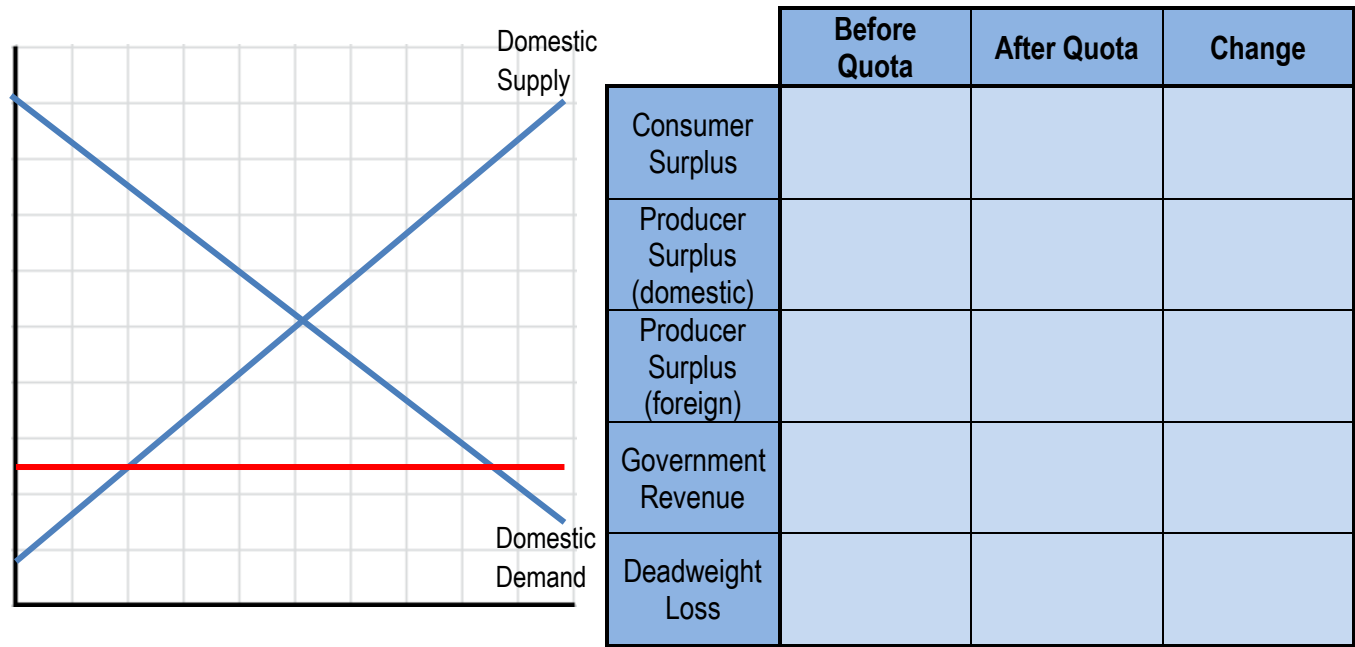


CONCEPT: IMPORT QUOTAS AND VOLUNTARY EXPORT RESTRAINT (VER)

- An **import quota** sets a numerical limit on the amount of a good that can be imported (ex. 1,000 units of the good).
 - Import quotas help protect domestic suppliers against low world prices.

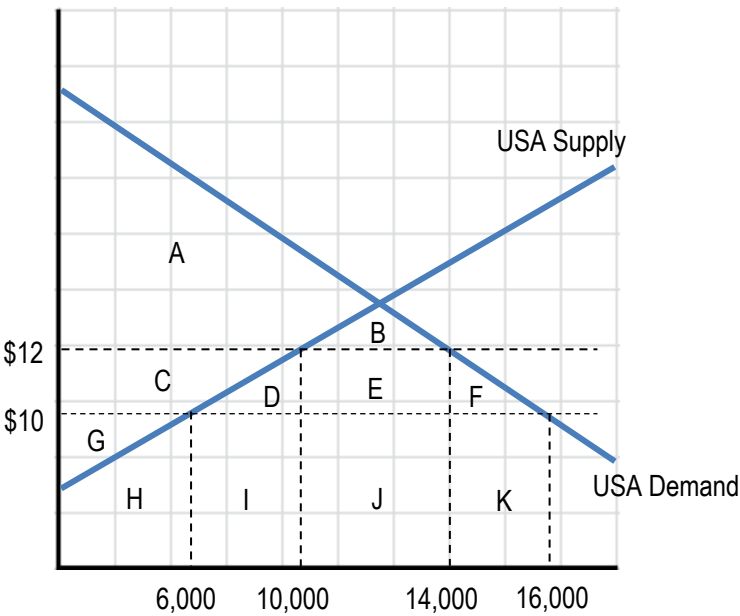
EXAMPLE: The world price for oversized lollipops is \$2.50. At the world price, domestic demand is 85,000 oversized lollipops and domestic supply is 20,000 oversized lollipops. The government sets an import quota of 25,000 units.



- An import quota causes consumer surplus to _____ and producer surplus to _____.
- A **voluntary export restraint (VER)** is an agreement between two countries placing a limit on the amount traded.
 - Same results as an import quota!

Tariff	Import Quota / VER
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PRACTICE: Suppose the USA currently both produces and imports wacky waving inflatable arm flailing tube men. The government decides to restrict international trade by imposing a quota that limits the import of wacky waving inflatable arm flailing tube men to 4,000 units. The figure shows the results of the quota. Fill in the following table, using the data from the figure.



	Without Quota	With Quota
World Price		
USA Price		
Quantity Supplied by US Firms		
Quantity Demanded by US Consumers		
Quantity Imported		
Area of Consumer Surplus		
Area of Domestic Producer Surplus		
Area of Deadweight Loss		