SECTION IV.

OCCASIONS ON WHICH IT IS THE INTEREST OF NATIONS TO EXCHANGE COMMODITIES WITH ONE ANOTHER.

We have already seen, that the benefits, derived from the division and skilful distribution of labour, form part of the motives which give rise to the exchange of commodities. Men will not confine themselves to the production of one only of the various articles needed for the well-being of the individual, unless they can, by its means, provide themselves with others.

There is another circumstance which very obviously affords a motive to exchange. Some commodities can be produced only in particular places. Metals, coals, and various other commodities of the greatest importance, are the product of particular spots. The same is the case with some vegetable productions, to which every soil and climate are not adapted. Certain commodities, though not confined to particular spots, can yet be more conveniently and cheaply produced in some places than in others ; commodities, for example, which require a great consumption of fuel, in a coal country; commodities, the manufacture of which requires a strong moving power, where a sufficient fall of water can be obtained; commodities which require an extraordinary proportion of manual labour, where provisions, and consequently labour, are cheap.

These are all obvious causes. There is another cause, which requires rather more explanation. If two countries can both of them produce two commodities, corn, for example, and cloth, but not both commodities, with the same comparative facility, the two countries will find their advantage in confining themselves, each to one of the commodities, and bartering for the other. If one of the countries can produce one of the commodities with peculiar advantages, and the other the other with peculiar advantages, the motive is immediately apparent which should induce each to confine itself to the commodity which it has peculiar advantages for producing. But the motive may no less decidedly exist, where one of the two countries has facilities superior to the other in producing both commodities.

By superior facilities, we mean, the power of producing the same effect with less labour. The conclusion, too, will be the same, whether we suppose the labour to be more or less highly paid. Suppose that Poland, for example, can produce corn and cloth with less labour than England, it will not follow that it may not be the interest of Poland to import one of the commodities from England. If the degree in which it can produce with less labour, is the same in both cases ; if, for example, the same quantity of corn and cloth which Poland can produce, each with 100 days' labour, requires each 150 days' labour in England, Poland will have no motive to import either from England. But if, while the same quantity of cloth which, in Poland, is produced with 100 days' labour, can be produced in England with 150 days' labour, the facts are such, that the corn, which is produced in Poland with 100 days' labour, requires 200 days' labour in England ; in that case, it will be the interest of Poland to import her cloth from England. The evidence of these propositions may thus be traced.

If the cloth and the corn, each of which required 100 days' labour in Poland, required each 150 days' labour in England, it would follow, that the cloth of 150 days' labour in England, if sent to Poland, would be equal to the cloth of 100 days' labour in Poland: if exchanged for corn, therefore, it would exchange for the corn of only 100 days' labour. But the corn of 100 days' labour in Poland was supposed to be the same quantity with that of 150 days' labour in England. With 150 days' labour in cloth, therefore, England would only get as much corn in Poland as she could raise with 150 days' labour at home ; and she would, on importing it, have the cost of carriage besides. In these circumstances no exchange would take place.

If, on the other hand, while the doth produced with 100 days' labour in Poland was produced with 150 days' labour in England, the corn which was produced in Poland with 100 days' labour could not be produced in England with less than 200 days' labour ; an adequate motive to exchange would immediately arise. With a quantity of cloth which England produced with 150 days' labour, she would be able to purchase as much corn in Poland as was there produced with 100 days' labour; but the quantity, which was there produced with 100 days' labour, would be as great as the quantity produced in England with 200 days' labour. England, therefore, would obtain her cloth with less labour, through the medium of her cloth.

Poland would profit in the same manner. A quantity of corn which cost her 100 days' labour, being equal to the quantity produced in England by 200 days' labour, would purchase, in England, the produce of 200 days' labour in any other commodity ; for example, in cloth. But the produce of 150 days' labour in England in the article of cloth, is equal to the produce of 100 days' labour in Poland. If, with the produce of 100 days' labour, she can purchase, not the produce of 150, but the produce of 200, she gains to the amount of 50 days' labour ; in other words, a third.

To produce exchange, there must be two countries, and two commodities.

When both countries can produce both commodities, it is not greater absolute, but greater relative, facility, that induces one of them to confine itself to the production of one of the commodities, and to import the other.

When a country can either import a commodity, or produce it at home, it compares the cost of producing at home with the cost of procuring from abroad; if the latter cost is less than the first, it imports.

The cost at which a country can import from abroad depends, not upon the cost at which the foreign country produces the commodity, but upon what the commodity costs which it sends in exchange, compared with the cost which it must be at to produce the commodity in question, if it did not import it.

If a quarter of corn is produced in England with 50 days' labour, it may be equally her interest to import corn from Poland, whether it requires, in Poland, 50 days' labour, or 60, or 40, or any other

Number to produce a quarter. Her only consideration is, whether the commodity with which she can import a quarter costs her less than 50 days' labour.

Thus, if labour in Poland produce corn and cloth, in the ratio of eight yards to one quarter; but, in England, in the ratio of ten yards to one quarter, exchange will take place.

The practical conclusion may be commodiously and correctly stated thus :

Whenever the purchasing power of any commodity with respect to another is less, in one of two countries, than it is in the other, it is the interest of those countries to exchange these commodities with one another.

If 10 yards of broad cloth in England can purchase 15 yards of linen, which means that they have cost an equal amount of labour ; while in Germany 10 yards of broad cloth can purchse 20 yards of linen ; it is very evidently the interest of England to send broad cloth to purchase linen in Germany because with 10 yards of broad cloth, that is , as much cost of production as would produce 15 yards of linen, she can obtain 20 yards.

It is equally the interest of Germany to send linen to purchase broad cloth in England, because with 15 yards of linen she can purchase 10 yards of broad cloth in England, which, if made at home , would cost her as much as 20 yards of linen.

This difference of purchasing power, which renders it the interest of nations to barter commodities with one another, must be sufficiently great to cover the expense of carriage, and something more, otherwise no advantage is obtained.