

# Autarky: Definition, Advantages, and Disadvantages

## **Definition:**

Autarky is an economic system or situation in which a country aims to be self-sufficient and does not engage in international trade. In autarky, a nation tries to produce all goods and services it needs within its own borders without relying on imports or exports.

## **Advantages of Autarky:**

1. Economic independence: The country is not affected by global market fluctuations or foreign dependence.
2. Protection of domestic industries: Local industries grow as there is no foreign competition.
3. National security: Reduces risks from trade embargoes or political pressure from other nations.
4. Stable employment: Domestic production can create jobs and reduce unemployment.
5. Conservation of foreign exchange: No need to spend foreign currency on imports.

## **Disadvantages of Autarky:**

1. Lack of specialization: The country cannot benefit from comparative advantage and efficient production.
2. Higher prices: Goods may be more expensive due to lack of competition and economies of scale.
3. Limited variety: Consumers have fewer choices of goods and services.
4. Lower innovation: Isolation from global markets may reduce technological progress and innovation.
5. Inefficient resource use: Resources may be wasted on producing goods that could be imported more cheaply.