

Past-paper walk-through

International Trade and Public Policy ■ 2.9

eXercise

Questions in this set

- 2026 Q3
- 2025 Set 1 Q2
- 2022 Set 2 Q2

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- **//** separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = “or words to that effect” – the wording need not match.

Question 3

2026 ■ Q3

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3. In Gurkeland, the domestic market for cucumbers is characterized by a downward-sloping demand curve and an upward-sloping supply curve, and the market for cucumbers is currently in equilibrium at a price of \$20 per bushel.

Part A

Draw a correctly labeled graph of the market for cucumbers and show the equilibrium price, labeled \$20, and the equilibrium quantity, labeled Q_1 .

Part B

Suppose that Gurkeland engages in free trade with other countries and that the world price of cucumbers is \$10 per bushel.

- i. On your graph in part A, show the world price of cucumbers, labeled \$10, and the quantity of cucumbers sold by domestic producers, labeled Q_2 .

Question 3

- ii. Will total economic surplus in Gurkeland increase, decrease, or remain the same after engaging in free trade?

Part C

Now suppose that the government of Gurkeland imposes a \$5 tariff per bushel on the import of cucumbers.

- i. On your graph in part A, show the new quantity of cucumbers, labeled Q_3 , that will be sold by domestic producers as a result of the \$5 tariff imposed on the import of cucumbers.
- ii. As compared with the free trade described in part B, will domestic producer surplus in the market for cucumbers increase, decrease, or remain the same as a result of the \$5 tariff imposed on the import of cucumbers? Explain.

STOP
END OF EXAM

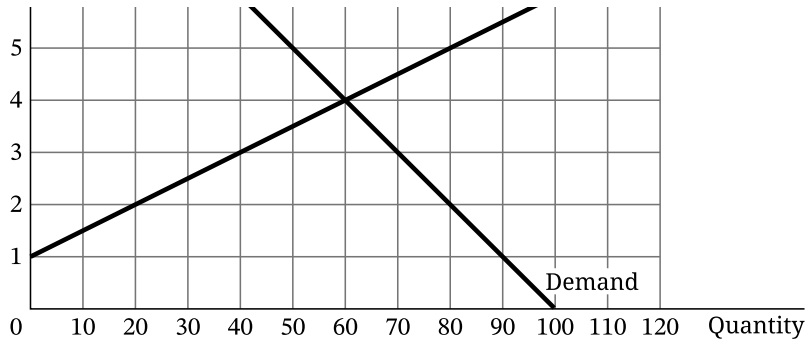
Question 2

2025 Set 1 ■ Q2

2. The graph provided shows the market for rice in the country of Rushland.



Question 2



Question 2

- A. Calculate the total economic surplus at market equilibrium. Show your work.
- B. If the government sets a price floor at \$3 per bushel, will there be a surplus, a shortage, or neither? Explain.
- C. Suppose that instead of the price floor, Rushland engages in international trade and the world price of rice is \$5 per bushel.
 - i. Will Rushland export or import rice? Explain using numbers from the graph.
 - ii. Calculate the domestic consumer surplus when Rushland engages in international trade. Show your work.
 - iii. Calculate the total revenue that Rushland's farmers will earn at the world price. Show your work.

Solution 2

(a)

Mark scheme

- Total Economic Surplus = $\frac{1}{2} \times (\$10 - \$1) \times (60 - 0) = \frac{1}{2} \times \$9 \times 60 = \$270$.
(Equivalently, Consumer Surplus + Producer Surplus = $\frac{1}{2} \times (\$10 - \$4) \times 60 + \frac{1}{2} \times (\$4 - \$1) \times 60 = \$180 + \$90 = \270 .) Must show work; final answer 270.

Solution 2

(b)

Mark scheme

- There will be NEITHER a surplus NOR a shortage. Explanation: a price floor set at 3 *per bushel* is below the equilibrium price (4), so it is not binding and therefore has no effect on the market price and quantity.

