

macroeconomics essay

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Protectionism and the US Economy

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Protectionism and the US Economy

Protectionism involves the situation where a country imposes tariffs on imported goods forcing its citizens to incur more expenditure in promoting domestic production (Weymouth, 2017). Higher taxes are imposed on the imported goods so that to discourage importation naturally. Equally, Import tariffs are taxes on goods imported into a country, ultimately raising the price of the import. There can be both pros and cons to imposing duties on imported goods. One benefit is protecting the industry inside the nation receiving the import (Weymouth, 2017). By imposing a tariff, the cost of imported products increases making products produced inside the country more appealing. A significant disadvantage of import tariffs is other nations generally will retaliate, imposing duties on any products we are exporting.

The protectionism policy has more demerits than merits in the long-term. In reviewing the history of U.S. trade, when tariffs are imposed and trade restricted, the U.S. economy worsens (Griswold, 2017). In the era around the great depression, the Tariff Act of 1930 was implemented to aid farmers hurt by deflation in the 1920s. The Tariff Act provoked retaliation against U.S. exports and did little to help the farmers. According to Griswold (2017), there is no scenario where the U.S. can benefit from unilateral protectionism. Imposing high tariffs on Mexico would impact the unskilled worker employment in Mexico, leading to increased illegal migration into the U.S. This then has a negative impact on the U.S. in the form of cost and loss of American jobs. The situation is also negative with China, but in this situation, there is increased likelihood of retaliation through export restrictions or currency markets (Griswold, 2017).

Too much imposition of these tariffs may lead to the slowdown of an economy hence causing a recession (Weymouth, 2017). The country will not enjoy the economies of scale,

learning, experience and competitive advance that come with free trade agreements. These aspects will adversely affect the gross domestic product (GDP), cut off spending on foreign investments, lower the employment opportunities for her citizens, and hence causing inflation. For instance, when a recession happened in the United States, the country declined economically while it helped in the development of the GDP for the European market. According to Weymouth (2017), this situation happened because investors wanted to invest in a more strong economy that allowed free trade hence preferred Europe to the US. More employment opportunities were available in Europe attracting even the US citizen to seek jobs there. By so doing, the European economy developed faster compared to the US which in turn led to the fall of household income for the US workers and raising bankruptcy. As a policymaker, I would instead go for free trade area agreements that protectionism. Free trade allows growth of business and competitive advantage. It attracts investment and raises household income by increasing the employment opportunities and working conditions hence, stabilizing the country's economy.

In conclusion application of protectionist policies in the US may help boost domestic production if regulated wisely. They will ensure that a country's local manufacturers reap from their sales and the state generates more revenue than in free trade. However, the policies should never be overrated because their implications are damaging because the procedures as well may lead to obstruction of other benefits such as competitive advantage, attracting investment and getting more experience and learning from foreign technology.

References

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