It is claimed by our administrators that rents have not risen since the outbreak of war. Such is not true. In England rents have risen considerably, in many cases almost 100%. In Scotland, owing to lengthy leases, the change will be slower, but with a continuation of dearer food prices as leases terminate the rents will also assuredly increase enormously. In one estate in Scotland which I have in my mind's eye at the moment, notices are being served on all the tenants so that rents may be increased. If the people of the country are prepared to carry this burden by systems of bounty feeding, then it is not for the farmer to complain. That sooner or later they will rebel against such a system is a foregone conclusion, and past experience teaches that rents having once risen only fall with the bankruptcy of the tenant. Once a healthy and steady prosperity is assured, then it would be intolerable to assume that the landowner should not also share in the general well-being. But I urge, before falsely inflated land values again ruin the farmer, that the whole industry should be placed on such a basis as will enable him to meet his competitors on favourable terms. We have the men, the climate, and the soil, all amongst the best in the world. Granted these three essentials, will the advocate of bounty feeding explain why British agriculture requires preferential treatment? Why, Sir, to blame Free Trade as the sole cause, or even the principal cause, of agricultural depression and decay is an absurdity which any schoolboy might easily controvert. From Mr. Strutt and other progressive thinkers we know that in England, for some few years before the war, wheat farming was a profitable occupation, yet we find right up to 1914 the conversion of arable land to grass steadily continued. Can the supporters of tariffs and bounties explain why in Aberdeenshire during these same years there has been a steady increase in the area under cultivation? It can hardly be suggested that in view of the adverse climatic conditions—a long, cold winter and short summer—the cost of production will be less, or, on an average, the yield per acre more than in England? Have we any guarantee that by making this style of farming still more profitable, increased production from a given acreage will be the result? Undoubtedly, a larger area will be brought back into cultivation, but is there any likelihood that by this system the maximum amount of food per acre will be produced? I suggest that bounty feeding is no remedy for slovenly farming.

Mr. Lloyd George and his new advisers would do well to study the pronouncement of a famous predecessor and Empire-builder. Almost 40 years ago Disraeli, in speaking of the Richmond Commission, said: "I shall be deeply disappointed if one result of the labour of that Commission is not to afford the farmer the most complete and absolute security for the capital he has invested in the cultivation of the soil he occupies." It will be well for our legislators to understand that this, along with the natural and inevitable corollary, viz., security of tenure, with fair rents and full compensation for improvements effected—subject of course to the farmer paying his rent and farming well—are still the essential reforms required if the land of the nation is to be put to its proper use.

Capital must also be freely advanced to the farmer by the State, to redrain the land or effect any other essential improvement. Land Courts must be introduced to safeguard the interests of the three parties concerned, the owner, the tenant, and the State. Those remnants of feudalism, the rights which permit tenants' crops to be eaten by game of any kind—perhaps the most immoral right which exists in any civilised country—must be swept aside. Adequate housing must be provided for employees, and every opportunity given for the creation of small holdings on an economic basis. A scientific and efficient method of education must also be introduced. Indeed, the day is not far distant when no farmer will be allowed to take up land until he has proved himself both practically and scientifically a fit person to undertake the management of land. Sloth or indolence must not be tolerated on the part of tenant or landowner, and, in return, the power of the State must be devoted to rendering every legitimate assistance the farmer may require.

If these remedies be adopted in a clear and fearless manner, then the only bounties which need be considered are the foreign bounties, and such measures must be adopted with regard to them as will secure that the British farmer will never again be at the mercy of foreign bounty-fed produce.

Yours, &c., A. P. McDougall,
Vice-President, Scottish Farmers' Union.

P.S.—This letter was written prior to the publication of the first part of the report of the Agricultural Policy Sub-Committee of the Reconstruction Committee. So far as I have had an opportunity of studying that report, I am bound to say that it does not in any way alter the position.
A. P. M.

[For comment on Mr. McDougall's practical proposals see note, "Guarantees to Farmers," page 375.—Ed. L. V.]

MONEY AND PRICES.

To the Editor of Land Values.

Sir,—Mr. Cassels enjoined us to obey the excellent scientific dictum, "One name, one thing," and then like an ungracious pastor who recks not his own rede, he tells us that "money," as a technical term of economics, denotes two things: (1) something that functions as a medium of exchange of values and (2) something that serves as complete payment of indebtedness. In economic discussions, when it is necessary to denote more than one fiscal idea by one word, I prefer to use "currency," and give to "money" the strict technical

Definition: Money is a medium of exchange of values.

Bearing this distinction in mind will save lengthy explanations, give clarity to thought, and lead to definite results.

