

the extent and the kind of improvements on the site. Every producer chooses the best site available, which means that he takes the rent into account.

Rent equalises the opportunities for production, and a would-be producer in a competitive market offers to the site-owner a rental which in effect brings down the producer's wages to the level of the margin. The wages thus remain approximately the same throughout the community. The surplus production, i.e. the rent, rises from nil at the margin to the maximum at the centre of population.

99. When the rent is taken by government for the public revenue, unused land within the margin will be brought into some kind of use, either for production or for private enjoyment, because nobody will pay rent for unused land. This will cause the margin to come back further towards the centre, and will substantially raise wages for that reason alone. The total production will also increase and the rent will again rise, by reason of which all producers will produce more with less exertion.

CHAPTER 15

TRADE - IMPORTS AND EXPORTS

100. The wide-spread confusions and contradictions on this subject arise from a failure to understand what trade is. The best book for remedying this is "Protection or Free Trade?" by Henry George.
101. Trade, or exchange, is a labour process, using capital. It is part of production. The trader is a labourer and a producer. He is engaged in the labour-processes by which the products are brought from the earth and placed in the hands of the consumer, as already explained. At every step the labour and the exchange are inseparable. Each exertion of labour involves exchange, and vice versa. The ultimate aim of every labourer and exchanger is consumption, enjoyment and leisure, not labour or employment. At the last stage of production the production is finished, i.e. when the customer (consumer) receives the finished article or service from the retailer. The economy ensures that he receives it at the lowest price, i.e. with the least exertion or cost. The most economical processes are constantly replacing the costlier processes.

Without trade, which is identical with the market, only the most primitive products and only the most elementary services would be

obtainable, so that men would always remain savages. In trade we find the logical and historical origins of leisure, of culture, and even of the arts and civilisation itself. Where trade commenced civilisation commenced. See Will Durant's "The Story of Civilisation" -Our Oriental Heritage, Chapter II.

Poetry is one of the highest forms of art, and William Cowper has poetically described the civilising functions of trade:

"Again - the band of commerce was designed
To associate all the branches of mankind,
And if a boundless plenty be the robe
Trade is the golden girdle of the globe.
Wise to promote whatever end he means
God opens fruitful nature's various scenes,
Each climate needs what other climes produce
And offers something to the general use;
No land but listens to the common call,
And in return receives supply from all.
This genial intercourse and mutual aid
Cheers what were else a universal shade,
Calls nature from her ivy-mantled den,
And softens human rockwork into men.
Ingenious art, with her expressive face,
Steps forth to fashion and refine the race -
Not only fills necessity's demand
But overcharges her capacious hand:
Capricious taste itself can crave no more
Than she supplies from her abounding store:
She strikes out all that luxury can ask
And gains new vigour at her endless task.
Here is the spacious arch, the shapely spire,
The painter's pencil, and the poet's lyre;
From her the canvas borrows light and shade,
And verse more lasting, hues that never fade.
She guides the finger o'er the dancing keys,
Gives difficulty all the grace of ease,
And pours a torrent of sweet notes around,
Fast as the thirsting ear can drink the sound.
These are the gifts of art, and art thrives most
Where commerce has enriched the busy coast;

He catches all improvements in his flight,
Spreads foreign wonders in his country's sight,
Imports what others have invented well,
And stirs his own to match them or excel.
'Tis thus reciprocating each with each,
Alternately the nations learn and teach;
While providence enjoins to every soul
A union with the vast terraqueous whole.
Heaven speeds the canvas gallantly unfurled
To furnish and accommodate a world,
To give the pole the produce of the sun,
And knit the unsocial climates into one!" 1.

