

# A Deficit of Proper Language

The words and phrases we use shape our thoughts. Bad language can lead to bad policy decisions. Daniel B. Klein and Donald J. Boudreaux take aim at a deeply misleading phrase: “trade deficits.”

Deficits sound bad. But deficits look only at part of a trade: the units of account, or dollars in the United States. What were those dollars traded for? Stuff. Food, steel, computer chips, and so forth. We could just as easily say that the United States enjoys a surplus of stuff – we acquire more stuff than we send abroad. Nor is this the entire story; folks abroad are not hoarding ever-increasing piles of green-paper pictures of dead Americans; they send the paper back, and purchase American capital, thereby investing in America, and ultimately encouraging increases in American productivity, and thence American real wages.

Or to put it another way: we do not work to obtain dollars; we work to obtain the things which dollars can purchase: housing, food, electronics, books, and so forth. It’s the “stuff” which motivates us. People in Venezuela are earning ever-increasing numbers of Bolívares, but they’re able to purchase less and less food.