Payment of indebtedness is the rendering of value (service or commodity) for value received; hence, bearing in mind the above definition, it is self-evident that money payment cannot be *de facto* payment of indebtedness, for the reason that money is neither commodity nor service. Nevertheless it is equally clear that money is *de facto discharge* of debt, and so is all legal currency, whether that currency is pure money (*i.e.*, without intrinsic value), or pure money plus commodity (coin). For its legality consists in this very thing—that the creditor is forced by law to accept it in *de facto discharge* of his claim. And he is forced so to accept it for this equitable reason—that the money or currency gives him power to have *de facto* payment when and in what form of commodity or services he chooses to demand.

Transactions effected through a metallic currency are, technically, barters in the proportion of the metallic value of the coins to their face value. If a person pays a sovereign for a watch, and the jeweller melts it down to make a trinket the sovereign is complete payment *de facto* for the watch, and the transaction is pure barter. If, however, the sovereign continues to pass from hand to hand, the transactions may be regarded as pure sales and purchases, or they may be thought of as a chain of pure barters; according as we think only of the Government stamp of guarantee and ignore the commodity, gold, or as we think only of the commodity, gold, and ignore the stamp.

An essential characteristic of legal currency (whether it is pure money, or money plus commodity) is that the person who parts with value holds the currency in pawn until he receives *de facto* payment. This takes place continuously throughout the circulation—the currency being the Government's guarantee in the hands of the person who has parted with value that he shall be paid on demand and the rendering up of the pawn to the person who pays.

Suppose the trading community to consist of only two parties; and further suppose that they have a gold currency to transact business with one another. It is clear that the cost of maintaining the gold currency must be reckoned in their business expenses. Hence it is an element in the cost of production of their wares, and consequently in the prices they must mutually charge for their products. If they then decide that a paper currency would serve their purpose just as well, the paper to be guaranteed by their united (*i.e.*, the communal or national) credit, which, in the very nature of the case, is absolutely the very best credit that can be, and they accordingly sell the gold to some foreigner in exchange for some improved machinery, say, which they share between themselves, it follows that an improvement in the conditions of their production has taken place, by the diversion of the labour that was necessary to maintain the unnecessary gold to the production of their special wares, and further, by the replacement of the unnecessary gold by necessary productive capital. The result, it is self-evident, is a lowering of the cost of production and sale prices.

This lowering of prices, it will be observed, is not due to the greater or less face value or quantity of the paper currency, nor is it in any degree dependent on the fact that paper is a different material from gold. It is wholly due to a relief of labour, that is to say, to an advantageous alteration in the conditions of production. The truth is, that the same amount of service will now obtain a greater amount of necessaries than formerly.

If the above argument is valid, the sale of our gold to America, and the replacement of our gold currency by a paper one, have resulted in easing the conditions of production of war materials and necessaries of life, and a consequent lowering of the prices of these things—not, as Mr. Madsen would have it, that it has caused a rise in prices.

In the foregoing argument, I have, of course, carefully eliminated the concomitant causes of the enhancement of prices from the calculation. And if I have proved my point it follows that the causes of the rise in prices have been much more powerful factors than they would appear from Mr. Madsen's argument.

To sum up. Since price is the amount of service required to obtain a given quantity of wealth—

(1) Whatever may be the *nominal* change in prices caused by a change in the nature or quantity of a currency, *real* prices are altered by such a change in the currency only in so far as that change affects the conditions of production.

(2) Hence any change in real prices which follows an alteration in currency, is wholly due to the conditions of production which are caused by such a change in the currency.

(3) The general law of price is: Everything that aids labour (science, organisation, economic justice, perfecting of a medium of exchange,), *i.e.*, that improves the conditions of production, lowers prices; and everything that obstructs, or throws an additional burden upon industry (muddle, deflection of industrial energy into idleness and unproductive employment, waste of products, monopoly, &c.), *i.e.*, that worsens the conditions of production, raises prices.

Briefly: Price varies indirectly as the ratio of labour to its product—*i.e.*, with a given quantity of labour, the greater the product the lower the price; and directly as the ratio of the product to the labour required to obtain it—*i.e.*, for a given product, the greater the labour required the higher the price.

Thus by adhering to the maxim, "One thing, one name," we have arrived at a point beyond which analysis cannot go. And if we trace any factor in prices—as the stoat follows one rabbit, ignoring all other rabbits that cross its path—we shall find that it will come home to roost in either one of two categories—aids to production or obstructions to production. If it is found in the former, it lowers prices, if in the latter, it raises prices. We have, in fact, discovered a fundamental economic law, which will enable us to proceed by demonstration, and not by mere discussion.

Prices Ruled by Conditions of Production.

