

# THE CARTOON INTRODUCTION TO ECONOMICS

VOLUME TWO: MACROECONOMICS

BY **GRADY KLEIN** AND  
**YORAM BAUMAN, Ph.D.**

THE WORLD'S FIRST AND ONLY **STAND-UP ECONOMIST**

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# CHAPTER 8

## THE CLASSICAL VIEW OF TRADE

THE ECONOMY IS LIKE  
A WELL-OILED MACHINE...

...AND **TRADE** GIVES IT  
A **TURBO BOOST!**



THE WAY THAT **CLASSICAL ECONOMISTS LIKE ADAM SMITH** LOOK AT INTERNATIONAL TRADE IS **SIMPLE AND POWERFUL...**

"IF A FOREIGN COUNTRY CAN SUPPLY US WITH A COMMODITY **CHEAPER THAN WE OURSELVES CAN MAKE IT...**

... **BETTER BUY IT [FROM] THEM** WITH SOME PART OF THE PRODUCE OF OUR OWN INDUSTRY, EMPLOYED IN A WAY IN WHICH WE HAVE SOME ADVANTAGE."



... AND COMES DIRECTLY FROM THE VIEW THAT THE MACROECONOMY IS LIKE A **WELL-ORGANIZED FAMILY**.

"IT IS THE MAXIM OF EVERY PRUDENT MASTER OF A FAMILY..."

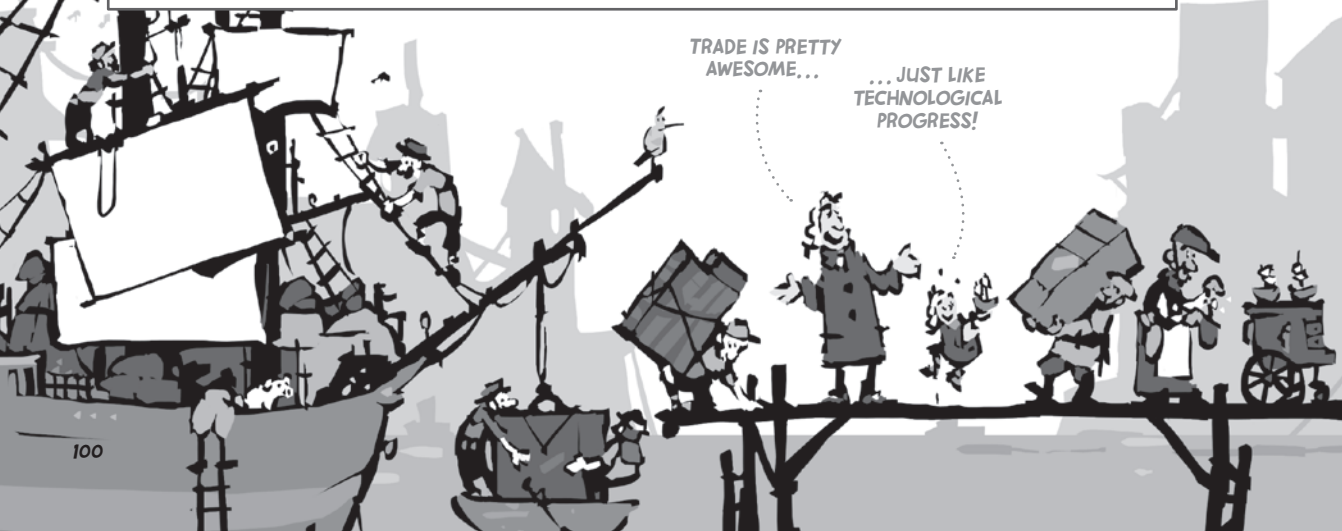
... NEVER TO ATTEMPT TO MAKE AT HOME WHAT IT WILL **COST HIM MORE TO MAKE THAN TO BUY.**"



ALTHOUGH TRADE CREATES **LOSERS** AS WELL AS **WINNERS**, CLASSICAL ECONOMISTS FOCUS ON THE **GAINS TO SOCIETY AS A WHOLE.**

TRADE IS PRETTY AWESOME...

... JUST LIKE TECHNOLOGICAL PROGRESS!



CLASSICAL ECONOMISTS ALSO EMPHASIZE THAT TRADE BETWEEN TWO COUNTRIES CAN BENEFIT **BOTH COUNTRIES**.



