

The Myth of Autarky
and Self-Sufficiency
from Mercantilism
to the Present Day:
Why Do We Still Fall
for the Idea
When Dependent
on Export
for Survival?



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Some ideas have a tendency to survive in the minds of people, no matter how many times they are proven wrong. The economic nationalism, under the name of *self-sufficiency* or *autarky*, has not been a new concept. The idea dates back at least to the era of Mercantilism of the French monarchy under Louis XIV.

Despite the dominant economic success of the *laissez-faire* free trade policy of the dominant countries of the 18th and 19th century, the ideology of self-sufficiency found its place in numerous totalitarian ideologies of the 20th century and even the early 21st century. For this reason, the dominant myth of self-sufficiency within the specific sectors where it survives to the present day needs to be examined.

The one element that unites the main areas of the economy has been the sense of endangerment associated with a handful of sectors, where people share a sentiment of a threat coming from a crisis (related, for example, to food and energy supplies, health care, etc.), where the government can justify its strong presence, subsidies, and protectionism of domestic producers.

Therefore, let us look at the key arguments presented, as well as their application in practice and confront them with the reality of the new age of Autarky, which threatens to undo many successes of economic transformation in the region.

TOWARD UNDERSTANDING AUTARKY

Over the course of history, economic liberalism has been engaged in many battles, which have been extremely difficult to win. While some ideas have failed a number of times, they keep resurfacing in the political and economic discourse due to their emotional or patriotic appeal. One of the most resistant ideas in this sense is that of

economic self-sufficiency (often referred to as *economic autarky*). This concept has been present in European economic history on a regular basis at least since the time of the Renaissance, and all the way to the present day when a new age of autarky emerges in the public discourse.

This analysis aims to look at the foundation of autarky and its brief history in order to understand its emotional appeal in the specific sectors of the economy – especially within the scenarios of crisis. This is when people always feel the need to protect and control those sectors of the economy necessary for the survival of the population. These areas include agriculture, fresh water, energy, or health care. Within these sectors, the accepted rules for how to govern the economic growth through trade and competitiveness are scrapped to

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comfort the often-irrational fears, which leads to a cyclical situation. The crisis of government mismanagement feeds the voices calling for a more efficient form of government control. It is a cycle that liberals must work tirelessly to break and reassert the efficiency of economic liberalism within these areas of the economy where emotions often reign supreme.

THEORETICAL FOUNDATION OF AUTARKY

From the theoretical perspective, economic self-sufficiency is antithetical to the *laissez-faire* economic liberalism, which is based on several concepts that liberals take for granted: economic specialization, free trade, and improvement through competitive pressures, which command specific economic and industrial policies.



IT IS NECESSARY TO SEE THE FLAWS OF MERCANTILISM FROM THE THEORETICAL PERSPECTIVE TO UNDERSTAND THEIR NEGATIVE IMPACT ACROSS THE ECONOMIC SECTORS

All the economies within Central and Eastern Europe have followed the model of economic growth based on the export of technology production and services to Western Europe through the membership of the European Union (EU). The foundation of the EU originally supported the development through economic liberalism and openness to a large market, removing trade barriers and supporting a sound economic policy, founded on a movement to a balanced budget, a responsible business environment and a removal of unfair support for the domestic businesses¹.

It is within the DNA of the economic autarky that all these considerations should be disregarded to sustain and support domestic production, self-sufficiency, and protectionism of national producers. This was understood by Adam Smith himself, who became one of the critics of this policy under the name of *Mercantilism*, which has originated from the writings of Antonio Serra (*A Short Treatise on the Wealth and Poverty of Nations* in 1613) and Tomas Mun (*Treasure by Foreign Trade* in 1664)².

