

Politics versus Economics

GRAHAM SCOTT



WITH PRESIDENT Nixon's speeches reading more and more as if they were written by Britain's former Socialist Premier Harold Wilson, Mr. & Mrs. Average American are trying to form their own views on the Administration's ninety-day wage and price freeze. Of course we

know ordinary people are more concerned with the value of the dollar in their pockets than with the international consequences of the ten per cent surcharge on imports. Just like their counterparts in the United Kingdom all they understand is that over the last few years they have seen the purchasing power of their money decline. As in Britain, and indeed in any country where there has been monetary inflation, the poor and those living on limited incomes have been the worst hit.

Strangely enough, in spite of very strong feelings about the sanctity of the competitive society which are still fondly held here—at least by the business community if not by the dissenting younger generation—the majority of Americans seem to support President Nixon's anti-competitive measures. Many people have told me that they have long thought that these stringent measures should have been introduced months if not years ago. Not unnaturally the same view has been expressed by the radio, press and "responsible" TV commentators. Nearly everyone then, has thought that "they"—the Government—ought to do something about inflation. And, now that President Nixon has belatedly joined the fashionable economic bandwagon of urging restraint, belt-tightening and self-sacrifice for the common cause, many ordinary Americans feel that something positive is being done and that the end result must be for the common good. However, this attitude is not shared by the large organized labour movements and fortunately some members of the business community are also dissenting though for quite different reasons.

The voice of the First National City Bank of New York has been one which Wall Street has begun to take seriously in the wake of expansionist euphoria which hit the stock market in the early days following the new measures.

"Unless the Federal Reserve System succeeds in slowing monetary inflation to a non-inflationary rate (sic), the President's policy will most probably fail in its attempt to stabilize prices and interest rates." So spoke these respected bankers. They point out that during the first eight months of 1971, the money supply—the key barometer of future business and financial conditions—grew by \$13.5 billion. This represented an annual growth rate of about 11 per cent or about twice that of 1970.

And these bankers are right. After all, who knows more about money than people who gain their living from handling other peoples' money? There is only *one* way to cure inflation and that is to stop issuing new money. But to the gullible electorate who see only the *consequences* of inflation—the level of rising prices in the supermarkets, direct price control has been sold as a workable instrument while the blame for the Nation's plight has been placed on the labour unions and giant corporations.

Unscrambling the Eggs

If the President's policies contained on his menu have had instant popular appeal, there are still some very worried men in the Administration. Heading the list must be the members of the Task Force which has been set up to advise Nixon as to what should be done at the end of the ninety-day period. Ironically, the Task Force's Chairman, Herbert Stein, has been arguing for thirty years that wage and price controls are ineffective in peacetime. When interviewed recently he said, "I knew immediately that the problem would not be the freeze, but the un-freeze, the thaw! . . . But you don't have to be a great exponent of something to work on the Task Force." Meanwhile, as it sits behind closed doors, there is speculation as to what the end-freeze proposals will be. Already there is talk of prolonged restraint and the possibility of introducing a "Wage-Price Review Board" to vet all increases at the end of the day. Such a proposal seems laughable in the light of Britain's now defunct Wages, Prices and Incomes Board but as one colleague said to me recently, "We may know that Britain has tried it all before, but that is not the same as proving it for ourselves. Like all young children we have a complete disregard for any views our parents hold."

Trade War Ahead?

Among many articles published in the last few weeks on the gloomy outlook for freer international trade, one which is assured of a very wide reading is *The Free World MUST Avoid a Trade War* written by James Atwater in the Reader's Digest. "The whole structure of international trade is threatened," he states, "and with it the prosperity, the unity and perhaps the security of the free world."

