International Trade, Tariffs and Land-Value Taxation

By F. R. Jones

John Stuart Mill, in his *System of Logic*, Book V, Chap. IV, Section 4, treating of Fallacies of Non-Observation, writes :—

"Fallacies of this description are the great stumbling-block to correct thinking in political economy. The economical workings of society afford numerous cases in which the effects of a cause consist of two sets of phenomena: the one immediate, concentrated, obvious to all eyes, and passing, in common apprehension, for the whole effect ; the other widely diffused, or lying deeper under the surface, and which is exactly contrary to the former. . . . The common argument against Free Trade is a fallacy of the same nature. The purchaser of British silk encourages British industry ; the purchaser of Lyons silk encourages only French ; the former conduct is patriotic, the latter ought to be prevented by law. The circumstance is overlooked that the purchaser of any foreign commodity necessarily causes, directly or indirectly, the export of an equivalent value of some article* of home production (beyond what would otherwise be exported) either to the same foreign country or to some other ; which fact, though from the complication of the circumstances it cannot always be verified by specific observation, no observation can possibly be brought to contradict, while the evidence of reasoning on which it rests is irrefragable. The fallacy is, therefore, . . . that of seeing a part only of the phenomena, and imagining that part to be the whole, and may be ranked among Fallacies of Non-Observation."

Mill, in this passage, has seized upon the fundamental error in the Protectionist case. A host of other fallacious arguments is advanced in support of Tariff Reform, but what makes that policy appeal to great numbers of sincere, disinterested people is its specious claim that the shutting-out of imports by a heavy duty will provide more employment for our workers in making the goods now bought from foreigners. The Free Trade reply is, of course, that employment is lessened to an equivalent degree in the industries concerned with exports, since through the mechanism of international exchange this exclusion of foreign products operates to raise the prices of our exported commodities, and so to lessen foreign demand for our goods and services to an extent equivalent to the reduction of imports. A Protective Tariff thus merely leads to a shifting of employment. There is no real expansion of

* The word "article" here must, of course, be taken as including such "invisible exports" as shipping and banking services, insurance, etc.—F. R. J.

production, which alone can provide a remedy for unemployment. Producers as a whole have nothing to gain ; while as consumers they suffer a direct loss in having to pay more for the articles on which the duty is laid. To put the matter in another way, a country under a Protective system obtains with the same expenditure of labour and capital less commodities to share amongst its citizens than under the Free Trade policy.

The argument seems conclusive. Yet as it stands it rarely carries conviction to those who have fallen under the illusive spell of the Protectionist doctrine. Most of them flatly deny that any lessening of export trade must necessarily follow the restriction of imports through a tariff. For example, Mr Hoover, in his election address, stated :—" . . . Their theory [that of Free Traders] is that if by a tariff wall against competitive goods we reduce the sale of goods to us from foreign countries, we thereby diminish the resources of those countries to buy goods from us, and thus in turn our sales abroad are decreased. . . . This theory was sound enough in the old days of direct barter of goods between nations. The trouble with it is that it has lost most of its practical application in a modern world. . . ."

This is a challenge to Free Traders to demonstrate exactly how the reduction of imports through a tariff will necessarily cause a diminution of exports. Regrettably, a great number of Free Traders are not acquainted with the exact details of this demonstration. Many of them use the inferior argument that a tax on imported goods, by adding to the costs of production of the exporting industries which use those goods, compels them to raise the prices of their products, so shutting off foreign demand. The Protectionists reply that they have no intention of taxing imported goods which are utilized in the processes of exporting industries, or, alternatively, that where taxed goods are so used, a rebate of tax will be allowed to the manufacturers and also to re-exporters. And they ask, how can their tariff, so long as it does not fall on any article used by exporting industries, raise the prices of exports and so lessen sales in foreign markets ?

The only satisfactory answer to this is to give the complete proof that the shutting out of *any* goods now imported, including those which enter solely to meet the demand of home " unproductive " consumers, such as toys, wireless apparatus, private cars, etc., necessarily raises the prices of our goods to foreigners, decreases their demand for our products, and lessens our exports to an extent corresponding to the diminution of imports. In the passage cited at the commencement of this article, Mill does not present the proof itself, but merely indicates that it exists. It may be found spread over many pages of his *Political Economy*, intermixed with much other matter. In its essentials it is as applicable to-day as when Mill wrote.