Economic Profit

102. At every point of production trade is profitable to each party to exchange, because each party parts with what is of less value to him and receives what is of greater value to him. What each parts with is his exports, and what each receives is his imports. This applies to all local, national and international exchanges. The exports of one party are the imports of the other.
103. The economic *value* of any item of wealth, in the last analysis, depends on the amount of labour (exertion) which by the possession of the item can be dispensed with. Money is the measure of that value. All exchanges are made in terms of money, which is both the medium of exchange and the measure of value. For example, if a Japanese and German trader exchange a car for a piano the value of the piano on the Japanese market will exceed the value of the car, while on the German market it will be vice versa, because in Japan the cost (labour) of the piano exceeds the cost (labour) of the car, and vice versa. In every normal exchange, even if money does not pass each party makes a profit, in value expressed in money. Only by some unforeseen calamity, miscalculation, incompetence, or assault by a government by taxation or tariff, could the profit fail.
104. An unprofitable deal is abnormal, and is not a feature of trade but of misfortune. In other words, an excess of imports is normal and favourable, and an excess of exports is a loss to be avoided at all costs. Despite what politicians and pseudo-economists tell us, an excess of imports is normal and universal when the transaction is trade, which is always carried on for profit, not for loss.

By economic profit we mean profit from production. Profit from robbery, fraud or privilege is not economic and has nothing to do with economics. Neither are exports by way of gift.

105. The standard of living in any country depends entirely on its domestic and foreign trade, i.e. on the total excess of its imports over its exports. There is no economic difference between domestic and foreign trade: *all* producers and traders live on the excess. But even a great excess can be absorbed by those extractions from production which consist of taxation, speculative rent, employment of unproductive (as distinguished from productive) public servants, armaments, war and preparations of war. All these diminish the standard of living. But trade, i.e. the exchange of goods and services for goods and services in the market, always increases the standard of living, and consists of an excess of imports over exports.

The interminable and always unsuccessful efforts of partisan, inequitable and economically ignorant governments to convert favourable trade-balances (which they persist in calling unfavourable) into unfavourable balances (which they persist in calling favourable) would be amusing if they did not result in so much loss and wasted effort to the community. A few privileged and protected people make profit out of these governmental assaults on the trading community and on all producers and consumers.

106. To conclude and summarise this chapter:

1. Goods and services, not money, are exchanged. Thus in a store, where goods and services are sold, only real money is accepted as a matter of course, i.e. those tokens which are acceptable at any time and place in our community. A cheque, for instance, or evidence of wealth, is not accepted without special arrangements. So a cheque is not money but a substitute for money.

2. In our misgoverned society, because of privileges granted by governments, things are bought and sold in the market which are not the products of labour - notably land, which in a just and normal society has no price, but in an unjust and unfree society has an enormous price and masquerades as capital.

Similarly in a slave-"economy" slaves are bought and sold in the market at a price, but when the slaves are liberated the price disappears and the slaves are no longer regarded as capital. And even in a partially free economy some things which are produced by labour are artificially dear

because of privileges granted by governments to some at the expense of others, such as milk, bread, textiles, motor vehicles.

107. Growth of the statistical G.N.P. is popularly regraded as a mark of successful government and an essential good. But growth in activity or employment is not necessarily healthy or economic. There was great growth in both of these in Nazi Germany. and, apart from war-time activities, true economic growth will mean a decline in the production of some true wealth such as scrubbing-boards, mangles and buggies. Our true objective is not mere growth, but the satisfaction of real desires with an economy of effort, justice and equality in politics, and the abolition of unearned wealth and involuntary poverty. We are not necessarily more prosperous because some or many are richer, though in a just society prosperity will be a sign of true welfare. 2.

Notes to Chapter 15:

1. William Cowper, died 1800, "Charity".
2. For a very able exposure of some popular fallacies on trade see the discussion in Appendix 1 at par. 247. For a detailed explanation of trade see "Protection or Free Trade" by Henry George. For a definition of the market see par. 34.

CHAPTER 16

SUPPLY AND DEMAND

108. Supply is the products, i.e. exports, sent to the market by producers with the object of importing in return by way of exchange, i.e. to secure the products of other producers who send their products to the market with the same objectives. Supply and demand are the two sides of the same transactions.
109. Demand is more than a request or hope. It is backed by supply, and is rightly termed demand. A bank customer cashing a cheque upon an account in credit demands the cash. He does not merely request it. So with buying and selling.
110. No supply, no demand. No demand, no supply. Otherwise no goods or services could come to the market, and imports and exports could never take place. See Eric Roll's "History of Economic Thought", 4th edn., pp. 202-4, which contains much useful information, and also much basic confusion. Also H.D. Henderson's "Supply and Demand" (1922).