Microeconomics

[Name of the Writer]

[Name of the Institution]

**Microeconomics**

**Answer 1**

The United States ranks as the third biggest exporter in the world, followed by the European Union and China. Coming to the top exports of America, goods are one of the major contributors bringing in 1.7 trillion and the biggest sub-category of exports is held by aircraft. (Leamer, & Stern, 2017). Other capital goods are inclusive of semiconductors, industrial machines, and telecommunications.

The industrial supplies make the third of the exports, including petroleum, chemicals, and plastic. Consumer goods make only 12% of the exports, with items like pharmaceuticals and cell phones. Automobiles make 9% of the exported goods and food, beverages, feed makeup 9% of the exports as well. Services make one-third of the exports, making 828 billion, travel services making the biggest chunk of that money.

When it comes to imports, 80% of them are goods. Capital goods make up 27% of all the goods that are being imported, which are inclusive of telecommunications and computers. Followed by consumer goods, then come industrial equipment and machinery and after that are vehicle parts, food, beverages, and feed. (Leamer & Stern, 2017). Lastly, we have service goods that make 18% of the imports.

When there is international trade, there are bound to be trade barriers, for instance, tariffs bring a rise in the prices. Further, a reduction in the number of available goods and services for American consumers and businesses is seen. This fact results in low income, reduction in employment and a decrease in the economic output.

**Answer 2**

When it comes to figuring out which goods a country should produce or export, it all depends on the comparative advantage (Tintelnot, 2017). If a country can produce a good efficiently at a lower price and the demand for that product is relatively low within the country, it can be mass-produced and exported to another nation which has a high demand for the good.

The rule is simple, every nation should produce goods that have a low domestic opportunity cost as opposed to other countries. Then, these goods can be exchanged in return for products which have a higher domestic opportunity cost (Tintelnot, 2017). This will mean that the country will become economically stronger by specializing in what they are good at and exchanging it for specialized products from other nations.

It is also called having a comparative advantage, which is the capability of a party or country to produce a service or good on a low opportunity and marginal cost over the other. For instance; Japan is good at producing foods and the United States is good at making computers. Both the countries will mass-produce and export the specialty to the other.

**Answer 3**

The World Trade Organization also referred to as WTO is the only global international organization that is dealing and managing the rules that are used for trading amid two countries. In the core are the WTO agreements, which are signed and negotiated by a chunk of the world's trading countries and further are ratified in their parliament. The main goal of WTO is to help and assist the producers of services and various goods, importers and exported have a smooth medium of conducting their business (Cottier, 2015). So, in short WTO is an organization that opened up trade for the trading nations.

To foster multilateral trade WTO brokers agreements amid the member nations. By doing so the member nations agree to decrease the trade barriers at a similar time that all the parties which are involved in the dealing benefit simultaneously. WTO agreements are usually quite complex and lengthy since they are legal texts that cover widespread activities. These principles make up the foundation and base of the multilateral trading system. These rules and agreements help create the perfect environment for financial investments and services from the strongest to weakest countries (Hoekman, 2018). The balance created by WTO helps the weaker countries from being seen as vulnerable, or the stronger country to appear as intimidating.

**Answer** 4

When we talk about trade, it helps create more jobs because there is a superior demand and need seen in the economy. It aids in providing a wider range of jobs as opposed to specific trades. It is simple, when the imports are cheaper, it permits the consumers to purchase and acquire a bigger chunk of products. The reason behind the rise in the buying power is the fact that as the jobs increase the wages also tend to increase and all of this helps in stimulating the economy as an overall (Irwin, 2017). As the consumerism rises, there is an upsurge in the production as well which also increases the need for getting a job.

If the entire scenario is looked at from a broader perspective, there is no reason behind not giving support to the restriction of trade if a person feels the need to bring an increase in the functioning of social welfare (Irwin, 2017). However, if a party is being selfish and is only caring for domestic production and firms, then that group is definitely against the support of trade restrictions.

The argument of restricting trade leading to the saving of US jobs is as inaccurate as it gets. By doing so, other countries will restrict their trade as well to secure the position of their nation. This will bring about a reduction in the export industry jobs, which will lead to the elimination of the benefit for the US jobs that will be saved. Further, with no competition from the foreign industries, the prices of the goods will increase in the US as well (Hirst, Thompson & Bromley, 2015). The only gain by putting this restriction in the US will be seen if the constraint does not bring a bigger drop in the export jobs which can lead to a bigger lay-off all across the country.

**References**

Leamer, E. E., & Stern, R. M. (2017). *Quantitative international economics*. Routledge.

Tintelnot, F. (2017). Global production with export platforms. *The Quarterly Journal of Economics*, *132*(1), 157-209.

Cottier, T. (2015). The common law of international trade and the future of the World Trade Organization.

Hoekman, B. (2018). Revitalising Multilateral Trade Governance. *Intereconomics*, *53*(5), 249-253.

Irwin, D. A. (2017). The false promise of protectionism: why Trump's trade policy could backfire. *Foreign Aff.*, *96*, 45.

Hirst, P., Thompson, G., & Bromley, S. (2015). *Globalization in question*. John Wiley & Sons.