



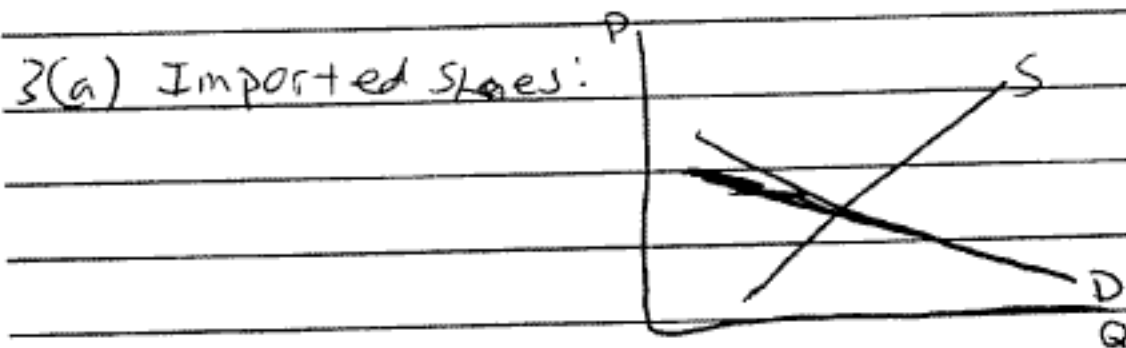
AP Microeconomics 2000 Student Samples

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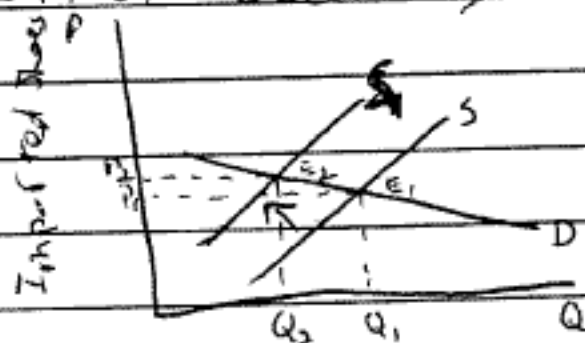
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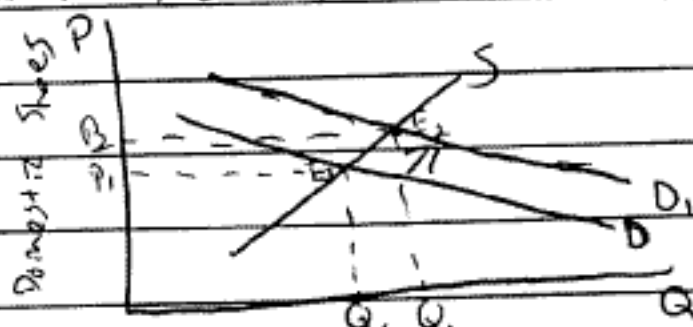
This is the market before the tariff. After the tariff, the market becomes S_1 and D



(i) Since this tariff shifts supply left, price will increase from P_1 to P_2

(ii) For the same reason, output will be reduced from Q_1 to Q_2 .

(b) Since imported and domestic shoes are substitutes, the increase in the price of one will ~~increase~~ increase demand for the other: from D to D_1



(i) Since demand increased, the price will increase from P_1 to P_2 .

(ii) For the same reason, output will increase from Q_1 to Q_2 .

3

Write in the box the number of the question you are answering on this page as it is designated in the examination.

