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Smith's and Ricardo's Common Logic of Trade

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Abstract

Ricardo essentially adhered to the logic of trade that Smith formulated in the *Wealth of Nations*. The contrary notion that they had opposing logics of trade is the result of an inaccurate interpretation of Ricardo's numerical demonstration of the comparative-advantage proposition in chapter seven of the *Principles*. A deeper understanding of this numerical demonstration also leads to a partial refutation of the familiar contraposition between the comparative-advantage proposition and the absolute cost advantage theory of trade.

Keywords

comparative advantage, absolute cost advantage, Ricardian model, international trade theory, free trade

Introduction

The conventional view serves to protect us from the painful job of thinking.

John Kenneth Galbraith

Throughout the economic literature one can find the ubiquitous contraposition between Ricardo's comparative-advantage proposition and the *absolute cost advantage theory of trade*. The later is usually attributed to Smith. So many prestigious scholars have validated this contraposition that one is naturally compelled to accept it without hesitation. A few scholars have even gone a step further by affirming that Smith and Ricardo had distinct and opposing logics of trade.¹

Buchanan & Yoon (2002) describe the term "logic of trade" as the logical arguments that influence an economist's thinking on open markets and free trade by creating a basic mind-set about the origins and importance of exchange. This basic mind-set functions as a sort of lens through which the current process of economic globalization is perceived and judged. By influencing public attitudes towards economic globalization, the predominant logic of trade also determines to an important extent the political decisions regarding the nature and scope of this process.

The notion that Smith and Ricardo had opposing logics of trade is the inevitable consequence of the inaccurate interpretation of the famous numerical demonstration of the comparative-advantage proposition in chapter seven of the *Principles*. As shown in a previous paper (Morales, 2011), Sraffa's (1930) and Ruffin's (2002) correct interpretation of Ricardo's four numbers clears the way for a better understanding of the original purpose and main

¹ See, for example, Myint (1977) and Buchanan & Yoon (2002). Their notion about the two distinct and opposing logics of trade has been recently echoed by economist Russ Roberts in his popular podcast *EconTalk* (http://www.econtalk.org/archives/2010/02/roberts_on_smit.html). This may lead to a greater divulgence of the notion among current economic students, which are presumably the largest group of subscribers to Roberts' podcast.

propositions of this numerical example. Building on these insights, it is possible to refute the notion about the opposing logics of trade. As will be shown later on, Ricardo's two novel and intertwined propositions in the famous numerical example — the non-appliance of the labor theory of value in international exchanges and the comparative-advantage insight — do not constitute a departure from the Smithean logic of trade. The main purpose and contribution of this paper is to argue that Ricardo in fact adhered to the logic of trade that Smith outlined in the *Wealth of Nations*. Furthermore, the paper will also question the general validity of the familiar contraposition between absolute and comparative cost advantage.

The Two Logics of Trade

In the early days of economics as an independent scientific discipline, its practitioners relied mostly upon the logic of trade that Smith outlined in the *Wealth of Nations* for praising the benefits of free trade. According to the Smithean logic of trade, the division of labor plays a pivot role in increasing the wealth of individuals as well as national economies. Individual producers specialize and trade with each other within and between national borders because in that way they become more productive and can obtain a greater amount of commodities and services for consumption. Concentrating the individual productive effort on a narrow range of goods — or even a single type of commodity and service — in the vast majority of cases pays off, since trading is often a more efficient mean of procuring goods for consumption than self-production, or to put it differently, the indirect method of production — trading — in many cases requires less amount of labor than the direct method of production.

According to the Smithean logic of trade, free trade would make a crucial contribution to the purpose of increasing the wealth of individuals and nations to the utmost, since the extension of the market beyond national borders encourages the division of labor and spurs

labor productivity at home. Smith intertwines his logic of trade so effectively with the quest for economic growth and development that Myint (1977) refers to it as *Smith's productivity theory of trade*.

Today's predominant logic of trade, however, is not the one outlined above, but an alternative logic of trade commonly attributed to Ricardo. The so-called *Ricardian* logic of trade locates the origins of exchange in the differences among individuals or countries in terms of their capacities to produce separate final goods. According to this alternative logic, trade emerges because individuals or countries have different comparative advantages in producing different goods. If such differences exist, specialization will always prove to be mutually beneficial. If one assumes, on the contrary, that individuals or countries are identical in both their preferences and respective capacities to produce these final goods, then trade among them could not take place because it would not yield any benefits (Buchanan & Yoon, 2002, p. 400).

