

# The Dangerous Deficit in Trade Understanding

I was chatting with my tobacconist the other day — I have no rabbi, no priest, no minister, no imam, no chiropractor, and no lawyer, but I do have a tobacconist — when it struck me that my trade deficit with his shop is astronomical.

How could I have let this happen? For the nearly 20 years I have been patronizing his venerable establishment — nay, institution — it is I who has pushed money across the counter (okay, plastic). Not once has he pushed even a red cent to me. Come to think of it, this is also the case with Kroger, Walmart, McDonald's, and a variety of gas stations.

See the pattern? The money moves in one direction only. What the hell is going on!

Oh, I realize that each time I gave those merchants my hard-earned dollars, I received things — but they were *mere* goods. But money is where the action is. Everybody knows that in any trade, it's the money side that wins, right? I think I heard Donald Trump say something along those lines, and he wouldn't lie. He has a very fine brain — just ask him — so he couldn't be mistaken.

Yet I have this nagging feeling my torment is misplaced. After all, no one forced me into those stores. I had an internal reason; in the case of the tobacco shop, it's my ~~habit~~ hobby. That's right: I *wanted* the pipe tobacco, groceries, double-cheeseburgers (keto style: no bun, no fries), and gasoline. Still, while I buy from those merchants week after week, none of them has ever bought a damn thing from me. Not once have they paid me to write or an edit an article for them. Not one time!

And yet, this thought nags: does it matter?

Let's approach the matter from a different direction. Whenever I buy from them, I transfer money to which I hold proper title. It wasn't a gift, so that means I exchanged services to somebody. Interest. This suggests that bilateral exchange is really trilateral exchange, even if one of the parties is not present. We left the barter economy. Maybe it doesn't matter, then, that those to whom I sell not the same as those from whom I buy. I'm just not seeing a problem here now. What matters is just that I don't chronically spend more money than I bring in. (Debt, of course, can be employed responsibly.) But as is evident, a "trade deficit" has essentially nothing to do with a budget deficit.

If I'm right about this, then Adam Smith was being anything by hyperbolic when he wrote in *The Wealth of Nations* that "nothing can be more absurd than the whole doctrine of the balance of trade."