This proof has two forms, according as the country concerned has a paper currency the volume of which depends solely on the will of the government, or has a currency based on the gold standard, as is the case with most of the leading nations of the world to-day.

Before setting forth the two forms of the proof, it is necessary to give a preliminary statement of certain important facts connected with currency and credit as related to the gold standard. For the sake of simplicity, I propose to take as an example only the system in operation in Great Britain

to-day. A substitution of the details relating to other countries also on the gold standard does not affect the validity of the various general propositions involved.

I.—The British currency is based on the gold standard. By this is meant that a unit of currency is made by law interchangeable with a certain definite quantity of gold. The currency consists of Bank of England notes and a relatively small quantity of silver and copper coins. By the 1928 Currency Act, against £260,000,000 of the bank notes issued the Bank of England must hold in its issue department an equivalent value of securities. This £260,000,000 is called the "fiduciary note issue." For every note issued in excess of this amount, gold coin or bullion must be held in the issue department.

The ratio with gold is maintained by the legal obligation of the Bank of England, under the 1844 Bank Act, to buy gold from all applicants at £3 17s. 9d. the standard ounce, and, under the 1925 Gold Standard Act, to sell gold, in the form of bars containing approximately 400 ounces troy of fine gold, at £3 17s. 10½d. the standard ounce. The standard ounce, according to the 1870 Coinage Act, is metal containing eleven-twelfths of an ounce of pure gold. In other countries the gold standard is maintained by similar obligations laid upon the central banks.

From a commercial point of view, the importance of making each unit of currency interchangeable with a definite quantity of gold lies in the stabilizing effect of the system on the exchange rates of all currencies so regulated, so that exchange fluctuations occur only on a very small scale. Merchants are thus enabled to make contracts in foreign currencies for long periods ahead without fear of loss through changes in the money ratios.

From the political standpoint, the importance of the gold standard lies in its taking the power to interfere with the currency out of the hands of the Government until the assent of Parliament is obtained to suspend or abolish such statutory obligations as are mentioned above. While these obligations exist the total volume of the currency can only be increased through the purchase by the Bank of England of gold in exchange for bank notes, or decreased when gold is sold by the Bank through the accompanying compulsory withdrawal from circulation of equivalent bank notes. This occurs according as the market price of gold makes profitable its purchase abroad for sale to the Bank or its purchase from the Bank to export for sale abroad.

II.—In modern civilized communities currency is used in only a small proportion of the total transactions, the great majority being settled by the utilization of bank credit. Bank credit exists as a separate medium of exchange in the form of cheques. These, when used in the purchase of commodities, as effectually as actual currency swell the money demand for goods and influence the general price level. In every such case no actual money is involved. There is only a transfer of figures from the deposit account of one person to that of another in the books of the bank, and, where more than one bank is concerned, a change in the figures of the deposit balance of one bank with another.

The greater part of the sum of bank deposits is directly the creation of the banks themselves. It has come into existence as a consequence of their issue of credit by discounting acceptances, granting advances on the security

of goods or paper, etc. Each such credit issue, when utilized by the drawing of cheques on the bank concerned, adds to the bank deposit total when the recipients of the cheques pay them in to their own accounts. And until the advance is repaid (or acceptance met, etc.), the deposit equivalent remains outstanding. In this way every bank advance establishes a corresponding deposit, and every repayment of an advance extinguishes a deposit, except when such advance or repayment is made in actual currency.

By increasing or decreasing their advances, discountings, etc., the banks therefore can increase or decrease the sum of their deposits. Since on every advance (or discount, etc.) a profit is made, consisting of the difference between the interest charged at one rate on the advance and that allowed at a lower rate on the corresponding deposit, while on each addition to deposit accounts a commission is commonly charged, it is to the advantage of the banks to grant as much credit as possible.

There is, however, a practical limit to their operations in this direction. This limit arises from the increasing demands by depositors for currency which in due course follow an increase of deposits, demands which finally would overtake the capacity of the banks to meet, were deposits to grow too large as a consequence of excessive credit issue. The experience of the banks has shown them that they must not by credit issue cause deposits to exceed about nine times the sum of currency which they have available in cash in hand, balances at the Bank of England, and loans on short call. In practice most of them regulate their advances so that available currency represents between 12 and 14 per cent of their deposit totals.