3MICA₂

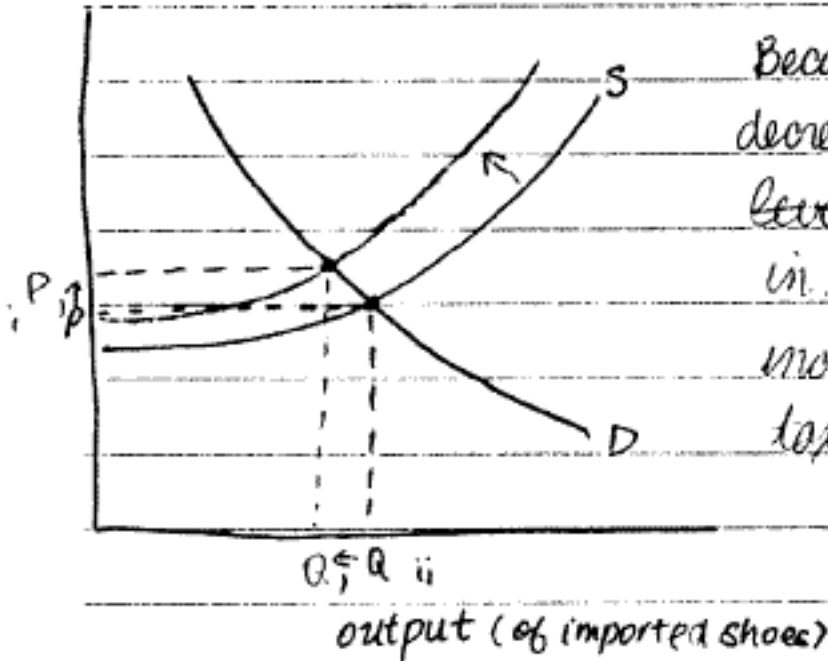
(C) Since ^{the demand of} imported shoes is price elastic, a small change in price yields a greater change in quantity. Thus, since the price increased due to the tariff, the quantity will decrease by a greater percentage. For this reason, I know the consumer expenditures on imported shoes will decrease.

Question 3

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3MIC CG 7

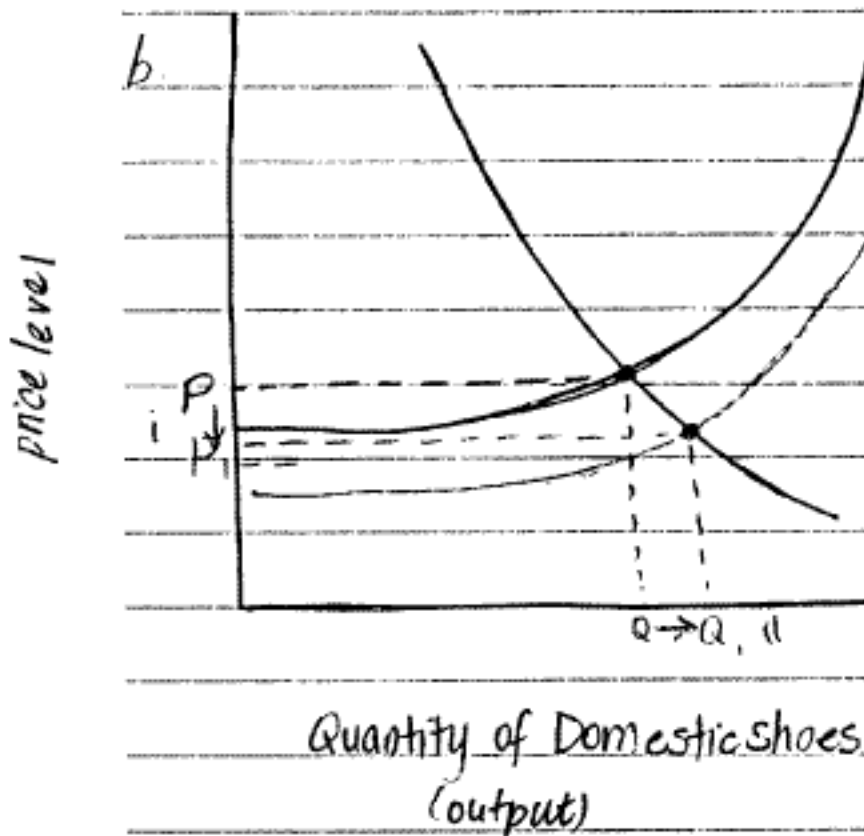
a. Effects of Tariff on Imported Shoes



Because the supply of imported shoes decreases, the supply curve shifts to the level left. This results in a decrease in the level of output, but it also increases the price ^{which} ~~who~~ suffers from taxation.

