

Winners & Losers from Free Trade & Trade Restrictions

The United States produces cars & it also imports cars from other countries. Using the decision to import cars from Japan as an example, first try to identify winners & losers from free trade. Then try to identify winners & losers when we place restrictions on trade or charge foreign companies money (a tariff) to bring their goods into this country. Briefly explain your answers in the spaces provided.

Part 1: Free Trade

Assume there are no limits to the number of Japanese cars that Japanese companies may sell in the United States & that the United States doesn't charge any tariffs to Japanese companies that sell Japanese cars in this country.

1. Which Americans are better off? Why?
2. Which Americans are worse off? Why?
3. Which Japanese are better off? Why?
4. Which Japanese are worse off? Why?

Part 2: Restricted Trade

Assume the United States now charges Japanese car companies a tariff to sell their cars in this country & also limits the total number of Japanese cars they may import.

5. Which Americans are better off? Why?
6. Which Americans are worse off? Why?
7. Which Japanese are better off? Why?
8. Which Japanese are worse off? Why?