

"Every country... has some peculiar produce for which it enjoys some sort of monopoly in the home market. To give the monopoly of the home market to the produce of domestic industry, in any particular art or manufacture, is in some measure to direct private people in what manner they ought to employ their capitals, and must, in almost all cases, be either a useless or a hurtful regulation. If the produce of domestic can be brought there as cheap as that of foreign industry, the regulation is evidently useless. If it cannot, it must generally be hurtful." (Smith 1776), Page number unknown

When Smith says "Every country... has some peculiar produce for which it enjoys monopoly in the home market" (Smith 1776), he is referring to the idea that would later become known as comparative advantage, the idea that countries can naturally produce certain products more efficiently than others. India has a strong history of textile production, which had historically led to a massive trade deficit on Britain's part.

When Smith argues "be either a useless or a hurtful regulation" (Smith 1776), he is arguing that consumers benefit from buying low-cost Indian textiles. However, under a mercantilist system of trade, which is what he means by 'regulation', British factories would deliberately place taxes against Indian imports, making them more expensive. This would artificially advance the British textile industry. This is what he implies by stating "To give the monopoly of the home market to the produce of domestic industry" (Smith 1776). The British Isles were given an artificial advantage in the production and sale of textiles.

However, Smith also argues that this leads to higher prices for consumers, as well as an inefficient allocation of resources, as the state is dedicating capital and resources to naturally inefficient industries. In essence, Smith is arguing that instead of artificially allocating resources to the textile industry, Britain should have allocated labor & capital towards shipbuilding, and proceeded to trade those ships for Indian textiles, which would have led to both parties benefiting.

Furthermore, when Smith discusses regulation by stating "If the produce of domestic can be brought there as cheap as that of foreign industry, the regulation is evidently useless" (Smith 1776), he means that if a good (ex: Shipping vessels) could be more efficiently produced in Britain, a regulation placed against the development of shipbuilding in India would be useless, as consumers would buy British ships regardless.

However, when Smith states "If it cannot, it must generally be hurtful" (Smith 1776), he means that if a good (ex: Textiles) could be more efficiently produced in India, a regulation placed against the development of textile in India would be harmful to both consumers, and the British economy, as British textiles were more expensive, and allocating resources towards that industry would be highly inefficient.