

Excerpts from
Of the Balance of Trade
by David Hume¹

Hume was taking an Enlightenment approach to economics, specifically the mercantilist approach that had dominated the thinking of Europeans up till this point. He articulated a growing opinion (held by Adam Smith, among others), what was called “free trade.”

He went right to the heart of the matter, and attacked the notion that accumulating gold was a worthwhile economic pursuit. He says that if England had five times its current amount of gold, it would be no better off; if it were faced with a sudden five-fold loss, it would be no worse off.

Suppose four-fifths of all the money in GREAT BRITAIN to be annihilated in one night, and the nation reduced to the same condition, with regard to specie, as in the reigns of the HARRYS and EDWARDS, what would be the consequence? Must not the price of all labour and commodities sink in proportion, and every thing be sold as cheap as they were in those ages? What nation could then dispute with us in any foreign market, or pretend to navigate or to sell manufactures at the same price, which to us would afford sufficient profit? In how little time, therefore, must this bring back the money which we had lost, and raise us to the level of all the neighbouring nations? Where, after we have arrived, we immediately lose the advantage of the cheapness of labour and commodities; and the farther flowing in of money is stopped by our fulness and repletion. Again, suppose, that all the money of GREAT BRITAIN were multiplied fivefold in a night, must not the contrary effect follow? Must not all labour and commodities rise to such an exorbitant height, that no neighbouring nations could afford to buy from us; while their commodities, on the other hand, became comparatively. so cheap, that, in spite of all the laws which could be formed, they would be run in upon us, and our money flow out; till we fall to a level with foreigners, and lose that great superiority of riches, which had laid us under such disadvantages? Now, it is evident, that the same causes, which would correct these exorbitant inequalities, were they to happen miraculously, must prevent their happening in the common course of nature, and must for ever, in all neighbouring nations, preserve money nearly proportionable to the art and industry of each nation.

Hume then attacked the notion that a country gains anything by raising its tariffs (taxes on goods coming in from another country):

Our jealousy and our hatred of FRANCE are without bounds; and the former sentiment, at least, must be acknowledged reasonable and well- grounded. These passions have occasioned innumerable barriers and obstructions upon commerce, where we are accused of being commonly the aggressors. But what have we gained by the bargain? We lost the FRENCH market for our woollen manufactures, and transferred the commerce of wine to

¹ First published in 1752. <http://www.econlib.org/Library/LFBooks/Hume/hmMPL.html>. David Hume was a leading Enlightenment figure, primarily as a philosopher, but also as a historian.

SPAIN and PORTUGAL, where we buy worse liquor at a higher price. There are few ENGLISHMEN who would not think their country absolutely ruined, were FRENCH wines sold in ENGLAND so cheap and in such abundance as to supplant, in some measure, all ale, and home- brewed liquors: But would we lay aside prejudice, it would not be difficult to prove, that nothing could be more innocent, perhaps advantageous. Each new acre of vineyard planted in FRANCE, in order to supply ENGLAND with wine, would make it requisite for the FRENCH to take the produce of an ENGLISH acre, sown in wheat or barley, in order to subsist themselves; and it is evident, that we should thereby get command of the better commodity. There are many edicts of the FRENCH king, prohibiting the planting of new vineyards, and ordering all those which are lately planted to be grubbed up: So sensible are they, in that country, of the superior value of corn, above every other product.

Hume then made two quick arguments about the advantages of lowering tariffs on wine and corn, which protected the corn and ale producers of England:

We ought, however, always to remember the maxim of Dr. SWIFT, That, in the arithmetic of the customs, two and two make not four, but often make only one. It can scarcely be doubted, but if the duties on wine were lowered to a third, they would yield much more to the government than at present: Our people might thereby afford to drink commonly a better and more wholesome liquor; and no prejudice would ensue to the balance of trade, of which we are so jealous. The manufacture of ale beyond the agriculture is but inconsiderable, and gives employment to few hands. The transport of wine and corn would not be much inferior.