The London School of Economics and Political Science

Liberals and Protectionism:
Britain's International Trade Policy Between the Wars
(1902-1939)

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Declaration

I certify that the thesis I have presented for examination for the MPhil/PhD degree of the London School of Economics and Political Science is solely my own work other than where I have clearly indicated that it is the work of others (in which case the extent of any work carried out jointly by me and any other person is clearly identified).

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Abstract

Thanks to hegemonic stability theorists, we know that structure created strong incentives for Britain's shift towards protectionism by the early 1930s, but we know less about its imperial and trade-liberalising logic, and we do not yet know precisely how those structural imperatives were translated into meaningful policy change itself. This thesis fills the gap by engaging with local archival data to examine the role of three critical individuals - Joseph Chamberlain, Philip Snowden, and Walter Runciman – in explaining how trade policy change was not the mere outcome of structural dictates but also, and perhaps crucially, the result of personal efforts of these pivotal policymakers. The thesis demonstrates how the major elements of the intellectual rationales for the shift to protectionism were fully developed and explicitly deployed by Joseph Chamberlain (Colonial Secretary, 1895-1903) by 1906 and how this new analytic move became a part of the intellectual framework that was used to bring about protection under the Import Duties Act and the Ottawa Agreements in 1932.

Based on novel empirical findings, the thesis advances two key arguments. First, free trade could have been abandoned earlier and the protectionist slide could have been steeper had it not been for liberal free traders Philip Snowden (Chancellor of the Exchequer, 1929-31) deferring the introduction of protectionist policy, and Walter Runciman (President of the Board of Trade, 1931-37) attenuating it when it was finally adopted. Second, by having misunderstood people like Chamberlain and Runciman, who were really not protectionists but pragmatic liberals looking for leverage to re-liberalise trade under specific conditions – namely, that protectionist rivals had been closing the international trade system on Britain for decades – we misinterpreted Britain's interwar "exit" from the liberal international trade regime as a move towards more "closure". The thesis, therefore, captures complexities which system-level analyses do not by placing analytical emphasis on individual agency and local level policy decisions to get this crucial IPE puzzle empirically right. In doing so, it contributes to understanding why and how pivotal actors were so important and highlights the contingency involved in economic policymaking. It improves our understanding of the limitations and trade-offs of structural accounts and elaborates historical lessons for a pragmatic liberal approach to trade policy in response to relative hegemonic decline.

Keywords: liberalism, protectionism, interwar trade policy, tariffs, individuals, hegemonic stability theory

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List of Acronyms

ABCC	The Association of the British Chambers of Commerce
EIA	Empire Industries Association
FBI	Federation of British Industries
GATT	General Agreement on Tariffs and Trade
HST	Hegemonic Stability Theory
IDA	The Import Duties Act (1932)
IDAC	The Import Duties Advisory Committee
IPE	International Political Economy
JC	Joseph Chamberlain
MCC	Manchester Chamber of Commerce
MFN	Most Favoured Nation
PS	Philip Snowden
WR	Walter Runciman
WWI	World War One
WWII	World War Two

Chapter 1

Britain, a Free Trade Nation in a World of Protectionists [1]

> "I see no indication in any part of the world at the present moment of there being an automatic desire on the part of these foreign countries to lower their tariffs. But I do not despair. We are now working in a new world…I prefer, as a negotiator of some experience, to say: "Here is a schedule of duties which means business. Lower your tariffs, and we will lower ours."... If we can do very little by negotiations there is no reason why we should not make an attempt... First of all we must put our own house in order, and having done that we can go ahead."[2]
>
> --- Walter Runciman, the President of the Board of Trade (1932)

> "…every other fiscally independent community whose civilisation is of the western type has deliberately embraced, in theory, if not in practice, the protectionist system. … *In circumstances so little foreseen we are driven to ask whether a fiscal system suited to a free trade nation in a world of free traders, remains suited in every detail to a free trade nation in a world of protectionists*."[3]
>
> ---Arthur Balfour, the Prime Minister (1903)

