

# Bourgeois “Comparative Advantage” Theory Justifying Imperialist Trade Policy and Its Reactionary Nature

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The great leader Comrade **Kim Jong Il** said as follows.

**“The bourgeois idea, that reflects the avaricious demands of the exploiter classes, cannot conceal its reactionary nature, no matter what hypocrisy is used to embellish it.”**

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Historically, all bourgeois economic theories have been so far become the theoretical bases used to make economic policies of bourgeois government and served as defending theory to support them.

Bourgeois trade theories are also no more than the defending theories that support the imperialist trade policies. Typical one of those theories is just “comparative advantage” theory.

“Comparative advantage” theory explains the processes of trade transactions between countries by introducing the concepts - “opportunity cost” and “comparative advantage”.

In this theory, they say every good has an “opportunity cost”, this is the same as the amount of other good given inevitably up. In other words, “opportunity cost” of an item is a cost counted by output possible of other item that must be reduced in its amount.

Take a producer who produces two kinds of products- A and B, using the given conditions of production efficiently as an example. When he produces more good-A by a unit, he has to give up producing good-B by certain amount-Y. In this case, “opportunity cost” of good-A is counted by certain amount-Y of good-B forgone due to producing more of good-A.

In this theory, if a country has lower “opportunity cost” of a good than one another, the country has “comparative advantage” in producing the good, then has to specialize in producing it and exchange some amounts of it for other goods.

We assume that there are two countries-A and B, which could produce two kinds of products-rice and car individually. And suppose because these countries have natural and climatic conditions, country-A could produce rice as much as country-B does, whereas country-B could produce car not so much as country-A.

Suppose A could produce whether 120 000t of rice or 60 000 cars per year in attempt to produce only one kind of good and B whether 100 000t of rice or 40 000 cars per year.

Country-A’s “opportunity cost” of a million tons of rice is the same as 0.5 million cars ( $=6/12$ ), and “opportunity cost” of a million cars is equal to 2 million tons of rice ( $=12/6$ ). Similarly country-B’s “opportunity cost” of a million tons of rice is the same as 0.4 million cars ( $=4/10$ ), and “opportunity cost” of a million cars is equal to 2.5 million tons of rice ( $=10/4$ ).

In this analysis, A’s “opportunity cost” of a million cars is lower than B’s one, and B’s “opportunity cost” of a million of rice is smaller than A’s one. As a result, country-A has to specialize in producing cars, while B in producing rice. Then they should exchange their own product for other goods. This is a basic principle of the “comparative advantage” theory.

This is a distorted theory of the real cause for trade between countries and it is served defending theory used to justify imperialist exploiting nature in external trade.

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First of all, the term “opportunity cost” itself is an unreasonable concept.

Theoretically, cost is calculated by total amounts of labor needed in production of commodity (labor amounts embodied in production for means of production plus labor amounts needed in production of new commodity using them).

But, in “comparative advantage” theory, the cost of commodity is considered to be all resources not only resources used actually in the production but also forgone other resources.

In practice, it is true that many other commodities available should be given up for increase in a certain commodity, so it is not possible to count one of all alternatives as an “opportunity cost” of it. And although each country produces the same kind of commodity, each one has its own distinguished points from others in terms of the qualities, quantities, and characteristics of it. So “opportunity cost”, as a criterion, cannot reflect all of differences of commodities.

It proves not to be true that “opportunity cost” is sole criterion to discover the cause for trade between countries. This “opportunity cost” is an intentional precondition to extract the cause for exchanges of products between countries and also a distorted form of production cost.

“Comparative advantage” theory itself, based on the term “opportunity cost”, also is no more than nonscientific theory.

This theory says that cause for exchanges between countries is attribute to the differences of “opportunity cost” of a good; due to the difference of “opportunity cost” of a good, each country which has relatively lower “opportunity cost” of a good than others has “comparative advantage” in this production, and takes part in the exchanges with its own good.

But, in effect, trade between countries does not occur due not to the differences in “opportunity cost” of goods.

In general, the basis that occurs the trade between countries is social division of labor and differentiation of ownership of products. Social division of labor is a condition to occur the exchangeability that one should be exchanged with one another. Another essential condition is differentiation of ownership of products; this is the condition that does exchange of products in the form of sale between trade parties. Social division of labor combined with differentiated ownership of products occur the trade relations between producers.

Condition that ownership of products are differentiated with the nation and state as a basic unit makes the social division of labor to become the major condition to cause for the trade between countries.

