



## Globalization: Reading About Subsidies and Tariffs

Grade level: 9–12

Time estimate: 1 50- to 70-minute class period

BY STACI GARBER

### Lesson Overview

After analyzing a historical political cartoon, students will read about government interventions in international trade and work together to analyze the costs and benefits of different trade interventions. Focusing on standards, subsidies, and tariffs, students will use text to determine who might benefit from trade interventions and who might bear the costs. Students will evaluate the consensus among economists regarding protectionist trade policies. Students will respond to an exit ticket RAFT (role, audience, format, topic) strategy that allows them to synthesize and question trade interventions and trade protectionism.

### Objectives

- Describe how standards, subsidies, and tariffs affect the efficiency of international trade
- Summarize and synthesize policy essay excerpts about trade interventions
- Evaluate economists' consensus on government interventions in trade policy

### Vocabulary

- Comparative advantage
- Liberalization
- Standards
- Subsidies
- Tariffs

- Markers/highlighters
- Giant sticky note posters (optional)

## Materials

- Warm-up political cartoon worksheet
- “I Do” text analysis example
- “We Do” text analysis worksheet
- 5 essay segments with analysis questions
- Economist attitudes graph worksheet
- Exit ticket

## Pework (if applicable)

Teachers and students must have completed the Globalization Day 3 simulation for the Spheradell references in this lesson to be most effective. Students should have some knowledge of comparative advantage, standards, subsidies, and tariffs. Place desks in 5 groups. If you completed the Globalization Day 3 simulation, you may want to leave desks in this 5-group arrangement for the entire week.

If you want students to move around the room, glue the texts to large sticky note posters and stick these around the room. You can write the instructions and analytical questions on the poster to guide the groups as they move through. Leave markers and highlighters at each station so students can write largely. You, of course, may simply use and pass the printed worksheets, but many teachers appreciate an opportunity to get students moving.

## Warm-Up

Have students complete the warm-up worksheet by addressing the cartoon as follows:

- Show students a cartoon or image that portrays information about the impact of tariffs. The questions in this activity are specifically tailored for [this image](#) (from *Puck* magazine published on September 23, 1908). However, you may also use [this image](#) (from *Puck* magazine published on December 23<sup>rd</sup>, 1908), [this image](#) (from *Puck* magazine published on May 17<sup>th</sup>, 1911), or another image or cartoon of your choosing. When using a cartoon, be sure to use an image that will be well received by your students and tailor the warm-up questions/responses as needed.

- Have students complete the “See/Think/Wonder” chart based on the cartoon. Answers may vary. Encourage students to write at least 2 items in each column.
- Ask the following questions.
  - According to the cartoonist, who benefits from tariffs? How can you tell? (The cartoon identifies “protected interests” as receiving the benefit of tariffs. When reviewing answers, it may be helpful to ask students: Who might be included in protected interests? Industries? Business owners? Does the hand holding the glass seem to belong to a person with wealth or a person experiencing poverty?)
  - According to the cartoonist, who bears the cost of tariff policies? How can you tell? (The cartoon shows consumers receiving none of the benefits. Students should determine that this means they are bearing the cost. When asking students to report out, press them for an explanation by asking why the consumer is holding the glass with both hands. Why are the consumers' hands smaller?)
  - The cartoonist's work seems to explain why governments might pursue tariff policies. What does the cartoonist seem to think about the government's interest in tariff policies? How can you tell? (The hand pouring the champagne belongs to the Republican Party, and the caption reads, “That's how.” These facts, taken together, indicate that the Republicans will stay in power by using tariffs to steer benefits toward protected interests. It may help to remind students to look at the header information. Point out that 1908 was a presidential election year and that these elections occur in early November, making this cartoon's publication roughly 5 weeks prior to a presidential election.)
  - How does this cartoon relate to your experiences with trade barriers in Spheradell (Answers will vary but should converge around the fact that fewer Sphere-Sweet Treats were produced. That impacts consumers who cannot consume the treats.)
- Review findings with students and press for further analysis using the questions above if necessary.