Since every increase or decrease in the total currency of the country quickly results in a corresponding increase or decrease of the currency at the disposal of the banks, these at once either take the opportunity to increase their credit issues, or in the opposite case are compelled for safety to decrease them. That is, the superstructure of bank credit varies proportionately with the amount of the currency, changes in the latter quickly producing corresponding changes in the former.

III.—The general level of prices in a country is directly determined by the volume of currency in relation to the general volume of production. If while the latter remains unaltered the currency is for any reason contracted, bank credit is consequently restricted, money demand for commodities is lessened, and all prices decline to a lower level. On the other hand, if the currency expands while the volume of production remains unaltered, the opposite process takes place. Bank credit and bank deposits increase proportionately, the money demand for goods becomes greater, and the general level of prices rises.

Since in Britain the currency can only expand or contract as gold flows into or out of the Bank of England, the general level of prices is thus fundamentally dependent on gold movements at the bank.

IV.—A further important fact must here be noted. The general rate of interest is immediately determined by the market demands for money on loan in relation to the supply, and in Britain is primarily manifested in the discount rate of the Bank of England, commonly called "the Bank Rate."

Whenever the banks, through a contraction of currency, are compelled to restrict credit, they do not actually refuse it to any who can offer unimpeachable security. What they do is to shut off the demand by raising their charge for accommodation, thus making borrowing more expensive and less profitable. In this the Bank of England takes the lead by raising the Bank Rate.

Similarly, when an expansion of currency enables the banks profitably to expand credit issues, they attract more borrowers by a reduction in their rates, signalized by a reduction in the Bank Rate.

In due course, after such a change, providing the quantity of currency continues to bear more or less the same proportion to the total quantity of goods sold, the Bank Rate moves backwards to the old position.

V.—International trade, like internal trade, in civilized modern communities practically always takes place through the medium of money and credit. Purchases and sales of goods in one country by individuals of another are made, commonly, in exchange for currency or for credit instruments such as cheques or bills of exchange. Individuals who receive foreign bills, cheques or currency in payment for their goods or services sell them for their own currency to banks or bill brokers, and these in turn exchange them for money, bills and cheques of their own country held by the banks and brokers of the foreign countries.

When the amount on one side exceeds that on the other at the current rates of exchange, the extra demand in the one case, or the deficient supply in the other, causes a movement of the exchange rates, so that an increased amount of the more plentiful currency becomes purchasable for a given quantity of the other. If the currencies are inconvertible (that is, are not by law exchangeable at their respective central banks for a definite weight of gold or silver, which was the case with most countries for some years following the close of the late war), then the movement of the exchange rates proceeds until the amounts of currency, cheques and bills on each side become equal in value.

When, however, the currencies are on the gold standard, a surplus on one side causes a movement of the exchange rates only to the point where it becomes profitable to buy gold at the standard rate from the central bank (or banks) on the side from which such surplus is offered, and to ship it for sale to the central bank (or banks) on the other side.

Thus, for instance, when for any reason less English money is offered for foreign currencies on the money markets, English currency appreciates in relation to foreign money, until it becomes profitable for gold to be bought abroad, shipped to London and sold to the Bank of England. When this occurs, extra English currency or its equivalent is put on to the exchange markets, either by the English purchasers of the gold, or, when the operation is carried out by foreigners, by these foreign sellers to the bank. This offer of extra English currency prevents the fall of the exchange rates to a lower level than that just sufficient to bring about the gold flow.

Now the effect of a gold flow into the Bank of England, while the general volume of production remains unaltered, is, as shown in III. and IV. above, to increase the currency, lower the Bank Rate, increase bank advances and

deposit totals, and raise the general level of prices through the increased money demand for goods. Two important consequences result from this in respect to international trade. On the one hand, the increased money demand for goods applies to foreign as well as to home commodities, so that more English money is offered on the exchange markets in purchase of foreign products. On the other hand, the rise in the English price level rapidly brings about a reduction in foreign purchases of our goods and services, and less foreign money is offered for English. These two factors act in combination to restore the exchange rates to a level at which it is no longer profitable for gold to be shipped from abroad for sale to the Bank of England.

To recapitulate, whenever less English money is offered for foreign on the money markets, there results a movement in the exchange rates which brings about a gold flow into the Bank of England, until the consequent augmented money demand in Britain increases the purchase of imports and by raising our prices shuts off foreign demand for our exports, so that finally the reduced quantity of foreign currency and increased quantity of English offered on the money markets bring back the exchange rates to a position which stops the gold influx.

