

Political Economic Digest Series 6

Dear Political Economic Digest Series participant,

Welcome to the sixth series of the Political Economic Digest. We hope you are with us till now. In the last series we discussed about public choice theory which is the study of politics based on economic principles. We discussed how politicians and government officials are far from being benevolent “public servants” who faithfully carry out the “will of the people” but are self-interested people like us. We also discussed why forgetting the fact that politicians and government officials are self-interested is harmful to us.

In this series we'll be discussing about free trade and globalization. Free trade is a system in which goods, capital, and labor flow freely between nations, without barriers which could hinder the trade process. A number of barriers to trade are struck down in a free trade agreement. Taxes, tariffs, and import quotas are all eliminated, as are subsidies, tax breaks, and other forms of support to domestic producers. Restrictions on the flow of currency are also lifted, as are regulations which could be considered a barrier to free trade. Put simply, free trade enables foreign companies to trade just as efficiently, easily, and effectively as domestic producers.

The idea behind free trade is that it lowers prices for goods and services by promoting competition and enables people to choose from a variety of goods and services from local and foreign producers alike. In addition to reducing prices, free trade also encourages innovation, since competition between companies sparks a need to come up with innovative products and solutions to capture market share. Free trade can also foster international cooperation, by encouraging nations to freely exchange goods and citizens. The benefits of free trade are based on an economic theory called “comparative advantage” about which we have a chapter in this series.

The first reading is an introduction to free trade. In this the author discusses about free trade and its advantages and the harms of protectionist policies. He also outlines the supposed criticisms of free trade.

The concept of free trade and its benefits cannot be fully understood without understanding the theory of comparative advantage. Theory of comparative advantage is generally considered the aspect of economics which is universally true and yet not so obvious. Theory of comparative advantage is slightly difficult to understand. The second reading is an introduction to this theory. Thankfully, the author has tried to make it as simple as possible and incorporate some examples related to the theory.

The arguments against free (arguments in favour of protectionism) are generally focused on promoting exports and discouraging imports. The third reading is a chapter from the Nepali translation of the book called “The adventures of Jonathan Gullible” which is a satire at the protectionist policies. By now you

must have been familiar with Jonathan Gullible, the protagonist. He has reached a new, strange city which loves exports but hates imports.

Finally, we have a famous essay by 19th century French economist Frederick Bastiat called "The Candle Maker's Petition" in which the candle makers of his country ask their law makers to ban sun so that their candles sell more and higher. The satire is very witty and relevant to our context as well.

Happy reading! If you are interested to further explore this issue, we have lots of texts and visuals on the subject at Political Economic Resource Center of Samriddhi. Feel free to drop by!

Note: Scroll below to find the readings!

Free Trade

by Alan S. Blinder

For more than two centuries economists have steadfastly promoted free trade among nations as the best trade policy. Despite this intellectual barrage, many “practical” men and women continue to view the case for free trade skeptically, as an abstract argument made by ivory tower economists with, at most, one foot on terra firma. These practical people “know” that our vital industries must be protected from foreign competition.

The divergence between economists’ beliefs and those of (even well-educated) men and women on the street seems to arise in making the leap from individuals to nations. In running our personal affairs, virtually all of us exploit the advantages of free trade and comparative advantage without thinking twice. For example, many of us have our shirts laundered at professional cleaners rather than wash and iron them ourselves. Anyone who advised us to “protect” ourselves from the “unfair competition” of low-paid laundry workers by doing our own wash would be thought looney. Common sense tells us to make use of companies that specialize in such work, paying them with money we earn doing something we do better. We understand intuitively that cutting ourselves off from specialists can only lower our standard of living.

Adam Smith ’s insight was that precisely the same logic applies to nations. Here is how he put it in 1776:

It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. . . . If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage.

Spain, South Korea, and a variety of other countries manufacture shoes more cheaply than America can. They offer them for sale to us. Shall we buy them, as we buy the services of laundry workers, with money we earn doing things we do well—like writing computer software and growing wheat? Or shall we keep “cheap foreign shoes” out and purchase more expensive American shoes instead? It is pretty clear that the nation as a whole must be worse off if foreign shoes are kept out—even though the American shoe industry will be better off.