## Lesson Activities

- Distribute the first 2 essay segments on the front and back of 1 page. The first page contains an example of how to perform the analytical steps necessary for the 5 documents they will work on in their groups. The back page provides an opportunity to practice these skills in a whole-class format.
- Walk students through the analytical process in the example essay excerpt (below) from “Comparative Advantage” by Donald J. Boudreaux. This is the same essay used for reading analysis activities in the Globalization Day 2 lesson. It can be found in its

entirety here: <https://www.cato.org/publications/comparative-advantage>

“Is Government Intervention Needed to Improve an Economy's Comparative Advantages?”

Fortunately, to ensure vigorous economic growth, we don't have to rely on the state to engineer improved comparative advantages. Not only does the state have little prospect of succeeding at this task, but individuals have strong incentives and abilities to change their comparative advantages from worse to better. . . .

These individual- and firm-level efforts to change their comparative advantages are, unlike industrial-policy efforts, guided by market prices. When the wages paid to workers with particular skills rise, other workers are incited to acquire those skills—that is, to change their comparative advantages. When the prices of some outputs rise relative to the prices of other outputs, entrepreneurs shift their efforts into the production of the now-higher-priced outputs, thus often altering their comparative advantages.

Also, unlike industrial-policy efforts, private efforts to explore and pursue different comparative advantages are disciplined by the prospect of loss. Not spending other people's money, private workers and firms abandon failed projects as soon as the likelihood of failure appears sufficiently high. Government officials, in contrast, are too likely to throw (other people's) good money after bad, promising that the vision earlier sold to the public will be realized if only the government shoves yet more resources into the pet projects.”

## **MODEL (“I DO”)**

### **STEP 1**

Show students how to begin the analytical process by identifying 15–20 words or phrases you believe are necessary to understand the excerpt. Examples of words are below.

- Government intervention
- Comparative advantage
- Economic growth
- State
- Incentives
- Individual
- Firm

- Policy
- Market prices
- Wages
- Skills
- Outputs
- Entrepreneurs
- Money
- Resources

### STEP 2

Write and display a magnet summary using the words you identified from the text. For example, you might show students a summary that says: "Government intervention seeks to improve comparative advantage by creating policies that change incentives to encourage individuals and firms to change outputs. State efforts in this regard ignore market prices and wages, which act as signals for entrepreneurs seeking to use resources and skills most efficiently. By seeking profit and avoiding loss, individuals and firms are often more efficient at improving their own comparative advantage."

### STEP 3

Model responding to the following questions.

- Who might benefit from government intervention: risk-averse entrepreneurs or firms reliant on government intervention?
- Who might bear the cost of government intervention: competitive firms, taxpayers, or consumers?
- Are government interventions good or bad for the economy? Why? (According to this excerpt, government intervention is bad for the economy because it does not allow entrepreneurs to use market signals to innovate in ways that can improve economic efficiency and shift comparative advantages.)

## WHOLE CLASS WORK ("WE DO")

Work with students on repeating the process as a whole group using the second excerpt from "Trade Buys Goods, Services, and Time" by Gabriella Beaumont-Smith. The entire article can be found here: <https://www.cato.org/publications/trade-buys-goods-services-time>.

"Fruits and Vegetables

As people became wealthier, demand for year-round fresh produce increased. In turn, companies invested in improvements in containerized shipping and storage. These technological advancements helped US produce imports soar starting in the 1980s. Now, people can purchase fruits and vegetables year-round instead of being limited by seasonal availability. In fact, one study from the US Department of Agriculture (USDA) estimates that during the winter months, US imports of Chilean berries contributed to falling berry prices between 49 and 69 percent. . . .

Moreover, US reductions in regulatory barriers also liberalized trade so that more fresh fruits and vegetables could enter the US market. For example, the USDA imposed strict standards on Peruvian peppers, Chinese apples, and Colombian avocados to caution against invasive pests and diseases. However, new systems managing those risks allow for the importation of these products. As a result, Americans can consume more fresh produce. In fact, in 2016, the proportion of fresh fruit consumed by Americans reached over 50 percent, compared to 23 percent in 1975. Trade also allows Americans to consume fruits and vegetables not native to the Americas. For example, more people can consume fruits like mangoes, limes, and artichokes because of agricultural trade liberalization.”

### **STEP 1**

Have students choose 15–20 words they think are important for understanding the excerpt. They may do this independently at first, then compare with a partner. Have partner pairs share until there are 15–20 words. Write these on the board.