In political practice, the policy of Mercantilism has focused on maximizing the use of the soil as well as natural resources for the purposes of agriculture, mining, and domestic manufacturing. This control of natural resources commands also a management of all gold and silver reserves for the needs of the economy and prohibits the export of these assets abroad. This

¹ Gupta, S. D. (2015) "Comparative Advantage and Competitive Advantage: An Economics Perspective and a Synthesis", [in]: *Athens Journal of Business & Economics*, Vol. 1(1), Athens Institute for Education and Research (ATINER), pp. 9-22. Available [online]: <https://www.atiner.gr/journals/business/2015-1-1-1-Gupta.pdf>

² agnusson, L. G. (2008) "Mercantilism", [in]: Samuels, W. G., Biddle, J. E., and J.B. Davis (eds.) *A Companion to the History of Economic Thought*, Malden, Massachusetts: John Wiley & Sons. Available [at]: <https://www.wiley.com/en-us/A+Companion+to+the+History+of+Economic+Thought-p-9781405128964>

approach, of course, leads to the policy of the attempts to discourage all imports of the foreign goods into the country. Moreover, the import should focus on raw materials, so that the production of necessary goods may be finished in the home country³.

It is necessary to see the flaws of Mercantilism from the theoretical perspective to understand their negative impact across the economic sectors. Adam Smith saw the calls for Mercantilism to be motivated by a conspiracy of manufacturers and merchants against consumers⁴. Authors such as Robert Ekelund or Robert Tollison described Mercantilism as a form of rent-seeking arrangement in a society in defence of the producers, who seek protection from genuine competition. In this sense, Mercantilism has been viewing economic trade as a zero-sum game, where a win to a foreign economic actor means a loss to a domestic one who pays the price for this development⁵. As a result, any system of policies benefiting one actor must be detrimental to the other actor and a reversal of these fortunes has no negative impact on the overall quality of the economic environment. These claims have dictated the direction of domestic economic policies, where autarky was introduced.

It was the endeavor to economic autarky or self-sufficiency that has created a system of government-imposed monopolies. Not all proponents of Mercantilism supported this course of action. Some of them saw these steps as necessary preconditions

³ Landreth, H. and D.C. Colander (2002) *History of Economic Thought* (4th ed.), Boston: Houghton Mifflin.

⁴ Ekelund, R. B. and R.F. Hébert (1975) *A History of Economic Theory and Method*, New York: McGraw-Hill.

⁵ Ekelund, R. B. and Tollison, R. D. (1981) *Mercantilism as a Rent-Seeking Society: Economic Regulation in Historical Perspective*, College Station, TX: Texas A&M University Press.

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for the success of this system, while other Mercantilists saw the problems of corruption and potential inefficiency as unavoidable – and thus rejected these policy approaches.

Most Mercantilists agreed that a policy proposal was needed for the economic exploitation of the working classes, where the workers or farmers were forced to work in poverty to support this system from the bottom. The objective of such a move is to maximize the production while minimizing costs and the domestic consumption. The precondition of the success of this approach has been the existence of a large domestic population, presence of export markets, and a military power⁶. Mercantilist worldview has dominated the economic

⁶ Ekelund, R. B. and Hébert, R. F. (1975) *A History of Economic Theory and Method*, New York: McGraw-Hill.

ideology within the European continent throughout the early modern period, ranging from the Italian city states, through the French monarchy, and even England. It was within these countries that the Mercantilist policies have been first introduced. The most prominent policies in this line of thinking have been:

- high tariffs, mainly on manufactured produce;
- prevention of the trade with other nations for the economic centres as well as the colonies;
- monopolization of the key markets through various preventive measures;
- outlawing of the export of gold and silver, including for the payments for imports;
- banning of the trade carried in foreign ships; provision of financial subsidies for the exporters;
- support of the manufacturing and industry through research or direct subsidies for the producers; caps on the wages for the workers in factories and agriculture;
- promotion of the use of domestic resources;
- restriction of the domestic consumption with measures such as non-tariff barriers⁷.

DEVELOPMENT OF AUTARKY THROUGH HISTORY

Despite the recent or even current attempts to reinvent self-sufficiency and autarky in some sections of the economy, the historical evidence points to a combination of economic failure and a disregard to the quality of human and economic rights

⁷ Magnusson, L. G. (2008) "Mercantilism", [in]: Samuels, W. G., Biddle, J. E., and J.B. Davis (eds.) *A Companion to the History of Economic Thought*, Malden, Massachusetts: John Wiley & Sons. Available [online]: <https://www.wiley.com/en-us/A+Companion+to+the+History+of+Economic+Thought-p-9781405128964>



MERCANTILIST WORLDVIEW HAS DOMINATED THE ECONOMIC IDEOLOGY WITHIN THE EUROPEAN CONTINENT THROUGHOUT THE EARLY MODERN PERIOD

and freedoms enjoyed by a large part of the society. Nonetheless, many of these examples retain a considerable reputation despite the abuse that has been suffered by different social groups.