Working back from the latest ten per cent import sur-

charge, Atwater points out that a major step in the growing trade dispute was taken by the United States in May 1970 when the House of Representatives began to consider a trade bill that included ways of imposing quotas on textile and shoe imports. Suddenly, all of the protectionist sentiment that had been building up in the country broke loose. During the hearing on the bill a total of 377 witnesses gave 4,600 pages of evidence which included pleas for special help by everyone from bicycle manufacturers to mink ranchers, from mushroom growers to candlestick makers. But as one Common Market official said to Atwater, "If the United States does not phase out some of its chronically troubled industries you will find some day that you have protected marginal industries at the expense of the economy as a whole."

This commentator at least has no illusions about the future. With the EEC economy headed by Germany

growing at a fast pace and with industrial Japan a major force to reckon with, the United States will find the going very tough if it seeks a protectionist role. Retaliation is bound to follow and as Atwater concludes: "Now is the time for the US to take the lead in pushing for a new break-through in international trade. Otherwise, the States and their trading partners may learn to their sorrow a hard but unavoidable fact: in a trade war there are no winners only losers."

Now is the time for the US to instigate another Kennedy Round type of discussion to see how far the major trading nations are prepared to lower or terminate completely their tariff barrier and quotas. Even if this is not feasible the best course of action for the US at the moment would be to take a unilateral step towards freer trade. After all, no US housewife would complain about cheaper goods in the stores in a period of rising prices.



Collapse of Stout Party

DAVID MILLS

"THE DECLINE of the Liberal Party was not due to the inescapable logic of history, or the inapplicability of Liberal remedies to the issues of the day, but to avoidable mistakes made by Liberals themselves. What failed was not Liberalism but Liberals."

So writes Dr. Douglas of the major theme of his book*, the astounding story of the twenty-five years from the General Election of 1906 to that of 1931. The secondary theme, the persistence of the Party since then in defiance of "the usual rule that an institution must either advance or retrogress" brings the story up to the present day.

In fact the Liberal collapse occurred over the ten years between the outbreak of World War I, when a Liberal Government was in office, and the General Election of 1924, which returned a mere forty Liberal M.P.s of whom only seven had won their seats against both Conservative

and Labour opposition. 1929 was better, but at the time of the Slump the last of a series of disastrous splits sundered the Liberal Party, and its representation in the House of Commons has never been numerically significant since.

The book is what it says it is, the history of the Liberal Party. Because "we are here concerned primarily with the effect of events upon Liberals rather than with the effect of Liberals upon events" it is of great advantage for the reader to have some acquaintance with the general history of the present century. Nevertheless, sufficient information on the principal developments and major issues is supplied, through at least until 1933, for the main flow of events to be appreciated too. In fact, the book is most lucidly and tightly written, and the material admirably arranged and presented. Thus, the reader is surely and knowledgeably guided through the divisions and alliances, groupings and counter-groupings, splits and reunifications, which are the story of the Liberal Party from 1916 to 1926. This is the period of Asquithian and Lloyd

Georgeite factionalism, the period when, electorally, the Party collapsed, but the seeds of that disaster had already been sown before World War I broke out.

In what is perhaps the most important chapter in the book. Dr. Douglas traces the relationship of the Liberal Party with the Trades Unions, the Labour Representation Committee, and, eventually, the Labour Party, in the period up to the outbreak of war in 1914. It is an astonishing story which unfolds. Although Lord Rosebery had issued a warning as far back as 1894, consistently down to 1914 and even afterwards, "the Party Whips fought those people who contended that the existence of a separate Labour organisation would at best split radical votes and at worst threaten the existence of the Liberal Party." Thus electoral arrangements were concluded favouring the Labour candidates, no effort was made to prevent the Miners' Federation from switching its allegiance, and no resistance was offered when the Labour Party insisted that Lib-Lab M.P.s defend their seats as Labour. None of this need have proved fatal in the long run, though, if the Trade Union Act of 1913, described by Dr. Douglas as "perhaps the most disastrous measure which the Liberals could possibly have set upon the Statute Book," had not made provisions for a separate Union political fund, which by definition could not be used for industrial action or for

**The History of the Liberal Party, 1890-1970* by Roy Douglas, published by Sidgwick and Jackson, Ltd. £5 hard cover edition, £1.75 paper back edition.