

What is 'trade war' in Economics?

This refers to an economic situation where countries raise protectionist barriers against each other to protect local industries from foreign competition and also to promote exports over imports. It may take the form of imposing tariffs and quotas on foreign trade as well as currency manipulation to favour local industries. The decades between the two World Wars is often noted as a period when major world economies were engaged in a trade war by devaluing their currencies in a competitive fashion. It was carried out under the belief that a cheaper currency would encourage more demand for a country's exports, thus boosting the domestic economy.

The new U.S. Fed Chairman is unlikely to opt for policies that might upset the President's plan

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