As Buchanan & Yoon point out, there is indeed a subtle reversal of the logical sequence between the two logics of trade. According to the Smithean logic of trade, exchange emerges because of the inherent advantages of specialization. The observed differences among trading partners are the consequence of their respective specialization — not the point of departure. As Smith famously wrote in the *Wealth of Nations*, the differences between a philosopher and a street porter may be small prior to their individual commitment to their respective profession. In the logic of trade currently attributed to Ricardo, on the contrary, specialization and subsequent trade can only emerge because of inherent and preexisting differences among potential trading partners.

Ricardo's New Law of International Specialization?

When Myint (1977) and later Buchanan & Yoon (2002) highlighted the differences between the Smithean and the *Ricardian* logic of trade, they defined the later based on the *Ricardian* trade model of contemporary economic textbooks. They were assuming, like many others, that the so-called *Ricardian* model was essentially equivalent to what Ricardo had originally written in the *Principles*. As a previous paper has shown (Morales, 2010), though, there are actually significant differences and incompatibilities between the original numerical example in the *Principles* and the *Ricardian* model of economic textbooks. Consequently, one cannot automatically attribute the assumptions and implications of the textbook trade model to Ricardo. Since this automatic attribution is difficult to avoid when the textbook trade model is denominated as “Ricardian model”, I will continue the practice from the previous paper of referring to the textbook trade model as the *Constant-Unitary-Labor-Costs* (CULC) trade model.

Undoubtedly, one of the main legacies of the CULC trade model has been the widespread notion that Ricardo highlighted in the famous numerical example a new principle or law for international specialization known as comparative advantage. Despite investing considerable time and effort, however, I have not been able to find in the *Principles* or any other document written by Ricardo the slightest evidence for such an interpretation. What he actually intended to illustrate with the famous four numbers was the new proposition that the labor theory of value does not regulate the relative value of commodities in international trade when the factors of production are immobile between countries. He then mentioned the associated corollary regarding comparative advantage, i.e. that a country might import a certain amount of a commodity although it can produce these commodities internally with less amount of labor than the exporting country (Morales, 2011).

These two new propositions are rightfully considered as significant contributions of Ricardo to the classical theory of international trade. First and foremost, they prove the counterintuitive notion that a country may export commodities to another country even if it were less productive than the importing country in producing these commodities, extending the cases in which international specialization is considered to be profitable for the participating countries. They also explain why higher real labor costs in developing countries do not command higher commodity prices in international markets. These issues are passionately contested in the contemporary debate about economic globalization.

Notwithstanding the importance of Ricardo's new propositions, they do not constitute — nor were they ever meant to be —, a new principle or law for international specialization. On the contrary, Ricardo builds up his ingenious yet simple numerical demonstration of the two propositions on the classical rule of specialization, the very same rule Smith deployed throughout the *Wealth of Nations* in order to highlight the advantages of trade between closed neighbors as well as people living in distant cities, regions and countries.

The classical rule of specialization — which other scholars call the *gains-from-trade proposition* — is an essential part of Smith's *productivity theory of trade*. Applied to international exchanges this rule stipulates that it is beneficial for a country to import commodities whenever it can obtain them in exchange for exports whose production entails less real cost compared to the home-production of the same amount of the imported commodities.²

The famous numerical example of chapter seven is not the only reference to the classical rule of specialization in the *Principles*. On the contrary, Ricardo applies the rule in other passages of his book as well. For example, he states in chapter nine:

“The motive which determines us to import a commodity, is the discovery of its relative cheapness abroad: it is the comparison of its price abroad with its price at home. If a country exports hats, and imports cloth, it does so because it can obtain more cloth by making hats, and exchanging them for cloth, than if it made the cloth itself” (Vol. I, p. 170).³

Ricardo's recurrent references to the classical rule of specialization throughout the *Principles* prove that he did not have any alternative rule for international specialization in mind. But how is it possible then, one may ask, that the contrary notion could remain virtually unchallenged for so many years?