JUST LIKE TRADE  
BETWEEN TWO  
PEOPLE...

...CAN BENEFIT  
**BOTH PEOPLE!**

IN 1817 **DAVID RICARDO'S** THEORY OF **COMPARATIVE ADVANTAGE** SHOWED THAT THESE **MUTUAL BENEFITS** ARE POSSIBLE WHEN COUNTRIES ARE **DIFFERENT...**

**PORTUGAL** HAS A  
GOOD CLIMATE FOR  
GROWING **GRAPES**.



**ENGLAND** HAS A  
GOOD CLIMATE FOR  
GROWING **WHEAT**.



LET'S TRADE **BOTTLES OF WINE**  
FOR **BAGS OF FLOUR!**



...BUT MODERN ECONOMISTS BELIEVE THAT **MUTUAL BENEFITS**  
ARE POSSIBLE EVEN WHEN COUNTRIES ARE **SIMILAR**.

**SWEDES** MAKE  
**VOLVOS**.



**GERMANS** MAKE  
**BMW's**.

WE CAN BOTH  
GAIN FROM  
TRADE!



**PAUL KRUGMAN** WON THE 2008 NOBEL PRIZE  
FOR HIS WORK IN THIS AREA.



AND IF WE EVER START  
TRADING WITH **OTHER PLANETS**,  
I CAN EXPLAIN THAT TOO!



CONGRATULATIONS,  
YOU WIN THE  
**NOBEL PRIZE!**



THE **BENEFITS OF TRADE** ARE MOST OBVIOUS WHEN YOU THINK ABOUT **FAMILIES** TRADING WITH **OTHER FAMILIES**...

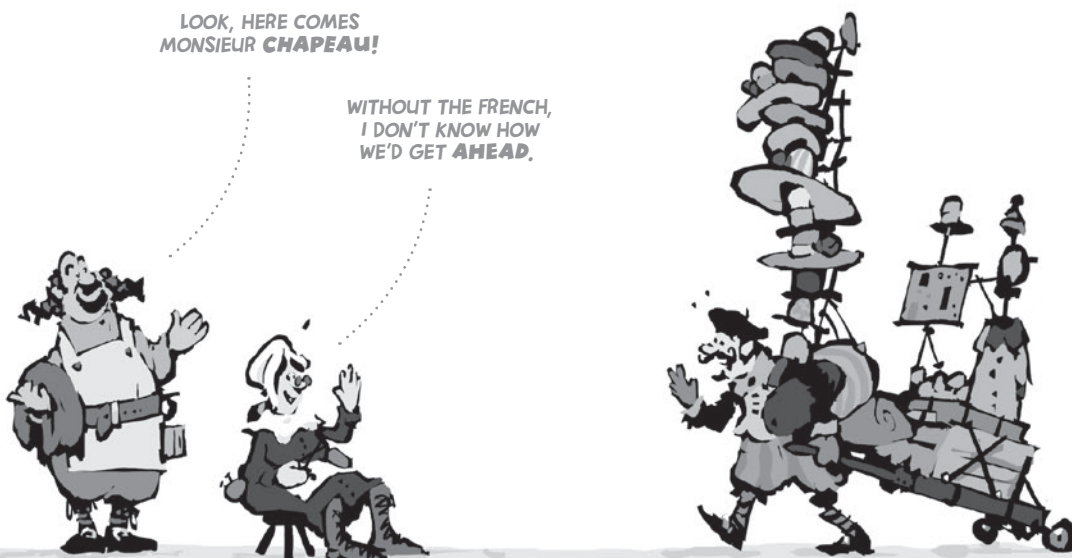
WITHOUT YOU,  
MRS. TAYLOR,  
MY LIFE WOULD BE  
**THREADBARE!**

OH, **BLESS YOUR SOUL**,  
MR. SHOEMAKER,

... BUT YOU CAN ALSO EASILY SEE THE BENEFITS  
OF TRADING WITH **OTHER COUNTRIES**...

LOOK, HERE COMES  
MONSIEUR **CHAPEAU!**

WITHOUT THE FRENCH,  
I DON'T KNOW HOW  
WE'D GET **AHEAD**.





...OR EVEN  
WITH **ALIENS.**

TAKE ME TO YOUR  
**LEADING ECONOMIST.**

YOU MIGHT NOT THINK THAT **ADAM SMITH** WOULD HAVE MUCH TO SAY ABOUT **ALIENS...**

LIFE ON OTHER PLANETS?

