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How Trade Barriers Harm Economy

There is no doubt that when it comes to trade barriers, it results in hurting not only just people but the economy as well. The matter of fact is that the outcomes of trade restrictions hurt foreigners who wish to sell their services and goods to Americans. It has been observed that trade barriers affect the economy of a state to a greater level in the 21st century. Due to trade protectionism, a consumer tends to have a limited choice of goods and products, because there is a high chance of quotas on how much may be imported (Leamer et al., 1994). The outcome of such quotas results in allowing the consumers to acquire a limited choice such as quality, quality, and product type. When it comes to the protectionist policies that tend to intend for safeguarding jobs, companies, and industries actually mean that consumers are limited in goods and products availability. There is no doubt that such concerns with consumers may affect the economy as well.

There are some policymakers and economists that tend to believe that trade protectionism will be helping the economy of a nation. However, the actual case is a slight difference. Studies and research show that trade barriers have a significant effect on the economy of a nation. There is no doubt that it plays a vital role in damaging the economy. It has been observed that the outcomes of trade protection can result in causing a trade which can easily trigger a global recession (Stiglitz et al., 2016). Apart from this, there is no doubt that in case if tariffs are made more punitive and lead to a public trade spat with China, it may result in making the markets nervous. In a nutshell, it can be said that trade protection is in a high need to be considered in a careful manner. The reason for that is due to the dangerous repercussions it could possibly have a domestic economy and globally.

When it comes to tariffs, there is no doubt that they may increase the prices of imported goods. It must be taken into consideration that due to this, domestic producers are not forced for reducing their prices from the rise in competition, Apart from this, domestic consumers are seen left paying higher prices in the outcome. One thing that must be taken into consideration is the fact that tariffs tend to reduce efficiencies. All of this has been done by allowing the organizations that would not be existing in a more competitive market to remain open. The reason why trade barriers are not considered to be good for the economy of a country is that they decrease the overall productivity and efficiency within economies. It must be considered that such economies are affected by them.

Meanwhile, some trade barriers can be in the place within a free trade agreement for protecting the consumers from dangerous, or harmful products. The matter of fact is that in such cases, trade barriers may not be as harmful to the economy of a country. The majority of the trade barriers tend to work on a similar principle. Following that principle, if a trade agreement is once applied, it results in increasing the cost of traded goods. In the current scenario, tariffs are considered to be the trade barrier. Tariffs are considered to be the most simple and company way of applying a restriction on foreign trade (Leamer et al., 1994). In a nutshell, it can be said that they are based around the import tax rates. It must be considered that an increase in the import taxes will be resulting in discouraging people to buy goods from other states. Within the previous few centuries, tariffs were undoubtedly the main source of income for a government. However, taxes replaced tariffs later on.

There is a wide range of problems that consumers may face. One such example would be consumers facing the issue to pay more for the limited quality of products and goods. The outcomes of this result in causing inflation to a great increase. In case if the consumers tend to acquire a limited choice, pay more for the limited products and goods, and must settle for lower quality, then they will have to either purchase that product or not at all. The matter of fact is that domestic firms can be quite hurtful in terms of finance. The reason for that lies in the fact that such firms may have to purchase parts for making their products and then passing the increased cost to the consumers (Stiglitz et al., 2016).

When it comes to the increased heat of trade war between nations, it may result in a number of serious problems with trade protectionism. One such problem would be that nation will be takin reciprocal action in case there is seen trade protection policies put into effect. In such a scenario, the problem would be that the nations will be retaliating if they are not able to sell their products and goods in the marketplace where they normally could. It does not matter even if such national is military and political allies, there may be seen nations imposing countervailing subsidies, quotas, tariffs, and exchange rate controls for dealing with the actions of another nation. The best example in such a scenario would be of the U.S. and Japan. Both of these states are long-time allies in terms of military and politically as well since the end of World War 2.

Work Cited

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