i. Price has risen

ii. Output has decreased (the ^{quantity} ~~number~~ of imported shoes has decreased)



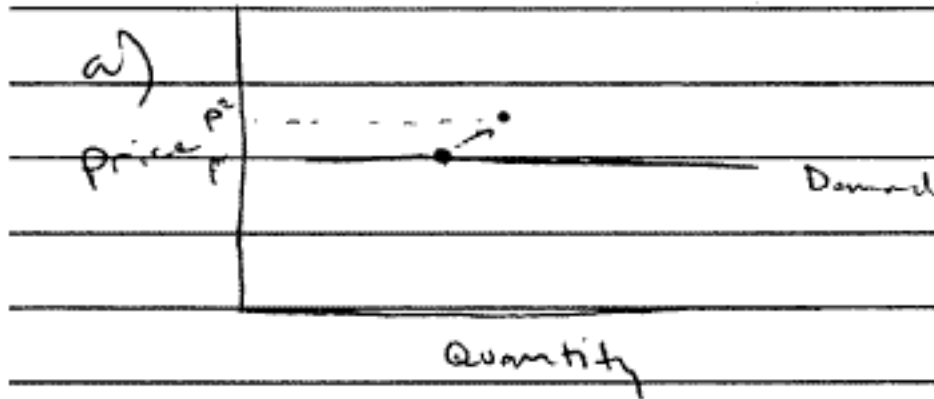
i. The price of domestically produced shoes is lower because it doesn't face the competition of the foreign industries. In addition, with the supply of more domestic goods the price goes down.

ii. The quantity of domestic shoes has gone up because there are less businesses in the market and they don't have to face the price was inflicted by their foreign competitors.

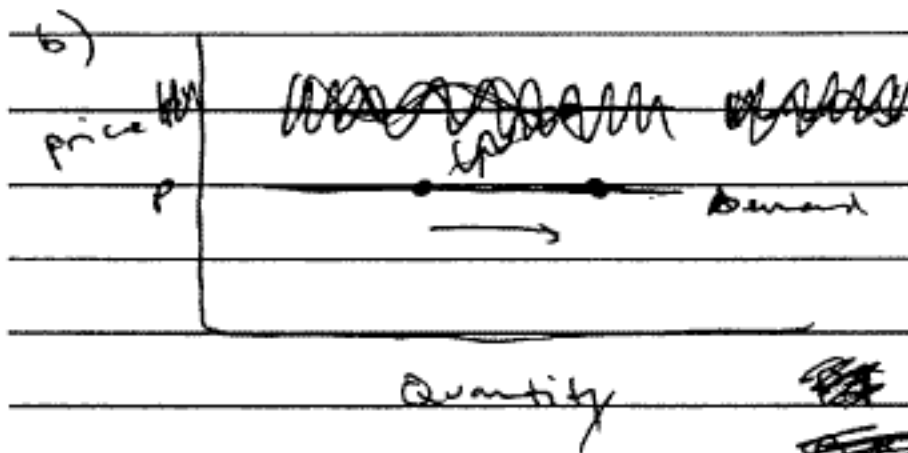
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Question 3

d. if the demand for imported shoes is ~~elastic~~ price elastic then the expenditures on imported shoes would decrease now that the domestic shoes are more affordable.



Price would increase and output would raise or decrease rapidly, substitution effect.



Quantity would increase due to less competition. Price would stay the same due to perfectly competitive market.

c) expenditures will decrease. The substitution effect will cause consumers to buy the cheaper and more available shoe.