

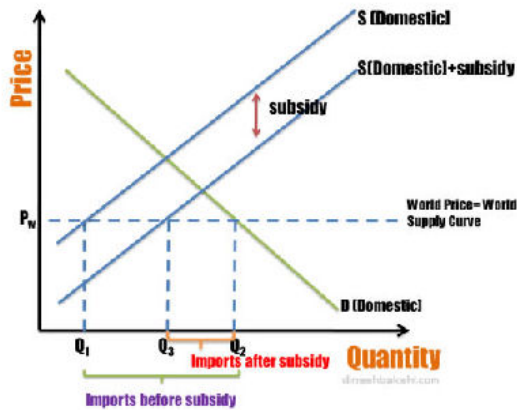
Imports fall
 consumers pay higher prices and buy less
 Domestic producers gain, Domestic employment increases
 Government gains from tariff revenues
 Tariffs are regressive in nature and thus worsen income distribution.
 Exporting countries lose due to fall in exports

- Health & Safety standards
- environmental standards
- embargoes
- red tapism

Administrative barriers

amount of money paid by the government to a firm, per unit of output

Consumption of the good is not affected
 Taxpayers lose as the tax revenue collected is being used for subsidies
 Domestic producers gain as the production increases
 Employment increases
 Exporting countries are worse off
 Global misallocation of resources

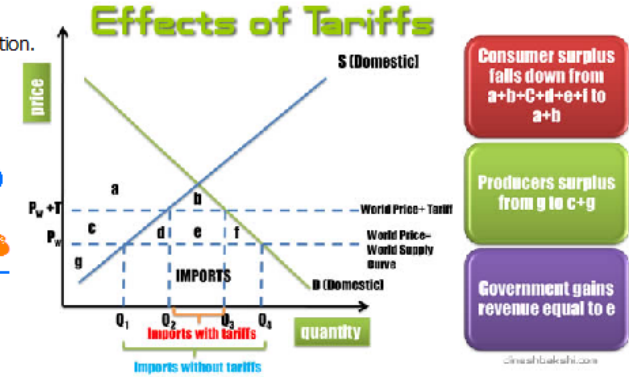


Types of Protectionism

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A tax that is charged on imported goods

Tariffs



Consumer surplus falls down from a+b+c+d+e+f to a+b

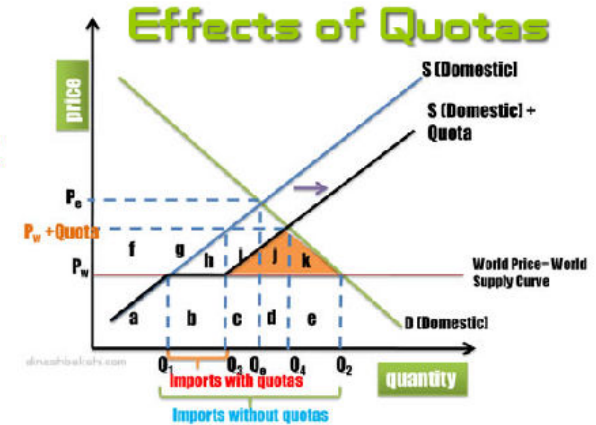
Producers surplus from g to c+g

Government gains revenue equal to e

Subsidies

A physical limit on the numbers or value of goods that can be imported into a country

Quotas



Domestic production increases
 domestic consumption and imports fall
 Consumers end up paying more.
 Domestic producers gain as they sell more at higher prices.
 Domestic employment increases
 Government gets quota revenues
 Domestic society is worse off due to decrease in consumption and production by less efficient producers
 Exporting countries lose revenue
 Global misallocation of resources as goods are being produced by inefficient producers.