**Exchange Across International Borders and The Global Role of the U.S.**

**Economy**

**Exchange Across International Borders**

Due to free trade, numerous non-monetary advantages have accrued to the participating nations since the end of World War II. For instance, in promoting competition, free trade contributes to healthy competition for goods among the countries (Pettinger, 2022). The demand for products and services has evolved and is continually developing at a fast rate. Furthermore, free trade also improves standards of living. It makes people better off via the development of employment and raising their actual income. Once trade opens up, the countries involved specialize in manufacturing items they are better adept at. This leads to the correct deployment of resources, which in turn creates employment prospects. Other benefits include better governance, enhanced labor, more integrity, and environmental regulations (Pettinger, 2022).

One of the non-monetary benefits of free trade is that it encourages competitiveness among member countries (Pettinger, 2022). American vehicle manufacturer Tesla, for instance, has lately produced electric automobiles to encourage a healthy living environment, as opposed to diesel and gasoline cars, which ultimately contribute to pollution. Following this principle, the prominent German automaker BMW has begun developing vehicles that operate only on electricity. This competitiveness will, in the long run, be beneficial in that other countries will also start the production of electric cars, therefore, creating a healthier environment as people will do away with diesel and gasoline cars. Regarding production efficiency, Southeast Asian nations have an overwhelming edge in producing agricultural commodities, whereas European nations have the upper hand in technology. Therefore, as trade is liberalized, Southeast Asian nations will exchange agricultural products for European technology, profiting from the trade. Instead of manufacturing both, each nation may focus on what it is most capable of providing hence production efficiency (Pettinger, 2022).

Donald Trump's presidency ushered in several obstacles for U.S. commerce with other nations. The NAFTA agreement with China had several negative effects on trade. The former president enacted stringent trade regulations, claiming it would safeguard the country's workforce, although it did not enhance their level of life (Denmark, 2022). By implementing higher tariff rates, Congress also enacted more restrictive trade regulations without addressing the underlying reason for this choice. In general, the nature of the United States' restrictive policies is murky, and they made choices that would barely assist the economy but would hurt its trade ties with other nations (Denmark, 2022).

**The Global Role of the U.S. Economy**

John Maynard Keynes constantly opposed the trade deficit. He argued that the trade deficit adds to the pressure on the economy. Keynes was an anti-trade deficit that he developed techniques by which the person of an economy may get out of them. So, around 1936, when the USA was the greatest creditor in the world, it was advised to aid other economies to get out of debt during the Great depression time ("Keynesian Economics Definition," 2022). Keynes felt a trade imbalance at high employment is detrimental to the economy. In such a scenario, individuals would have a larger real income, indicating a greater inclination to spend so that they may purchase more imported items. This would boost competition for domestic products, which would harm domestic manufacturers.

On the other hand, Adam Smith felt that a trade deficit could never improve the economy. He stated that imports are an essential aspect of commerce that facilitates export. According to him, a nation should always import commodities it lacks absolute advantage and creates things it has an absolute advantage ("Adam Smith and "The Wealth of Nations," 2022). Additionally, he said that the federal reserves could readily manage interest rates should the trade deficit fluctuate.

Keynes would constantly advocate for higher tariff rates to protect the interests of domestic producers ("Keynesian Economics Definition," 2022). He would wish to limit trade as often as possible since reducing tariffs would reduce the trade deficit. However, Smith supported imports and would thus oppose trade interference. According to him, large imports are only helpful to the economy and the well-being of consumers. Thus, he would not advise the installation of tariffs. In regards to changing trade agreements, Keynes, being such a non-supporter of trade deficit, would recommend executing such trade agreements that limit the import to protect the domestic industries. As a fan of the trade deficit, Smith would prefer unimpeded commerce.

Consequently, he would not recommend implementing regulations to promote exports or prohibit imports. Following Smith's beliefs, the trade agreements with foreign countries would provide free commerce ("Adam Smith and "The Wealth of Nations," 2022). In contrast, when the U.S. economy puts tariffs on imports, nations would react with higher tariffs by Keynesian theory.

The opinions of these two economists are not entirely incorrect. From era to period, their ideas are implemented differently. It should be proposed that remedial steps be taken to reduce the massive trade deficit to protect the interests of domestic producers. In contrast, the nation should purchase commodities with no indisputable advantage to minimize misallocation of resources and excessive expenses. Consequently, none of their views could be fully substantiated. In addition, due to their ideological differences, numerous remedial actions may be developed to combat the economic difficulties.

**References**

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