Quantitative Calculations: Tariffs



1. Label the domestic demand and supply curve for country Alpha (1).
2. Identify the equilibrium price and quantity before trade (1).
3. Country Alpha opens to international trade, the world supply price for rice is $3, identify the new equilibrium quantity demanded and domestic supply (1).
4. The government introduces a $2 tariff on imports to all rice. Draw the new world supply curve (1).
5. Calculate the change in expenditure by consumers after the tariff (1).
6. Calculate the change in imports after the introduction of the tariff (1).
7. Calculate the change in producer revenue after the introduction of the Tariff (1).
8. Calculate the change in consumer surplus after the tariff (1).
9. Calculate the deadweight/welfare loss following the introduction of the tariff (1).
10. Calculate the government revenue from the tariff (1).
11. Discuss the consequences of tariffs on different stakeholders (8).