An exactly opposite sequence of events takes place when for any reason, while the general volume of production remains unaltered, more English money is offered for foreign or less foreign for English on the money markets. The exchanges move so that foreign money becomes dearer to English buyers and English money cheaper to foreigners, until gold can be bought at the Bank of England for sale abroad with a margin of profit. Gold flows out of the bank, while bank notes are taken in to a corresponding extent. The contraction of the currency involved in this process compels a restriction of bank credit through a rise of the Bank Rate. The generally reduced money demand operates to lessen the purchase of imported commodities, and acts internally to lower the prices of our goods and services, with the result that foreigners buy more and exports increase. Through the lessening of imports less English money is offered on the exchange markets, while through the increase of exports more foreign money is tendered. The combination of these two circumstances brings about a movement of the exchanges in the reverse direction to that which initiated the outward gold flow. It is no longer profitable to purchase gold from the bank for export, so that the gold efflux stops. Currency and credit cease to contract, the Bank Rate moves gradually backwards to the old position, and prices stabilize at the lower level attained.

Various causes may lead to increases or decreases of English or foreign money on the exchange markets, bringing about as a result one of the two opposite series of consequences traced above. Among such causes are reparation or debt payments, increased investment by British investors abroad or foreign investors in Britain, etc. The most important of such causes, however, is the ebb and flow of international trade, the increase or decrease of purchases of exports and imports.

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We have now all the data requisite to the proof that a protective tariff, by lessening imports, necessarily thereby brings about a diminution of exports.

A duty laid on imports is only "protective" when it is sufficiently high to raise the prices of the imported articles above the level at which home producers can profitably sell similar products. Consumers as a consequence buy the home-produced articles instead of those previously imported, and less of the currency of the country is therefore offered for foreign currencies on the exchange markets.

If that currency is an inconvertible one, then, as pointed out above, the exchange rates move until the amounts offered on each side again become equivalent. This means that at once all goods of that country become dearer to foreigners, so that foreign demand falls off and exports lessen. It is in such a case quite clear that the extension of production in industries turning out the previously imported articles is balanced by the lessened production of articles for export. There is consequently no expansion of production as a whole and therefore no generally increased employment, while consumers have to pay more for the protected articles.

When the country imposing a tariff has a currency based on the gold standard, a similar result is brought about, but in a more complex manner. If Britain, for example, shuts off certain imports by means of a duty, less British money or its equivalent is offered on the exchanges, and the series of events previously described in V. follow in due order: The exchange rates move until there is produced a gold flow into the Bank of England. The resulting expansion of currency and credit increases money demand in Britain. This (*a*) leads to an increased purchase of foreign goods other than those kept out by the duty, and (*b*) by raising our prices shuts off foreign demand for our goods and services. The consequent increased offer of British currency and decreased offer of foreign currency on the exchange markets finally restore the rates to a point which stops the inward flow of gold.

What happens, then, when a protective tariff is applied by a country on the gold standard, causing a lessening of the imports to which the duty applies, is that the balance of international trade is finally restored through more of other goods being imported and less of all kinds of exported articles being purchased by foreigners. The net result is a reduction in the volume of international trade, both imports and exports being less than formerly, the balance being struck at a lower figure on each side.

From the point of view of production, consequent on the lessening of imports brought about by a tariff all industries engaged in export find their expenses increased through the general rise of prices caused by the expansion of the currency. As in turn they are compelled to raise the prices of their own products, they find foreign demand falling off, and necessarily their activities have to be restricted. On the other hand, the rise of home prices makes foreign goods (other than the taxed articles) relatively cheaper, and many new foreign commodities consequently enter the home markets and undersell home-produced articles, whose production as a result is lessened. Against the increased production in the protected industries there must therefore be set these lessenings of production in innumerable trades supplying both home and foreign markets, lessenings of production which the causes above described unfailingly bring about.

Protectionists cannot, or will not, take cognizance of the restrictive effects of their nostrum on this vast number of industries. They commonly brush

aside impatiently any attempt to make them understand how exchange and currency variations enter into the matter. Their attention is hypnotically set on the trades they aim to benefit. In that consists their Fallacy of Non-Observation, which has now been fully demonstrated.

