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## Closed Economies, Autarchy - Failure and Economic Disaster

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**ABONARE**

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# **Closed Economies, Autarchy - Failure and Economic Disaster**

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## **Rezumat**

Autarhia reprezintă un sistem economic în care statul refuză orice legătură comercială cu exteriorul, bazându-se doar pe propriile resurse. Într-o economie autarhică, statul nu participă la viața economică internațională, nu este parte a niciunei organizații economice regionale și/sau globale, nu exportă și nu importă bunuri. Caracteristicile unei economii închise, autarhice sunt: 1). statul nu ține cont de mersul economiei mondiale, 2). lipsa implicării statului în economia internațională, 3). se urmărește independența economică, prin reducerea drastică sau anularea importurilor și exporturilor, 4). statul se bazează doar pe resursele proprii. Acest sistem economic poate duce la: a). declin economic accentuat, din cauza imposibilității statului de a asigura bunurile și serviciile necesare traiului populației, b). scăderea veniturilor naționale, diminuarea considerabilă a PIB-ului, c). creșterea accesului statului la resursele naturale interne, care duce la creșterea șansei epuizării lor, d). instabilitate socială.

**Cuvinte cheie:** autarhie, regimuri totalitare, comerț internațional, economia mondială

## **Abstract**

Autarchy is an economic system in which the state refuses any commercial connection with the outside, solely relying on its own resources. In an autarchic economy, the state does not participate in the international economic life, is not part of any regional and/or global economic organization and does not export or import goods. The characteristics of a closed, autarchic economy are: 1). the state does not take into account the progress of the world economy, 2). the state lacks involvement in the international economy, 3). economic independence is pursued by drastically reducing or canceling imports and exports, 4). the state solely relies on its own resources. This economic system can lead to: a). a pronounced economic decline, due to the impossibility of the state to provide the necessary goods and services for the population's

livelihood, b). a decrease in national incomes, considerable decrease in GDP, c). an increase in the state's access to domestic natural resources, which in turn leads to an increased chance of their depletion, d). social instability.

**Keywords:** autarchy, totalitarian regimes, international trade, world economy

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### **I. Autarchy, an inefficient economic system**

Autarchy is a system that, in the conditions of today's globalized and economically interdependent world, cannot be considered reliable for any state that wants to develop economically, socially and politically. One cannot speak of economic development in a country whose government has adopted autarchic measures. First of all, no state can fully secure the necessary natural resources for its economic development. All developed states of the world trade, each providing resources and importing those that it does not have or that are in danger of being depleted. From an economic point of view, autarchy limits progress as it does not allow foreign investors to enter the country, and the state alone cannot provide all the goods and services that citizens need. The communist regime in Romania followed the principles of the autarchic regime, being forced, at a certain point, to drastically reduce the population's consumption of the main economic goods (food, gas, electricity, etc.). This situation is currently occurring in North Korea, where the communist regime that relied on a directed economy and few trade relations with the outside (China being the only trading partner of the communist state), was unable to meet the needs of the citizens and was forced to impose measures to reduce food consumption (Hosu, 2016).

Autarchy also hinders social development, and, in fact, can lead to serious political and social instability. Specific to the former communist and dictatorial regimes, autarchy did not bring anything good to the state and society. Nicolae Ceaușescu's autarchic policy based on an

exaggerated export and the drastic reduction of imports (Claudiu-Dumitrescu, 2016), led to the outbreak of the Revolution of December 1989 and the fall of the communist regime in Romania.

Nowadays, worldwide, one cannot speak of the existence of closed economies, because each state develops economic relations with the outside, having, as the case may be, more or fewer trading partners. Countries with dictatorial or authoritarian political regimes especially have a limited number of trading partners, either because of total state intervention in the economy, or because of international sanctions, in particular, the imposition of an economic embargo. Such examples were Cuba, during the time of Fidel Castro (Lupşor, 2016) and North Korea, a state that was subjected to an economic embargo and international sanctions because of its armament policy, especially with nuclear weapons (Ungureanu, 2012). The state of Myanmar was in the same situation during the military dictatorship of Thein Sein. (Ministry of Foreign Affairs, 2016). Socialism and communism support the state's intervention in the economy and declare themselves against the capitalist economy. The socialist economy is the type of economy in which autarchy can take root very easily.