Several factors may have contributed to create and sustain the myth that Ricardo formulated an alternative law or principle for international specialization. First, generations of economists have learned the comparative-advantage proposition mainly from the CULC trade model as explained in very influential economic textbooks rather than directly from the *Principles*. Therefore, it has been very difficult for them to notice that the textbook trade model departs rather significantly from what is actually written in the primary source. Second, Ricardo himself may have inadvertently contributed to the erroneous notion by conceiving the *Principles* mainly as a compilation of propositions and insights that were either new or opposed to established propositions of political economy. Since Smith was the highest authority of political economy back then, such a general plan for the *Principles* artificially emphasizes the differences and minimizes the level of agreement with respect to Smith. Ricardo himself was well aware of this danger, as the following paragraph from the preface of the *Principles* clearly proves:

² Although Smith was not the original author of the classical rule of specialization, he might very well be considered as its main popularizer. The classical rule of specialization can be traced back to the anonymous pamphlet *Considerations on the East-India Trade* of 1701, which is now believed to have been written by English lawyer and journalist Henry Martyn. For Martyn's likely authorship, see MacLeod (1983).

³ For other references to the classical rule of specialization in the *Principles*, see Ricardo (Vol. I, p. 264, p. 295 and p. 319). Throughout this paper, all references to Ricardo's writings are from *The Works and Correspondence of David Ricardo*, Volume I to XI, 2004, edited by Piero Sraffa. I will refer to them usually by indicating the volume and page numbers only.

“The writer, in combating received opinions, has found it necessary to advert more particularly to those passages in the writings of Adam Smith from which he sees reason to differ; but he hopes it will not, on that account, be suspected that he does not, in common with all those who acknowledge the importance of the science of Political Economy, participate in the admiration which the profound work of this celebrated author so justly excites” (Vol. I, p. 6).

Notwithstanding his awareness about the potential risk, Ricardo decided to proceed with this general plan for the *Principles* because of a personal virtue rarely seen in other famous scientists: humility. Ricardo was indeed a very humble and unpretentious man that had great self-doubts about his writing skills.⁴ Because of his self-diagnosed shortcoming, Ricardo preferred to leave the major task of presenting a complete view of his ideas on political economy perhaps for a future book. Unfortunately, Ricardo died six years after the publication of the *Principles*, at the early age of fifty-one. Contrary to the original purpose, the *Principles* became the main source of his thoughts on political economy in general and international trade in particular.

These biographical facts are highly relevant for an accurate interpretation of the main propositions in the *Principles*. These propositions cannot be correctly interpreted without taking into close consideration the relevant passages of the *Wealth of Nations*. Furthermore, one can generally presume that Ricardo agreed with those Smithean propositions which are not explicitly criticized and rejected in the *Principles*, at least until some scholar offers a convincing prove that this general presumption does not apply to a particular proposition.

Perhaps the main reason for the popularity of the erroneous notion that Ricardo formulated an alternative rule of specialization in international trade has to do with the fact that this notion is particularly convenient for the mainstream neoclassical paradigm. The next section is dedicated to explain this affirmation.

⁴ This becomes clear when reading the correspondence between him and his dear friend James Mill. See, in particular, Ricardo's letter to James Mill (Vol. VII, p. 112) on December 20th, 1816, responding to Mill's letter of December 16th (Vol. VII, p. 106).

The Origin of the Constant-Labor-Costs Assumption

For many years the constant-labor-costs assumption has functioned as a sort of separating wall between the international trade theories of Smith and Ricardo. This prominent assumption of the CULC trade model stipulates that the amount of labor needed for producing a single unit of a commodity or service do not vary with the amount of commodities or services produced. It is important to bear in mind, however, that the constant-labor-costs assumption was originally incorporated to mainstream economic thought by neoclassical economists who were trying to solve the so-called *imputation problem* in order to incorporate a theory of distribution to their general theory of prices. They solved it by making the unrealistic assumption that the market economy is characterized by constant returns to scale, so that production functions are everywhere “linear and homogeneous” (Buchanan & Yoon, 2002, pp. 402-403).

The neoclassical assumption of constant returns to scale is of course incompatible with Smith's *productivity theory of trade*, since the later stipulates that an ever-increasing amount of commodities and services is produced with less amount of labor, because the division of labor and the invention and deployment of sophisticated machinery spurs labor productivity. On the other hand, there is no inherent conflict between the CULC trade model and the neoclassical constraint of constant returns. No wonder that neoclassical economists adopted what they believed to be the *Ricardian* logic of trade as their basic explanation for the benefits of international trade before returning partially and somewhat reluctantly to the Smithean logic of trade with the formulation of new trade models featuring increasing returns to scale and imperfect competition since the 1980s.