Thanks to hegemonic stability theorists, we know that structure created strong incentives for Britain's shift towards protection by 1931-32. Still, we know less about its trade-liberalising and imperial logic, and we do not yet know precisely how those structural "imperatives" were translated into meaningful policy change itself. The thesis fills this gap by engaging with local archival data and explaining this trade policy shift through the role of several critical policymakers. It shows how the political and intellectual elements within the declining hegemon were reshaped to allow the structural dictates to direct substantive policies. The thesis demonstrates how the major elements of the intellectual rationales for the shift to protectionism were fully developed by Joseph Chamberlain by 1906, and how this new argument became part of the intellectual framework that was used to bring about protection in the 1930s. Placing the main analytical emphasis on the agency of pivotal actors, it recasts the account of the adoption of protection from being system closing and macroeconomically driven to being a trade liberalising strategy of the declining hegemon aimed at moving the international system back to openness. Based on the novel empirical findings, the thesis advances the argument that free trade could have been abandoned earlier and the protectionist slide could have been steeper

[1] Arthur James Balfour, *Economic Notes on Insular Free Trade* (Longmans, Green and Co. London New York Bombay, 1903), 9.
[2] UK Parliamentary Papers, House of Commons Debate (hereafter HC Deb.) 9 February 1932, Vol. 261 cc702-703.
[3] Balfour, *Economic Notes on Insular Free Trade*, 8–9.

had it not been for individual policymakers at the highest ranks of the British political establishment delaying, deferring, and attenuating protectionist policy until and after it was finally adopted in 1932.

The thesis examines how three pivotal actors - Joseph Chamberlain, Philip Snowden and Walter Runciman - shaped the trajectory of Britain's shift to protection beginning from the South African War (the Second Boer War, 1899-1902)[4] until the Second World War. The South African War became a turning point for changing Britain's self-perception as a global imperial power in relative decline, which was failing both to use its huge domestic market as a weapon for bargaining down competitors' tariffs and to tap into the vast economic potential of its empire.[5] The outcome of the war popularised the idea that empire building could be achieved through strengthening commercial links based on fiscal union and preferential trade.[6]

Joseph Chamberlain's significance lies in initiating the trade policy shift by explicitly deploying the major elements of the rationale for protection before 1906. Yet, despite multiple systemic shocks – including World War I, the legal dissolution of the Dominion Core of the British Empire, two generations of the Conservative (Tory-Unionist) politicians clamouring for imperial protection, the economic success of protectionist rivals, and the onset of the Great Depression that increased unemployment and economic nationalism – Britain retained its flagship free trade policy until 1932 largely intact, save for the piecemeal, tactical introduction of ad hoc protection since 1915.

Philip Snowden, the Labour Chancellor of the Exchequer, motivated by his principled Cobdenite belief in free trade, then set out to reverse the little existing protection introduced during and after the First World War and forestalled the introduction of a general tariff for revenue and Imperial Preference in 1929-1931, effectively deferring the introduction of protection until 1932. When the introduction of protection was no longer inevitable, Walter Runciman, the President of the Board of Trade, took charge of shaping and attenuating the protection and Imperial Preference policies that Britain finally adopted. Thanks largely to Runciman's efforts, whose policy approach was inspired by Richard Cobden's Anglo-French Treaty (1860), return to protection under the Import Duties Act of 1932 was used as a means of liberalising international trade through reciprocal bargaining and bilateral agreements before

[4]According to Searle, the South African War between Great Britain and the two Boer (Afrikaner) republics (the South African Republic (Transvaal) and the Orange Free State) was the largest and most costly war in which the British engaged between the Napoleonic Wars and World War I, spending more than £200 million. Geoffrey Searle, "'National Efficiency' and the 'Lessons' of the War," in Impact of the South African War, ed. David E. Omissi and Andrew S Thompson (Palgrave Macmillan UK, 2002), 204. Friedberg argues, that despite victory, "at the end Britain was faced with a choice of either "expanding its army or contracting the boundaries of its Empire." Aaron L. Friedberg, The Weary Titan: Britain and the Experience of Relative Decline, 1895 - 1905 (Princeton University Press: Princeton, New Jersey, 1988), 52. It was known as 'Jo's war' due to Joseph Chamberlain's enthusiastic involvement. Bernard Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914* (Anchor Books Doubleday & Company, Inc. Garden City, New York, 1968), 64.

[5] Frank Trentmann, *Free Trade Nation: Commerce, Consumption , and Civil Society in Modern Britain* (Oxford University Press, 2007), 12.