### **STEP 2**

Challenge students to create 3–5 sentences that use the words in the previous step. As students offer sentences for the magnet summary, cross out the words that have been used. Write the summary on the board for students to copy onto their papers.

### **STEP 3**

- Ask students to engage in the following activities as a whole class.
- Have students generate a list of people who might have benefited from standards that kept Central and South American fruits out of the US market. These might include domestic farmers.
- Have students generate a list of people who might have paid the cost of standards that kept Central and South American fruits out of the US market. This might have included consumers, especially consumers who could not afford fruit year-round. This might also have included foreign farmers and shipping interests, who could have been producing and shipping fruits to the United States.

- Have students answer the question about whether government interventions are good or bad. Answers may vary, but most students will likely conclude from the article that standards are bad because they made it difficult for consumers to have access to fresh fruit year-round.

## **SMALL GROUP WORK (“YOU DO”)**

### **READING ACTIVITY INSTRUCTIONS**

Either distribute the 5 readings to the 5 groups or direct the groups to the places at which the readings are stationed around the room. This reading activity will be done round-robin style. Each group will start with one of the readings, perform the first task, and then move on to a different reading for the second task. This can be done by moving the groups around the room or passing the worksheets around the groups in a circle. It is helpful to establish a rotation so that every group can read every excerpt below.

### **ARTICLE EXCERPTS**

- Excerpt 1 from “Comparative Advantage” by Donald J. Boudreaux can be found in its entirety here: <https://www.cato.org/publications/comparative-advantage>. (The excerpted text assumes that a foreign government is subsidizing an industry lacking comparative advantage by directing taxpayer money to support said industry and make prices internationally competitive.)

“Do Subsidies Obviate Comparative Advantage?”

From Americans’ perspective, the source of lower-cost options abroad is irrelevant. If these lower-cost options arise naturally—say, because there is discovered abroad more deposits of some raw material—we Americans would gain by taking advantage of the foreigners’ improved comparative advantage. If instead these lower-cost options arise artificially—say, because foreign governments subsidize exports—we Americans still would gain, and we would gain no less than when foreigners actually improve their comparative advantage. In both cases we get more exports in exchange for any given amount of our imports.

Any economic downsides, such as some Americans’ losing particular jobs, that arise in America from our purchase of foreign outputs made artificially less pricey by subsidies arise no less from our purchase of foreign outputs made naturally less pricey by foreigners’ improved real comparative advantage. In both cases we should welcome the increased bounty to which we have access through trade. Artificial advantages might raise political concerns (e.g., Jones demanding import protection or his own subsidies), but they do not raise economic ones.”

- Excerpt 2 is from “Separating Tariff Facts from Tariff Fictions” by Erica York. The essay in its entirety can be found here: <https://www.cato.org/publications/separating-tariff-facts-tariff-fictions>.

“What Is a Tariff, and What Does It Do?”

A tariff is a type of tax imposed on the purchase of foreign goods. It may be figured as a percentage of a good's price, called an ad valorem tariff, or as a fixed dollar amount per good. As any tax does, a tariff **raises revenue** for the levying government, about \$100 billion for the US government in 2022.

Tariffs are imposed to shield domestic companies and workers from foreign import competition or to generate revenue for the government. Protectionist motivations for imposing a tariff include revitalizing local industries, creating jobs, offsetting allegedly “unfair” trading practices of other nations, promoting national security, or affecting the balance of trade. Tariffs attempt to achieve these objectives by making imports cost as much or more than similar, higher-priced goods made domestically. (If domestic goods were already priced less than imports in the absence of a tariff, a new tax would be unnecessary.) Thus, a tariff discourages US consumers from purchasing imports and encourages them to buy from domestic producers instead, boosting the producers' sales and profits.”

- Excerpt 3 is from “Trade Buys Goods, Services, and Time” by Gabriella Beaumont-Smith. The entire essay can be found here: <https://www.cato.org/publications/trade-buys-goods-services-time>.

“Opportunities for Trade Liberalization Remain

Moreover, as trade liberalization reduced or removed tariffs, many countries employed nontariff barriers—quotas, local content requirements, labeling regulations, assessment and conformity standards, etc.—to maintain some semblance of protectionism. The proliferation of nontariff barriers makes trading more complex. . . . Indeed, a tariff is simpler to manage than complex regulatory schemes. Businesses and individuals must therefore spend unnecessary amounts of time navigating nontariff barriers or pay hefty attorneys' fees to ensure compliance with the law.

