CONCEPT: TARIFFS
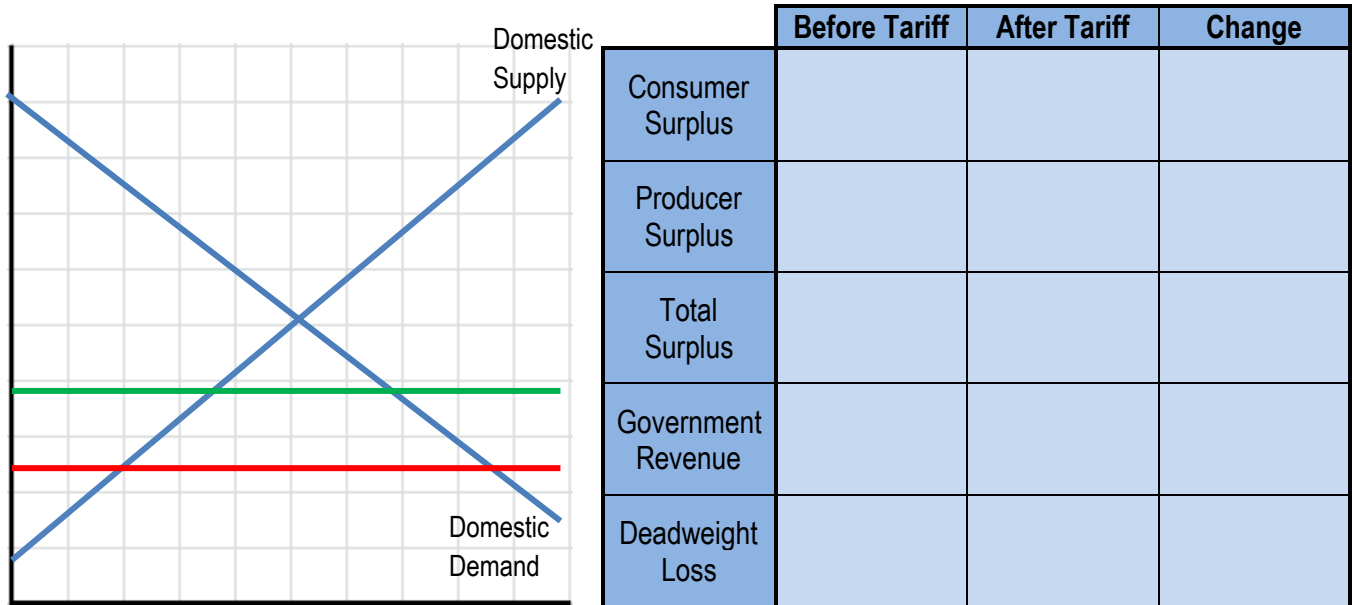
● A *tariff* is a tax on _____. Tariffs impede _____, but provide tax revenue for the government.

	Before Tariff	After Tariff	Change
Consumer Surplus			
Producer Surplus			
Total Surplus			
Government Revenue			
Deadweight Loss			

Domestic Supply

Domestic Demand

☐ A tariff causes consumer surplus to _____ and producer surplus to _____.

☐ As with all taxes, a tariff creates a _____ and provides the government with revenue.

● A government can impose a tariff for two reasons:

☐ *Revenue Tariff* – provides the government with tax revenue

☐ *Protective Tariff* – defends domestic producers from foreign competition

   - Domestic producers lobby government to add tariffs

PRACTICE: If a nation imposes a tariff on an imported good, it will increase

a) The domestic quantity demanded
b) The domestic quantity supplied
c) The quantity imported from abroad
d) All of the above

PRACTICE: Which of the following trade policies would benefit domestic producers, hurt domestic consumers, and increase the amount of trade?

a) An increase of a tariff in an importing country
b) A reduction of a tariff in an importing country
c) Starting to allow trade when the world price is greater than the domestic price
d) Starting to allow trade when the world price is less than the domestic price

PRACTICE: A tariff on imports benefits domestic producers because

a) They receive the tariff revenue
b) It prevents imports from rising above a specified quantity
c) It reduces their producer surplus, making them more efficient
d) It raises the price for which they can sell their products in the domestic market.
e) All of the above