Most people accept this argument. But they worry about what happens if another country—say, China—can make everything, or almost everything, cheaper than we can. Will free trade with China then lead to unemployment for American workers, who will find themselves unable to compete with cheaper Chinese labor? The answer (see comparative advantage), which was provided by David Ricardo in 1810, is no. To see why, let us once again appeal to our personal affairs.

Some lawyers are better typists than their secretaries. Should such a lawyer fire his secretary and do his own typing? Not likely. Though the lawyer may be better than the secretary at both arguing cases and typing, he will fare better by concentrating his energies on the practice of law and leaving the typing to a

secretary. Such specialization not only makes the economy more efficient but also gives both lawyer and secretary productive work to do.

The same idea applies to nations. Suppose the Chinese could manufacture everything more cheaply than we can—which is certainly not true. Even in this worst-case scenario, there will of necessity be some industries in which China has an overwhelming cost advantage (say, toys) and others in which its cost advantage is slight (say, computers). Under free trade the United States will produce most of the computers, China will produce most of the toys, and the two nations will trade. The two countries, taken together, will get both products cheaper than if each produced them at home to meet all of its domestic needs. And, what is also important, workers in both countries will have jobs.

Many people are skeptical about this argument for the following reason. Suppose the average American worker earns twenty dollars per hour while the average Chinese worker earns just two dollars per hour. Won't free trade make it impossible to defend the higher American wage? Won't there instead be a leveling down until, say, both American and Chinese workers earn eleven dollars per hour? The answer, once again, is no. And specialization is part of the reason.

If there were only one industry and occupation in which people could work, then free trade would indeed force American wages close to Chinese levels if Chinese workers were as good as Americans. But modern economies are composed of many industries and occupations. If America concentrates its employment where it does best, there is no reason why American wages cannot remain far above Chinese wages for a long time—even though the two nations trade freely. A country's wage level depends fundamentally on the productivity of its labor force, not on its trade policy. As long as American workers remain more skilled and better educated, work with more capital, and use superior technology, they will continue to earn higher wages than their Chinese counterparts. If and when these advantages end, the wage gap will disappear. Trade is a mere detail that helps ensure that American labor is employed where, in Adam Smith's phrase, it has some advantage.

Those who are still not convinced should recall that China's trade surplus with the United States has been widening precisely as the wage gap between the two countries, while still huge, has been narrowing. If cheap Chinese labor was stealing American jobs, why did the theft intensify as the wage gap fell? The answer, of course, is that Chinese productivity was growing at enormous rates. The remarkable upward march of Chinese productivity both raised Chinese wages relative to American wages and turned China into a world competitor. To think that we can forestall the inevitable by closing our borders is to participate in a cruel self-deception. Nor should there be any worry about failing to forestall the inevitable. The fact that another country becomes wealthier does not mean that Americans must become poorer.

Americans should appreciate the benefits of free trade more than most people, for we inhabit the greatest free-trade zone in the world. Michigan manufactures cars; New York provides banking; Texas pumps oil and gas. The fifty states trade freely with one another, and that helps them all enjoy great prosperity. Indeed, one reason why the United States did so much better economically than Europe for more than two centuries is that America had free movement of goods and services while the European

countries “protected” themselves from their neighbors. To appreciate the magnitudes involved, try to imagine how much your personal standard of living would suffer if you were not allowed to buy any goods or services that originated outside your home state.

A slogan occasionally seen on bumper stickers argues, “Buy American, save your job.” This is grossly misleading for two main reasons. First, the costs of saving jobs in this particular way are enormous. Second, it is doubtful that any jobs are actually saved in the long run.

Many estimates have been made of the cost of “saving jobs” by protectionism. While the estimates differ widely across industries, they are almost always much larger than the wages of the protected workers. For example, one study in the early 1990s estimated that U.S. consumers paid \$1,285,000 annually for each job in the luggage industry that was preserved by barriers to imports, a sum that greatly exceeded the average earnings of a luggage worker. That same study estimated that restricting foreign imports cost \$199,000 annually for each textile worker’s job that was saved, \$1,044,000 for each softwood lumber job saved, and \$1,376,000 for every job saved in the benzenoid chemical industry. Yes, \$1,376,000 a year!

While Americans may be willing to pay a price to save jobs, spending such enormous sums is plainly irrational. If you doubt that, imagine making the following offer to any benzenoid chemical worker who lost his job to foreign competition: we will give you severance pay of \$1,376,000—not annually, but just once—in return for a promise never to seek work in the industry again. Can you imagine any worker turning down the offer? Is that not sufficient evidence that our present method of saving jobs is mad?