These costs are not limited to incumbents but can hinder new entrants. These hindrances delay or even prevent future opportunities, growth, and price and choice variety. That is not to say that rules are unnecessary. Rules and enforcement mechanisms are vital for a well-functioning trading system; however, policymakers should be wary of the rise of nontariff barriers, particularly when lobbied for by special interests to protect specific industries or products.”



- Excerpt 4 is from “The (Updated) Case for Free Trade” by Scott Lincicome and Alfredo Carrillo Obregon. The entire essay can be found here: <https://www.cato.org/policy-analysis/updated-case-free-trade>.

#### “The Geopolitical Case

Trade is a cornerstone of the economy’s “creative destruction”—that is, the birth, life, and death of firms that breeds innovation and raises living standards. While much of this activity is imperceptible, it is doubtlessly driven by consumers and capital seeking more productive ends in the global marketplace. International competition, for example, has long pushed American companies, such as the Big Three automakers in the 1980s, to improve their products or go out of business. And money Americans save by buying cheap foreign goods is often spent on, or invested in, promising domestic companies and their higher-skilled workers. The outcome of these unseen transactions is not just “cheaper stuff,” but better and once-unimaginable goods, better jobs, better companies, and better lives.

These results also show that restricting the proper functioning of market forces through tariffs, quotas, import or export restrictions, or any other protectionist policies results in overall welfare losses for the whole of society, as the total costs inflicted upon consumers are almost always greater—and usually by many multiples—than the benefits conferred to domestic producers and the government. Thus, for example, tariffs imposed in 2009 on tires from China cost Americans \$900,000 annually per job saved in the domestic tire industry (\$1.1 million in 2021 dollars)—money that the consumers could not save, spend, or invest elsewhere in the economy. That’s a terrible deal, not only for the tens of thousands of people in need of new tires each year, but also for the nation more broadly.”

- Excerpt 5 is from “Separating Tariff Facts from Tariff Fictions” by Erica York. The essay in its entirety can be found here: <https://www.cato.org/publications/separating-tariff-facts-tariff-fictions>.

#### “Who Actually Pays Tariffs?

When a country imposes a tariff on imports, the person or firm who imports the good into the home country bears the legal burden of paying the tax to the home government. But the more relevant question is who ultimately bears the economic burden (or “incidence”) of a tariff, and it may differ from the person who writes the check to the government.

Different people, domestic or foreign, might bear the economic burden, depending on multiple factors. Those include pass-through rates (how much of the tariff is “passed through” to domestic consumers) and fluctuations in currency values. . . .

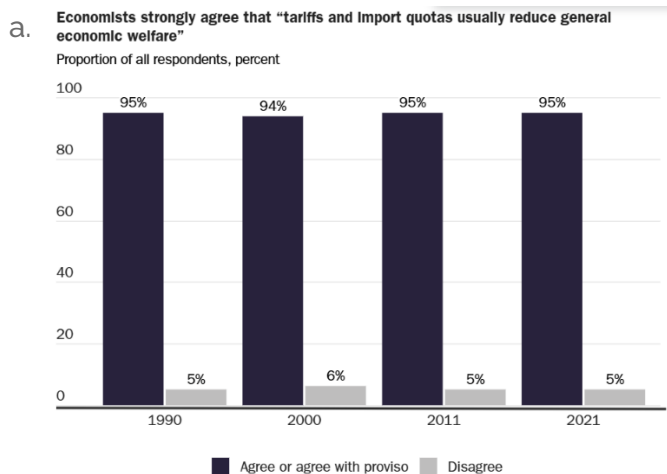
Recent empirical evidence, using a variety of methods, indicates near complete pass-through of the 2018–2019 tariffs to US consumers. Mary Amiti and others found that the full burden passed through, **costing US consumers** and the firms that import foreign goods an additional \$3 billion per month in added tax costs and \$1.4 billion in deadweight loss (or lost income).”

