## Critical Thinking Questions

38.

Show graphically that for any tariff, there is an equivalent quota that would give the same result. What would be the difference, then, between the two types of trade barriers? *Hint*: It is not something you can see from the graph.

39.

From the [Work It Out](http://openstax.org/books/principles-microeconomics-3e/pages/20-1-protectionism-an-indirect-subsidy-from-consumers-to-producers#fs-idm78672016) "Effects of Trade Barriers," you can see that a tariff raises the price of imports. What is interesting is that the price rises by less than the amount of the tariff. Who pays the rest of the tariff amount? Can you show this graphically?

40.

If trade barriers hurt the average worker in an economy (due to lower wages), why does government create trade barriers?

41.

Why do you think labor standards and working conditions are lower in the low-income countries of the world than in countries like the United States?

42.

How would direct subsidies to key industries be preferable to tariffs or quotas?

43.

How can governments identify good candidates for infant industry protection? Can you suggest some key characteristics of good candidates? Why are industries like computers not good candidates for infant industry protection?

44.

Microeconomic theory argues that it is economically rationale (and profitable) to sell additional output as long as the price covers the variable costs of production. How is this relevant to the determination of whether dumping has occurred?

45.

How do you think Americans would feel if other countries began to urge the United States to increase environmental standards?

46.

Is it legitimate to impose higher safety standards on imported goods that exist in the foreign country where the goods were produced?

47.

Why might the unsafe consumer products argument be a more effective strategy (from the perspective of the importing country) than using tariffs or quotas to restrict imports?

48.

Why might a tax on domestic consumption of resources critical for national security be a more efficient approach than barriers to imports?

49.

Why do you think that the GATT rounds and, more recently, WTO negotiations have become longer and more difficult to resolve?

50.

An economic union requires giving up some political autonomy to succeed. What are some examples of political power countries must give up to be members of an economic union?

51.

What are some examples of innovative products that have disrupted their industries for the better?

52.

In principle, the benefits of international trade to a country exceed the costs, no matter whether the country is importing or exporting. In practice, it is not always possible to compensate the losers in a country, for example, workers who lose their jobs due to foreign imports. In your opinion, does that mean that trade should be inhibited to prevent the losses?

53.

Economists sometimes say that protectionism is the “second-best” choice for dealing with any particular problem. What they mean is that there is often a policy choice that is more direct or effective for dealing with the problem—a choice that would still allow the benefits of trade to occur. Explain why protectionism is a “second-best” choice for:

1. helping workers as a group
2. helping industries stay strong
3. protecting the environment
4. advancing national defense

54.

Trade has income distribution effects. For example, suppose that because of a government-negotiated reduction in trade barriers, trade between Germany and the Czech Republic increases. Germany sells house paint to the Czech Republic. The Czech Republic sells alarm clocks to Germany. Would you expect this pattern of trade to increase or decrease jobs and wages in the paint industry in Germany? The alarm clock industry in Germany? The paint industry in Czech Republic? The alarm clock industry in Czech Republic? What has to happen for there to be no increase in total unemployment in both countries?