Mr. Cassels alludes to, and endorses, "the statement of Mill and others that if all of us suddenly became possessed of double the quantity of money, *i.e.*, general purchasing-power—presumably by necromancy—prices would double, although at the same time the rate of exchange between different goods and services would remain the same." It is an unfortunate statement, whoever made it. If we all suddenly became possessed of double the quantity of money, nothing would happen, except that we would all have to carry double the quantity of paper in our pockets to make our purchases. But if we all suddenly became possessed of double the purchasing-power, prices would be reduced to *half*. For price is the amount of service one has to give in exchange for a given amount of wealth. To double purchasing-power is the same thing as to double wealth while the amount of labour required to obtain it remains the same; and that means that the rate of exchange between goods and services is altered—double the amount of goods being obtainable for a given amount of labour or service—while the rate of exchange between goods and goods and between services and services remain the same.

Mr. Madsen quotes, apparently with approval, Ricardo's dictum, that, "(other things being equal) increase of currency diminishes the value of currency." And Mr. Cassels says he does not demur to Mr. Gemmell's statement, that "decrease of currency relative to a currency calculated at a much greater amount of produce, is bound to increase prices." It is not the decrease of currency, but the decrease of produce, that is the cause of the enhancement of prices in this case. Such a decrease of produce relative to a given amount of labour *is bound* to increase prices. The theory here advanced by Mr. Cassels is diametrically opposed to Ricardo's theory; and both are opposed to the statement attributed to Mill—which indeed contradicts itself.

If Ricardo's theory is a law (which I am convinced it is), the value of currency varies in indirect ratio to its amount *on both sides* of the line from which increases and decreases are measured quite independently of "other things being equal," or of the amount of produce on which a previous currency had been calculated. And it is a direct corollary from this law that *because* a change in the amount of currency alters the value of the medium, it *does not* alter the value in exchange between commodity and commodity, or between service and commodity—*i.e.*, it does not alter prices.

What would we think of Newton if he had said that the laws of motion which he had discovered depended on "other things being equal," that they could not be depended on in so far as they might be interfered with by calculations of Kepler and Ptolemy which were made relative to a much greater importance of the earth in the siderial system? It is the business of the scientist to calculate the results of each law on its own merits; and then calculate the resultant of two or more of these laws operating in conjunction. By this analytical method we can eliminate all considerations of ethics, pyschology, the "higgling of the market," and "other things" from our study of economics, with results quite as practical and intellectually satisfying as when the same method is applied to physics. And why not? To say the least, physical nature presents as infinite variety as the dealings of the market-place. Yet the infinity of phenomena of the material universe have been martialled under discovered laws, with results not less magnificently practical than they are satisfying to the intellect; while we still grope through the market-place in mental confusion, and suffer from practical confusion worse confounded. If economics is not an exact study, it is not a science, but an unprofitable speculation.

Prices vary *pari passu* with conditions of production—the amount of labour or service required to obtain a commodity being the conditions of its production. This is only another way of saying what Mr. Madsen has pointed out, namely, that the real ultimate standard of value, and therefore of price, is labour. And it is somewhat surprising that Mr. Madsen forthwith proceeds to argue that labour is *not* the real ultimate st ndard of *price*—that the standard of value is labour, but that the standard of price is the "language of figures" of the medium of exchange of values. Mr. Cassels was right in the first place when he maintained that the recent rise in prices could be wholly accounted for by the "conditions of production, *i.e.*, the conditions of supply and demand." Verily, nothing else does, or can, account for alterations in prices. This is again implied in Mr. Cassels's statement, "at the same time the rate of exchange between different goods and services remains the same."

Nota bene: Economics does not recognise *apparent* variations in prices due to a greater or less multiplication of the signature "John Bradbury," and Mr. Madsen admits as much when he admits that such a change in the amount of currency *is* "a change in the language of figures" of the medium of exchange, which *does not* alter the fact that "one day's labour still exchanges for one day's labour." Economics recognises only *real* variations of price which are *pari passu* with variations in the rate of exchange between services and goods, and on Mr. Madsen's own showing, these variations are *pari passu* with variations in labour conditions—"the real ultimate standard of value is labour."

To say that the nature or amount of a *medium* of exchange affects the rate of exchange of goods and services, that is, prices, is a contradiction in terms. "Price," as loosely used, is an "idol of the market-place" that the true economist does not bow the knee to.

The question—as to whether the use of War Bonds as money has raised prices—with which the discussion started is easily answered. Such use of bonds undoubtedly does raise prices. But not because it is an *addition* to the *medium*, but because it is an addition to the medium chiefly in the hands of the leisured classes, and thus has the effect of diverting labour from necessary channels into unproductive work—or idleness. It is an adverse condition of production and, therefore, raises prices.

Yours, &c., Richard Shaw.