## STUDENT READING PROCESS

- Allow student groups about 5 minutes to read through the text once, highlight words on a second read, and then determine which 15–20 words or phrases should be recorded to inspire the magnet summary.
- Have student groups rotate to a new text. Allow students about 5 minutes to read through the text once before using the 15–20 words identified by the previous group to write a paragraph-long summary of the text.
- Have student groups rotate to a new text. Allow students to read through the text and identify who might benefit from the trade protections described in the article.
- Have student groups rotate to a new text. Allow students to read through the text and identify who might bear the costs of the trade policies described in the text.
- Have students rotate to the final text. Allow students to read through the text and answer the question about whether government interventions are bad.
- Have each student group report out on the last text they interacted with. Each group should briefly summarize the text and answer whether the text describes government intervention as good or bad.

## ECONOMIC AGREEMENT APPLICATION

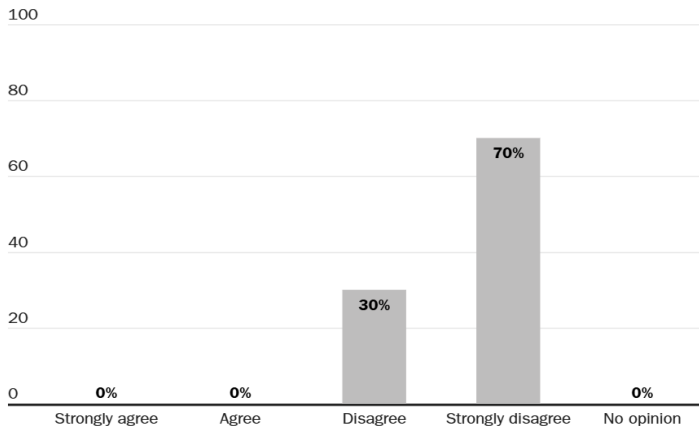
Have students analyze 2 graphs and answer the following questions:



Source: Doris Geide-Stevenson and Alvaro La Parra Perez, “Consensus among Economists 2020—A Sharpening of the Picture,” Weber State University, December 2021. The most recent survey (2021) was based on 1,436 responses among the American Economics Association’s 8,100 members.

b. **All surveyed economists disagreed that “new US tariffs on steel and aluminum would improve American’s welfare”**

Proportion of all respondents, percent



Source: “Steel and Aluminum Tariffs,” Kent A. Clark Center for Global Markets, Booth School of Business, University of Chicago, March 12, 2018. The survey collected responses from 40 US economic experts (3 surveyed experts did not answer).

- Both graphs indicate broad agreement among economists that tariffs are bad for the economy. Why might there be so much agreement on this issue? (Economists agree that tariffs are inefficient and costly to the economy.)
- Tariffs continue to be popular among certain groups of voters. How can you explain this? Who benefits from tariffs? (These policies might be popular among business owners and workers in industries that lack a comparative advantage and want protection from international competition.)

## Exit Ticket

Have students write a paragraph from the perspective of a specific role, to a specific audience, in a specific format, and on a specific topic. The choices are listed below:

- An economic adviser writing to Strawkin the Elf in the form of a letter on the topic of trade protectionism.
- A citizen of Brindlebrook Country writing to the people of Aberria Country in the form of a social media post about subsidies.
- Gildron the Knight writing to his own people in the form of a poem about trade standards.
- Liora, the Fairy Queen, writing an article for publication in Brindlebrook Country about tariffs.

# Globalization: Reading About Subsidies and Tariffs

## Warm-Up Student Worksheet

I see ...	I think ...	I wonder ...

According to the cartoonist, who benefits from tariffs? How can you tell?

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The cartoonist seems to offer an explanation for why governments might pursue tariff policies. What does the cartoonist seem to think about why the government might be interested in tariff policies? How can you tell?

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How does this cartoon relate to your experiences with trade barriers in Spheradell?

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# Globalization: Reading About Subsidies and Tariffs

## Text Analysis Practice (Part 1)

### *Comparative Advantage*

BY DONALD J. BOUDREAU

Is **Government Intervention** Needed to Improve an Economy's **Comparative Advantages**?

Fortunately, to ensure vigorous **economic growth**, we don't have to rely on the **state** to engineer improved **comparative advantages**. Not only does the state have little prospect of succeeding at this task, but individuals have strong **incentives** and abilities to change their **comparative advantages** from worse to better. . . .

