Solutions

Each answer shows the steps, then the **result**.

2.1

- when the world price is below the domestic (autarky) price

2.2

- it raises it

2.3

- it raises total surplus

3.1 B

3.2 B

3.3

(a)

- it imports steel

(b)

- they gain (they pay the lower world price)

(c)

- it reduces the quantity imported