As I have affirmed before, though, one cannot automatically attribute the assumptions and implications of the CULC trade model to Ricardo. The accurate interpretation of the numerical example in the *Principles* proves beyond doubt that he did not assume that the

respective labor costs of the amounts of cloth and wine traded remain constant. Since the constant-labor-costs assumption has no implicit or explicit foothold whatsoever in Ricardo's international trade theory, one cannot label the logic of trade associated with this assumption as the *Ricardian* logic of trade.

As further evidence that Ricardo did not conceive any alternative logic of trade, one can refer to a passage in the *Principles* where he actually paraphrases the Smithean logic of trade. He states:

“The labour of a million of men in manufactures, will always produce the same value, but will not always produce the same riches. By the invention of machinery, by improvements in skill, by a better division of labour, or by the discovery of new markets, where more advantageous exchanges may be made, a million of men may produce double, or treble the amount of riches, of “necessaries, conveniences, and amusements,” in one state of society, that they could produce in another, but they will not on that account add any thing to value; for every thing rises or falls in value, in proportion to the facility or difficulty of producing it, or, in other words, in proportion to the quantity of labour employed on its production” (Vol. I, p. 273).

In the above paragraph Ricardo explicitly embraces Smith's *productivity theory of trade* while at the same time rejecting the vent-for-surplus theory. Therefore, this quote also proves that Ricardo's well-known rejection of the later should not be considered as a departure from the logic of trade that Smith outlined in the *Wealth of Nations*.

Of course some may think that a single passage of the *Principles* is an insufficient proof for concluding that Ricardo adhered to Smith's *productivity theory of trade*. After all, a similar explicit endorsement cannot be found elsewhere in that book. One has to take into consideration, however, that Ricardo conceived the *Principles* first and foremost as a compilation of propositions and insights that were either new or opposed to already established propositions of political economy. Thus, a lengthy exposition about a Smithean proposition he agreed with would have run against the general plan of the *Principles*.

It is therefore safe to assume that the two main exponents of classical political economy had a common approach for explaining the benefits of trade and specialization, based on

Smith's *productivity theory of trade*. This common approach can be labeled as the *classical logic of trade*. This means that what hitherto has been known as the *Ricardian* logic of trade should be relabeled as the *neoclassical* logic of trade, in order to use a denomination that reflects more accurately the true origin of this logic of trade. Therefore, the contraposition of the two logics of trade made by Myint (1977) and Buchanan & Yoon (2002) can be considered as substantially correct if it is relabeled as the contraposition between the classical and the neoclassical logic of trade.

Absolute vs. Comparative Advantage?

Let us turn now to a critical review of the widespread contraposition between Ricardo's comparative advantage and *Smith's* absolute cost advantage theory of trade, starting with a proper definition of the later. Since Smith is usually portrayed as the author and main supporter of the absolute cost advantage theory of trade, one is naturally tempted to search in the *Wealth of Nations* for a definition and vigorous exposition of this theory. Surprisingly, I could not find there a plain reference to the absolute cost advantage theory of trade. Those passages from the *Wealth of Nations* that are commonly brought up as proofs for Smith's alleged adherence to this theory — mostly the two adjacent paragraphs IV.ii.11 and IV.ii.12, pp. 456-457 — are in fact about the classical rule of specialization rather than the absolute cost advantage theory of trade. Therefore, I agree with Ruffin's assessment that the notion of Smith as the author and main advocate of this theory lacks concrete evidence (Ruffin, 2005, p. 715).

One has to turn to other authors then for a suitable definition of the absolute cost advantage theory of trade. According to Ruffin (2005, p. 714), for example, the absolute advantage theory of trade stipulates that "*it is necessary for a country to have a productivity advantage over other countries in order to profitably export.*" Bloomfield defines this theory in slightly different

terms: *“Countries tend to export those goods that can be produced at lower costs at home than abroad and to import those goods that can be produced at lower costs abroad than at home or that cannot be produced at home at all. And it was implied or explicitly stated that under free trade commodities would in fact be produced in countries where their absolute costs were lowest”* (Bloomfield, 1989, p. 621).

