

Learning Objectives

Chapter 9

In this chapter you will

- Consider what determines whether a country imports or exports a good
- Examine who wins and who loses from international trade
- Learn that the gains to winners from international trade exceed the losses to losers
- Analyse the welfare effects of tariffs and import quotas
- Examine the arguments people use to advocate trade restrictions

You should be able to

- Determine whether a country imports or exports a good if the world price is greater than the before-trade domestic price
- Show that the consumer wins and the producer loses when a country imports a good
- Use consumer and producer surplus to show that the gains of the consumer exceed the losses of the producer when a country imports a good
- Show the deadweight loss associated with a tariff or a quota
- Defeat the arguments made in support of trade restrictions