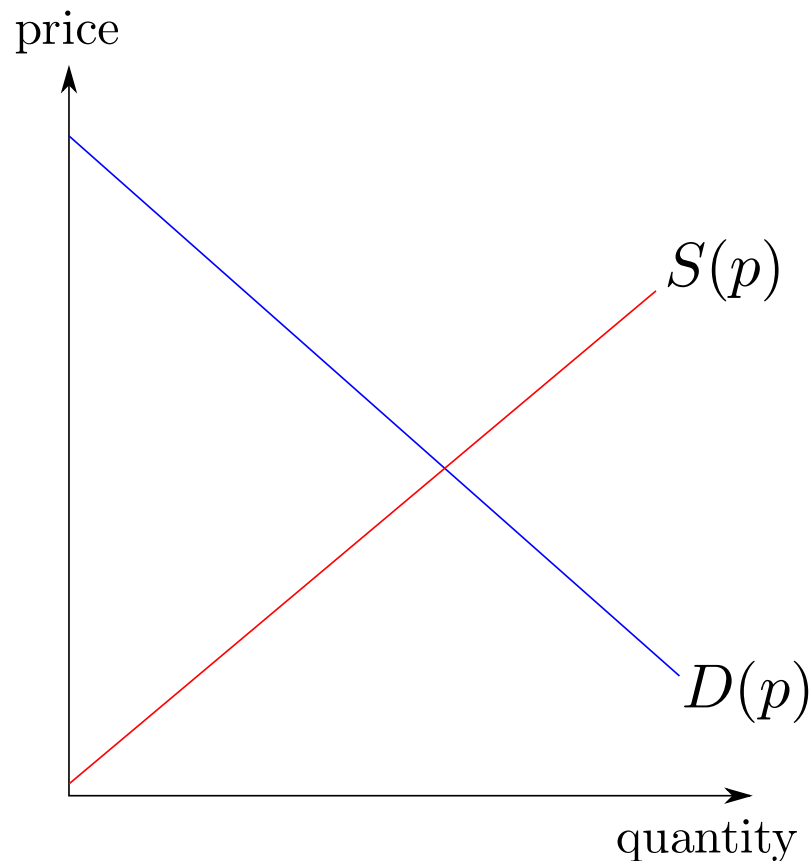

Midterm 1

You have until 11:50am to complete the exam, be certain to use your time wisely. Answer all questions directly on the exam. Calculators may not be used. Remember to put your name on the exam. Good luck!

Name:

ID Number:

- (20 points) Below is a graph showing the supply and demand of imported goods consumed in the colonies. Note that the supply curve on this graph includes shipping costs (so the price received by producers net of shipping costs is actually lower than the price given by the supply curve). On this graph, show the change in consumer surplus that would result if colonists were allowed to use Dutch ships when engaging in international trade. Recall that Dutch ships were able to carry more weight with a smaller crew compared to British or colonial ships. Be certain to clearly label all relevant points and areas on the graph.



6. (30 points) Explain how modern views of the economics of international trade differ from mercantilist views of international trade. Discuss how these changing views correspond to changes in foreign trade policy from colonial times to the present and whether these changes in policy have been beneficial or harmful to the American economy.