

IB Economics – International Trade

3.5: Trade Protection Arguments



IB Economics: www.IBDeconomics.com

3.5 TRADE PROTECTION ARGUMENTS: STUDENT LEARNING ACTIVITY

Answer the questions that follow.

1. DEFINITIONS

Define the following terms:

- Aggregate demand
- Allocative efficiency
- Average variable cost
- Barriers to trade
- Black market
- Comparative advantage
- Consumer surplus
- Cost-push inflation
- Costs of production
- Excess supply
- Exporting industries
- GDP
- Infant industry
- Misallocation of resources
- Private costs of consumption
- Producer revenue
- Productively inefficient
- Productivity
- Profit
- Profit margin
- Protectionism
- Quantity demanded
- Real income
- Strategic trade policy
- Supply-side policies
- Tariffs
- Welfare loss

[10 marks]

2. SHORT-ANSWER QUESTIONS

1. Explain which type of trade protection consumers are more likely to prefer. [4 marks]
2. In terms of a government's budget surplus/budget deficit, explain which type of trade protection measure will have a positive effect **and** which type will have a negative effect. [6 marks]
3. Identify the two stakeholder groups that will always benefit from the decision to impose barriers to international trade by a government. [2 marks]

3.5: Trade Protection Arguments

4. Outline the effects of a tariff on each of the following stakeholder groups. **[14 marks]**
- Domestic consumers
 - Domestic firms in the subsidised industry
 - Foreign firms competing in the domestic market
 - Domestic firms in unprotected industries
 - The government
 - Taxpayers
 - Society in general
5. Outline the effects of a tariff on each of the following economics factors. **[8 marks]**
- Employment
 - Production efficiency
 - Income distribution
 - Global resource allocation
6. Outline the effects of protectionist production subsidies on each of the following stakeholder groups. **[14 marks]**
- Domestic consumers
 - Domestic firms in the subsidised industry
 - Foreign firms competing in the domestic market
 - Domestic firms in unprotected industries
 - The government
 - Taxpayers
 - Society in general
7. Outline the effects of protectionist production subsidies on each of the following economics factors. **[8 marks]**
- Employment
 - Production efficiency
 - Income distribution
 - Global resource allocation
8. Answer the following questions regarding 'qualified' trade protection measures:
- Outline what is meant by a 'qualified' argument for trade protection **[2 marks]**
 - Identify **five** qualified arguments that can be used to support trade protection measures that can be imposed by a government **[5 marks]**
 - Explain how each of these can be valid in special circumstances **[15 marks]**
 - Explain the problems often associated with each **[15 marks]**
9. Answer the following questions regarding 'questionable' trade protection measures:
- Outline what is meant by a 'questionable' argument for trade protection **[2 marks]**
 - Identify **four** qualified arguments that can be used to support trade protection measures that can be imposed by a government **[5 marks]**
 - Explain how each of these can be valid in special circumstances **[12 marks]**
 - Explain the problems often associated with each **[12 marks]**

IB Economics – International Trade

3.5: Trade Protection Arguments

10. Explain why the wage protection argument for trade protectionism is invalid or incorrect. **[4 marks]**
11. Explain why trade protection is likely to lead to the misallocation of resources. **[4 marks]**
12. Explain why trade protection is likely to lead to reduced export competitiveness. **[4 marks]**
13. Explain why trade protection is likely to lead to increased costs of production. **[4 marks]**
14. Explain why trade protection is likely to lead to higher prices for consumers. **[4 marks]**
15. Explain why trade protection is likely to lead to increased costs of imported factors of production. **[4 marks]**
16. Explain why trade protection could lead to retaliatory trade wars. **[4 marks]**
17. Explain why trade protection could lead to corrupt practices. **[4 marks]**

3. MULTICHOICE QUESTIONS

Complete each interactive quiz.

[50 marks]



IB Economics – International Trade

3.5: Trade Protection Arguments



Source: www.IBDeconomics.com