

# Trade case studies

[Literature](#), [Russian Literature](#)



Trade Case Studies Trade Case Studies Paul Krugman, an academic economist Princeton was given the coveted Nobel Peace Prize in Economic Sciences in the year 2008 for his outstanding work. Krugman showed how economies of scale can aid in giving an explanation of the trade patterns and the production location activity. His less-scholarly work adds to the respect he has gained for the contributions that have gained him the Nobel Prize because he has come up with a new theory of trade in regards to world trade that previous theories could not. Moreover, his theories have become essential in the analysis of economic geography and the flows of trade commerce among the developed countries (Worek, 2008, p. 23). The models of trade developed by Paul Krugman can also explain intra-industry trade as an outcome of economies of scale, monopolistic competition, and consumer preference for product diversity. The development in the field of geography led to his work crediting especially since it helps to explain the core periphery pattern of urbanization and migration as witnessed in much of the world. Also, Paul Krugman has made noteworthy contributions to the research on strategic policies of trade and currency crises.

2.

The trade businesses which have trade patterns that conform to Krugman's theory are clothing, shoes, restaurants, and service businesses in major cities. The trade patterns conforming to Krugman's theory exhibited by these businesses show that the costs of production reduce with increasing market prices resulting in lower equilibrium prices for the products.

3.

Globalization can have challenging drawbacks to some countries in the

world. First, the importation of cheap products from developing countries could lead to high levels of unemployment in developed countries due to the high costs of production. Secondly, the specialization in particular products by some countries could lead to unemployment in other non-prioritised sectors of the economy. Finally, globalization has led to intense competition for upcoming businesses in developing countries and the ‘Dumping’ of goods below the cost of production price harming the businesses in those countries (Perloff, 2004, p. 7). Globalization as a world issue of concern has had a positive effect on my life due to the creation of a free trade zone, elimination of trade restrictions such as trade tariffs, a wide range of products and services to choose from, and reduction of transportation costs, for example, the cost of shipping for goods

2.

1.

The ignorance of the possible job losses in the dry-cleaning business has the overall effect of raising the prices and costs associated with the restrictions in trade. The dry cleaners can hardly oppose the tariff on wire hangers from China due to the rising costs of transacting business countrywide and the need to solicit customers for unused hangers. The US government imposition of tariffs on wire hangers from China benefits the US manufacturers of wire hangers at the expense of the dry cleaners and the clients who would benefit alternatively from the low-priced imports from China (Duesterberg & Preeg, 2003, p. 5).

2.

Tax rebates or export subsidies should factor in government analysis of

trade policies in order to avoid the double taxation of exports and improve the nation's competitive advantage in international markets. A tax rebate by the government should consider the real cost price of products in international markets and fuel the advancement of its companies' exports in the international markets. The government should ensure that the subsidy on exports is not a heavy fiscal burden (Perloff, 2004, p. 15).

3.

There are inadvertent environmental benefits from the imposition of tariffs of wire hangers from China, for example, the recycling of wire hangers prevents environmental pollution and reduces business costs. The US government cannot encourage dry cleaners and clients to reuse wire hangers without resorting to an imposition of tariffs on Chinese wire hanger manufacturers to protect the US wire hanger manufacturing industry, and also avoid the high levels of unemployment resulting from increased prices and costs of production.

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