

Questions 1-3 are related to the following information: Suppose that couscous is produced both domestically and abroad. For simplicity, assume that all couscous is purchased by US consumers. Purchasers of couscous do not care if it is produced domestically or abroad, only that it is couscous. The US is a small nation when it comes to the production of couscous.

Now, suppose a \$2 per meal tariff is levied on foreign producers of couscous.

1. In which direction does the price of couscous change? By how much? Be as specific as possible.
Price will increase, by \$2, the whole amount of the tariff.
2. What happens to the quantity of couscous produced domestically? **Increases.**
3. For each of the groups below, indicate whether they are better off, worse off, indifferent. If it can't be determined with the information you have, indicate that by stating "can't be determined".
 - a. Domestic producers of couscous – **better off**
 - b. US consumers of couscous – **worse off**
 - c. Foreign producers of couscous - **indifferent**
 - d. US society as a whole – **worse off**

Questions 4-6 are related to the following information: Suppose we have the same set up as in the prior questions, but instead, the good is steel, and the US is a large nation when it comes to the production of steel.

Again, suppose a \$2 per ton tariff is levied on foreign producers of steel.

4. In which direction does the price of steel change? By how much? Be as specific as possible.
Price will increase, by less than \$2.
5. What happens to US imports of steel (steel purchased from foreign producers)?
US imports will fall.
6. For each of the groups below, indicate whether they are better off, worse off, indifferent. If it can't be determined with the information you have, indicate that by stating "can't be determined".
 - a. Domestic producers of steel – **better off**
 - b. US consumers of steel – **worse off**
 - c. Foreign producers of steel – **worse off**
 - d. US society as a whole – **can't be determined**
7. Currently, there is an import quota on sugar in the United States. Which of the following would occur if the import quota were eliminated?
 - a. sugar prices in the US would rise
 - b. American sugar producers will be made better off
 - c. Sugar prices in world markets (i.e. outside of US) will rise
 - d. All of the above
 - e. **None of the above**