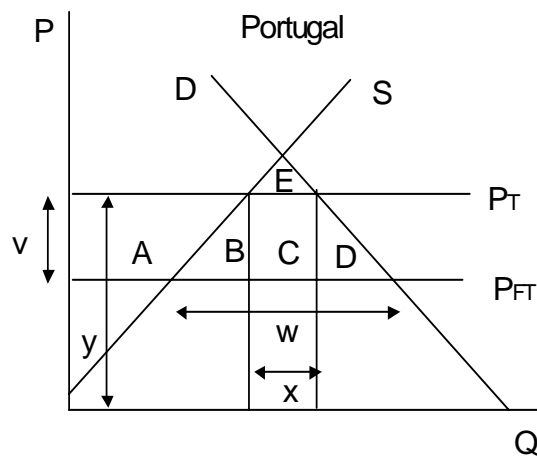


Trade Problem Set 90 2-6

1. Consider the following partial equilibrium diagram depicting the market for radios in Portugal, a small importing country. Suppose P_{FT} is the free trade price, P_T is the price in the Portugal when a tariff is in place. Answer the following questions by referring to the diagram. Assume the letters, A, B, C, D, E, refer to areas on the graph. The letters v, w, x and y refer to lengths. (be sure to include the direction of changes by indicating “+” or “-“)



A. Where on the graph is the level of imports in free trade?	
B. Where on the graph is the size of the tariff depicted?	
C. Where on the graph is the level of imports after the tariff depicted?	
D. Where on the graph is the tariff revenue collected by the importing government depicted?	
E. Where on the graph is the change in producer surplus from the tariff depicted?	

F. Where on the graph are the deadweight losses that arise with the tariff?	

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Last Updated on August 10, 2005