# The Tariff Tradeoff

Use market data to weigh a policy's effects.

**OKH.P.2.4** "Identify the principles of economic systems and develop an understanding of the benefits of a market system in local, national, and global settings. Evaluate economic data from charts and graphs, noting trends and making predictions..."

NAME _____ DATE _____

## 1 READ AND MARK

Read it twice

**YOUR JOB** Underline a benefit of market competition and an intended effect of the tariff, circle two table values that show a trend, and number one possible unintended effect.

### Washing Machines in Cedarland

1 In the fictional country of Cedarland, families in the town of Riverbend can buy washing machines made at home or abroad. In a market system, shoppers choose what to buy, and businesses compete for their sales. Lower-priced imports may help households, while domestic factories may struggle to match those prices. Workers, shoppers, and factory owners have different interests.

2 To protect domestic factories, Cedarland's government places a tariff, or tax, on imported washing machines at the start of 2025. The table shows invented yearly figures for this case. Imports fall as average prices rise through 2026. Other factors, such as changing production costs, might also affect prices, so the table alone cannot prove the tariff caused every change.

**CEDARLAND WASHING MACHINE MARKET, INVENTED DATA**

| Year | Imported machines sold | Average price per machine |
|---|---|---|
| 2024 | 80,000 | $500 |
| 2025 | 65,000 | $540 |
| 2026 | 55,000 | $565 |
| 2027 | 60,000 | $555 |

3 Domestic factories might sell more machines and hire local workers, an intended effect of the tariff. However, shoppers may pay more, and exporters abroad may lose sales. Foreign governments might answer with tariffs on Cedarland's exports, hurting its other businesses. After the 2026 low, imports rebound slightly in 2027, while prices dip. Those shifts make predictions uncertain.

## 2 ANSWER WITH EVIDENCE

Use the passage

1. How could competition between domestic and foreign sellers benefit Cedarland shoppers?

2. If the change from 2026 to 2027 continues for one more year, what would you predict for imports and prices in 2028? Why is that prediction uncertain?

3. Use two numbers from the table to explain why a domestic factory owner might support the tariff but a shopper might oppose it.

4. What intended local effect could the tariff have, and what unintended global effect could follow if foreign governments respond?

## 3 YOUR TURN

Your own words

Propose a national policy other than a tariff to help Cedarland's domestic washing machine factories. In one paragraph, use at least two specific table values, predict an intended local effect and a possible unintended global effect, and explain why the data cannot prove what will happen.

ANSWER KEY

# The Tariff Tradeoff



## PART 1 · READ AND MARK

Underline a benefit of market competition and an intended effect of the tariff, circle two table values that show a trend, and number one possible unintended effect. Accept any marking that follows this job and points at the right text.

## PART 2 · ANSWERS

| # | QUESTION | ANSWER |
|---|---|---|
| 1 | How could competition between domestic and foreign sellers benefit Cedarland shoppers? | **Competition gives shoppers a choice of machines, including lower-priced imports.** |
| 2 | If the change from 2026 to 2027 continues for one more year, what would you predict for imports and prices in 2028? Why is that prediction uncertain? | **Imports would rise to about 65,000, and the average price would fall to about $545. The pattern could change, and factors besides the tariff may affect prices.** |
| 3 | Use two numbers from the table to explain why a domestic factory owner might support the tariff but a shopper might oppose it. | **Imports fell from 80,000 in 2024 to 55,000 in 2026, so a domestic owner might expect more sales. The average price rose from $500 to $565, which could hurt shoppers. The table does not prove the tariff caused either change.** |
| 4 | What intended local effect could the tariff have, and what unintended global effect could follow if foreign governments respond? | **Domestic factories in towns such as Riverbend might hire local workers. Foreign governments might place tariffs on Cedarland's exports, hurting its businesses that sell abroad.** |

## PART 3 · YOUR TURN (SAMPLE ANSWER)

Cedarland could offer grants to train workers at domestic washing machine factories instead of taxing imports. Imported machine sales fell from 80,000 in 2024 to 55,000 in 2026, while the average price rose from $500 to $565. Training could help a Riverbend factory improve its products and hire more local workers. An unintended global effect might be tougher competition for factories abroad. The table cannot prove these results because it does not show what training would change.

Accept other reasonable predictions and policy proposals when students use the data accurately and distinguish possible effects from proven causes.