I'M STILL GETTING USED TO THE IDEA OF LIFE IN SOUTH AMERICA.

... BUT IN FACT **CLASSICAL ECONOMICS** TEACHES US AN IMPORTANT LESSON ABOUT **INTERSTELLAR TRADE:**

IF WE ENCOUNTER **BEINGS FROM ANOTHER PLANET...**

OR IF **THEY** ENCOUNTER **US!**

... AND IF BOTH SIDES **ENGAGE PEACEFULLY IN FREE TRADE...**

WANT THIS CANDY BAR? THEN YOU HAVE TO **TRADE ME FOR IT...**

... AND **NO BULLYING!**

... THEN THIS **ALIEN ENCOUNTER** WOULD BE **PRETTY AWESOME FOR BOTH SIDES.**

I'M BETTER OFF, AND SO IS MY NEW FRIEND **ZANTROK!**

ZEEKROX FLOUDZ, HOOGHA HOO GHOW ZGR **STEVE!**

WE EARTHLINGS WOULD BENEFIT REGARDLESS OF WHETHER THE ALIENS WERE **LESS ADVANCED** THAN US...



LIFE WAS MUCH HARDER BEFORE WE HUMANS DISCOVERED THE PLANET GXHSNAEL!



...OR **MORE ADVANCED.**



PLUS THERE WOULD BE ADDED BENEFITS FROM **SHARING NEW VARIETIES OF FOOD AND ARTS.**



OF COURSE, THERE WOULD BE A DOWNSIDE:  
INTERSTELLAR TRADE WOULD CREATE  
**LOSERS** AS WELL AS **WINNERS**.

MY JOB  
GOT OUTSOURCED  
TO XANRAK 7!

BUT CLASSICAL ECONOMISTS RESPOND TO  
CONCERNS ABOUT **OUTSOURCING**...

IT'S NO WONDER  
YOU LOST YOUR JOB,

NOTHING IS  
MADE ON PLANET  
EARTH ANYMORE,

...BY POINTING OUT THAT **FAMILIES** ENGAGE IN OUTSOURCING TOO.

WE DO?

HOW?

WELL, YOU DON'T **BAKE**  
**YOUR OWN BREAD**,  
DO YOU?!

THAT'S WHY THERE ARE  
SO MANY FAMILIES NAMED  
**SHOEMAKER** AND **TAYLOR**  
AND **BAKER**...

...AND SO FEW  
FAMILIES NAMED  
**EVERYTHING**.

WHETHER YOU'RE A FAMILY, A COUNTRY, OR A PLANET,  
**OUTSOURCING ALLOWS YOU TO FOCUS ON WHAT YOU'RE GOOD AT.**

WE'LL MAKE  
JETPACKS...

... WE'LL MAKE  
PHARMACEUTICALS...

... AND WE'LL ALL  
GAIN FROM TRADE!

THE IDEA THAT **OUTSOURCING**  
**IS GOOD FOR SOCIETY**  
MAY SEEM SHOCKING...



HOW CAN IT BE  
GOOD WHEN I  
LOSE MY JOB?

...BUT REMEMBER THAT CLASSICAL ECONOMISTS  
VIEW THE ECONOMY AS A **FINELY TUNED**  
**JOB-CREATING MACHINE.**



NO BIG DEAL, THE  
ECONOMY WILL CREATE  
A NEW JOB FOR YOU!

THIS ALSO EXPLAINS WHY CLASSICAL ECONOMISTS  
BELIEVE THAT THE BEST THING ABOUT TRADE  
ISN'T **E\*PORTING**...

...BUT **IMPORTING.**

EVERYBODY ALWAYS  
TALKS ABOUT HOW TRADE  
CREATES JOBS...

...BUT WHAT'S **REALLY**  
**GREAT** IS ALL THE **COOL**  
**STUFF WE CAN BUY.**



AS ALWAYS, THIS CLASSICAL VIEW PARALLELS THE PERSPECTIVE OF  
A **WELL-ORGANIZED FAMILY.**

THERE'S ALWAYS WORK  
TO DO **HERE AT HOME.**



SO THE ONLY REASON TO  
GET A JOB WORKING FOR  
SOMEBODY ELSE...

...IS TO GET MONEY  
**SO YOU CAN BUY**  
**STUFF!**



CLASSICAL ECONOMISTS ALSO TAKE AN UNEXPECTED POSITION  
ON ISSUES OF **UNFAIR COMPETITION**...

