Assignment 4 (Chapter 4)

1. A lower tariff on imported aluminum would most likely benefit:
   a) Foreign producers at the expense of domestic consumers
   b) Domestic manufacturers of aluminum
   c) Domestic consumers of aluminum
   d) Workers in the domestic aluminum industry

2. When a government allows raw materials and other intermediate products to enter a country duty free, its tariff policy generally results in a(n):
   a) Effective tariff rate less than the nominal tariff rate
   b) Nominal tariff rate less than the effective tariff rate
   c) Rise in both nominal and effective tariff rates
   d) Fall in both nominal and effective tariff rates

3. The principal benefit of tariff protection goes to:
   a) Domestic consumers of the good produced
   b) Domestic producers of the good produced
   c) Foreign producers of the good produced
   d) Foreign consumers of the good produced

4. Which of the following policies permits a specified quantity of goods to be imported at one tariff rate and applies a higher tariff rate to imports above this quantity?
   a) Tariff quota
   b) Import tariff
   c) Specific tariff
   d) Ad valorem tariff

5. Should Canada impose a tariff on imports, one would expect Canada's:
   a) Terms of trade to improve and volume of trade to decrease
   b) Terms of trade to worsen and volume of trade to decrease
   c) Terms of trade to improve and volume of trade to increase
   d) Terms of trade to worsen and volume of trade to increase

6. A beggar-thy-neighbor policy is the imposition of:
   a) Free trade to increase domestic productivity
   b) Trade barriers to increase domestic demand and employment
   c) Import tariffs to curb domestic inflation
   d) Revenue tariffs to make products cheaper for domestic consumers
7. A problem encountered when implementing an "infant industry" tariff is that:

a) Domestic consumers will purchase the foreign good regardless of the tariff
b) Political pressure may prevent the tariff's removal when the industry matures
c) Most industries require tariff protection when they are mature
d) Labor unions will capture the protective effect in higher wages

8. The deadweight loss of a tariff is:

a) A social loss since it promotes inefficient production
b) A social loss since it reduces the revenue for the government
c) Not a social loss because society as a whole doesn't pay for the loss
d) Not a social loss since only business firms suffer revenue losses

9. A tax of 20 cents per unit of imported cheese would be an example of:

a) Compound tariff
b) Effective tariff
c) Ad valorem tariff
d) Specific tariff

10. The most vocal political pressure for tariffs is generally made by:

a) Consumers lobbying for export tariffs
b) Consumers lobbying for import tariffs
c) Producers lobbying for export tariffs
d) Producers lobbying for import tariffs
11. 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.

Consider Figure 4.1. In the absence of trade, Mexico's producer surplus and consumer surplus respectively equal:

a) $120, $240
b) $180, $180
c) $180, $320
d) $240, $240

12. Refer to 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.

Consider Figure 4.1. With free trade, Mexico's producer surplus and consumer surplus respectively equal:

a) $5, $605
b) $25, $380
c) $45, $250
d) $85, $195
13. Refer to 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.

According to Figure 4.1, the loss in Mexican consumer surplus due to the tariff equals:

a) $225  
b) $265  
c) $285  
d) $325

14. Refer to 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.

According to Figure 4.1, Mexican manufacturers gain _____ because of the tariff.

a) $75  
b) $85  
c) $95  
d) $105

15. Refer to 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.

According to Figure 4.1, the deadweight cost of the tariff totals:

a) $60  
b) $70  
c) $80  
d) $90
16. Refer to Figure 4.2. Assume the United States is a large consumer of steel that is able to influence the world price. Its demand and supply schedules are respectively denoted by $D_{U.S.}$ and $S_{U.S.}$ in Figure 4.2. The overall (United States plus world) supply schedule of steel is denoted by $S_{U.S.+W}$. Answer the question(s) on the basis of this information.

Consider Figure 4.2. With free trade, the United States achieves market equilibrium at a price of $\$\text{____}$. At this price, $\text{____}$ tons of steel are produced by U.S. firms, $\text{____}$ tons are bought by U.S. buyers, and $\text{____}$ tons are imported.

a) $450, 5 \text{ tons}, 60 \text{ tons}, 55 \text{ tons}$

b) $475, 10 \text{ tons}, 50 \text{ tons}, 40 \text{ tons}$

c) $525, 5 \text{ tons}, 60 \text{ tons}, 55 \text{ tons}$

d) $630, 30 \text{ tons}, 30 \text{ tons}, 0 \text{ tons}$

17. Refer to Figure 4.2. Assume the United States is a large consumer of steel that is able to influence the world price. Its demand and supply schedules are respectively denoted by $D_{U.S.}$ and $S_{U.S.}$ in Figure 4.2. The overall (United States plus world) supply schedule of steel is denoted by $S_{U.S.+W}$. Answer the question(s) on the basis of this information.

Consider Figure 4.2. Of the $\$100$ tariff, $\$\text{____}$ is passed on to the U.S. consumer via a higher price, while $\$\text{____}$ is borne by the foreign exporter; the U.S. terms of trade $\text{____}$.

a) $25, \$75$, improve

b) $25, \$75$, worsen

c) $75, \$25$, improve

d) $75, \$25$, worsen
18. Refer to Figure 4.2. Assume the United States is a large consumer of steel that is able to influence the world price. Its demand and supply schedules are respectively denoted by $D_{U.S.}$ and $S_{U.S.}$ in Figure 4.2. The overall (United States plus world) supply schedule of steel is denoted by $S_{U.S.+W}$. Answer the question(s) on the basis of this information.

According to Figure 4.2, the tariff leads to the overall welfare of the United States:

a) Rising by $250
b) Rising by $500
c) Falling by $250
d) Falling by $500

19. Answer the question(s) on the basis of the following information. Assume that the United States imports automobiles from South Korea at a price of $20,000 per vehicle and that these vehicles are subject to an import tariff of 20 percent. Also assume that U.S. components are used in the vehicles assembled by South Korea and that these components have a value of $10,000.

In the absence of the Offshore Assembly Provision of U.S. tariff policy, the price of an imported vehicle to the U.S. consumer after the tariff has been levied is:

a) $22,000
b) $23,000
c) $24,000
d) $25,000

20. Suppose an importer of steel is required to pay a tariff of $20 per ton plus 5 percent of the value of steel. This is an example of a(n):

a) Specific tariff
b) Ad valorem tariff
c) Compound tariff
d) Tariff quota

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<th>Imported component parts</th>
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<td>Import price after tariff</td>
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</tbody>
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21. Use the data in Table 4.1 to answer the question(s).

Consider Table 4.1. Prior to the tariff, the total price of domestically-produced VCRs is:

a) $150
b) $200
c) $225
d) $250
22. Use the data in Table 4.1 to answer the question(s).

Consider Table 4.1. The nominal tariff rate on imported VCRs equals:

   a) 11.1 percent  
   b) 12.5 percent  
   c) 16.7 percent  
   d) 50.0 percent

23. Use the data in Table 4.1 to answer the question(s).

Consider Table 4.1. After the tariff, domestic value added equals:

   a) $25  
   b) $50  
   c) $75  
   d) $100

24. Use the data in Table 4.1 to answer the question(s).

Consider Table 4.1. The effective tariff rate equals:

   a) 11.1 percent  
   b) 16.7 percent  
   c) 50.0 percent  
   d) 100.0 percent

25. Arguments for U.S. trade restrictions include all of the following except:

   a) Job protection  
   b) Infant industry support  
   c) Maintenance of domestic living standard  
   d) Improving incomes for developing countries