But the situation is actually worse, for a little deeper thought leads us to question whether any jobs are really saved overall. It is more likely that protectionist policies save some jobs by jeopardizing others. Why? First, protecting one American industry from foreign competition imposes higher costs on others. For example, quotas on imports of semiconductors sent the prices of memory chips skyrocketing in the 1980s, thereby damaging the computer industry. Steel quotas force U.S. automakers to pay more for materials, making them less competitive.

Second, efforts to protect favored industries from foreign competition may induce reciprocal actions in other countries, thereby limiting American access to foreign markets. In that case, export industries pay the price for protecting import-competing industries.

Third, there are the little-understood, but terribly important, effects of trade barriers on the value of the dollar. If we successfully restrict imports, Americans will spend less on foreign goods. With fewer dollars offered for sale on the world’s currency markets, the value of the dollar will rise relative to that of other currencies. At that point unprotected industries will start to suffer because a higher dollar makes U.S. goods less competitive in world markets. Once again, America’s ability to export is harmed.

On balance the conclusion seems clear and compelling: while protectionism is sold as job saving, it probably really amounts to job swapping. It protects jobs in some industries only by destroying jobs in others.

Comparative Advantage

by Donald J. Boudreaux

When asked by mathematician Stanislaw Ulam whether he could name an idea in economics that was both universally true and not obvious, economist Paul Samuelson's example was the principle of comparative advantage. That principle was derived by David Ricardo in his 1817 book, *Principles of Political Economy and Taxation*. Ricardo's result, which still holds up today, is that what matters is not absolute production ability but ability in producing one good relative to another.

Reckoned in physical output—for example, bunches of bananas produced per day—a producer's efficiency at growing bananas depends on the amounts of other goods and services he sacrifices by producing bananas (instead of other goods and services) compared with the amounts of other goods and services sacrificed by others who do, or who might, grow bananas. Here is a straightforward example.

Ann and Bob are the only two people on an island. They use only two goods: bananas and fish. (The assumption of two persons and two goods is made only to make the example as clear as possible; it is not essential to the outcome. The same holds for all subsequent assumptions that I make using this example.)

If Ann spends all of her working time gathering bananas, she gathers one hundred bunches per month but catches no fish. If, instead, she spends all of her working time fishing, she catches two hundred fish per month and gathers no bananas. If she divides her work time evenly between these two tasks, each month she gathers fifty bananas and catches one hundred fish. If Bob spends all of his working time gathering bananas, he gathers fifty bunches. If he spends all of his time fishing, he catches fifty fish. [Table 1](#) shows the maximum quantities of bananas and fish that each can produce.

If Ann and Bob do not trade, then the amounts that each can consume are strictly limited to the amounts that each can produce. Trade allows specialization based on comparative advantage and thus undoes this constraint, enabling each person to consume more than each person can produce.

Suppose Ann and Bob divide their work time evenly between fishing and banana gathering. [Table 2](#) shows the amounts that Ann and Bob each produce and consume every month.

Table 1 Production Possibilities

	Bob	Ann
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Bananas	50	100
Fish	50	200

Now Ann meets Bob and, after observing Bob's work habits, offers Bob the following deal: "I'll give you thirty-seven of my fish," says Ann, "in exchange for twenty-five of your bananas." Bob accepts.

Table 2 Accounts Produced *and* Consumed before Specialization and Trade

	Bob	Ann
Bananas	25	50
Fish	25	100

Purely for expositional simplicity, assume that both Ann and Bob want to consume the same number of bananas with trade that each consumed before trade. [Table 3](#) shows the amounts of bananas and fish that Ann and Bob *produce* in anticipation of trading with each other. On trading day, true to their word, Ann gives Bob thirty-seven fish and Bob gives Ann twenty-five bananas. [Table 4](#) shows the amounts of bananas and fish that Ann and Bob each *consume* with trade. Note that Ann and Bob are both better off than they were before trade. Each has the same number of bananas to consume as before, but Ann now has thirteen more fish and Bob has twelve more fish to consume. This small society—let's call it Annbobia—is wealthier by a total of twenty-five fish.

This increase in total output is not the result of any of the factors ADAM SMITH identified. It is the result exclusively of Ann specializing more in fishing and Bob specializing more in gathering bananas. This happy outcome occurs because in this society (here, just two people), each person concentrates more fully on producing those goods that each produces comparatively efficiently—that is, efficiently compared with others.

