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## LAND & LIBERTY

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### THE FALL OF THE POUND

ON September 18, only a few days after repudiating any intention of modifying their previous decrees on the subject, our rulers suddenly announced that the £, which only the previous day had been worth 4.03 dollars, was now worth 2.80 dollars only. One admires the financial genius capable of discovering the degree of fluctuation, down to the hundredth part of a dollar, of the value of one piece of paper in terms of another; this fluctuation taking place during the course of a few days, after a long period of (apparently) constant stability.

Since that remarkable Sunday the experts have been having a whale of a time. Although the word "devaluation" is not to be found in the average dictionary it is now as familiar to us as the roar of tractors to a village maiden. Perhaps a few quiet people wonder if most of this expertise is not merely "conveying a quantity of words" which Lord Chesterfield described as the antithesis of intelligent conversation. But such doubters are obviously unsuitable for talking on the B.B.C. Occasionally, however, publicists in another line reveal what the majority of intelligent people, without axes to grind, are probably thinking. The Bishop of Chelmsford, for example, in his Diocesan Chronicle, remarks, "If few people really understand what Communism is, even fewer understand the continually recurring talks on international finance. Every science develops its own jargon, and we are all at the mercy of the specialists, who very often obscure their meaning and perhaps conceal their own ignorance by the use of their special vocabulary."

#### WHO IS THIS "WE"?

An example of the confusion arising from misuse of words can be found in Sir Stafford Cripps's radio talk and subsequent Press conference, after Devaluation. He constantly used, as reported, such phrases as "*We* came back to a fixed rate," "This is a question which *we* decide for *ourselves*," "*Our* power to earn dollars," in all of which the words italicised implied that a dozen or so members of the Cabinet form a single entity with the British people, and the minds of these 50 million people move as the mind of one man. The imagination of an Edgar Allen Poe never created such a fantasy as this, but by continual repetition people, otherwise discerning, now accept it as real.

In his broadcast Sir Stafford said: "You may remember that I said at the time of the Budget that *we* could not afford to provide any more than the £465 million that *we* are already paying by way of subsidies on *our* food." If this "*we*" means the people, how can

any person by paying out more money for an article enable himself to buy it more cheaply? If the "*we*" means the men who compose the Government how can these few possibly pay for or consume all the food in the country? Unless one believes that a person, merely by virtue of becoming a Minister acquires truly miraculous powers, the statement serves no purpose unless it is intended to hypnotise the audience into such confusion of mind they will accept any absurdity the speaker desires to put over. Mr. Bevan's statement in Parliament the following day, "Before the war, when we were much richer than we are now, we were bankrupt," shows how this hypnotism pervades all Government propaganda.

#### THE DOLLAR-EARNING PLEA

The Chancellor, after declaring that a low rate of exchange facilitates exports, and a high rate hampers them, went on: "So you see, our power to earn dollars must depend, to a very large extent upon the dollar rate of exchange of the pound sterling."

One needs only plain common sense to detect some fallacies in this statement. If the object in exporting to U.S.A. is merely to give goods to Americans an artificially low rate of exchange certainly assists the process. But our rulers have told us *ad nauseam* that the object is "to earn dollars," which can only mean obtaining goods from or paying debts to dollar countries; and the low rate by making it more difficult for American traders to export to Great Britain, or reducing the dollar value of every ton of British goods sent to pay debts, effectively counter-balances the effect of any increased volume of exports sent to dollar countries.

#### GUESS-WORK ECONOMICS

Significantly, Sir Stafford gave no hint of the principles by which the figure of 2.80 was arrived at and such phrases as "Until we see how things are turning out," "If we are to succeed in reaching a long-term solution," "It is a complicated problem," "I am not such a fool as to estimate anything," etc., betray only too obviously that no clear principle was employed. When one considers the different and various reactions of other Governments towards the exchange rates of their currencies with the £ and the dollar—some devaluing to the same extent, some more, some less—no sane person can pretend to foresee the full effect upon international trade of the new false rate as compared with the old false rate. Those British exporting industries which require only a small amount of imported raw material will certainly gain immediately at the expense of industries and consumers requiring more imports. The effect on the price of wheat from Canada and beef from the Argentine is likely to be as damaging to British relations with those countries as to the pockets of British consumers, especially of the poorer classes. To what extent these two tendencies might balance each other none can say. The British public, in fact, is a guinea pig for the use of Socialist experimenters.

Despite these examples, Sir Stafford appears as certain as ever that he can decree exchange rates with more advantage to the people than they can decide individually for themselves. At his Press conference he said, as reported, "I do not know what the outcome will be, but I am confident that the right way to get a satisfactory outcome is the way which we have adopted." If Sir Stafford ever possessed a sense of humour it is difficult to believe any of it could have survived his faith in State direction of trade.