As a meticulous reader might notice, these two definitions of the absolute advantage theory of trade are not equivalent, since lower costs do not necessarily imply a productivity advantage and vice versa. If one defines the absolute advantage theory of trade according to Ruffin, then it is certainly incompatible with the comparative-advantage proposition. If one follows Bloomfield's definition, however, the incompatibility is less stringent, since it depends on whether he is referring to real or nominal costs.

The above distinction between real and nominal costs is indeed crucial, since Ricardo's proposition about the non-appliance of the labor theory of value in international exchanges when the factors of production are immobile between countries, dismisses the previously assumed correspondence between real and nominal costs in international trade. A producer in one country may very well have higher real costs and, at the same time, lower nominal costs than a producer in another country when the law of value does not regulate the relative value of commodities in international exchanges. Just take the example of Chinese manufacturers in today's economy: compared to their competitors in the developed economies, the Chinese manufacturers usually need more laborers — i.e. they have higher real labor costs — in order to produce the commodities currently exported to Europe and North America. Nevertheless, the Chinese manufacturers still manage to undercut the nominal costs of their European and North American competitors, mainly because of the low nominal salaries in China.

Thus, the popular notion that the comparative-advantage proposition is incompatible with the absolute cost advantage theory of trade is only valid for the case in which absolute cost advantage is defined in terms of real costs, for example less amount of labor time. If by

absolute cost advantage, on the contrary, one merely means a nominal cost advantage, then this would not contradict the comparative-advantage proposition at all, since a foreign manufacturer always has to have a nominal cost (and price) advantage — or an advantage in terms of product quality — over the national manufacturers in order to export commodities to another country; otherwise, why would someone import a dearer commodity from abroad? Ricardo had the same view on this subject, since he wrote: “*The motive which determines us to import a commodity, is the discovery of its relative cheapness abroad: it is the comparison of its price abroad with its price at home*” (Vol. I, p. 170).

Reassessment of Smith's Contributions to International Trade Theory

This partial compatibility between Ricardo's comparative advantage and the absolute cost advantage theory of trade, together with the lack of evidence in the *Wealth of Nations* for Smith's presumed authorship of the later, leads to a significant reassessment of Smith's and Ricardo's contributions to international trade theory. Until now many prestigious economists and historians have judged the contributions to international trade theory of these two masterminds of classical political economy primarily through the spectacles of the CULC trade model. Not surprisingly, this questionable practice has led in most cases to a negative assessment, often blaming Smith for his failure to discover the comparative-advantage proposition, and Ricardo for his allegedly defective demonstration of this proposition. The accurate interpretation of the numerical example in the *Principles* does not only refute any past criticism towards Ricardo's demonstration of comparative advantage, but also opens the way for a more accurate and just appreciation of Smith's contributions to international trade theory.

Smith has been underrated as an international trade theorist in the contemporary economic literature because his *productivity theory of trade* is incompatible with the neoclassical

notion of comparative advantage. Ricardo's own formulation of the comparative-advantage proposition, however, does neither contradict nor invalidate Smith's *productivity theory of trade*. On the contrary, the accurate interpretation of the numerical example of the *Principles* confirms Viner's assessment that the comparative-advantage proposition is indeed an implication of the classical rule of specialization, although a very important one.⁵ In this sense, the comparative-advantage proposition can be seen as a valuable addition rather than a point of disruption with respect to Smith's international trade theory.

As has been pointed out by other scholars, Smith clearly anticipated the main propositions of today's *New Trade* and *New Growth* theories (Kibritcioglu, 2002). Any meticulous reader of the *Wealth of Nations* would hardly find anything new or particularly innovative in these two currently fashionable economic theories. The recent renaissance of Smith's insights in contemporary economic thought can be seen as the ultimate proof for the continued relevance of his main propositions on international trade and economic growth. It is therefore wrong to judge Smith's stature as an international trade theorist exclusively by the fact that he did not discover the comparative-advantage proposition. Myint indicates a better way for judging Smith's contributions: "*A true measure of his work cannot be obtained until we judge him by the insights which his approach can still offer to the unsettled questions of the interrelationship of international trade and economic development, particularly in the setting of the underdeveloped countries*" (Myint, 1977, p. 232). In that sense, Smith remains the foremost scholar on the subject of international trade and economic growth.