For each fish she catches, Ann sacrifices one-half of a banana; that is, for each fish she catches, she produces one-half fewer bananas than otherwise. For each banana she gathers, she sacrifices two fish. Standing alone, these numbers are meaningless. But when compared with the analogous numbers for Bob, the results tell where each person's comparative advantage exists.

Table 3 Amounts *Produced* with Specialization and Trade

	Bob	Ann
Bananas	50	25
Fish	0	150

Table 4 Amounts *Consumed* with Specialization and Trade

	Bob	Ann
Bananas	25	50
Fish	37	113

For each fish Bob catches, he sacrifices one banana. So Ann's cost of producing fish is lower than Bob's—one half of a banana per fish for Ann compared with one banana per fish for Bob. Ann should specialize in fishing.

But if Ann catches fish at a lower cost than does Bob, then Bob produces bananas at a lower cost than does Ann. While Ann's cost of producing a banana is two fish, Bob's cost is only one fish. Bob should specialize in gathering bananas.

Viewed from each individual's perspective, Ann knows that each fish she catches costs her half a banana; so she is willing to sell each of her fish at any price higher than one-half of a banana. (In our example, she sold thirty-seven fish to Bob at a price of roughly two-thirds of a banana per fish.) Bob knows that each banana costs him one fish to produce, so he will sell bananas at any price higher than one fish per banana. (In our example, he sold twenty-five bananas at a price of about one and one-half fish per banana.)

There is nothing special about this particular price. Any price of fish between half a banana and one full banana will generate gains from trade for both Ann and Bob. What is important is the existence of at least one price that is mutually advantageous for both persons. And such a price (or range of prices) will exist if comparative advantage exists—which is to say, if each person has a different cost of producing each good.

When the lower-cost fisherman (Ann) produces more fish than she herself plans to consume—that is, catches fish that she intends to trade—Bob taps in to her greater efficiency at fishing. He cannot produce fish himself at a cost lower than one banana per fish, but by trading with Ann he acquires fish at a cost of two-thirds of a banana. Likewise, by trading with Bob, Ann taps in to Bob's greater efficiency at gathering bananas.

The above example, though simple, reveals comparative advantage's essential feature. Making the example more realistic by adding millions of people and millions of goods and services only increases the applicability and power of the principle, because larger numbers of people and products mean greater scope for mutually advantageous specialization and exchange.

Also, while the principle of comparative advantage is typically introduced to explain INTERNATIONAL TRADE, this principle is the root reason for *all* specialization and trade. Nothing about the presence or absence of a geopolitical border separating two trading parties is essential. But study of this principle *does* make clear that foreigners are willing to export only because they want to import. It is the desire for profitable exchange of goods and services that motivates all specialization and exchange.

परिच्छेद ५

मैनाबन्ती र कोट

जनाथनले ती महिला र उनको छोरोलाई तिनीहरूको नातेदारसम्म पुऱ्याउन केही माइल अगाडिसम्म हिँडेर साथ दिए । उनीहरूले उनलाई धन्यवाद दिए र उनीहरूसँग बस्न पनि आग्रह गरे । तर त्यो घरमा परिवारका सबै सदस्य पनि नअटाउने देखी जनाथनले “म बस्न पाउन्न” भनी विदा लिएर आफ्नो बाटो तताए ।

उनी सडकसडकै हिँडी एउटा नदीको छेउमा आइपुगे जहाँ उनले पर्खालले घेरेको सहरलाई जोड्ने पुल भेटे । त्यो साँघुरो पुलले वारिपारि छुट्ट्याएको थियो । “क्रोम्पो टापुको स्टुल्टा सहर प्रवेशद्वार” भनी लेखिएको पाटी पुलको दायाँ तर्फको एक छेउमा सहरतिर फर्काएर राखिएको थियो । पुलको अर्को छेउमा अर्को पाटीमा “बाहिर निस्कने द्वार मात्र र प्रवेश निषेध” भनी लेखिएको थियो ।