...LIKE **CURRENCY MANIPULATION**...

THEY'RE KEEPING THEIR  
CURRENCY ARTIFICIALLY CHEAP  
TO PROMOTE THEIR EXPORTS!

EXCHANGE \$1 FOR...	
.66	POUNDS
.78	EUROS
86	YEN
150	GLAKONS

...AND **DUMPING**.

THEY'RE EXPORTING RAY GUNS  
TO US AT PRICES BELOW THEIR  
COST OF PRODUCTION.

THAT'S **DUMPING**, AND  
THAT'S **NOT FAIR**...

... THEY'RE TRYING TO  
**STEAL THE MARKET!**

THE CLASSICAL VIEW OF THESE ACTIVITIES IS THAT YOU  
**SHOULDN'T WORRY ABOUT THEM.**

CURRENCY  
MANIPULATION  
AND DUMPING ARE  
**GOOD FOR US.**

AS WITH OUTSOURCING, THIS CLASSICAL VIEW IS DRIVEN BY  
A **CONFIDENT ATTITUDE ABOUT JOB CREATION...**

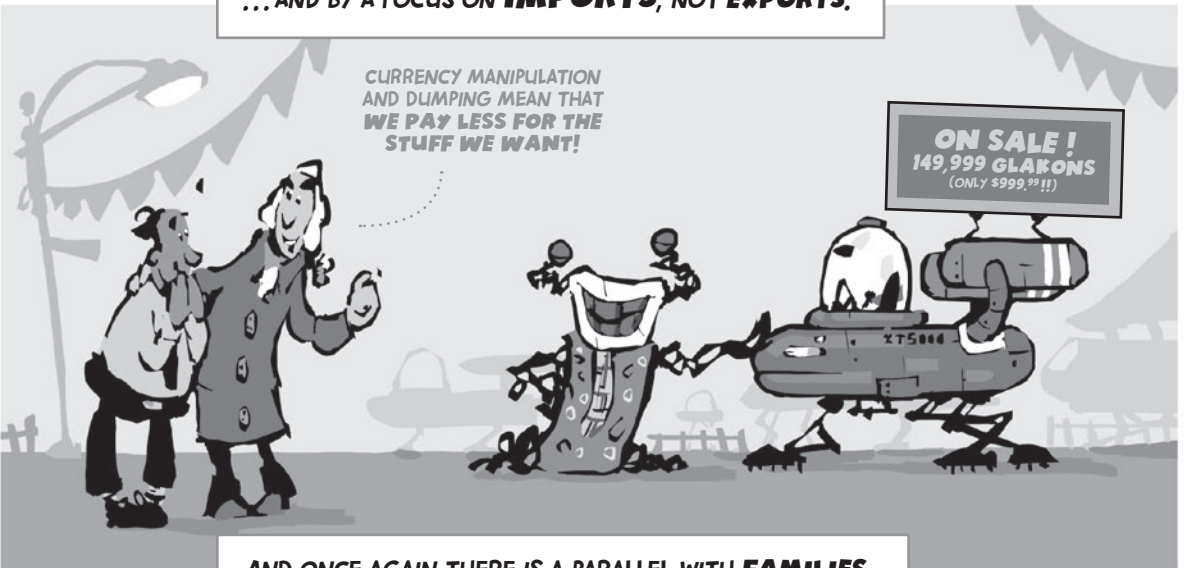
WE EARTHLINGS MIGHT HAVE TO STOP  
MAKING RAY GUNS, BUT THE ECONOMY  
WILL CREATE JOBS ELSEWHERE.

IT'S **CREATIVE  
DESTRUCTION!**



...AND BY A FOCUS ON **IMPORTS**, NOT **EXPORTS**.

CURRENCY MANIPULATION  
AND DUMPING MEAN THAT  
**WE PAY LESS FOR THE  
STUFF WE WANT!**



AND ONCE AGAIN THERE IS A PARALLEL WITH **FAMILIES**.

WOULD YOU COMPLAIN IF  
MR. SHOEMAKER WAS  
SELLING YOU BOOTS AT PRICES  
THAT WERE **TOO LOW?**

WELL, NO.

DUH.

THEN DON'T WORRY,  
BE HAPPY!