These **individual-** and **firm-**level efforts to change their **comparative advantages** are, unlike industrial-**policy** efforts, guided by **market prices**. When the **wages** paid to workers with particular **skills** rise, other workers are incited to acquire those skills—that is, to change their **comparative advantages**. When the **prices** of some **outputs** rise relative to the **prices** of other **outputs**, **entrepreneurs** shift their efforts into the production of the now-higher-priced **outputs**, thus often altering their **comparative advantages**.

Also, unlike industrial-**policy** efforts, private efforts to explore and pursue different **comparative advantages** are disciplined by the prospect of loss. Not spending other people's **money**, private workers and **firms** abandon failed projects as soon as the likelihood of failure appears sufficiently high. Government officials, in contrast, are too likely to throw (other people's) good **money** after bad, promising that the vision earlier sold to the public will be realized if only the government shoves yet more **resources** into the pet projects.

<p>15–20 important words or phrases</p> <p>government intervention, comparative advantage, economic growth, state, incentives, individual, firm, policy, market prices, wages, skills, outputs, entrepreneurs, money, resources</p>	<p>Magnet summary:</p> <p>Government intervention seeks to improve comparative advantage by creating policies that change incentives to encourage individuals and firms to change outputs. State efforts in this regard ignore market prices and wages, which act as signals for entrepreneurs seeking to use resources and skills most efficiently. By seeking profit and avoiding loss, individuals and firms are often more</p>
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	efficient at improving their own comparative advantage.
Who might benefit from government intervention?  Risk-averse entrepreneurs, firms reliant on government intervention	Who might bear the cost of government intervention?  competitive firms, taxpayers, consumers

- According to the excerpt, are government interventions good or bad for the economy? Why? According to this excerpt, government intervention is bad for the economy because it does not allow entrepreneurs to use market signals to innovate in ways that can improve economic efficiency and shift comparative advantages.

# Globalization: Reading About Subsidies and Tariffs

## Text Analysis Practice (Part 2)

### *TRADE BUYS GOODS, SERVICES, AND TIME*

**BY GABRIELLA BEAUMONT-SMITH**

Fruits and Vegetables

As people became wealthier, demand for year-round fresh produce increased. In turn, companies invested in improvements in containerized shipping and storage. These technological advancements helped US produce imports soar starting in the 1980s. Now, people can purchase fruits and vegetables year-round instead of being limited by seasonal availability. In fact, one study from the USDA estimates that during the winter months, US imports of Chilean berries contributed to falling berry prices between 49 and 69 percent. . . .

Moreover, US reductions in regulatory barriers also liberalized trade so that more fresh fruits and vegetables could enter the US market. For example, the USDA imposed strict standards on Peruvian peppers, Chinese apples, and Colombian avocados to caution against invasive pests and diseases. However, new systems managing those risks allow for the importation of these products. As a result, Americans can consume more fresh produce. In fact, in 2016, the proportion of fresh fruit consumed by Americans reached over 50 percent, compared to 23 percent in 1975. Trade also allows Americans to consume fruits and vegetables not native to the Americas. For example, more people can consume fruits like mangoes, limes, and artichokes because of agricultural trade liberalization.

Identify 15–20 words	Magnet summary
Who might benefit from government intervention?	Who might bear the cost of government intervention?

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According to this excerpt, are government interventions good or bad for the economy?  
Why?

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## Globalization: Reading About Subsidies and Tariffs

### Text Analysis (Excerpt 1)

*(The following assumes that a foreign government is subsidizing an industry in which it lacks comparative advantage by directing taxpayer money to support said industry and to make prices internationally competitive.)*

### COMPARATIVE ADVANTAGE

BY DONALD J BOUDREAUX

Do Subsidies Obviate Comparative Advantage?

From Americans' perspective, the *source* of lower-cost options abroad is irrelevant. If these lower-cost options arise naturally—say, because there is discovered abroad more deposits of some raw material—we Americans would gain by taking advantage of the foreigners' improved comparative advantage. If instead these lower-cost options arise artificially—say, because foreign governments subsidize exports—we Americans still would gain, and we would gain no less than when foreigners actually improve their comparative advantage. In both cases we get more exports in exchange for any given amount of our imports.

Any economic downsides, such as some Americans' losing particular jobs, that arise in America from our purchase of foreign outputs made artificially less pricey by subsidies arise no less from our purchase of foreign outputs made naturally less pricey by foreigners' improved real comparative advantage. In both cases we should welcome the increased bounty to which we have access through trade. Artificial advantages might raise *political* concerns (e.g., Jones demanding import protection or his own subsidies), but they do not raise economic ones.