⁵ Viner (1937, p. 440) wrote: "*The doctrine of comparative costs is, indeed, but a statement of some of the implications of this rule, and adds nothing to it as a guide for policy.*" And few paragraphs later: "*This explicit statement that imports could be profitable even though the commodity imported could be produced at less cost at home than abroad was, it seems to me, the sole addition of consequence which the doctrine of comparative costs made to the eighteenth-century rule. Its chief service was to correct the previously prevalent error that under free trade all commodities would necessarily tend to be produced in the locations where their real costs of production were lowest*" (Viner, 1937, p. 441).

Strengthening the Case for Free Trade

The reconciliation of Ricardo's numerical demonstration of comparative advantage with Smith's *productivity theory of trade* has important consequences for contemporary international trade theory. It may contribute to the reinstatement of the classical logic of trade as the preeminent explanation regarding the emergence and benefits of trade in contemporary economic thought.

A crucial advantage of the classical logic of trade over the neoclassical one is that the former offers a unified analysis of foreign trade and the domestic economy, oriented towards the problem of long-run economic growth (Myint 1977, p. 246). In classical political economy there are indeed no inherent differences in the underlying principles and logics of trade between domestic and foreign trade. That does not mean, however, that classical political economists ignore the existence of institutional differences between domestic and international trade like, for example, different national currencies, sanitary and custom regulations or other types of administrative rules on cross-border trade. Ricardo in particular is certainly aware of the differences in the degrees of factor mobility within and between countries, and the resulting implications for his labor theory of value. Notwithstanding the importance of these differences between domestic and foreign trade, they do not modify the underlying logic of trade.

In terms of practical impact, a future preeminence of the classical case for free trade and its underlying logic of trade over the currently predominant neoclassical case would bear important implications for the contemporary political debate on free trade and economic globalization. As some authors have pointed out⁶, the classical logic of trade lends to universal support for extending the division of labor and specialization beyond political borders, since such an international extension of the market would boost labor productivity at

home. Moreover, the case for free trade based on the classical logic of trade does not rely on any unrealistic assumptions like perfect competition and constant return to scale associated with the general economic equilibrium paradigm. The critics of free trade have repeatedly pointed to these unrealistic assumptions as a proof for the inherent weakness of the current mainstream neoclassical case for free trade. This critique does not apply to the classical case for free trade.

Perhaps the most important advantage of the classical over the neoclassical case for free trade is the fact that the former explicitly recognizes the potential short-term costs of trade liberalization for specific groups of people. Some national producers may indeed come under increased pressure from more innovative and efficient foreign competitors. As a result of the technical progress unleashed by free trade, some workers may lose their current employment. The recognition of these and other probable economic costs for specific groups do not harm the case for free trade, but ultimately strengthen it. It allows policy makers to adopt the proper remedies in order to hamper the negative impact of trade liberalization on these vulnerable groups, resulting in a more human and effective process of implementation of the free-trade principle.

Conclusions

Ricardo adhered to Smith's *productivity theory of trade*. In particular, he agreed with Smith's assessment in the *Wealth of Nations* regarding the importance of the international division of labor and specialization for increasing labor productivity and the amount of commodities available for consumption at home.

The erroneous notion that Ricardo and Smith had opposing logics of trade has been created by the so-called *Ricardian* trade model of contemporary economic textbooks, which

⁶ See, for example, Buchanan & Yoon (2002).

has been mistakenly taken as an accurate rational reconstruction of Ricardo's original numerical example in the *Principles*. The textbook trade model is also responsible for the erroneous notion that Ricardo proposed a new law of international specialization called *comparative advantage*. An accurate understanding of the numerical example in the *Principles* proves beyond doubt that Ricardo relied upon the same rule of specialization as Smith for highlighting the gains from trade. According to this rule — called here the *classical rule of specialization* — it is beneficial for a country to import commodities whenever they can be obtained in exchange for exports whose production entails less real cost compared to the home-production of the same amount of the imported commodities. This rule is at the very core of Smith's *productivity theory of trade*.

The accurate interpretation of the numerical example also puts into question the familiar contraposition between Ricardo's comparative advantage and the "Smith's" absolute cost advantage theory of trade. Smith should not be considered as an advocate of the later. The passages of the *Wealth of Nations* that have been quoted to prove his adherence to this theory are actually about the classical rule of specialization. Since the comparative-advantage proposition is basically an implication of this rule, it should be considered as a valuable addition rather than a point of disruption with respect to Smith's international trade theory.

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