[6] Bernard Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914* (Anchor Books Doubleday & Company, Inc. Garden City, New York, 1968), 43.

the Second World War. As Carlsnaes explains, British policy "was aimed at changing international structures" either for own long-term benefit or to ease international tensions rather than merely following the trend and adopting trade protectionism.[7]

The first section of this chapter provides a brief historical overview that puts Britain's trade policy developments in context and sets the scene for the subsequent chapters. I then introduce the research puzzle showing how the policy change was not the mere outcome of structural dictates but, crucially, the result of the personal efforts of pivotal policymakers. I then discuss the limitations of the existing explanations of this case in International Political Economy (IPE) and motivate the importance of getting this puzzle empirically right. I then argue for interpretation of the case at the individual agency level based on the role of key policymakers in directing the policy shift. The chapter concludes with the roadmap of the thesis.

Background: Britain's Long Return to Protection

Britain's move to protection in 1932 marked a decisive break with the nation's historic fiscal policy of free trade since the repeal of the Corn Laws in 1846[8] which, at the time, had signalled a decisive ideological shift in the way that trade and exchange were understood. Adam Smith's fundamental principle that "free trade should be pursued independently of other countries' policies"[9] led to Britain's one-sided removal of tariffs on imports and caused the first systemic trade liberalisation, an effort spearheaded by Richard Cobden and William Ewart Gladstone in the nineteenth century. Thanks to these pathbreaking liberal approaches to trade, specialisation of production, freedom of labour, cheap imports over exports, and a minimal role of the state in commerce became synonymous with economic growth and enshrined in such economic institutions as the City of London and the Manchester Chambers of Commerce. Through the Anti-Corn Law League activities (1839-1846), Richard Cobden (1804-1865) sought to shift the public opinion in favour of unilateral free trade in the way that would make protectionist policy and institutions unsustainable.[10] By expanding upon the anti-imperial dimensions of Smith's *The Wealth of Nations* (1776), Cobden concluded that international free trade and non-interventionism would ultimately bring about world peace.[11] However, even Adam Smith did not regard unilateral liberalisation under any conditions as the appropriate mode for opening commerce; instead, he suggested that it had to be done reciprocally.[12] Cobden revived the abandoned policy of "reciprocity treaties" and tariff bargains based on the doctrine of

[7] Walter Carlsnaes, "The Agency-Structure Problem in Foreign Policy Analysis," *International Studies Quarterly* 36, no. 3 (1992): 265.
[8] Schonhardt-Bailey, *From The Corn Laws To Free Trade: Interests, Ideas, and Institutions in Historical Perspective*.
[9] Douglas A. Irwin, *Against the Tide: An Intellectual History of Free Trade* (Princeton University Press, 2005), 82. Irwin, 82.
[10] Stephen Davies, "Richard Cobden: Ideas and Strategies in Organizing the Free-Trade Movement in Britain," 2015, http://oll.libertyfund.org/pages/lm-cobden.
[11] Now known as the "peace through trade" approach, it was revived in Britain (by Snowden, Runciman) and the United States (by Cordell Hull) in the 1930s and became one of the pillars of the post- WWII liberal international order.
[12] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. Edwin Cannan, 5th edition (London: Methuen & Co., Ltd., 1904).

protection"[13] to achieve the Cobden-Chevalier treaty (1860) delivering the widespread adoption of free trade policy (through the most-favoured-nation mechanism) that the unilateral abolition of the Corn Laws (removal of tariffs on imports) had not.[14]

Until World War I (1914-1918), Britain remained "a pure Free Trade nation,"[15] without discriminating tariffs (zero per cent) against foreign imports or subsidies to assist domestic industry or agriculture. Customs duties, which were for revenue only, were applied to matching domestic goods in the form of an excise tax.[16] In contrast, by the end of the nineteenth century, in the United States (a liberal democracy), tariffs on manufactured imports were almost fifty per cent, higher than levied by autarchic Russia or Germany.[17] Britain "stuck to Free Trade irrespective of the protectionist measures of other countries" without engaging in tariff bargaining. Pursuing reciprocity - a special privilege granted by one party that only extended to those who reciprocated in kind – was ruled out because it was antithetical to the most-favoured-nation principle.[18] As long as Free Trade supported capital exports and was central to the system of multilateral trade and payments with the international system running on its sterling and shipping, it was the policy of choice for Liberals.[19]