15–20 important words	Magnet summary
Who might benefit from government intervention?	Who might bear the cost of government intervention?

According to this excerpt, are government interventions good or bad for the economy?  
Why?

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# Globalization: Reading About Subsidies and Tariffs

## Text Analysis (Excerpt 2)

### ***SEPARATING TARIFF FACTS FROM TARIFF FICTIONS***

**BY ERICA YORK**

What Is a Tariff, and What Does It Do?

A tariff is a type of tax imposed on the purchase of foreign goods. It may be figured as a percentage of a good's price, called an ad valorem tariff, or as a fixed dollar amount per good. As any tax does, a tariff raises revenue for the levying government, about \$100 billion for the US government in 2022.

Tariffs are imposed to shield domestic companies and workers from foreign import competition or to generate revenue for the government. Protectionist motivations for imposing a tariff include revitalizing local industries, creating jobs, offsetting allegedly "unfair" trading practices of other nations, promoting national security, or affecting the balance of trade. Tariffs attempt to achieve these objectives by making imports cost as much or more than similar, higher-priced goods made domestically. (If domestic goods were already priced less than imports in the absence of a tariff, a new tax would be unnecessary.) Thus, a tariff discourages US consumers from purchasing imports and encourages them to buy from domestic producers instead, boosting the producers' sales and profits.

15–20 important words	Magnet summary
Who might benefit from government intervention?	Who might bear the cost of government intervention?

According to this excerpt, are government interventions good or bad for the economy? Why?

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# Globalization: Reading About Subsidies and Tariffs

## Text Analysis (Excerpt 3)

### *TRADE BUYS GOODS, SERVICES, AND TIME*

**By Gabriella Beaumont-Smith**

Opportunities for Trade Liberalization Remain

Moreover, as trade liberalization reduced or removed tariffs, many countries employed nontariff barriers—quotas, local content requirements, labeling regulations, assessment and conformity standards, etc.—to maintain some semblance of protectionism. The proliferation of nontariff barriers makes trading more complex. . . . Indeed, a tariff is simpler to manage than complex regulatory schemes. Businesses and individuals must therefore spend unnecessary amounts of time navigating nontariff barriers or pay hefty attorneys' fees to ensure compliance with the law.

These costs are not limited to incumbents but can hinder new entrants. These hindrances delay or even prevent future opportunities, growth, and price and choice variety. That is not to say that rules are unnecessary. Rules and enforcement mechanisms are vital for a well-functioning trading system; however, policymakers should be wary of the rise of nontariff barriers, particularly when lobbied for by special interests to protect specific industries or products.

15–20 important words	Magnet summary
Who might benefit from government intervention?	Who might bear the cost of government intervention?

According to this excerpt, are government interventions good or bad for the economy?  
Why?

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## Globalization: Reading About Subsidies and Tariffs

### Text Analysis (Excerpt 4)

#### THE (UPDATED) CASE FOR FREE TRADE

**BY SCOTT LINCICOME AND ALFREDO CARILLO OBREGON**

Trade is a cornerstone of the economy's "creative destruction"—that is, the birth, life, and death of firms that breeds innovation and raises living standards. While much of this activity is imperceptible, it is doubtlessly driven by consumers and capital seeking more productive ends in the global marketplace. International competition, for example, has long pushed American companies, such as the Big Three automakers in the 1980s, to improve their products or go out of business. And money Americans save by buying cheap foreign goods is often spent on, or invested in, promising domestic companies and their higher-skilled workers. The outcome of these unseen transactions is not just "cheaper stuff," but better and once-unimaginable goods, better jobs, better companies, and better lives.

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15–20 important words	Magnet summary
Who might benefit from government intervention?	Who might bear the cost of government intervention?

According to this excerpt, are government interventions good or bad for the economy?  
Why?

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# Globalization: Reading About Subsidies and Tariffs

## Text Analysis (Excerpt 5)

### ***SEPARATING TARIFF FACTS FROM TARIFF FICTIONS***

**BY ERICA YORK**

Who Actually Pays Tariffs?

