Conservative cause no good. Many people thought the Conservatives were waiting until they had won the election before applying their customary remedies. But they lost the election and a chance of rectifying the position.

The Labour government complains that the former government left a bill of £800 million to settle. This is the amount by which Britain's imports are said to have exceeded her exports. Since a symptom of the trouble is high imports, the government has decided that it will reduce them by a surtax of 15 per cent against all imported manufactured goods, these accounting for about one-third of Britain's total imports.

Opening Pandora's Box

In announcing this policy, the Labour government stirred up a hornets' nest. The European Free Trade Association complained that Britain had broken her solemn treaty to lower duties on manufactured goods until they reach zero by 1966.

G.A.T.T. also complained and threatened retaliation, although a few members, notably the U. S., have expressed sympathy with Britain's position.

Ireland says it is a body blow, because England was her best customer. Japan, France, Italy, and many other countries have protested. Even the Commonwealth has not escaped. Canadian newsprint is hit, because it is considered a manufactured commodity. Hong Kong, the last remaining free trade area in the world, is a special sufferer.

Those who suffer most, however, are Britain's own nationals. They were given no notice of the extra duties which took effect from midnight of the day of the announcement. This naturally caught many importers with their goods on the high seas; when those goods are landed the extra duties will have to be paid. One importer, who has sold a thousand tons of steel bars, tells me he will have to meet the extra duty out of his own pocket. Another will have to pay the surtax on hundreds of tons of aluminum sheets he is importing from Austria and the E.F.T.A. countries. Thousands of importers will have difficulty in meeting the increased tax, and some will go bankrupt. Such is the fate of the individuals when the government manages the economy.

Will It Solve the Problem?

But the question remains: Will this policy of taxing imported manufactured goods really work? Is it not attacking the symptom instead of getting at the cause of the trouble? Manufactured goods are themselves often the raw ma-

terials of the export industries, especially in Britain which imports large quantities of machine tools and machinery. The sale of goods is essentially an act of exchange. Who knows what trade channels will be permanently blocked when the surcharge is removed? Mr. George Brown, the Minister of Economic Affairs, is expecting the British people to buy more British goods; yet the government says the surcharge is only temporary.

It looks as if the Labour government wants it both ways. It harbors the old mercantilist superstition that you can export and not import.

Inflation Must Be Curbed

The real cause of Britain's trouble lies in her excess of money. This, coupled with a fixed rate of exchange, acts like a sponge which draws the goods over the tariff wall in spite of the surcharge. Previously, when Britain faced such a problem, the remedy – except in 1949 – was to squeeze the economy by raising the Bank Rate and making money hard to get.

Even if the Labour government's policy does stop imports, the excess money will still circulate and press the price level upward. Either the Bank Rate has to be raised to bring about a credit squeeze,* or Britain will have to devalue the pound once again before she can restore equilibrium and sell her exports.

Devaluation is an expedient the British government has avoided since 1949. It involves repudiation of many millions of pounds loaned in good faith to the government. But this is the only thing left for any government to do if it goes on inflating the currency. And a reversion to all the mercantilistic failures of the past will be of no avail against the eventual day of reckoning. ◈

*Editor's Note: The discount rate has been raised, of course, to 7 per cent from 5 per cent since Mr. Winder submitted his analysis.

IDEAS ON LIBERTY

Good as Gold

YOU HAVE TO CHOOSE as a voter between trusting to the natural stability of gold and the natural stability of the honesty and intelligence of the members of the government. And with due respect to these gentlemen I advise you . . . to vote for gold.

Attributed to GEORGE BERNARD SHAW