INDIAN COTTON DUTIES BILL DIVISION

The following are the names of the Liberal and Labour Free Trade or Anti-Protectionist M.P.'s who voted on March 14th for the Second Reading of the Bill:—Addison, Rt. Hon. Dr.; Barnes, Rt. Hon. G. N.; Beale, Sir Wm. P.; Booth, F. H.; Brace, Rt. Hon. Wm.; Cowan, W. H.; Davies, David; Denman, Hon. R. D.; Dickinson, Rt. Hon. W. A.; Duncan, C. (Labour); Edwards, Clement; Edwards, J. H.; Fisher, H. A. L.; France, G. A.; George, Rt. Hon. D. Lloyd; Greenwood, Sir G. G.; Greenwood, Sir Hamar; Harmsworth, C.; Harmsworth, R. L.; Harris, H. Percy, Haslam, Lewis; Henderson, Rt. Hon. Arthur (Labour); Hewart, Sir Gordon; Hinds, John; Hodge, Rt. Hon. John; Illingworth, Rt. Hon. Albert H.; Jardine, Sir J.; Jones, Edgar; Jones, J. Towyn; Glyn Jones, Wm. S.; Kellaway, F. G.; Macdonald, Rt. Hon. M.; M'Laren Hon. H. D.; Macnamara, Rt. Hon. T. J.; Macpherson., James Ian; Mond, Rt. Hon. Sir Alfred; Munro, Rt. Hon. Robert; Parker, James (Labour); Pratt, J. W.; Radford, Sir G. H.; Rees, G. Caradoc; Roberts, Chas. H.; Roberts, George H.; Roberts, Sir J. H.; Rowlands. James; Scott, A. MacCullum; Seely, Rt. Hon. Col. J. E. B.; Stanton, Chas. B. (Labour); Thomas, J. H. (Labour); Wason, John Cathcart; Williams, T. J.; Winfrey, Sir Richard; Yeo, Alfred William.

A VAST SYSTEM OF DOLES

Daily News and Leader (Leading Article, April 25th.)

If the Bill has only a remote and speculative relation of the war, it has a very direct bearing upon the agricultural and economic future of the country. Its object is one of which all will approve. It is to increase the growth of corn in this country and to attract labour to the land. The means adopted are a minimum wage for the laboured and a minimum price for the farmer. These two points are treated as complimentary. They ought not to be so regarded. The case for a minimum wage for the labourer is self-supporting. There is no calling in which the scandal of low wages has been so long standing and so flagrant as that of the agricultural labourer. It is a sweated industry and ought long since to have come under the operation of the Trade Boards Act. That expedient can no longer be resisted. But when we come to the question of the bonus for the farmer, the Bill bristles with objections, and it emerged from the discussion something like a wreck. Either a bonus is not an attractive bait, in which case it will not lead to the break up of pasture, or it is an attractive bait and gives the farmer a privileged position at the expense of the consumer. And, as Mr. Runciman said, it is only a beginning. There are other vital industries that have an equal claim to help from the State, and the present proposal can be only the beginning of a bonus system which must extend in all directions and always act at the cost of the consumer. Nor is the general objection all that has to be said. The bonus would operate with almost fantastic unfairness. The farmer with the good land, raising the largest crops and getting the highest return would actually benefit most from the bonus. It needs little imagination to conceive the kind of feeling which would grow up against the agricultural industry in such circumstances. Finally, it would be the landlord who would ultimately benefit. There is, it is true, provision against raising the rent of the sitting tenant; but the door is deliberately left open for raising the rent against the newcomer. That is an outrageous fact. If the object is not to benefit the landowner at the expense of the towns then the prohibition against rent-raising must be absolute. . . . It does not touch the real roots of the agricultural problem—the need of education, of co-operative buying and marketing, the use of machinery, the urgent housing question, above all the deadly effect of landlordism with its sporting interests on the one hand and its sterilising mortgages on the other. Here is the true road to agricultural reform. That road must not be blocked by a vast system of doles which, in the end, would only find their way into the pockets of the landlords and increase the very evils that we have to remove.

A POLITICAL VOLTE FACE

In June last I had the honour to sign a Minority Report with the hon. Member for Norwich, who is now Parliamentary Secretary to the Board of Trade (Mr. George Roberts), and one if not the most distinguished of agriculturists in this country, Mr. Edward Strutt. In that Report we were dealing, not with the immediate war problem, but with the question of finding employment for soldiers on the land at the end of the war. We felt that you could not possibly increase the agricultural production of this country unless you made agriculture prosperous, and consequently we arrived at the solution of the difficulty which is being put forth in this Bill to-day—namely, a guarantee of minimum prices for the farmer and minimum wages for the labourer. When that Report was published the Daily News published a strong article supporting the combined system, including the guaranteed price, and, in