Basically, each country makes its products different from others in terms of quantities, qualities and structures of products because each country has different conditions including natural and economic conditions and environment, styles and tastes of people’s economic lives, development level of science and technology and so on. So these conditions makes it possible to occur the trade between countries that some countries with surplus products can sell them to others and also other some countries purchase products that they cannot produce at all or produce as much as they need.

Here, the case in which a country cannot produce at all or can produce less represents not existing the division of labor specialized in this production as partly as they do not have at all or have less. Although the goods are same in kind, they may have difference in terms of quality of the good.

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This is because of existing of different division of labor that is similar with each other at a glance but is different from each other in detail.

However, in “comparative advantage” theory, they concentrate only on division of labor producing the goods with different value, and elicit exchange relations ignoring above all conditions subjectively and unreasonably.

“Comparative advantage” theory serves as a theoretical tool to justify the exploiting and predatory nature of trade relations and to support the imperialist trade policy.

One of its reactionary natures is that this theory conceals the exploiting nature of imperialists who try to maintain the old international economic order and to strengthen the economic yoke and plunder toward developing countries through it.

In a view of principle, when each commodity may be exchanged basing only on its value, such exchange can be the equivalent and mutual benefit exchanges. This is a basic economic law.

But bourgeois theory justifies the unfair international division system of labour which is an economic basis of non-equivalent exchange by insisting on “comparative advantage” theory.

In practice, international trade between developed and developing countries is non-equivalent exchange. In such unfair international trade, developed countries sell their products such as industrial products, processed products, intellectual products to developing countries at higher prices than in international market, while they buy developing countries’ products such primary products as minerals, agricultural products at lower prices than in international market.

The main reason is that developing countries are bound by one-sided and unfair international division system of labour forced by imperialist countries.

If following this theory, backward countries in economic development including developing countries have “comparative advantage” in primary industries and traditional industries which have low level of technical development for production and are needed huge labor. It is because imperialist countries have been developing processing industries and technical intensive industries, so they have low “opportunity cost” and favorable “comparative advantage” in these sectors. Conversely, the economically backward countries inevitably have low “opportunity cost” and favorable “comparative advantage” in primary industries and traditional industries. As a result, it should be formed one-sided international division system of labor and non-equivalent exchange between imperialist countries and colonial and developing countries.

So imperialist countries can always hold more favorable positions in overall production and trade transaction than developing countries, thus they make lots of profits through the non-equivalent exchange in the international trade. But developing countries only conduct their economic activities with one-sided and deformed economy and finally they cannot avoid the social poverty as well as the serious environmental problems and depleting resources. Furthermore, it causes the big differences between imperialist countries where “the rich get richer” and developing countries where “the poor get poorer”.

It shows that bourgeois “comparative advantage” theory is a theoretical tool supporting activities by imperialists who maintain the old and unfair international economic order and strengthen the exploitation and plunder through it.

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Another reactionary nature of this theory is that it serves as a theoretical tool for imperialists who stand the way of progressive countries aspiring the economic independence and to subordinate them economically.

The economic independence is crucial problem of the sovereign states. Especially it is life and soul for socialist countries as well as progressive countries which have declared independence from the imperialist colonial system. It is because only when they are independent economically, they ensure the national independence and independent development in every sectors of their countries.

Most of socialist and developing countries are almost backward countries in terms of economic bases and development level of productive force.

They should construct their own independent economies in order to get rid of backwardness due to imperialist colonial rules and to develop economies in accordance with desire of their own people and their own reality.

If following this theory, the economy of developing countries is limited in primary industries like agricultural and mining industries that they have “comparative advantage”, which have been favorably developed so that imperialists strengthen the economic exploitation and plunder in those sectors. Thus, they cannot ensure their economic and political independences, and they would become the victims of “globalization” and the economic appendages of imperialists.

Particularly, the economic independence is very important now because of strengthening of military aggressions and economic dominations forced by imperialists and the cyclical serious world economic crises.

However, bourgeois economic theory preaches that socialist and progressive countries stop to construct the independent economy and take part in international division system of labor by reforming and opening their economies.

It shows that this theory enables socialist countries and developing countries to give up the class struggle and not to build the independent economy, and finally, to be constant economic appendage to serve the imperialists.

We should have the correct understandings of the reactionary nature of bourgeois economic theory supporting the actions of imperialists to dominate the world economy and also build our economic powerful nation on the Juche economic theory.