त्यो एउटा पाटी मात्र पुलको अनौठो विशेषता थिएन कि बरु सहरभित्र प्रवेश गर्न धेरै बाधाहरू पार गर्नुपर्थ्यो । तिखा ठूलाठूला ढुङ्गाका थुप्राबाट प्रवेश गर्नुपर्ने पुलका सबै भागमा अवरोध खडा गरिएको थियो । धेरै बटुवाले पत्थरिलो पुलमा सकिनसकी आफ्ना भिटीगुन्टा बोकेर हिड्नुभन्दा बाटैमा छोड्थे वा खोलामा फाल्थे । अन्य बूढाहरू र अशक्त प्रवेश नै गर्न नसकी फर्कन्थे । एउटा कमजोर बटुवाको पछिपछि उनले पहिले देखेको कान चिरिएको पहेंलो छिरबिरे विरालो देखे । त्यो विरालोले फ्याँकिएको एउटा गुन्टालाई सुँघ्दै र आफ्नो पञ्जाले कोट्याउँदै थियो । यत्तिकैमा विरालोले त्यो गुन्टाबाट एक टुक्रा सुकेको मासु भिकेको जनाथनले देखे ।

यसको विपरीत पुलबाट बाहिर निस्कने भागचाहिँ सजिलो र खुला थियो । सहरबाट सामानहरू लिएर व्यापारीहरू सजिलैसँग बाहिर आइरहेका थिए । “सहरभित्र पस्न किन अप्ठ्यारो पारेको होला र सहरबाट बाहिर निस्कन किन सजिलो पारेको होला ?” जनाथन अचम्ममा परे ।

प्रवेशपट्टिको पुलको छेउमा जनाथन हातखुट्टा टेकेर चढ्न थाले । उबडखाबड ढुङ्गामाथि चढ्दा जनाथनका खुट्टा बरोबर चिप्लिइरहन्थे । अन्तमा उनी एक काठको ठूलो ढोकामा पुगे । सहरको पर्खाल जनाथनलाई स्वागत गर्न तयार भएभैं त्यो काठको ढोका खुला नै थियो । सहरभित्र घोडचढीहरू बाकस र भारी बोक्ने मानिसहरू र विभिन्न प्रकारका गाडीहरू चलाउने व्यक्तिहरू बाटोमा वारपार हिँड्दै थिए । जनाथनले आफ्नो कमिज र पाइन्टमा लागेको धुलो झारे । आफूलाई अलि तयार पारी ढोकाबाट भित्र सहरतिर छिरे । त्यो विरालो पनि उनको पछि-पछि भित्र छिऱ्यो ।

अलि भित्रतिर बेरिएको चर्म पत्र बोकेकी एकजना महिला एउटा टेबुलपछाडि बसिरहेकी थिइन् । त्यो टेबुल धेरै साना तर चम्किला तक्माहरूले भरिएको थियो । हाँसिलो मुस्कानसहित टेबुलमा राखिएको एउटा तक्मा जनाथनको कमिजको खल्तीमा लगाउन खोज्दै उनले भनिन्, “कृपया, तपाईंले यो मेरो दरखास्तमा दस्तखत गरिदिनुहुन्छ कि ?

“मलाई केही पनि थाहा छैन”, लरबराउँदै जनाथनले भने, “के तपाईंले मलाई वीचसहर तिर जाने बाटो देखाइदिनुहुन्थ्यो कि ?”

ती महिलाले शङ्कालु हुँदै उसलाई हेरिन र भनिन्, “के तपाईंलाई सहरबारे थाहा छैन ?”

ती महिलाको बोलीमा चिसोपन आएको देखी जनाथनले अरु कुरो सोध्न हिचकिचाए । उनले तुरुन्तै सोधिहाले, “मैले तपाईंको दर्खास्तमा कहाँ दस्तखत गर्ने ?”

ती महिला फेरि हाँसिन्, “यहाँ पछिल्लो नामभन्दा तल । यस कार्यवाट तपाईंले धेरै मानिसलाई मद्दत गर्नुहुन्छ ।”

जनाथनले दुवै कुम खुम्च्याउँदै उचाले र उनको कलम लिए । उनलाई ती महिलाप्रति साँच्चै दया लाग्यो किनकि ती महिला एकदम चर्को घाममा बाक्लो लुगा लगाएर पसिनै पसिना भएर बसेकी थिइन् । “केको लागि यो दर्खास्त लेखिएको ?” जनाथनले उनीसँग सोधे ।

गीत गाउन लागेभै ती महिलाले दुवै हातले थपडी माउँ भनिन्, “उद्योग र नोकरीको संरक्षण गर्न यो दरखास्त तयार पारिएको हो । तिमी पनि उद्योग र नोकरीको पक्षमा छौ, होइन त ?”

