

2.9 International Trade and Public Policy

Name: _____ Class: _____ Date: _____

Total: 8 marks

Objective

Build the skills to answer exam questions on **international trade and public policy**.

You must be able to:

- compare a market under **autarky** 自给自足 with one open to trade at the **world price** 世界价格
- explain how a country becomes an **importer** or **exporter**
- analyse how a **tariff** 关税 and an **import quota** 进口配额 affect price, quantity, and deadweight loss

1 Worked examples

Study these first. Each one shows the method for a question type used later.

■ Importer or exporter

Compare the **world price** with the domestic (autarky) price:

- world price **below** domestic → the country **imports**;
- world price **above** domestic → the country **exports**.

■ Free trade

Free trade **raises total surplus**; when importing, consumers gain more than producers lose.

■ Trade barriers

A **tariff** or **quota** raises the domestic price, cuts imports, and creates a **deadweight loss**.

2 Practice

2.1 State when a country becomes an importer of a good.

[1]

2.2 State the effect of a tariff on the domestic price of an imported good. [1]

2.3 State the effect of free trade on total surplus. [1]

3 Exam-style questions

3.1 A country imports a good when the world price is _____ the domestic price. [1]

- **A** above
 - **B** below
 - **C** equal to
 - **D** unrelated to
-

3.2 A tariff on imports [1]

- **A** raises total surplus
 - **B** creates a deadweight loss
 - **C** lowers the domestic price
 - **D** increases imports
-

3.3 The world price of steel is below a country's domestic price.

(a) State whether the country imports or exports steel. [1]

(b) State the effect of free trade on domestic consumers. [1]

(c) State the effect of a tariff on the quantity imported. [1]

4 Go further

- work through the **2.9 International Trade and Public Policy** lesson on the **Learn** page;

- read the **Supply and Demand** section of the AP Microeconomics handout on the **Know** page.

Solutions

2.1 when the world price is below the domestic (autarky) price.

2.2 it raises it.

2.3 it raises total surplus.

3.1 B.

3.2 B.

3.3 (a) it imports steel. (b) they gain (they pay the lower world price). (c) it reduces the quantity imported.