

# UNIVERSITY OF THE PEOPLE

BUS 1103-01 Microeconomics- AY2024-T1

Learning Journal Unit 8

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Question1: Why does the government create trade barriers if they can potentially hurt a worker in an economy (due to lower wages)?

Governments sometimes implement trade barriers like tariffs and quotas even though these can hurt workers through lower wages because barriers aim to shield domestic industries and jobs from foreign competition. Restricting trade satisfies political interests lobbying for protection of their markets and employment and allows time for industries to improve competitiveness.

Barriers also preserve domestic production capability in key sectors and generate tariff revenue. However, protectionism raises costs for consumers and industries reliant on imports, reducing real wages and economic efficiency. Governments must balance these tradeoffs, using measures like adjustment assistance to transition impacted workers while optimizing overall trade policy for the economy.

a. What can be done to avoid trade barriers?

Trade barriers can be avoided by pursuing free trade agreements, offering adjustment assistance and workforce training, investing in innovation and competitiveness of domestic firms, using trade remedy laws judiciously, strengthening consumer education on trade benefits, improving safety nets for displaced workers, allowing gradual phase-ins for liberalization, compensating affected groups, and crafting inclusive trade policies that share benefits broadly.

b. As a consumer, what are your experiences with trade barriers?

As a consumer, I have experienced higher prices and limited product availability from trade barriers. Protectionist policies on electronics raised prices and reduced choices. I would prefer more open trade providing cheaper, higher-quality imports that benefit consumers.

c. What alternatives do you recommend replacing trade barriers?

Instead of imposing trade barriers like tariffs and quotas that restrict imports, I would recommend measures aimed at expanding trade while assisting affected groups. Governments could offer trade adjustment programs providing income support, retraining, and job search help for displaced workers to ease transitions. Investing in innovation, technology upgrades, and export promotion would improve domestic firms' competitiveness. Trade remedy laws could counter unfair practices without blanket protectionism. Compensation packages could assist heavily impacted communities. Allowing gradual phasing of trade deals would enable adaptation. Stronger consumer education and transparent trade policies would also build public support for open trade. Pursuing these alternatives focused on expanding opportunity could achieve economic openness while addressing worker and industry concerns more effectively than punitive barriers.

**Question 2: Why do you think labor standards and working conditions are lower in developing nations of the world than in other countries?**

Labor standards and working conditions tend to be lower in developing countries for a few key reasons. First, developing economies have a comparative advantage in labor-intensive manufacturing, so competitiveness depends partly on low labor costs and regulatory standards. Keeping standards low reduces production costs and attracts export-oriented factories and jobs. Second, developing countries often lack the governance resources and institutional capacities to properly monitor and enforce higher standards like advanced economies. Third, developing economies generally have large informal sectors with minimal oversight and regulation. Finally, the political power and influence of labor is much weaker in developing country democracies relative to advanced democracies, limiting the push for better rights and working conditions.

Question 3: Should a country impose higher safety standards on imported goods that exist in the foreign country where the goods were produced? Provide an explanation.

I do not believe countries should unilaterally impose their own domestic safety standards on imported goods produced under different conditions abroad. Doing so could be perceived as a protectionist barrier to target imports and favor domestic industries, rather than a genuine concern for safety. A more constructive approach is to use trade agreements and access to advanced markets as incentives for exporting countries to improve their standards, raise conditions, and strengthen labor regulations over time. Incremental, mutually agreed improvements with technical and financial assistance for capability building would help improve conditions while respecting national sovereignty. An absolute ban based on imposing unilateral standards risks being discriminatory and counterproductive. The aim should be to elevate standards through cooperation and incentives rather than coercion.

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References:

Greenlaw, S. A. & Shapiro, D. (2018). Principles of microeconomics, 2e. Open Stax Rice University. <https://d3bxy9euw4e147.cloudfront.net/oscms-prodcms/media/documents/Microeconomics2e-OP.pdf>

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