रूख काट्ने कामदारहरूको नोकरीलाई बाधा पार्ने भनिएकी, ती उद्यमशील महिलालाई सम्झँदै, जनाथनले भने, “निश्चय नै म पनि यसको पक्षमा छु ।” वास्तवमा जनताको काममा उनलाई चासो नभएको कुरा उनले बताउन चाहेका थिए ।

आफ्नो नाम कसैले नबुझिने गरी लेख्दै जनाथनले सोधे, “यसले कसरी मद्दत गर्छ ?”

“शासकहरूको परिषद्ले हाम्रो स्थानीय उद्योगका उत्पादन सहर बाहिरबाट आउने वस्तुहरूबाट संरक्षण गर्दछन् । तपाईंले देख्नुभयो होला, हामीले हाम्रो पुलमा धेरै काम गरेका छौं, र अझै धेरै गर्नु छ । यदि प्रशस्त मानिसले मेरो दरखास्तमा दस्तखत गरे भने शासकको परिषदको सदस्यले मेरो उद्योगलाई आघात पार्ने विदेशी वस्तुहरूको आयातमा रोक लगाउने आश्वासन दिएका छन् ।

“तपाईंको के उद्योग छ ?” जनाथनले सोधे ।

ती महिलाले घमण्डका साथ भनिन्, “मैनवत्ती र कोट बनाउने उद्योगको प्रतिनिधित्व मैले गर्दछु । यो दरखास्तमा घामको उज्यालो आउनबाट प्रतिबन्ध लगाउने भनिएको छ ।”

“के घामलाई ?” लामो सास फेर्दै जनाथनले भने, “कसरी र किन घामको उज्यालोलाई रोक्ने ?”

उनले आफ्नो कुराको व्याख्या गर्दै भनिन्, “मलाई थाहा छ यो हेर्दा अचम्मलाग्दो कुरो छ, तर तपाईंलाई के थाहा छैन भने— घामले मैनवत्ती बनाउने र कोट बनाउनेलाई आघात पार्छ । जब तातो र उज्यालो हुन्छ, मानिसले कोट र मैनवत्ती किन्दैनन् । निश्चय नै तपाईंलाई थाहा हुनुपर्छ कि सूर्य उज्यालो र तापको निकै सस्तो स्रोत हो । तर यसलाई सहन गर्न सकिन्न ।”

जनाथनले विरोध गर्दै भने, “तर सूर्यबाट आउने उज्यालो र ताप सस्तोमा होइन, सित्तैमा पाइन्छ ।”

ती महिलालाई आघात परेजस्तो भयो । उनले लेशो तान्दै भनिन्, “यही त समस्या हो, तपाईंले देख्नुभएन ?” सानो कापी र सिसाकलम फिक्दै तिनले केही शब्दहरू लेखिन्, “मेरो हिसाबअनुसार सस्तोमा यी वस्तुहरू प्राप्त हुँदा मैले प्रतिनिधित्व गर्ने उद्योगमा सम्भावित रोजगार र ज्याला ५०% ले कम हुन्छ । भूयालमा धेरै उच्च दरको कर लगाएर वा भूयाल राख्नै नदिएमा यी उद्योगहरूको अवस्था सुधिनेछ ।”

जनाथनले उनको दरखास्त भुईँमा राख्दै भने, “यदि मानिसले उज्यालो र तापको लागि पनि पैसा तिर्नुपर्ने भयो भने अन्य वस्तुहरू जस्तै— मासु, रोटी र पेयपदार्थमा खर्च गर्न जनतासँग कम पैसा मात्र बच्दछ ।”

“मैले कसाही, पेयपदार्थ बेच्ने र रोटी पकाउने व्यक्तिहरूको प्रतिनिधित्व गर्दिन”, ती महिलाले रूखो स्वरमा भनिन् ।

जनाथनको प्रवृत्तिमा केही परिवर्तन भएको बुझी, ती महिलाले जनाथनबाट त्यो दरखास्त खोसिन् ।
 "निश्चय नै, तपाईं पनि केही स्वार्थी उपभोक्ताहरूको हितमा हुनुहुँदोरहेछ, न कि रोजगारी संरक्षण र
 बच्यु लगानी गर्ने व्यापारीको पक्षमा । तपाईंलाई दिउँसोको नमस्कार ।", भन्दै आफ्नो कुराकानीलाई
 एक्कासि रोकिन् ।

