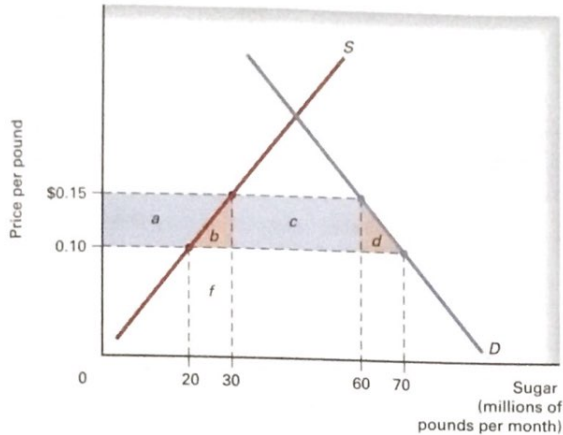
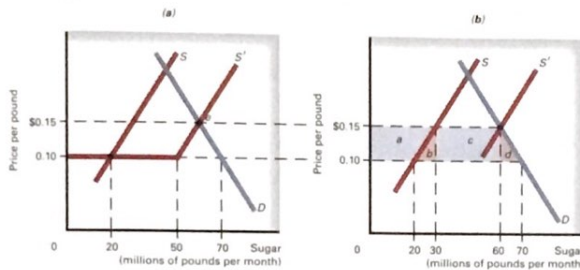


Effect of a Tariff



Effect of a Quota



7. (*Trade Restrictions*) The previous three graphs show net losses to the economy of a country that imposes tariffs or quotas on imported sugar. What kinds of gains and losses would occur in the economies of countries that export sugar?

17-3 Identify international efforts to reduce trade barriers

8. (*The World Trade Organization*) What is the World Trade Organization (WTO) and how does it help foster multilateral trade? (Check the WTO Website at <http://www.wto.org/>.)

17-4 Summarize five arguments often used to justify trade restrictions, and describe some unintended consequences of protecting certain industries from international competition

9. (*Arguments for Trade Restrictions*) Explain the national defense, declining industries, and infant industry arguments for protecting a domestic industry from international competition.
10. (*Arguments for Trade Restrictions*) Firms hurt by lower priced imports typically argue that restricting trade will save U.S. jobs. What's wrong with this argument? Are there ever any reasons to support such trade restrictions?

CHAPTER 18

18-1 Summarize the major accounts in the balance of trade, and explain how they balance out

1. (*Balance of Payments*) The following are hypothetical data for the U.S. balance of payments. Use the data to calculate each of the following:
- Merchandise trade balance
 - Balance on goods and services
 - Balance on current account
 - Financial account balance
 - Statistical discrepancy

Billions of Dollars

Merchandise exports	350.0
Merchandise imports	2,425.0
Service exports	2,145
Service imports	170
Net income and net transfers	221.5
Change in U.S.-owned assets abroad	245.0
Change in foreign-owned assets in U.S.	100.0

2. (*Balance of Payments*) Explain where in the U.S. balance of payments an entry would be recorded for each of the following:
- A Hong Kong financier buys some U.S. corporate stock.
 - A U.S. tourist in Paris buys some perfume to take home.
 - A Japanese company sells machinery to a pineapple company in Hawaii.
 - U.S. farmers gave food to starving children in Ethiopia.
 - The U.S. Treasury sells a bond to a Saudi Arabian prince.
 - A U.S. tourist flies to France on Air France.
 - A U.S. company sells insurance to a foreign firm.

18-2 Describe how the foreign exchange rate is determined using demand and supply curves and explain the shapes of the curves

3. (*Determining the Exchange Rate*) Use these data to answer the following questions about the market for British pounds:

Pound Price (in \$)	Quantity Demanded (of pounds)	Quantity Supplied (of pounds)
\$4.00	50	100
3.00	75	75
2.00	100	50

- Draw the demand and supply curves for pounds, and determine the equilibrium exchange rate (dollars per pound).
- Suppose that the supply of pounds doubles. Draw the new supply curve.
- What is the new equilibrium exchange rate?
- Has the dollar appreciated or depreciated?
- What happens to U.S. imports of British goods?