2.24 Protectionism: Trade Barriers and Their Economic Effects: 10-minute Pack

AQA 7136 · Calculators not allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer all questions. Write full sentences for questions worth 4 marks or more and for the final 25-mark essay. No calculator is allowed.

1 State and explain two reasons why protectionism might increase employment in a protected domestic industry but not necessarily increase overall national employment in a developed economy such as the UK.

(Total for Question 1 is 4 marks)

2 Define an import quota and state one immediate effect it has on the quantity of imports in the domestic market of a developed economy.

(Total for Question 2 is 2 marks)

3 Explain briefly how an export subsidy works and name one direct effect it has on exports and on domestic producers in an economy such as the UK.

(Total for Question 3 is 2 marks)

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Mark scheme · 2.24 Protectionism: Trade Barriers and Their Economic Effects: 10-minute Pack

Question 1

states reason 1: protection raises domestic price and output in the protected industry, creating or preserving jobs there **B1**

explains reason 1: higher protected-sector production requires more labour, so employment in that sector can rise **B1**

states reason 2: protection raises consumer prices, reducing real incomes and spending elsewhere, which can lead to job losses in other sectors **B1**

explains reason 2: increased costs for downstream firms and reduced demand for other industries can offset protected-sector employment gains, so national employment may not rise **B1**

Answer: Protection can increase employment in the protected industry by raising its price and output, requiring more workers, but higher consumer prices and diverted resources can reduce demand and jobs in other industries, so overall national employment may not rise.

Question 2

an import quota is a legal limit on the physical quantity of a good that may be imported in a period **B1**

it immediately reduces the quantity of imports to the quota level, restricting supply of the imported good **B1**

Answer: An import quota is a legal limit on the quantity of a good that can be imported; it immediately reduces import volumes to the quota level, restricting supply of the imported good.

Question 3

an export subsidy is a payment by the government to firms for each unit exported, lowering their costs of selling abroad **M1**

direct effect: it tends to increase export volumes and supports domestic producers by raising revenues and protecting employment **A1**

Answer: An export subsidy is a government payment per unit exported that lowers firms' export costs; it tends to increase export volumes and raises revenues and output for domestic exporters, protecting jobs in those industries.

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