जनाथन टेबुलबाट पछि हटे । घाममा प्रतिबन्ध ? कस्तो सिल्ली विचार ! पहिला बन्चरो अनि
 खानेकुरा र त्यसपछि घाम । अब तिनीहरूले अर्को के अचम्मको कुरा गर्ने होलान् ?" जनाथनले सोचन
 थाले ।

The Candle Maker's Petition

Frédéric Bastiat (1801-1850), *Sophismes économiques*, 1845

A PETITION From the Manufacturers of Candles, Tapers, Lanterns, sticks, Street Lamps, Snuffers, and Extinguishers, and from Producers of Tallow, Oil, Resin, Alcohol, and Generally of Everything Connected with Lighting.

To the Honourable Members of the Chamber of Deputies.

Open letter to the French Parliament, originally published in 1845 (Note of the Web Publisher)

Gentlemen:

You are on the right track. You reject abstract theories and have little regard for abundance and low prices. You concern yourselves mainly with the fate of the producer. You wish to free him from foreign competition, that is, to reserve the domestic market for domestic industry.

We come to offer you a wonderful opportunity for your — what shall we call it? Your theory? No, nothing is more deceptive than theory. Your doctrine? Your system? Your principle? But you dislike doctrines, you have a horror of systems, as for principles, you deny that there are any in political economy; therefore we shall call it your practice — your practice without theory and without principle.

We are suffering from the ruinous competition of a rival who apparently works under conditions so far superior to our own for the production of light that he is flooding the domestic market with it at an incredibly low price; for the moment he appears, our sales cease, all the consumers turn to him, and a branch of French industry whose ramifications are innumerable is all at once reduced to complete stagnation. This rival, which is none other than the sun, is waging war on us so mercilessly we suspect he is being stirred up against us by perfidious Albion (excellent diplomacy nowadays!), particularly because he has for that haughty island a respect that he does not show for us [1].

We ask you to be so good as to pass a law requiring the closing of all windows, dormers, skylights, inside and outside shutters, curtains, casements, bull's-eyes, deadlights, and blinds — in short, all openings, holes, chinks, and fissures through which the light of the sun is wont to enter houses, to the detriment of the fair industries with which, we are proud to say, we have endowed the country, a country that cannot, without betraying ingratitude, abandon us today to so unequal a combat.

Be good enough, honourable deputies, to take our request seriously, and do not reject it without at least hearing the reasons that we have to advance in its support.

First, if you shut off as much as possible all access to natural light, and thereby create a need for artificial light, what industry in France will not ultimately be encouraged?

If France consumes more tallow, there will have to be more cattle and sheep, and, consequently, we shall see an increase in cleared fields, meat, wool, leather, and especially manure, the basis of all agricultural wealth.

If France consumes more oil, we shall see an expansion in the cultivation of the poppy, the olive, and rapeseed. These rich yet soil-exhausting plants will come at just the right time to enable us to put to profitable use the increased fertility that the breeding of cattle will impart to the land.

Our moors will be covered with resinous trees. Numerous swarms of bees will gather from our mountains the perfumed treasures that today waste their fragrance, like the flowers from which they emanate. Thus, there is not one branch of agriculture that would not undergo a great expansion.

The same holds true of shipping. Thousands of vessels will engage in whaling, and in a short time we shall have a fleet capable of upholding the honour of France and of gratifying the patriotic aspirations of the undersigned petitioners, chandlers, etc.

But what shall we say of the specialities of Parisian manufacture? Henceforth you will behold gilding, bronze, and crystal in candlesticks, in lamps, in chandeliers, in candelabra sparkling in spacious emporia compared with which those of today are but stalls.

There is no needy resin-collector on the heights of his sand dunes, no poor miner in the depths of his black pit, who will not receive higher wages and enjoy increased prosperity.

It needs but a little reflection, gentlemen, to be convinced that there is perhaps not one Frenchman, from the wealthy stockholder of the Anzin Company to the humblest vendor of matches, whose condition would not be improved by the success of our petition.

We anticipate your objections, gentlemen; but there is not a single one of them that you have not picked up from the musty old books of the advocates of free trade. We defy you to utter a word against us that will not instantly rebound against yourselves and the principle behind all your policy.

