2.24 Protectionism: Trade Barriers and Their Economic Effects: Test Pack

Total Marks

AQA 7136 · Calculators not allowed · about 20 minutes

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 Multiple choice on trade barriers, in the context of UK trade policy: which barrier is a tax on imported goods collected by the importing country's government?

Choose the correct option and give one short reason why it is correct, in the context of UK trade policy. **(1)**

(Total for Question 1 is 1 mark)

2 Explain briefly two arguments in favour of free trade that are directly relevant when assessing protectionist policies in a developed economy such as the UK.

(Total for Question 2 is 5 marks)

3 Define the term 'tariff' as used in discussions of trade policy in a developed economy such as the UK.

(Total for Question 3 is 2 marks)

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4 State two arguments commonly made in favour of protectionism for a developed economy such as the UK, naming each argument briefly.

(Total for Question 4 is 2 marks)

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5 Explain briefly one economic difference between using an import quota and using a tariff to restrict imports of a manufactured good in the UK.

(Total for Question 5 is 3 marks)

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Mark scheme · 2.24 Protectionism: Trade Barriers and Their Economic Effects: Test Pack

Question 1

identifies B, tariff, as a tax on imports collected by the importing government **B1**

Answer: B. Tariff; it is a tax on imported goods collected by the importing country's government.

Question 2

identifies argument 1: allocative efficiency/consumer welfare via lower prices and greater choice **M1**

develops: free trade allows imports from lower-cost producers, lowering prices for consumers and increasing real incomes and welfare **A1**

identifies argument 2: dynamic efficiency and scale economies from open markets and competition **M1**

develops: exposure to competition encourages firms to innovate and exploit economies of scale, improving productivity over time **A1**

evaluative link: these benefits mean that protectionism's short-term gains for specific firms must be weighed against broader, long-term efficiency losses and higher prices for consumers **A1**

Answer: Free trade promotes lower prices and greater consumer choice, improving allocative efficiency, and encourages competition and scale economies that raise productivity over time; these broad benefits can outweigh narrow protectionist gains for a few industries.

Question 3

a tariff is a tax imposed on imported goods or services **B1**

it raises the domestic price of the imported good and can generate revenue for the government **B1**

Answer: A tariff is a tax on imported goods which raises the domestic price of those imports and generates revenue for the government.

Question 4

identifies the infant industry argument or national security argument or employment protection or anti-dumping as one named argument **B1**

identifies a second distinct named argument from the same set **B1**

Answer: Examples: the infant industry argument (to protect emerging domestic firms) and the national security argument (to protect industries vital for defence).

Question 5

identifies that a tariff raises government revenue per unit imported while a quota usually transfers scarcity rents to the quota holders (importers or foreign exporters) rather than the government **M1**

explains mechanism: tariff increases price and generates a rectangle of government revenue; quota limits quantity and can create an earnings transfer depending on how quota licenses are allocated **A1**

optional development: quota can lead to higher domestic price volatility and may be harder to adjust to changing demand than an ad valorem tariff **A1**

Answer: A tariff generates revenue for the government on each unit imported, whereas a quota restricts quantity and typically gives monopoly or scarcity rents to whoever holds the import licences, not the government, so the fiscal incidence differs.

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