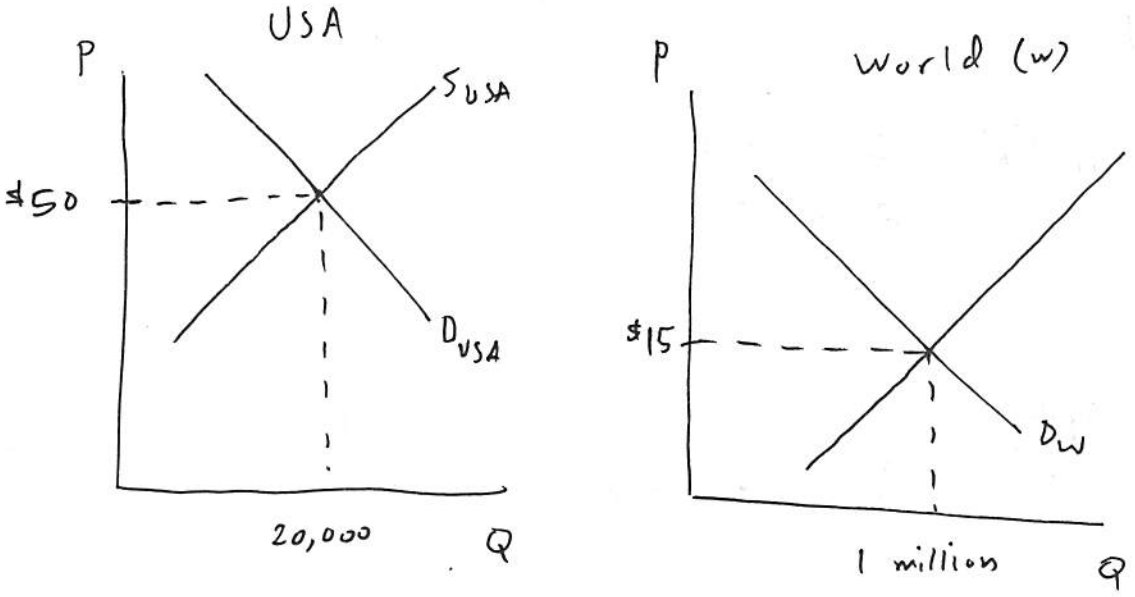
# Coffee




$P_{USA} > P_w$. The US S and D are included in $S_w$, $D_w$.

## Coffee

Dom = Domestic

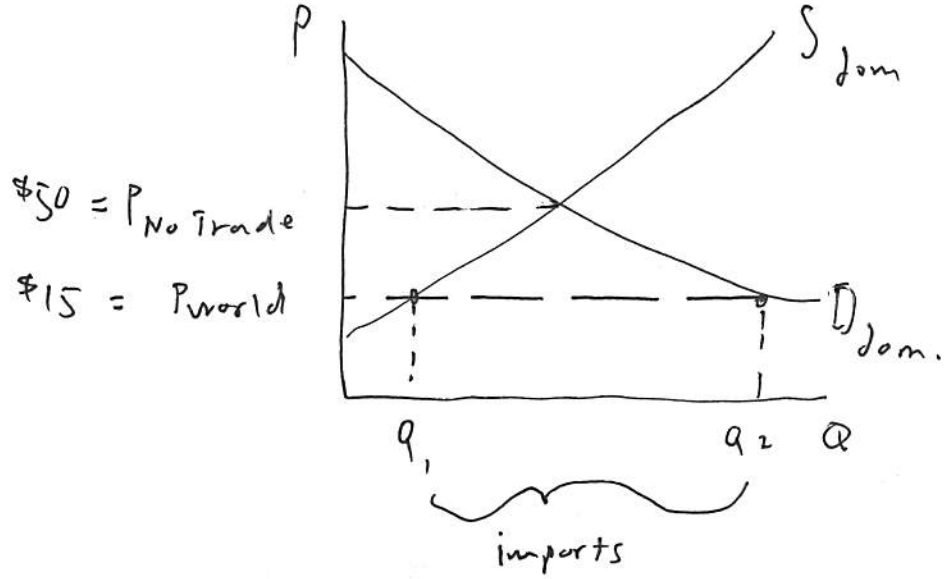


Fig. J.1:

(No Trade) Initial CS: a + b
PS: c

(Free Trade) After — CS: a
PS: b + c + d

Change in CS: lose ~~b~~
PS: gain ~~b~~ + d

Net change: gain d

Fig. 52. Change from "trade ban" ($P_{NT}$) to "free trade" ($P_W$)

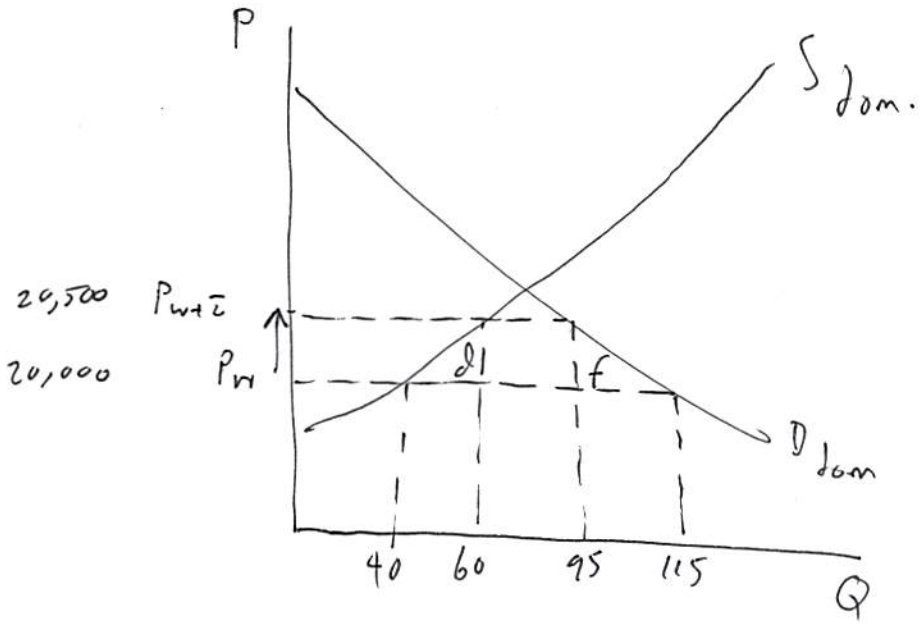
(No Trade) Initial cs: a
ps: b + c

(Free Trade) After cs: a + b + d
ps: c

change in cs: gain b + d
ps: lose b

Net Change: gain d

# Import Tariff



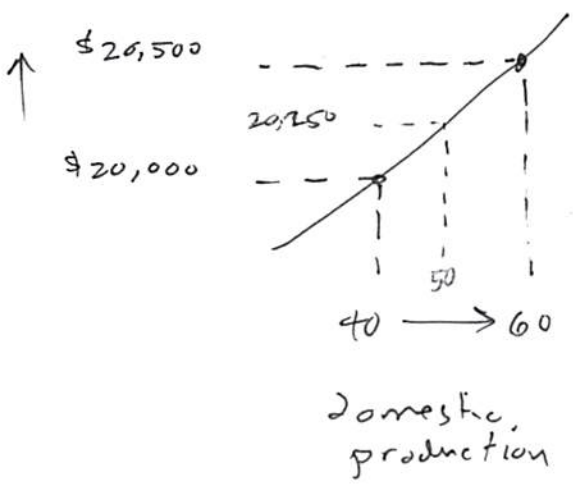

On Thurs. 4/2, we discussed the Tariff, and concluded the DWL is (d+f)

Details on d: represents the waste of resources, because the tariff encourages domestic firms to produce more cars (cars #40 to 60). Yet, This is wasteful, because the cost of production ranges from $20,000 up to $20,500. Yet, we could import for $20,000 each.

see next pg ←

f: is CS lost due to 20 fewer cars being purchased. This is a gain consumers would have had, if the tariff hadn't been imposed.

more on area d...




$S_{dom}$

| Car # | Cost of prod |
|---|---|
| 40 | 20,000 |
| 50 | 20,250 ← a rough guess |
| 60 | 20,500 |

When the tariff is imposed, it encourages domestic firms (GM, Ford, Chrysler) to increase production, but their cost of production (resources used) range from $20,000 up to $20,500. So we're using more resources than needed - since we can get cars for only $20,000, by importing from foreign producers.