

ployed in supplying the home market. It enabled the economy, in fact, to be planned by the price mechanism which has so far proved itself to be the most efficient form of economic planning known to man.

WHEN GOVERNMENTS began to expropriate the overseas exchange of their citizens, they lost this one efficient means of planning an economy; and this has been the chief cause for the economic crises we have suffered since the war ended.

It is an unfortunate fact that money, of even the richest of us, is limited. If we spend too much of it on one commodity, we have less to spend on another. In a free country the people decide for themselves how they shall distribute their money among the goods and services offered them, and consequently what they shall have in abundance and what they shall do without. This choice is part of the individual citizen's essential freedom.

IN A FREE country a citizen has the right to buy overseas exchange freely. This means that if he wishes, he can send money to New Zealand for a leg of lamb or a box of butter, or to Australia or the Argentine for a shoulder of beef; or he can buy wheat from Canada or tobacco from Virginia.

Of course, in practice, he will

probably not bother to exercise this right directly; for merchants anticipate his import requirements and order such goods beforehand and place them in shops so that he can buy exactly what he wants. Thus, when exchange transactions are free, a British citizen can enter a shop and choose which goods he shall buy from any part of the world. It is this choice of the citizen that decides for the merchant just how he will spend the overseas exchange he purchases from his bank.

THIS MEANS that those who decide how overseas exchange shall be spent are not bankers or businessmen but housewives and the ordinary British citizen. We are inclined to think that the buying and selling of exchange has nothing to do with the ordinary man in the street, but in actual fact there is not one of us who does not use his right to buy overseas exchange almost everyday. We are the real buyers of overseas exchange — not the banks and the merchant; they are merely our agents who buy according to the directions we give when we spend our money in shops.

Thus when overseas exchange is controlled, it is not banks and businessmen only who are controlled but we ourselves. Exchange control deprives everyone of us of part of our freedom of choice.

People have a right to earn overseas exchange and hold it as their own property and to sell it freely to the highest bidder. To deprive them of this right is to rob them of both their freedom and property. It is also to rob all men of their power of choice, and to reduce them to something less than men.

Editor's Note:

The foregoing passages are selections from a 63-page book, *The Free Convertibility of Sterling* by George Winder, published by the Institute of Economic Affairs in London. It is a textbook which explains to the student exactly what foreign exchange is, how exchange rates are determined, and how foreign payments are made. This book is available through the Foundation for Economic Education, Irvington-on-Hudson, N. Y. — fifty cents per copy, postpaid.

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