ELIZABETHAN ENGLAND AND THE BIRTH OF THE BRITISH EMPIRE

These economic policy prescriptions creating a controlled economy have been introduced in practice over a long period of time between the 15th and 18th century. The Mercantilist approach has been dominant in the economic thought since the birth of the Renaissance with evidence of this policy in the Italian states of Venice, Genoa, or Pisa, which have observed Mercantilism defined as a coherent economic school.



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The first prominent example of autarky was the case of an Elizabethan England between 1558 and 1603, when a policy of minimizing imports became intrinsic to the economic policy of the British monarchy. The objective of this approach was to develop a powerful naval and merchant fleet that could challenge the grasp of the Spanish armada on trade routes.

The efforts of the Elizabeth were successful in terms of the defence of English merchant ships against a more powerful Spanish Empire and strengthening the efficiency of the use of natural resources⁸. This policy managed to help found the basis of the expansionist business ventures, as illustrated by the birth of the East India Company, which was founded in 1600⁹. The futility of this approach became apparent in the

⁸ McCusker, J. J. (2001) *Mercantilism and the Economic History of the Early Modern Atlantic World*, Cambridge: UP.

⁹ King Jr., G. A. (2008) "The Development of Free Trade in Europe", [in]: *Free Market Forum*, Hillsdale, Michigan: Hillsdale College. Available [online]: <https://www.hillsdale.edu/educational-outreach/free-market-forum/2008-archive/the-development-of-free-trade-in-europe/>

mid-18th century, following the annexation of the Bengal region, a crucial trading power, by the British East India Company.

Given the growth of other competitors, such as the Netherlands or Portugal in the region and their support for the policy of international trade, England began to transition its position towards free trade. A considerable role was played by the birth of the classical school of economy. However, it took until the mid-19th century that the United Kingdom had fully embraced free trade, through repeal of Corn Laws and many other trade regulations, as an alternative system that helped the country build its international position in the world¹⁰.

The second and more prominent social problem to these early attempts at the autarkic economy was the use and abuse of colonialism and slavery. This is because a critical factor for the persistence of this economic system was a maximum possible use (or even abuse) of the colonies and a favorable trade balance. To achieve this, the European powers were active players in the transatlantic slave trade, buying people from slaveowners in Africa and using them for work in their colonies.

Both England and France (to be mentioned) were active in the slave trade between the 16th and early 19th century. Slave labor had been active in doing the work, which was very labor intensive, mainly in agricultural production (fur, sugar cane, cotton, or rum), which was sent back to Europe to be converted into consumer products. As a result, the enslavement of the indigenous people in the colonies has been an integral part of Mercantile practices in the English (British) and French colonial periods. The most common practice was the use

¹⁰ Blum, G., Cameron, R., and T.G. Barnes, (1970) *The European World: A History*, Boston: Little, Brown & Co.



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of slave labor in fur trade, cotton fields, or other menial tasks¹¹.

FRENCH ABSOLUTIST MONARCHY AND THE DAWN OF THE REVOLUTION

The English example was followed by the French policy articulated by the advisor and a finance minister to Louis XIV, Jean-Baptiste Colbert, in the mid- to late-17th century. He was one of the proponents of French Mercantilism, the dominant approach to economic affairs until Napoleon greatly liberalized the economic policy between 1799 and 1814/15.

In a similar manner to the situation in Elizabethan England, Colbert advised the French monarch to utilize the economic and diplomatic power in the interests of the king at the expense of the merchants as well as workers in the country. Mercantilism had the objective to utilize this power for the construction of the state, most notably in the era of constant warfare, and the

Mercantilist theorists provided the king and his cabinet with the necessary rationale for this course of action from the position of the economic policy.