## BESTED BY THE "BLACK" MARKET

Some of the journalists who heard him might have wondered why such elaborate preparations were needed to explain the sequence of events which most observers might have expected after the failure of the Export Drive and the demand by the U.S.A. that something should be done to remove the restrictions upon exports set up by trying artificially to bolster the exchange rate of the £. Faced with the prospect of no more American doles, Sir Stafford had to readjust his restrictions so as to bring the exchange rate more in accord with reality. And what could be more natural than that his advisers, in their remarkable wisdom, should decide on exactly the same rate which happened to prevail on the Black Market at the time? Cynics might say: Why pay millions of £'s to experts for a job the Black Marketeers will do for nothing? But this would be *lèse-majesté* to the ideas fostered by Protectionism.

## THE NATURAL AND THE FICTITIOUS

The difficulty of explaining the essentials about this Devaluation is that all the good citizen needs to know is quite simple. The habit of regarding "economics" as something mystic and wonderful makes any reference to the familiar facts of common, personal experience appear too *démodé* for the Atomic Age. Nevertheless, no other explanation is possible.

There are only two kinds of exchange rate: the natural rate resulting from the voluntary agreement of individuals; and the artificial rate resulting from the coercion and restriction of Governments or other legally privileged agencies. The former, which adjusts itself automatically, represents the maximum advantage to be gained by all who engage in exchanging goods or services, each exerting his unrestricted intelligence in every operation. The latter, which requires a few officials to decide operations and an immense army of unemployed (in the true sense) to stop goods, open letters, examine documents, inflict penalties, etc., presupposes that the brains of a few experts can elucidate the desires (constantly changing) of millions of exchangers better than those exchangers themselves. The latter rate has been in force for many years.

## TRADE SAVES EXERTION

Voluntary exchange takes place only because both parties believe they will gain an advantage *not* over each other but over their own situation if the exchange had not taken place; each will, in fact, satisfy his desires with less exertion. By the expenditure of great exertion an Englishman might grow cocoa in Yorkshire and a West Indian might produce woollen cloth in Trinidad. But, so far, sufficient common sense prevails to allow the exchange of Yorkshire cloth for Trinidad cocoa and, consequently, an immense saving of exertion. [The cocoa-growing combines of Yorkshire, backed by their trades unions, are not yet powerful enough to raise the slogan that the lower paid workers of Trinidad are undercutting them on the home market. Given time and the co-operation of the B.B.C. and experts, they might persuade the British voter that it is better "in the national interest" to pay half-a-crown for a slab of chocolate and send immense sums in unemployment relief to Trinidad rather than "neglect" the Yorkshire cocoa farms. But that time is not yet.]

## EXCHANGE IS GOODS FOR GOODS

As the exchanger is always influenced in his decisions by the degree to which he thinks he will save exertion

by the exchange, it follows that the amount of cocoa which can be exchanged for a yard of cloth depends ultimately on a balancing of the exertion required to produce either. If, for example, W lbs. of Trinidad cocoa, selling in Trinidad for X dollars, will sell in England for Y shillings, and Y shillings will buy in England Z yards of a certain kind of woollen cloth, it means that the exertion of producing W lbs. of cocoa balances that of producing Z yards of cloth, and the exchange rate between the English shilling and the Trinidad dollar is as Y to X. But it must not be forgotten that any West Indian might devote his labour and capital to producing something other than cocoa if he thought he could satisfy his desires easier by so doing, or he might send his cocoa elsewhere and exchange it for something else. And the same applies to the Yorkshireman and his cloth. The counterpart of this option is that Y shillings will buy many other commodities besides cloth or cocoa, and X dollars many other commodities besides cocoa or cloth. The ratio of Y to X, therefore, represents the consensus of an infinitely extending range of efforts by millions of people to satisfy their desires by the least exertion. This is the natural rate of exchange. There is, of course, no absolute standard for measuring effort, but a convenient basis for its estimation has always been the exertion required to produce a small quantity of durable material, e.g., an oz. of gold. When this becomes the currency of any country—whatever name the people care to give to the coinage—a practically stable rate of exchange is established.

## FREEDOM THE BEST POLICY

When a government substitutes paper money for gold of the same face value this does not necessarily alter the true rate of exchange, although it hampers trade by preventing the convenient settlement of temporary balances by transfer of specie. But when a government issues paper money in lieu of levying taxation to balance its budget, the currency is debased and the inevitable effect is the inflation of prices. When many governments debase their currencies they do not all do so to the same extent; thus the changes in comparative currency values are beyond calculation. We may be sure, however, that the tendency in exchange of goods or services is always to balance effort with effort and save exertion on the part of both parties. Therefore, the best course is always to allow fluctuations of the exchange rate to follow their natural trend. The fewer the attempts to interfere with the natural balance, so will the fluctuations tend to subside.

The wisest course for the citizen in the present situation is, therefore, not to waste his time trying to understand the jargon of specialists, or demanding a higher or a lower (false) rate of exchange, or confusing the enquiry by dragging in subjects, such as debt, unemployment or State charity, not directly connected with the question. In the interests of himself, his family, his country and every other honest person in the world, the good citizen must insist that his own government should cease interfering with the liberty of its people to decide their own exchange rate, whether or not other governments continue to impose restrictions on those people within their power. All past experience shows this to be the best policy, and no economic law has suffered the slightest modification.

F. D. P.

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6d. LIGHT ON THE LAND QUESTION. A frank inquiry, in conversational styles, into the Land Value Policy. By an eminent London journalist.