All that Protection does is to enable a few industries to profit at the expense of the many and of consumers generally. There is nothing in the imposition of import duties which can reach the springs of production and set it free to expand as a whole. A tariff merely causes costly unprofitable alterations in the forms of production, with an injurious change in the price level, while consumers generally suffer a net loss in relation to the taxed articles. Protection hits most hardly the very classes it is ostensibly put forward to benefit—the working classes. These have their costs of living made higher through the inevitable rise of prices, and only after a severe struggle manage to raise their money wages to a level which imperfectly corresponds, while employment is as difficult to secure as before, or even more difficult.

It should here be noted that in common with all other productive enterprises the protected industries themselves have their expenses increased through the general rise of prices caused by Protection. They are, therefore, in turn compelled to raise the prices of their products, and this often enables their foreign competitors again to undersell them in spite of the tariff. There follow repeated applications for further protection by an increase of the duties. Hence the generally observed phenomenon in Protectionist countries of continuously rising tariffs, with constant lobbying for further increases.

J. S. Mill wrote, in a letter dated 7th December, 1868 :—

> "The Protectionist theory appears plain common-sense to persons thoroughly ignorant of the subject."

Some degree of understanding of the factors involved brings one to the conviction expressed by that impartial and clear-minded philosopher in a later letter dated 20th January, 1871 :—

> "I hold every form of what is called Protection to be an employment of the powers of government to tax the many with the intention of promoting the pecuniary gains of a few."

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The whole controversy of Protection *versus* Free Trade as commonly conducted, however, leaves out of account the most important consideration of all. Each side in the debate discusses the effects on unemployment, but fails to solve the essential problem as to why unemployment exists at all, why production is so narrowly restricted when so many human beings have their needs unsatisfied.

The disciples of Henry George alone hold the correct solution. They are able to demonstrate with certainty, supporting their argument by appeal to unquestionable facts, that the fundamental cause of the trouble lies in the general difficulty of getting land for all productive purposes, combined with the punitive taxation of industry and consumption. It is outside the scope of this article to go into the full details of that demonstration. All that need

here be remarked is that the two influences of dear land and injurious taxation are reflected in the high prices of all commodities and the consequent narrowing of home and foreign demand.

To demonstrate that the sole practical remedy is the one put forward by Henry George—Land-Value Taxation accompanied by the reduction and ultimate abolition of other taxes, both local and national—is also outside the scope of the present paper, as is the step-by-step tracing of how this reform would operate to force all land into availability for use on suitable terms, generally reduce costs of production and bring about a great expansion of industry so that the unemployment problem would cease to exist. This all-round expansion of production arising from the application of Land-Value Taxation would, however, have one important result bearing on international trade, and it is our remaining task to examine the reactions of this result in the light of the foregoing analysis of the factors.

As a consequence of the increased supply of commodities of every description brought on to the markets, prices generally would fall, so that consumers would thus participate in the benefits of the cheapening of land and removal of oppressive taxation. This fall of prices would at once stimulate not only home, but also foreign demand.

If Britain, for example, were to apply a sufficient measure of Land-Value Taxation in substitution for other taxes, the consequent cheapening of British goods would induce foreigners to buy more, and exports would increase. More foreign currency, chèques and bills would, therefore, be offered for British on the money markets. This would cause a movement of the exchange rates raising the value of British money in terms of foreign, until it became profitable to import gold for sale to the Bank of England. Gold would accordingly be brought in, and currency and credit would expand in consequence.

Two main series of effects would follow this expansion of currency and credit. On the one hand, it would cause a widening of money demand which would manifest itself not only in the absorption of the greater part of the increased produce of British industries (the remaining part being taken by foreigners as increased exports), but also in the increased purchase of foreign products. This would not apply to any degree to foreign goods which now enter our markets in competition with home products, for through the fall in English prices (made possible by reduced costs) the home-produced goods would have the advantage in such competition. The increased purchase would almost wholly relate to raw materials and to foreign commodities of kinds not produced or incapable of being produced on a commercial basis in Britain. A considerably greater quantity of these would be bought through the general expansion of money demand, until the total of imports increased and more English money or its equivalent was offered for foreign on the exchanges.

