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WALLACE

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...ers to the Ed...

Balance of payment

THE EDITOR, Sir:— The so-called "Balance of Payment" difficulties are based on a misconception of the nature of successful trading.

Since goods flow from where they are cheapest to where they are expensive, and imports are paid for by exports, a country doing a profitable business must have an excess of imports over exports; otherwise it is being impoverished by sending out of the country, (exports) more wealth than it receives in return (imports).

Here is some comparative official trading figures for Britain from 1860 — 1950:—

1860 — Imports £210,550,000, exports £169,300,000; excess of imports £43,250,000.

1880 — Imports £411,200,000, exports £328,800,000; excess of imports £91,900,000.

1900 — Imports £523,100,000, exports £328,800,000 excess of imports £103,400,000.

1920 — Imports £1,932,600,000; exports £1,556,100,000; excess of imports £376,700,000.

1950 — Imports £2,600,900,000 exports £2,349,300,000; excess of imports £259,200,000.

Has Britain become impoverished by this so-called "unfavourable balance of trade?" on the contrary, these were some of her most prosperous years. Compare this with Australia, which, according to the 1961 — 62 yearbook sent out (exported) goods worth £1,077,284,000 receiving as payment goods valued at only £884,760,000 in imports — a nett loss of £192,524,000. Is this a favourable balance of trade? How long would a merchant last if he sells (exports) a pound worth of goods, but only got 15/- worth in return? (imports)

As Henry George says in Protection of Free Trade, (Page 123) "There is no one who in exchanging his own productions for the productions of another, would think that the more he gave and the less he got, the better off he would be. Yet to many men nothing seems clearer than that the more of its own productions a nation sends away, and the less of the productions of other nations it receives in return, the more profitable its trade."

This universal fallacy is based on the absurd motion that trade is an exchange of commodities for money — instead of other commodities — the myth of mercantilism so ably refuted by Adam Smith in his immortal book, "The Wealth of Nations," in 1776. Aren't we resurrecting old, exploded fallacies in new dress, masquerading as new truths? Can't we learn from past mistakes?

Here is how the misconception arose: In everyday transactions, the more we sell to — and the less we buy from others, the more profitable the trade — the richer we become. Habit leads us to regard exports as being equivalent to the sales of a merchant and imports as equivalent to his purchases. But, as Henry George explains, this is only a "transposition of terms by inference." Actually, what we are thinking of as sales, is not the goods he sends out — but the money we infer he takes in for them; what we think of as purchases, is not the goods he takes in — but the money we infer he pays out for them. It is only where the trade of a merchant is carried on by the exchange of commodities for commodities, (barter) that the commodities he sells are analagous to the exports, and the commodities he buys are analagous to the imports of a nation. (Protection or free trade? pp. 130-133).

Seen in this light, who'd think that the more of his goods he sends away, (exports), and the less of the other person's he got in return, (imports), the more prosperous he'd be? Isn't the very idea preposterous?

Our prosperity is being sacrificed on the alter of out moded mercantilist myths, illogical thinking, ignorance and misconception of the nature of trade, and confusions on the use of money as a medium of exchange!

I am, etc.,

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