

## ECON 5103 Unit 13, Video 3

### Government in the marketplace, part III

Other business regulations

Business taxes

International trade - tariffs and quotas

Rent-seeking: Should you lobby?

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### Some government agencies whose regulations you may have to heed (plus, don't forget your state and local government agencies):

Environmental Protection Agency  
Consumer Product Safety Commission  
Equal Employment Opportunity Commission  
Employment Standards Administration  
Occupational Safety and Health Administration  
National Labor Relations Board  
Interstate Commerce Commission  
Nuclear Regulatory Commission  
Securities and Exchange Commission  
Federal Communications Commission  
Federal Reserve System  
Food and Safety Inspection Service  
Food and Drug Administration  
Federal Energy Regulatory Commission  
Federal Aviation Administration  
Transportation Safety Authority  
Mine Safety and Health Administration  
Office of the Comptroller of the Currency  
Bureau of Alcohol, Tobacco, and Firearms  
U.S. Immigration and Naturalization Service

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## Some taxes that you may need to pay

### Federal:

Income, FICA, excise, tariffs

### State and Local:

Income, sales, excise, property, unemployment, workers compensation

## International Trade and Government:

**Tariff**: A tax on an imported good (often varies by country of origin)

### A few examples:

Cauliflower and broccoli: 0% to 14%

Small plates: 0% to 4.5%

Cars: 0% to 2.5%

Trucks: 0% to 25%

Bicycles: 0% to 11%

Athletic shoes: 0% to 10.5%

A tariff causes higher prices in the importing country (not only for the imported goods but also for competing domestic products)

A tariff benefits the owners and workers at some domestic producers.

A tariff harms domestic consumers.

**The short term benefit to domestic producers of a tariff is much smaller than the short term cost to domestic consumers.**

In the long run, it is theoretically possible to design a system of tariffs that would provide more benefits than costs to a country's residents (optimal tariff regime), but in **reality** this may not be possible.

If you are an exporter, know the tariffs in other countries and adjust your pricing accordingly

If you are an importer, consider the tariffs on imports when calculating production costs or retail prices

More on international trade and government:

**Import Quota:** A quantitative limit on the number of units of a product that are allowed to be imported into a country.

Examples of products with U.S. import quotas:

Brooms

Olives

Tuna

Cotton

Animal Feed

Peanuts

Sugar

Be aware of quotas if you are an exporter or an importer.

It can be very difficult, if you are a producer, to get your "piece" of another country's import quota; usually some representation is required.

An import quota causes higher prices in the importing country (not only for the imported goods but also for competing domestic products)

An import quota benefits the owners and workers at some domestic producers.

An import quota harms domestic consumers.

The short term benefit to domestic producers is much smaller than the short term cost to domestic consumers.

In the long run, it is theoretically virtually impossible to design a system of import quotas that would provide more benefits than costs to a country's residents.

### Rent-seeking:

When a firm tries to increase profits by changing the "rules of the game" to its advantage, usually by influencing government laws, taxes, and subsidies.

Rent-seeking by influencing government (laws, regulations, taxes)

Your firm can:

Hire your own lobbyist

Join an industry group that employs lobbyists

Use media to advertise a point of view

Give campaign contributions

These efforts are often effective, because consumers are so dispersed that they do not take collectively effective action influencing government.