Economic independence is an impossible concept to put into practice. Ensuring all the resources required for economic production and the goods intended for the population is difficult to achieve even by an economically developed state. Specialists believe that the Russian Federation is a state that benefits from energy independence (Chifu, 2016), having thus, a formidable weapon, which we can call an energy weapon. (Danilov, 2016). Nevertheless, the Russian Federation has a vital need for trade connections with other states, as this country's income depends on the amount of raw materials and resources sold to other states. In addition, no economically and financially powerful state will pursue a policy of restricting trade relations with other states, as it is in the detriment of the developed state.

## **II. Totalitarianism and autarchy in the 20th century**

Totalitarian regimes, especially the extreme left, communism, massively spread in the second half of the 20th century, were based on autarchic principles, to create an equal and self-sufficient society. In this sense and economically speaking, the measures taken proved to be a great failure: the nationalization of all means of production and the collectivization of agriculture. Both measures affected the social and economic structures of the states in which they were applied. The

effects were devastating: the decline of industrial and agricultural production, the collapse of exports, the decrease of imports, and, generally, economic isolation.

A drastic form of autarchy with disastrous social and economic consequences, was imposed in the 20th century by the leader of the Khmer Rouge, Pol Pot. He enforced a utopian regime, also known as *primitive communism*, aiming at: "the return to a rural and autarchic life, based on the destruction of cities, the prohibition of private property, and the abolition of currency." (RAO Encyclopedia, 2004, p.258). All these measures led to total economic, social and political downfall in Cambodia, providing an example of the inefficiency of a closed economy. In fact, a closed economy is a downfall, the disappearance of the exchange economy and the return to the old form of production, based on a natural economy, which is inefficient and insufficient for the demands and needs of the contemporary society's population.

As in the case of Cambodia, under the dictator Pol Pot, autarchy produces insecurity for the state and local communities, having a strong negative impact on the economic and social sectors. In extreme cases, autarchy can lead to the collapse of the national economy, to the state's impossibility to mint the currency and provide the population with access to educational and health services. Therefore, we conclude that such an economic system increases the state's degree of frailness, bringing it closer to the sphere of fragile or failed states.

### **III. The autarchic measures in certain economic sectors**

Certain states can impose autarchic measures upon certain goods, but without transitioning to a closed economic system. One such example is provided by the Chinese government, which produced the "Report on the Prospects of China's Agriculture (2014-2023)" that states that the country is capable of achieving "overall grain autarchy and absolute food security" ( Xinhua, 2014). In this regard, China imposes autarchic measures on the main varieties of cereals that are produced within the country: rice, wheat and corn. The economic measure imposed by the Chinese government can prove effective on one level, if its application will determine "absolute food security". In this respect, the application of an autarchic measure can only prove beneficial to the state and the population to a certain extent.

The implementation of autarchic measures upon certain goods by a state that makes a high production of the respective good can determine the achievement of a surplus of economic goods. With regard to the measure adopted by the People's Republic of China, the autarchy enforced on

the main agricultural products ensures a surplus in the long term, which can be stored and used whenever needed. The grain produced in China can be stored in silos and used in difficult situations: for example, when drought can lead to a year with low agricultural production. Thus, there is no risk that, during that year, the population will lack the food resources they need. The disadvantage, however, is the loss of retail markets, because as a result of these autarchic measure, the states that imported grain from China, will turn to other exporters of agricultural products. On the other hand, autarchic measures are not beneficial to all categories of goods. If for some agricultural products, the state can reduce export, for others, especially industrial products, the refusal of the advantages of global trade relations can be a failure. Economic failure consists in the decrease of profit and the impossibility to recover the expenses resulting from the transportation of the resources necessary for production, the payment of employees and the consumption of fixed capital.

### CONCLUSIONS

Autarchy is an economic system especially promoted by states with dictatorial and authoritarian regimes in the 20th century.

Autarchy is ineffective in the context of the economic globalization of the contemporary world. Without taking into account the progress of the world economy, far from any involvement in the regional and international trade, without involvement with transnational economic organizations, the states that adopt an autarchic system are headed for economic, social and political failure.

The implementation of autarchic measures in certain economic sectors can lead to relative, but mostly short-term gains, leaving aside the absolute economic gains resulting from commercial activities.

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