When a country imposes a tariff on imports, the person or firm who imports the good into the home country bears the legal burden of paying the tax to the home government. But the more relevant question is who ultimately bears the economic burden (or “incidence”) of a tariff, and it may differ from the person who writes the check to the government.

Different people, domestic or foreign, might bear the economic burden, depending on multiple factors. Those include pass-through rates (how much of the tariff is “passed through” to domestic consumers) and fluctuations in currency values.

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15- 20 important words	Magnet summary
Who might benefit from government intervention?	Who might bear the cost of government intervention?

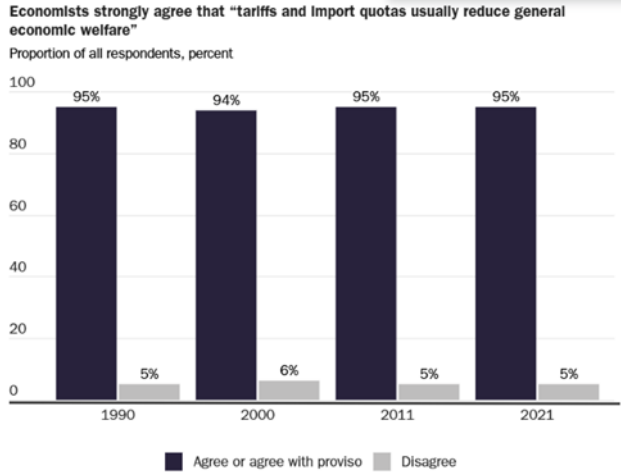
According to this excerpt, are government interventions good or bad for the economy?  
Why?

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## Globalization: Reading About Subsidies and Tariffs

### Economic Agreement Application

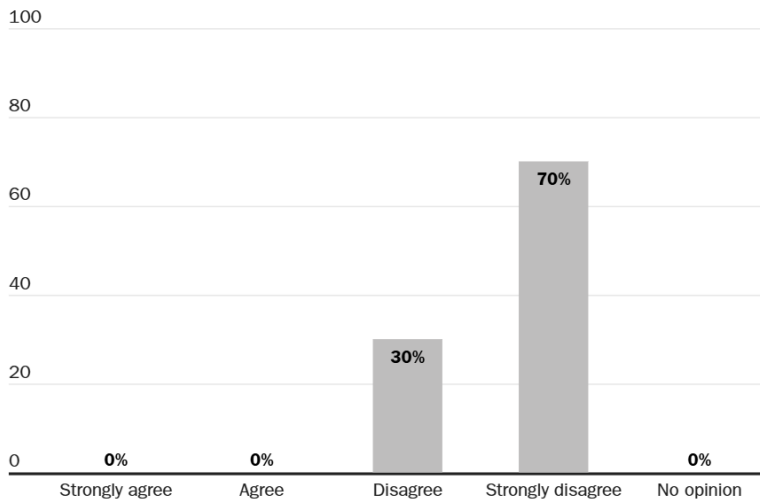


Source: Doris Geide-Stevenson and Alvaro La Parra Perez, “Consensus among Economists 2020—A Sharpening of the Picture,” Weber State University, December 2021. The most recent survey (2021) was based on 1,436 responses among the American Economics Association’s 8,100 members.

Both of the graphs indicate broad agreement among economists that tariffs are bad for the economy. Why might there be so much agreement on this issue?

**All surveyed economists disagreed that “new US tariffs on steel and aluminum would improve American’s welfare”**

Proportion of all respondents, percent



Source: “Steel and Aluminum Tariffs,” Kent A. Clark Center for Global Markets, Booth School of Business, University of Chicago, March 12, 2018. The survey collected responses from 40 US economic experts (3 surveyed experts did not answer).

Tariffs continue to be popular among certain groups of voters. How can you explain this? Who benefits from tariffs?

## Globalization: Reading About Subsidies and Tariffs

### Exit Ticket

Use the chart below to write a paragraph that takes the perspective of a specific role, is addressed to a specific audience, is in a specific format, and covers a specific topic.

Role	Audience	Format	Topic
An economic adviser	Strawkin the Elf	Letter	Trade protectionism
A citizen of Brindlebrook Country	The citizens of Aberria Country	Social media post	Subsidies
Gildron the Knight	The Scarlowe people	Poem	Standards
Liora, Fairy Queen	The citizens of Brindlebrook Country	Article	Tariffs

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