

It be emphasised that  
the foregoing  
similarities between



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It is possible to extend the foregoing analysis to exports and export quotas by making similar assumptions. Important. It needs to be emphasised that the foregoing similarities between tariffs and quotas follow only under strict simplifying assumptions. For example, if domestic economy is not competitive, or if it takes very long to adjust its production pattern in response to changes in prices, or if world supply of G is not perfectly elastic, the above-said conclusions would undergo a fundamental revision.

Dissimilarities: On more realistic grounds, effects of quotas and tariffs can be quite dissimilar in several ways including the following: i.

As stated earlier, administration of quotas entails additional resource cost for the government and the economy. ii. A tariff directly adds to public revenue, while a quota does not. It, instead, adds to the profits of the suppliers, particularly of the quota holders.

iii. Quotas cripple the bargaining strength of importers. iv. It is argued by several analysts that a quota system has an inherent tendency to feed and strengthen monopoly elements while a tariff regime has an inherent tendency to promote competition. For that reason, therefore, tariffs should be preferred to quotas.