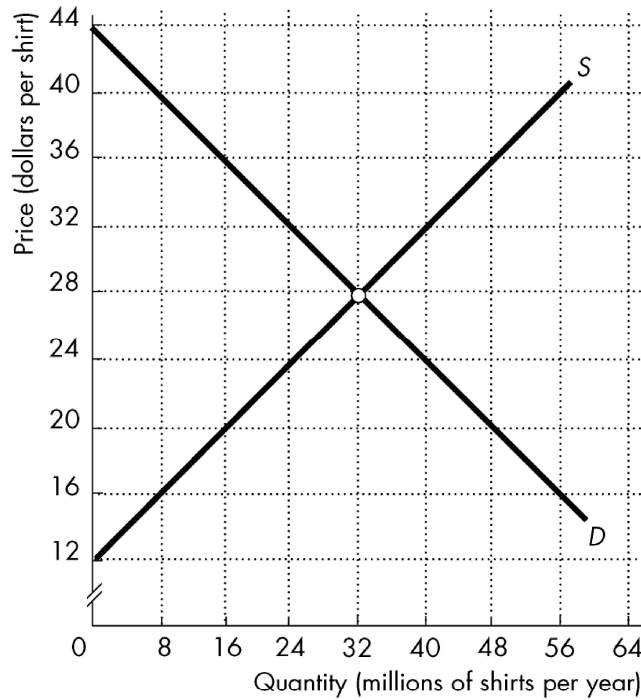


Choose the one alternative that best completes the statement or answers the question.



The figure shows the market for shirts in the United States, where D is the domestic demand curve and S is the domestic supply curve. The world price is \$20 per shirt.

- 1) In the figure above, with international trade Americans buy _____ million shirts per year. 1) _____
 A) 24 B) 48 C) 32 D) 16

- 2) In the figure above, with international trade _____ million shirts per year are produced in the United States. 2) _____
 A) 16 B) 20 C) 32 D) 48

- 3) In the figure above, with international trade the United States _____ million shirts per year. 3) _____
 A) exports 32 B) imports 48 C) exports 16 D) imports 32

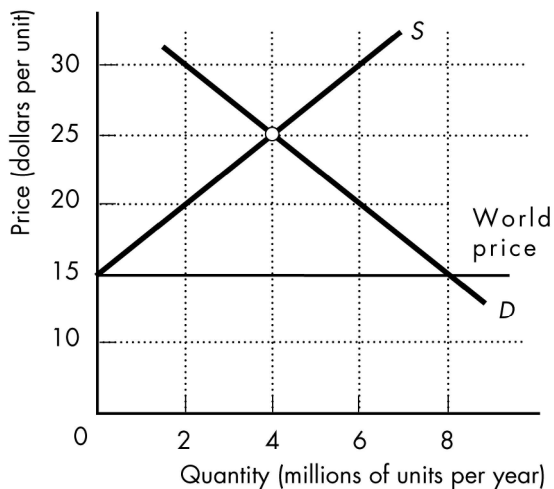
- 4) A tariff is a 4) _____
 A) tax on an exported good or service. B) tax on an imported good or service.
 C) subsidy on an imported good. D) subsidy on an exported good.

- 5) A major purpose of tariffs is to 5) _____
 A) discourage exports. B) encourage exports.
 C) encourage imports. D) discourage imports.

- 6) Tariffs and import quotas differ in that 6) _____
 A) one is legal, while the other is not.
 B) one is a form of trade restriction, while the other is not.
 C) one is imposed by the government, while the other is imposed by the private sector.
 D) one is a tax, while the other is a limit.

- 7) Suppose the country of Atlantica imposes a tariff on foreign-produced cars. As a result of the tariff, 7) _____
- A) there is an increase in the number of imported cars.
 - B) tariff revenue collected by the government in the Atlantica increases.
 - C) the gains from trade rise.
 - D) there are more efficient trade agreements between Atlantica and its trade partners.
- 8) Reducing a tariff will _____ the domestic production of the good and _____ the total domestic consumption of the good. 8) _____
- A) increase; increase
 - B) decrease; increase
 - C) decrease; decrease
 - D) increase; decrease

Write your answer in the space provided or on a separate sheet of paper.



- 9) The above figure shows the domestic supply of and domestic demand for an imported good. The world price is \$15 per unit.
- a) At the world price of \$15 per unit, what is the domestic consumption and domestic production?
 - b) At the world price of \$15 per unit, what is the quantity imported?
 - c) If the government imposes a tariff of \$5 per unit, what is the domestic consumption and domestic production?
 - d) With the \$5 per unit tariff, what is the quantity imported?
 - e) How much revenue does the government collect with a tariff of \$5 per unit?