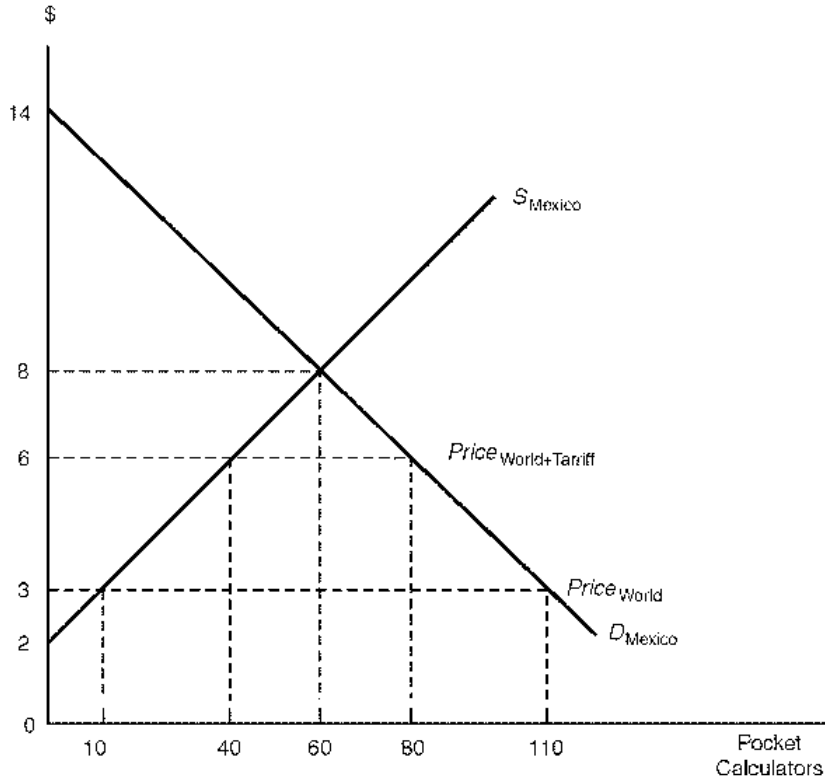


## International Economics: Tariffs

Figure 4.1 illustrates the demand and supply schedules for pocket calculators in Mexico, a "small" nation that is unable to affect the world price. Answer the question(s) on the basis of this figure.

**Figure 4.1.** *Import Tariff Levied by a "Small" Country*



- \_\_\_ 1. Consider Figure 4.1. In the absence of trade, Mexico produces and consumes:
  - a. 80 calculators
  - b. 60 calculators
  - c. 10 calculators
  - d. 40 calculators
- \_\_\_ 2. Consider Figure 4.1. In the absence of trade, Mexico's producer surplus and consumer surplus respectively equal:
  - a. \$120, \$240
  - b. \$240, \$240
  - c. \$180, \$320
  - d. \$180, \$180
- \_\_\_ 3. Consider Figure 4.1. With free trade, Mexico imports:
  - a. 60 calculators
  - b. 40 calculators
  - c. 80 calculators
  - d. 100 calculators
- \_\_\_ 4. Consider Figure 4.1. With free trade, the total value of Mexico's imports equal:
  - a. \$260
  - b. \$290
  - c. \$300
  - d. \$220
- \_\_\_ 5. Consider Figure 4.1. With free trade, Mexico's producer surplus and consumer surplus respectively equal:
  - a. \$5, \$605
  - b. \$45, \$250
  - c. \$85, \$195
  - d. \$25, \$380
- \_\_\_ 6. Consider Figure 4.1. With a per-unit tariff of \$3, the quantity of imports decreases to:
  - a. 70 calculators
  - b. 40 calculators
  - c. 20 calculators
  - d. 50 calculators
- \_\_\_ 7. According to Figure 4.1, the loss in Mexican consumer surplus due to the tariff equals:
  - a. \$265
  - b. \$325
  - c. \$225
  - d. \$285
- \_\_\_ 8. According to Figure 4.1, the tariff results in the Mexican government collecting:
  - a. \$120
  - b. \$140
  - c. \$160
  - d. \$100

- \_\_\_ 9. According to Figure 4.1, Mexican manufacturers gain \_\_\_ because of the tariff.  
a. \$85                      b. \$95                      c. \$75                      d. \$105
- \_\_\_ 10. According to Figure 4.1, the deadweight cost of the tariff totals:  
a. \$70                      b. \$80                      c. \$60                      d. \$90
- \_\_\_ 11. Consider Figure 4.1. The tariff would be prohibitive (i.e., eliminate imports) if it equaled:  
a. \$4                      b. \$3                      c. \$2                      d. \$5
- \_\_\_ 12. Suppose that the United States *eliminates* its tariff on steel imports, permitting foreign-produced steel to enter the U.S. market. Steel prices to U.S. consumers would be expected to:  
a. Increase, and the foreign demand for U.S. exports would increase  
b. Increase, and the foreign demand for U.S. exports would decrease  
c. Decrease, and the foreign demand for U.S. exports would increase  
d. Decrease, and the foreign demand for U.S. exports would decrease
- \_\_\_ 13. A *lower* tariff on imported aluminum would most likely benefit:  
a. Workers in the domestic aluminum industry  
b. Domestic consumers of aluminum  
c. Domestic manufacturers of aluminum  
d. Foreign producers at the expense of domestic consumers
- \_\_\_ 14. The redistribution effect of an import tariff is the transfer of income from the domestic:  
a. Buyers to domestic producers of the good  
b. Government to the domestic buyers  
c. Producers to domestic buyers of the good
- \_\_\_ 15. Which of the following is *true* concerning a specific tariff?  
a. It is exclusively used by the U.S. in its tariff schedules.  
b. It affords less protection to home producers during eras of rising prices.  
c. It refers to a flat percentage duty applied to a good's market value.  
d. It is plagued by problems associated with assessing import product values.
- \_\_\_ 16. Developing nations often maintain that industrial countries permit raw materials to be imported at very low tariff rates while maintaining high tariff rates on manufactured imports. Which of the following refers to the above statement?  
a. Tariff escalation effect                      c. Tariff-quota effect  
b. Nominal tariff effect                      d. Protective tariff effect
- \_\_\_ 17. A beggar-thy-neighbor policy is the imposition of:  
a. Free trade to increase domestic productivity  
b. Import tariffs to curb domestic inflation  
c. Revenue tariffs to make products cheaper for domestic consumers  
d. Trade barriers to increase domestic demand and employment
- \_\_\_ 18. A problem encountered when implementing an "infant industry" tariff is that:  
a. Domestic consumers will purchase the foreign good regardless of the tariff  
b. Most industries require tariff protection when they are mature  
c. Political pressure may prevent the tariff's removal when the industry matures