On the other hand, the expansion of currency and credit would operate to counterbalance the increase in the quantity of goods put on to the markets through the extension of production. Such expansion, therefore, would act as a check on the fall of prices, keeping them from going down so far as would otherwise be the case. This check in the price fall would reduce the rate of increase of exports, and the addition to the amount of foreign money or its equivalent offered for English would be slowed down.

The increase of English money relatively to foreign on the exchanges, through the growth of imports at a faster rate than exports, would finally move back the exchange rates and stop the inward gold flow. Currency and credit would then cease to expand, and money demand would again become constant. The growth of imports would, therefore, in turn be checked, and the amount of English money on the exchanges would no longer increase.

If production still continued to expand and prices to fall, exports would continue to increase, causing a further bringing in of gold. The chain of events above described would then be repeated. Equilibrium would only be established when the price fall stopped through the cessation of the rapid increase in the quantity of goods put on to the markets. That would occur when the full degree of expansion of production induced by the particular application of Land-Value Taxation had been attained through the utilization of all the fresh opportunities thereby opened up. Each further measure of Land-Value Taxation would result in a repetition of this sequence of events, which is initiated by a fall of prices and proceeds through an increase of exports to a corresponding increase of imports.

Such, then, are the reactions on international trade of the introduction of Land-Value Taxation by a country with a currency on the gold standard. The important points to be noted are that imports and exports are considerably increased, and that accompanying the internal expansion of production there is an expansion of currency and credit on a somewhat smaller scale, but sufficient to keep prices from falling excessively. Prices generally, measured in gold, could never sink much below the world level. As soon as they went slightly lower than those ruling in other countries, taking into account transport costs, the consequent increased exportation would cause an inward gold flow, and the resulting expansion of currency and credit would swell out money demand sufficiently to stop any further decline in the price level. The imposition of tariffs by other countries would, of course, to some degree hinder this process.

The effects of Land-Value Taxation applied by a country with a currency on the gold standard can therefore be finally summed up thus: The greater production of goods resulting from the reform is disposed of by increased sales at home and abroad, and the people of that country have more money divided amongst them wherewith they are enabled to purchase a greater quantity of home and foreign products. In short, there is a greater production and consumption of wealth, and, as followers of Henry George can demonstrate, a more equitable distribution.

The application of Land-Value Taxation by a country with an inconvertible currency would (always providing such currency remained free from Governmental manipulation) produce very similar effects. Through the expansion of production prices would fall, exports would increase, and more foreign money would be offered for the currency of the country. The exchanges would therefore move, effecting a cheapening of foreign goods in terms of that currency, and imports would increase. The movement of the exchange rates would continue until the amounts on each side again became equivalent. The results in relation to international trade of Land-Value Taxation applied by such a country are therefore, similarly, an increase of imports and exports, but there is no internal expansion of currency and credit to check the fall

of prices. The people of such a country have only the same amount of money divided amongst them, but with that amount they are enabled through the fall of prices to purchase more home and more foreign products on account of their own expansion of production.

As a close to this analytical survey, it is instructive to contrast the effects of Land-Value Taxation and of Protection in a country with a currency based on the gold standard. As we have seen, the application of a measure of either results in an inward gold flow and an expansion of currency and credit. The ulterior effects are, however, vastly different.

Protection raises prices generally. Land-Value Taxation lowers them.

Protection reduces imports and exports as a whole. Land-Value Taxation increases them.

Protection renders all home producers, except those sheltered by the tariff, less able to compete with foreigners in both home and foreign markets. Land-Value Taxation puts all home producers, without exception, in a better position to meet foreign competition.

Protection in no way extends the field of employment. Land-Value Taxation provides more employment in every industry.

Protection, by raising the cost of living, injures the workers, who have to fight bitterly to raise their money wages proportionately. Land-Value Taxation lowers the cost of living, and through the expansion of production raises money wages by increasing the demand for labour.

Such are a few of the multitudinous differences between the effects of Protection and those of Land-Value Taxation. For the community as a whole not one of the effects of Protection is truly beneficial, while every one of those of Land-Value Taxation is an unqualified good.

Land-Value Taxation and Protection differ essentially in that the one is a natural and the other a quack remedy applied to the body politic. Further than that, as Henry George has shown, the basic contrast arises because the first is the morally right, while the second is a morally wrong, method of dealing with economic difficulties. The fundamental distinction lies in the fact that the one is an embodiment of good, while the other is an embodiment of evil.