might be called the popular political economy. What I first propose to show is that we have to deal with ideas centuries old, on which the thought of professional economists has never made any permanent impression except, perhaps, in Great Britain, and that in the every-day applications of purely economic theory our public thought, our legislation, and even our popular economic nomenclature are what they would have been if Smith, Ricardo, and Mill had never lived, and if such a term as political economy had never been known.

One of the most marked points of antagonism between the ideas of the economists since Adam Smith and those which governed the commercial policy of nations before his time is found in the case of foreign trade. Before such a thing as economic science was known arose the theory of the "balance of trade." The fundamental doctrine of this theory was that trade was advantageous or disadvantageous to a nation according as the value of its exports exceeded or fell short of the value of its imports. Accordingly, in the nomenclature of the time, an unfavorable balance of trade or state of credit meant one in which the imports were supposed to exceed the exports, and a favorable balance the contrary. An immediate corollary from this view was that trade between two nations could not be advantageous to both, because the values which each exported to the other could not both be greater than those received from the other.

This doctrine was denied by the Physiocrats, and shown to be wholly fallacious by Adam Smith. For a century and a half the doctrine entertained and taught by economists is that there can be no trade between two nations which is not advantageous to both; that men do not buy or sell unless what they receive is to them more valuable than what they give in exchange; and that what is true of the individual man is, in this respect, true of the nation. And yet the combined arguments of economists