

Chapter 35 Project

Globalization and Protectionism

Purpose

After finishing this chapter, you have learned that tariffs, tools for restricting the flow of trade, are associated with both costs and benefits that impact entire countries, producers, and consumers. Let's explore how tariffs relate to your everyday life.

The purpose of this exercise is to help you understand the costs and benefits of tariffs, as well as the considerations of decision makers who must identify whether tariffs are beneficial enough to society to implement.

Directions

This exercise has two parts. In the first, you will consider a tariff imposed on a good important to your life. In the second, you will put yourself in the shoes of a decision maker who must decide whether or not to support the tariff.

Part 1 - How Tariffs Affect Countries, Producers, and Consumers

Tariffs are taxes that governments impose on imported goods and services, which in turn make imports more expensive for consumers. Tariffs are also considered a form of protectionism. While protectionism raises the price of the protected good in the domestic market, domestic producers earn more.

On September 24, 2018, President Donald Trump approved a 10% tariff on goods imported from China. The motivation behind the tariff was to discourage China from carrying out unfair trade practices with the United States. Some of the taxed goods included mandarin oranges, rawhide for pets, hair care products, dog leashes and collars, luggage, handbags, wrapping paper, gas grills, makeup mirrors, vacuum cleaners, toothbrush replacement heads, razors, air conditioners, futons, patio furniture, wooden furniture, and mattresses.

First, choose one of the products listed previously that you consider to be important in your everyday life.

Then, referring to this chapter, complete a chart for your chosen product with at least five benefits and five costs associated with a 10% tariff on your chosen product. You may list more if applicable.

When identifying costs and benefits, think both big and small and be specific. Consider both international and domestic effects, as well as the impact on both producers and consumers, including yourself.

Completing your chart requires you to think about this tariff in the context of your own everyday life. The best analysis will be specific and demonstrate not only your understanding of the economic consequences of a tariff but also application to your own experiences as a consumer.

Part 2 - Thinking Like the Decision Maker

In Part 1, you identified the costs and benefits associated with a 10% tariff on a good considered important in your everyday life. Policy makers must often make similar considerations, as well as weigh the associated costs and benefits to determine whether they merit implementation or discontinuation of the policy. This is particularly challenging when a wide range of economic participants are affected and policies have political implications.

For Part 2, imagine you are asked to make a recommendation to the president regarding continuation of the 10% tariff on the imports from China. Write a business memo of professional quality that includes the following parts:

- A confident statement recommending that the tariff be continued or discontinued
- Justification for your recommendation, generalized from the benefits and costs for your chosen product in Part 1
- A description of the economic participants affected by your recommendation and how they are affected
- A suggestion for how the United States should alternatively confront China's unfair trade practices should the tariff be discontinued

To inform your recommendation, consider your analysis in Part 1. The best recommendations will be confidently stated, with justifications that are consistent with economic theory. There is not a single correct analysis; therefore, answers will vary.

Checklist

Part 1

- ☐ Choose a product with a 10% tariff.
- ☐ List benefits and costs of the tariff.

Part 2

- ☐ Reflect on the impact of tariffs in your everyday life.
- ☐ Make a recommendation on continuing or discontinuing the tariff.
- ☐ Construct a business memo supporting your recommendation.