

**Practice Questions for International Economics**

1. Using demand and supply curves for imports, show the effects of a quota in imports and price.
2. For a given sized quota<sup>a</sup>, show how a lower elasticity of import demand would affect the equivalent tariff.
3. "From the standpoint of the costs to the domestic economy, a VER is the most efficient form of trade protection." Discuss using a graphical illustration.
4. Discuss alternative ways of allocating quotas and the resulting effects on income distribution.
5. "While there may be a case for government support of infant industries, a tariff won't be the best way to do this." Discuss using a graphical illustration.
6. If a 10% tariff leads to a fall in imports of \$1 billion, how great are the economic (deadweight) costs of this tariff?
7. "Having oil import quotas in the 1960s helped contribute to U.S. national security." Discuss.
8. Explain the specificity rule and give an example.
9. Explain the infant government argument for tariffs. Does it meet the specificity rule?
10. "Political economy analysis shows why consumer groups have more influence than producer groups on trade policy." Discuss.
11. "Adjustment assistance helps the political case for free trade." Discuss.
12. "Trade protection is more likely to be given during recessions than booms." Discuss.
13. "Modern political economy analysis shows the limitations of realism as an explanation for trade policies." Discuss.
14. "Persistent dumping can be in the economic interests of both the exporting and importing countries." Discuss ~~using a graphical illustration.~~
15. <sup>Explain</sup> ~~Give a graphical illustration of~~ the economic effects of a foreign export subsidy and the imposition of a countervailing duty by the import country.
16. "While in principle there is a possibility that government targeting of particular industries can improve economic efficiency, in practice such efforts often have the opposite result." Discuss.
17. "Political considerations may have as much or more influence than economic considerations on whether a government's policy of supporting particular industries improves economic efficiency." Discuss.

18. What are the major factors which will cause the trade creation effects of a customs union to be greater or less than the trade diversion effects? Give graphical illustrations.

19. "What are the major factors which will influence whether sanctions will have a substantial economic impact on the target country?"

20. "Since sanctions seldom work it is irrational for governments to keep using them." Discuss.

21. "Not only do sanctions often not work, they can be counterproductive." Discuss.

22. "The current moves toward economic discrimination through trade blocs differ substantially from those of the 1930s." Discuss.

Be sure to know the terms and concepts reviewed in the chapter summaries ~~and the book~~.

23 Briefly explain the concept of optimum tariff.

24 How, if any, would this differ from an optimum quota.

25 What major factors would influence the size of the optimum tariff.

26 How can we decide what industries are strategic.

27 "Is the economic case for intervention to increase national economic welfare is greater where economies of scale are low" Discuss

28 "A trade restriction is ~~not~~ <sup>never</sup> the best way to deal with environmental problems"

29 Agree or disagree and give an example  
What is import substitution policy and how well has it worked?

30 How if any ~~do~~ enforcement problems abroad complicate national environmental problems?  
(Think ivory or tuna and dolphins)