In effect, much like in the case of England, France sought to achieve economic self-sufficiency. The state was convinced it could provide for all of its own economic needs, while it would count on the other nations' dependence on French agricultural exports. The reduction of the imports could in no way threaten the levels of exports. The focus then turned on the state support in the form of monopolies and subsidies for the domestic industry and commerce. The wealth of the country was associated and equated with the capacity to collect and circulate gold in the economy¹².

Both of these prominent examples have highlighted the early prominent examples of monarchical policies of self-sufficiency that attempted to restore their political power and international stance in the world. However, even at that time, according to the historian de Montchrétien of late 19th century, this system was only possible through widespread protectionism, colonialism, industrial subsidies, and monopolization of the national industries and commerce. Another permanent factor was the abuse of the workers and the consumers through denying competition and goods from cheaper sources and through disenfranchisement and abuse of their rights and freedoms. This policy mix then commands a lack of economic freedom and a form of enlightened or rationalized absolutism, which will be a trademark of other movements advocating self-sufficiency.

¹¹ Noakes, T. C. (2021) "Mercantilism", [in]: *The Canadian Encyclopedia*, published on February 7, 2006, last edited on April 1, 2021. Available [online]: <https://www.thecanadianencyclopedia.ca/en/article/Mercantilism>

¹² McNally, D. (1990) *Political Economy and the Rise of Capitalism: A Reinterpretation*, Berkeley, Los Angeles, Oxford: University of California Press. Available [online]: <http://ark.cdlib.org/ark:/13030/ft367nb2h4/>

The trademark of self-sufficiency is the dismantling of the rights and privileges of specific segments of the society, while promoting the economic interests of the producers that are controlled by the state. This shows the internal contradiction and failure of the self-sufficiency, which is maybe more problematic than the external one of economic mismanagement. An attempt at the lasting economic prosperity was, in principle, impossible without a government that has consistently relied on the increasing exploitation of the poorest layers of the population¹³.

THE 20TH CENTURY TOTALITARIANISM

Following the end of WW1 and the end of the first wave of globalization, many nations in Europe succumbed to the calls for the totalitarian projects of a communist or fascist nature. Even though these two movements found themselves on the opposite ends of the ideological spectrum, they both have in common a placement of the individual within the interests of the collective, which takes precedence, whether it is the nation or the class. As a result, despite different arrangements in some aspects of the economy, both regimes understood the economy to fulfil the objectives of the state – either through outright nationalization/collectivization or through a form of a command economy where production has been directed towards militarization.

Nazi Germany

The key economic arguments underlying the autarkic policy in the post-WW1 environment was vocalized in the countries suffering from heavy economic crises. In the case of Germany, the Weimar republic was a despised regime seen as imposed

by the winning countries through the Versailles agreement. Adolf Hitler claimed a considerable blame for the defeat on the capacity of UK, France, and the United States to supply the goods and utilize the workforce from overseas to sustain the wartime economy.

Since Germany commanded no such colonial resources, Hitler defined the necessity of Lebensraum combined with a need to ensure that Germany can fight any future



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¹³ de Montchrétien, A. (1889) *Traicté de l'oeconomie politique dédié en 1615 au roy et la reine mère du roy*, Paris: Librairie Plon.

war relying purely on its own resources, to avoid the crippling effects of the economic blockade from the North or the Mediterranean seas. In the WW1, the Allied blockade resulted in malnutrition and the death of 600,000 Germans. The main issue was the need to pay for industrial and food imports, which the Nazi regime could not make Germany self-sufficient in.

The actions employed to attempt to achieve this goal were, again, hard to swallow from the liberal perspective. The measures came partly in the form of the confiscation of the property from the Jews and other *enemies of the regime*. The attempts to boost exports were undercut by the economic crisis and lack of demand from other countries. Germany had to resort to a form of quotas and restrictions for consumption combined with a cut on imports, which

created a huge strain on the domestic resources – in agriculture, mining, and heavy production. This situation led to abuse of the workers' rights, where freedom of association into independent labor unions was prohibited¹⁴.

20th Century Socialist Movements

Similar attempts at the autarkic peacetime society were recorded in the Soviet Union, which rushed toward economic isolation at an unprecedented rate in any peacetime industrial economy. The peak autarkic nature of the Soviet economy was reached by the mid-1930s and became the characteristic feature of Soviet economic policy. Since the end of WW2, foreign trade in the Soviet Union rose rapidly due to the expansion of its geopolitical position and a growth of favorable regimes in the Eastern Europe, Asia, and Africa. The development of the 1930s was a result of the combination of a sharp curtailment of trade relations with the world and a setup of a planned economy from 1928 onwards.