AS WE'LL SEE IN THE NEXT CHAPTER, THIS CLASSICAL PERSPECTIVE  
CAN BE **A LITTLE SIMPLISTIC.**

ON THE **ONE HAND**,  
THERE'S THE CLASSICAL  
VIEW OF TRADE.

ON THE **OTHER HAND**,  
THERE ARE SOME  
**COMPLICATIONS,**

WHAT ABOUT  
THE **3RD, 4TH,**  
AND **5TH HANDS?**



NONETHELESS, CLASSICAL ECONOMICS CONTRIBUTES VALUABLE IDEAS TO  
DISCUSSIONS OF FREE TRADE, WHETHER IT'S WITH A NEIGHBORING **PLANET...**

WHY **FIGHT** ALIENS  
WHEN WE CAN **TRADE**  
**WITH THEM?**



... OR WITH A NEIGHBORING **HOUSEHOLD** OR **COUNTRY.**

"COMMERCE... OUGHT NATURALLY  
TO BE, AMONG NATIONS,  
AS AMONG INDIVIDUALS...

... A BOND OF **UNION**  
AND **FRIENDSHIP...**"



"PEOPLE DON'T USUALLY CHUCKLE OVER UNEMPLOYMENT, INFLATION, AND RECESSIONS, BUT THEY'LL GET PLENTY OF LAUGHS OUT OF THIS BOOK—AND A GOOD INTRODUCTION TO MACRO TOO."

—ERIC MASKIN, NOBEL LAUREATE IN ECONOMICS

## NEED TO UNDERSTAND TODAY'S ECONOMY?

THIS IS THE BOOK FOR YOU. *THE CARTOON INTRODUCTION TO ECONOMICS, VOLUME TWO: MACROECONOMICS* IS THE MOST **ACCESSIBLE, INTELLIGIBLE, AND HUMOROUS** INTRODUCTION TO **UNEMPLOYMENT, INFLATION, AND DEBT** YOU'LL EVER READ.

WHEREAS *VOLUME ONE: MICROECONOMICS* DEALT WITH THE OPTIMIZING INDIVIDUAL, *VOLUME TWO: MACROECONOMICS* EXPLAINS THE FACTORS THAT AFFECT THE ECONOMY OF AN ENTIRE COUNTRY, AND INDEED THE PLANET. IT EXPLORES THE TWO BIG CONCERNS OF MACROECONOMICS: **HOW ECONOMIES GROW** AND **WHY ECONOMIES COLLAPSE**. IT ILLUSTRATES THE BASICS OF THE **LABOR MARKET** AND EXPLAINS WHAT THE **GDP** IS AND WHAT IT MEASURES, AS WELL AS THE INFLUENCE OF **GOVERNMENT, TRADE, AND TECHNOLOGY** ON THE ECONOMY. ALONG THE WAY, IT COVERS THE ECONOMICS OF **GLOBAL POVERTY, CLIMATE CHANGE, AND THE BUSINESS CYCLE**. IN SHORT, IF ANY OF THESE TOPICS HAVE CROPPED UP IN A NEWS STORY AND CAUSED YOU TO WISH YOU GRASPED THE **UNDERLYING BASICS**, BUY THIS BOOK.

"IF YOU DON'T WANT TO CRY ABOUT THE STATE OF THE ECONOMY, WHY NOT LAUGH INSTEAD? THIS BOOK IS AN IDEAL INTRODUCTION TO MACROECONOMICS FOR ANYBODY WHO THINKS THEY OUGHT TO UNDERSTAND WHAT'S HAPPENING AROUND THEM BUT IS PUT OFF BY DENSE TEXT AND ECONOMICS JARGON." —DIANE COYLE, AUTHOR OF *THE ECONOMICS OF ENOUGH*



A FREELANCE CARTOONIST, ILLUSTRATOR, AND ANIMATOR, **GRADY KLEIN** IS THE CREATOR OF THE *LOST COLONY* SERIES OF GRAPHIC NOVELS.



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PRAISE FOR *THE CARTOON INTRODUCTION TO ECONOMICS, VOLUME ONE: MICROECONOMICS*

**"LEARNING ECONOMICS SHOULD BE FUN. KLEIN AND BAUMAN MAKE SURE THAT IT IS."**

—N. GREGORY MANKIW, PROFESSOR OF ECONOMICS, HARVARD UNIVERSITY, AND AUTHOR OF *PRINCIPLES OF ECONOMICS*

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