

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).

111. If growers are taxed, the same amount of any product may possibly reach the market and be sold, but less of the proceeds of the sale will be available for the supplier. This will mean less money for him with which to demand from the market, which means less supply for him. This means that taxes reduce wages. Taxation is similar to a drought, a war, or a social disaster. Even if it is objected that a government which imposes taxes supplies goods and services in exchange (less the cost of levying the taxes), the objection ignores the fact that the taxes are unnecessary if the government collects its own proper revenue, and also the fact that private enterprise will usually do the job more cheaply and efficiently.
112. The beautiful equilibrium of the market cannot be side-stepped or ignored; the prosperity of every producer involves the prosperity of all others. The inflation of J.M. Keynes, and the innumerable taxes and interferences by well-meaning but ignorant governments, upset and distort the equilibrium, inflicting great losses on the whole community.
113. Protectionist governments always strive to promote exports and discourage imports. This is an impossibility, and if it were possible it would be impoverishing, because imports are wages and are the sole reason for anyone to produce and exchange. Increased imports mean increased exports. Decreased imports mean decreased exports. So, in spite of the fixations of governments, trade as such always means an excess of imports.
114. The profit, i.e. the excess of imports over exports, made by every exchanger, is the motive for producing goods and services. The profit-motive and the free exchange of goods and services are beneficial to all. They appear to be harmful only when the market is distorted by privilege and obstruction and by the poverty which they create.

CHAPTER 17

VALUE

115. Value has been called the heart and soul of economics. As with capital, value is a great area of confusion in economics, and the wide-spread following of Marx has greatly added to the confusion. His theory of value and surplus value has scarcely anything to do with real value, and his ideas of capitalism have nothing whatever to do with capital but are basically an attack on the effects of political privilege and misgovernment. His general theory of value is examined later.