The First and Second Five-Year Plans (1928/29-1932, 1933-37) were deliberately directed at the pursuit of the economic autarky to limit dependence on foreign trade as much as possible, with a focus of importing only the machinery that would subsequently help produce everything at home. The economic collapse and stagnation of Soviet foreign trade in the 1930s was attributed to external factors outside the control of the Soviet planners.

The internal policy of nationalization and the abuse of property rights, as well as independent labor organization, had been among the integral parts of economic



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¹⁴ Evans. R. J. (2021) *Autarky: Fantasy or Reality?*. Available [online]: <https://www.richardjevans.com/lectures/autarky-fantasy-reality/>



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policy to make this push possible¹⁵. In addition, in the post-WW2 environment, the autarkic economic policy was adopted by many countries and in different schools of thought – including syndicalism, leftist populism, and African socialism¹⁶.

THE NEW AGE OF AUTARKY: WHERE DOES THE SELF-SUFFICIENCY ARGUMENT STILL STAND STRONG?

Despite this historical track record of economic mismanagement and abuse of individual rights, the idea of self-sufficiency manages to make a comeback to the

public discourse in a regular manner. Following the end of the Cold War, the world has entered a brief period of economic and political liberalization yet again – a state which Francis Fukuyama termed *the End of History*, as he suspected all countries would find this to be the superior form of economic and political structure. This idea was associated with a removal of barriers between the East and West, development of economic ties between the U.S., European Union, and countries of Central and Eastern Europe¹⁷.

Unfortunately, from the liberal perspective, this honeymoon period was short-lived and has been since reversed in many countries. Numerous authors (including Malcolmson or Edgerton) point to the Brexit referendum and Donald Trump election, as well as new authoritarian and expansionist trends of Russia and China, to be the signs of a new era of international politics that can signal the geopolitical race and growth of animosities among the previously converging countries. Recently, this phenomenon may be observed even in India, under the nationalist populist government of Narendra Modi. Besides the geopolitical tensions, nations are beginning to go back to the policies of protectionism driven by emotional appeal by the politicians who attempt to play to the fears of immigration and disruptive innovation¹⁸.

However, it is incorrect to assume that there was ever a genuine embrace of economic liberalism – even across Western Europe in the post-WW2 environment. This

¹⁵ Dohan, M. R. (1976) "The Economic Origins of Soviet Autarky 1927/28-1934", [in]: *Slavic Review*, Vol. 35 (4), December. Available [online]: <https://www.cambridge.org/core/journals/slavic-review/article/economic-origins-of-soviet-autarky-1927281934/127F025AAD6EF0BC74AA0F009B24ECC7>

¹⁶ Corporate Finance Institute (2021) *Autarky*. Available online]: <https://corporatefinanceinstitute.com/resources/knowledge/economics/autarky/>

¹⁷ Fukuyama, F. (1989) "The End of History?", [in]: *The National Interest*, Vol. 16, pp. 3-18. Available [online]: <https://history.msu.edu/hst203/files/2011/02/Fukuyama-The-End-of-History.pdf>

¹⁸ Malcolmson, S. (2021) "New Age of Autarky", [in]: *Foreign Affairs*, April 26. Available [online]: <https://www.foreignaffairs.com/articles/usa/2021-04-26/new-age-autarky>

phenomenon may be illustrated by the fact that the foundation of the European partnership was founded on the protectionism of the agricultural sectors in large European countries, as well as relatively restrictive policy of economic tariffs against imports from third countries.

Moreover, the COVID-19 crisis has had a twofold effect on the issue of economic self-sufficiency. On the one hand, there has been a very strong push towards the digitalization of economic activity, which has been motivated by the lockdowns and the detrimental effects they have had on both sellers and buyers across the economic sectors. The result has been a massive shift towards international retail trade, digitalization of processes, and removal of borders for the retail for the future. The downside has been a resurgence of the topic of self-sufficiency as a necessity due to the possibility of a crisis – such as the one the world found itself in¹⁹.