Solution 2

(c)(i)

Mark scheme

- Rushland will EXPORT rice. Explain with ONE of: (1) at the world price of 5, *the domestic quantity supplied is 80 bushels of rice, which is greater than the domestic quantity demanded*.
Rushland has a domestic surplus of 30 bushels of rice that can be exported.

Solution 2

(c)(ii)

Mark scheme

- Domestic Consumer Surplus $= \frac{1}{2} \times (\$10 - \$5) \times (50 - 0) = \frac{1}{2} \times \$5 \times 50 = \$125$. Must show work; final answer \$125.

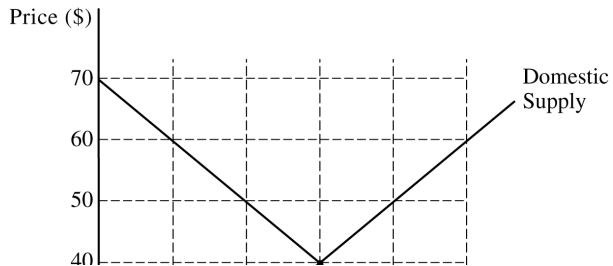
(c)(iii)

Mark scheme

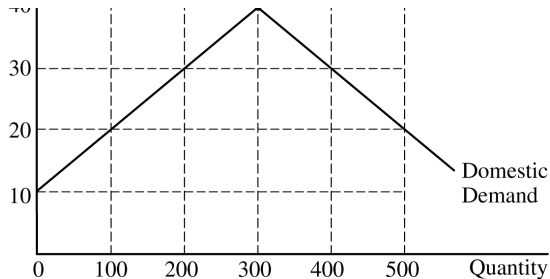
- Total Revenue = World Price $\times$ Quantity Sold $= \$5 \times 80 = \400 (quantity sold is the domestic quantity supplied at the world price, 80 bushels). Must show work; final answer \$400.

Question 2

2022 Set 2 ■ Q2



Question 2



2. The graph provided depicts New Zealand's domestic supply and demand for wool.
- Calculate the consumer surplus if New Zealand does not trade with the rest of the world. Show your work.
 - Instead, assume New Zealand decides to trade wool in the world market. The current world price of wool is \$60 per unit, and New Zealand is a price taker in the world market.

Question 2

- (i) How many units of wool will New Zealand export?
- (ii) What will happen to the consumer surplus of wool consumers in New Zealand when New Zealand begins to trade with the rest of the world? Explain.
- (iii) Will total economic surplus in New Zealand increase, decrease, or remain unchanged when New Zealand begins to trade wool in the world market? Explain using numbers.

(c) Now assume domestic demand in New Zealand increases. Will New Zealand's exports increase, decrease, or stay the same?

Begin your response to this question at the top of a new page in the separate Free Response booklet and fill in the appropriate circle at the top of each page to indicate the question number.

Solution 2

(a)

Mark scheme

- Consumer Surplus = $\frac{1}{2} \times 300 \times (\$70 - \$40) = \frac{1}{2} \times 300 \times \$30 = \$9,000/2 = \$4,500$ (using the no-trade equilibrium quantity of 300 units and the choke price of \$70 minus the no-trade equilibrium price of \$40).

Solution 2

(b) Mark scheme

- (i) New Zealand will export 400 units of wool (the gap between quantity supplied and quantity demanded at the world price of \$60). (ii) Consumer surplus in New Zealand will decrease: the domestic price rises from \$40 to the world price of \$60, which decreases the domestic quantity demanded of wool — consumer surplus falls from \$4,500 before trade to \$500 after trade. (iii) Total economic surplus in New Zealand will increase by \$4,000: producer surplus increases by \$8,000 while consumer surplus decreases by \$4,000, and since the producer-surplus gain exceeds the consumer-surplus loss, total surplus rises by $\$8,000 - \$4,000 = \$4,000$.

Solution 2

(c)

Mark scheme

- New Zealand's exports will decrease. When domestic demand increases, domestic quantity demanded at the world price rises while domestic quantity supplied is unchanged, shrinking the gap between quantity supplied and quantity demanded — i.e. the export quantity falls.