Will you tell us that, though we may gain by this protection, France will not gain at all, because the consumer will bear the expense?

We have our answer ready:

You no longer have the right to invoke the interests of the consumer. You have sacrificed him whenever you have found his interests opposed to those of the producer. You have done so in order to encourage industry and to increase employment. For the same reason you ought to do so this time too.

Indeed, you yourselves have anticipated this objection. When told that the consumer has a stake in the free entry of iron, coal, sesame, wheat, and textiles, "Yes," you reply, "but the producer has a stake in their exclusion." Very well, surely if consumers have a stake in the admission of natural light, producers have a stake in its interdiction.

“But,” you may still say, “the producer and the consumer are one and the same person. If the manufacturer profits by protection, he will make the farmer prosperous. Contrariwise, if agriculture is prosperous, it will open markets for manufactured goods.” Very well, If you grant us a monopoly over the production of lighting during the day, first of all we shall buy large amounts of tallow, charcoal, oil, resin, wax, alcohol, silver, iron, bronze, and crystal, to supply our industry; and, moreover, we and our numerous suppliers, having become rich, will consume a great deal and spread prosperity into all areas of domestic industry.

Will you say that the light of the sun is a gratuitous gift of Nature, and that to reject such gifts would be to reject wealth itself under the pretext of encouraging the means of acquiring it?

But if you take this position, you strike a mortal blow at your own policy; remember that up to now you have always excluded foreign goods because and in proportion as they approximate gratuitous gifts. You have only half as good a reason for complying with the demands of other monopolists as you have for granting our petition, which is in complete accord with your established policy; and to reject our demands precisely because they are better founded than anyone else's would be tantamount to accepting the equation: $+x + = -$; in other words, it would be to heap absurdity upon absurdity.

Labour and Nature collaborate in varying proportions, depending upon the country and the climate, in the production of a commodity. The part that Nature contributes is always free of charge; it is the part contributed by human labour that constitutes value and is paid for.

If an orange from Lisbon sells for half the price of an orange from Paris, it is because the natural heat of the sun, which is, of course, free of charge, does for the former what the latter owes to artificial heating, which necessarily has to be paid for in the market.

Thus, when an orange reaches us from Portugal, one can say that it is given to us half free of charge, or, in other words, at half price as compared with those from Paris.

Now, it is precisely on the basis of its being semigratuitous (pardon the word) that you maintain it should be barred. You ask: “How can French labour withstand the competition of foreign labour when the former has to do all the work, whereas the latter has to do only half, the sun taking care of the rest?” But if the fact that a product is half free of charge leads you to exclude it from competition, how can its being totally free of charge induce you to admit it into competition? Either you are not consistent, or you should, after excluding what is half free of charge as harmful to our domestic industry, exclude what is totally gratuitous with all the more reason and with twice the zeal.

To take another example: When a product — coal, iron, wheat, or textiles — comes to us from abroad, and when we can acquire it for less labour than if we produced it ourselves, the difference is a gratuitous gift that is conferred up on us. The size of this gift is proportionate to the extent of this difference. It is a quarter, a half, or three-quarters of the value of the product if the foreigner asks of us only three-quarters, one-half, or one-quarter as high a price. It is as complete as it can be when the donor, like the sun in providing us with light, asks nothing from us. The question, and we pose it formally, is whether what you desire for France is the benefit of consumption free of charge or the

alleged advantages of onerous production. Make your choice, but be logical; for as long as you ban, as you do, foreign coal, iron, wheat, and textiles, in proportion as their price approaches zero, how inconsistent it would be to admit the light of the sun, whose price is zero all day long!

Questions to think about:

What is your view on free trade and globalization, the recent phenomenoms which are taking over the world rapidly?

Do the benefits of free trade outweighs the harms (if any) or is it the opposite?

Do you think Nepal should ban imports and prevent foreign companies from operating here so that our local industries can be saved?

If free trade is allowed, will our industries survive and be stronger or simply collapse?

How do you view Nepal's entry into the World Trade Organization?

What do you think about comparative advantage? If we allow free trade, will we be jobless and industryless? Can any country produce everything cheaper and more efficiently?

If free trade is good, what could Nepal do to integrate itself more into the global economy?

What could be the sector(s) of comparative advantage for Nepal?

The candle makers of Nepal should be pretty happy with the current load-shedding. What's your view?