Emergencies such as the COVID-19 pandemic are often a very potent ground for panic measures and policies driven by fear and misinformation. The first one that comes to mind is the need to spend money, which always comes as a response to a crisis, – be it a terrorist attack, economic recession, or a pandemic. More than that, liberals are fighting the greatest myth of all rooted at the heart of fears that drive the calls for self-sufficiency.

Namely, when citizens feel threatened, they look up to the government for protection. Thus, the population voices loud calls for the protection of the national resources and minimization of dependence on other countries – the so-called



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disaster protectionism. Such a trend has been on full display during the pandemic: external borders of the EU were shut, hitting international trade, which dropped like a rock, thus affecting the supply of food, medical equipment, and other things across the continent. The world literally depended on the corporations to have their own jets to ship the material necessary to develop the COVID-19 vaccines²⁰.

¹⁹ Edgerton, D. (2020) "The New Age of Autarky", [in]: *New Statesman*, June 10. Available [online]: <https://www.newstatesman.com/politics/economy/2020/06/new-age-autarky>

²⁰ Norberg, J. (2020) *Open: The Story of Human Progress*, Atlantic Books.

At the same time, the protectionism did not end there. After several decades, many new borders have been erected within the European Union, free movement was suspended, leading to people often being stuck abroad, and others losing jobs and livelihood. This was the time when the calls for self-sufficiency strengthened. France and Germany openly banned exports of protective equipment and France even began confiscating foreign equipment sent through France. Similar emergency measures have appeared in CEE region as well. The Czech Republic introduced export restrictions on medicines and medical devices (including face masks) in response to the COVID-19 crisis²¹. Slovakia has also strengthened a grip on the maximum use of domestic resources through an emergency law, which coerced all doctors and nurses to be available under the threat of legal action for the sake of stability of the health care system.

At the time when international trade was needed the most, governments did what they do best: reacted instinctively and destroyed the reputation internally as well as externally. The European Union has challenged the sanctity of its own rules on which millions of people were relying for their own livelihood and many people moved their business to unofficial channels, strengthening the push for digital solutions and the calls to avoid compliance with the official legislation in times of crisis.

Of course, the loudest critics putting the blame on the EU come from the extreme right and left wings, calling for even more illiberal tendencies and a full subordination

²¹ Gorrissen Federspiel (2020) "COVID-19's Impact on the Globalized World – Export Controls", March 17. Available [online]: <https://gorrissenfederspiel.com/en/knowledge/news/covid-19s-impact-on-the-globalized-world-export-controls>



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of the economy to the needs of the state. They criticize not the government malfunction as a principle, but a failure resulting from insufficient action²².

CONCLUSIONS: WHY WE NEED TO FIGHT SELF-SUFFICIENCY

While the effects of such an economic path for personal rights or liberties – or even for capitalism and the business

²² Norberg, J. (2021) "COVID-19 and the Danger of Self-sufficiency: How Europe's Pandemic Resilience was Helped by an Open Economy", [in]: *European Centre for International Political Economy*, March 2021. Available [online]: <https://ecipe.org/publications/covid-19-and-self-sufficiency/>



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environment, – the foundation of the argument of self-sufficiency has considerable negative impacts on so many elements taken for granted in a free society. Once the idea of self-sufficiency takes hold, through emotional or political rationale, it has the power to destroy the rights of the consumers and producers, undermine competition, destroy quality of life, and lay the foundation for the ever-present government that can destroy all aspects of a free society.

In this article, a very concise history of attempts at self-sufficiency, or autarky, has been presented, with significant negative consequences becoming dominant in each of those attempts. From slavery, through colonialism, totalitarianism, wars, and dispossession of vulnerable communities, the idea of self-sufficiency can ultimately destroy the very foundation of today's economic liberalization that we once thought unquestionable. Therefore, we need to engage with the emotional appeal of self-sufficiency (everywhere we see it!), and diligently explain how markets and free trade work across different sectors – including agriculture, medicine, or natural resources.

Just because something is considered indispensable, it does not mean the rules of economy and a free society will not apply. Quite the contrary, the argument that the more we value something, the more we should resist the government takeover, needs to be heard.



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