Despite the fact that Britain combined its one-sided commercial policy of unrestricted, free access to the largest imports market in the world with an ever more protectionist, drifting apart Empire,[20] liberal cosmopolitans "fervently hoped that free trade would be adopted by other nations."[21] As Bannerman argues, because "the adoption of free trade was dependent on economic development, human agency, ideology, and political culture, it was certainly not easily transferable".[22] According to Koot, "[T]he immense slaughter of the Great War"[23]

[13] Mallet. See https://www.econlib.org/library/YPDBooks/Cobden/cbdPW.html?chapter_num=2#book-reader.
[14] As the tariff reduction spread through subsequent bilateral treaties (over fifty) extending most-favoured-nation treatment to third parties it swept away the artificial obstacles to commercial intercourse presented by fiscal and protective laws. Britain and its Empire paved the way to greater prosperity and greater harmony in international relations. Cobden realised his belief in peace through trade between rivals having overcome hostile protectionism in France, the emperor's vacillation and anti-French fear of invasion in Britain (Source: COBDEN, RICHARD (1804–1865) by Miles Taylor https://doi.org/10.1093/ref:odnb/5741. Published online: 23 September 2004. This version: 21 May 2009).
[15] Trentmann, *Free Trade Nation: Commerce, Consumption , and Civil Society in Modern Britain*, 9.
[16] Jr. Brice M. Mace and T. Ritchie Adam, "Imperial Preference in the British Empire," *The Annals of the American Academy of Political and Social Science* 168, no. July (1933): 226. Until WWI Britain had import tariff for revenue only on c. 25 articles most of which fell into the "food, drink, tobacco" category.
[17] Trentmann, *Free Trade Nation: Commerce, Consumption , and Civil Society in Modern Britain*, 6–7.
[18] Ibid. In 1931, Britain had forty-two trade treaties including unconditional MFN. TNA, CAB 24/224/11, "Trade and Commerce," 12 November 1931.
[19] Rogowski and Frieden, "Modern Capitalism: Enthusiasts, Opponents, and Reformers," 395.
[20] Trentmann, *Free Trade Nation: Commerce, Consumption , and Civil Society in Modern Britain*, 358.
[21] Koot 1993, 187
[22] Gordon Bannerman, "The Free Trade Idea," in *The Oxford Handbook of the Political Economy of International Trade*, ed. Lisa M. Martin (Oxford University Press, 2015), 47.
[23] Koot 1993, 189

heralded the end of the pre-war international liberal economic order which Britain had created[24] and cost Britain its financial hegemony.[25]

World War I also brought in its wake the collapse of the Empires: Ottoman, Austro-Hungarian, German, and Russian. For Britain, restoring the pre-1914 economic structures anchored on liberalised international trade, was hampered by the accelerating disintegration of the British Empire, namely: the creation of the Irish Free State (1922); a more independent India (the 1920-30s); and the Dominions' legal independence through the creation of the Commonwealth (1926-31) under the Statute of Westminster (closer unity fostered by the war clashed with the rising economic nationalism in the constituent parts of the British Empire).

In addition to the pressure of high exchange rate, following the return to the Gold Standard at pre-war par in 1925, the demand for protectionism in Britain was stimulated by growing American competition that followed 1925-29 boom, and the increasing interest in formation of the European economic union by the early 1930s in reaction to the intensified American "commercial imperialism."[26] While enjoying a huge balance of payments surplus that was resolved through foreign investment the United States swung towards larger protectionism in 1929-30. Following the Wall Street Crash (1929), the United States triggered a global tariff retaliation spiral by passing the Smoot-Hawley Tariff Act in June 1930,[27] which raised American tariffs against 20,000 imported goods by as much as 50 percent[28] amid the unfolding Great Depression (called in Britain "the Slump"). The failure of Britain's Labour Government's Tariff Truce initiative through the League of Nations to reverse protection in Europe (1930 - 1931) was a prelude to the financial crisis sweeping Europe and Britain in the summer of 1931 and a harbinger of the rebirth of Germany's economic might in defiance of the humiliating WWI defeat.

Britain destroyed both pillars on which its economic policy of international economic integration was founded: free trade and the gold standard (which "emerged and solidified along with, and as a facilitator of, trade liberalization"[29]) in the space of short six months

[24] Howe, "Free Trade and the Victorians," 296; Bannerman, "The Free Trade Idea," 51 Angell's Great Illusion (1911) proved ominous not quite in the way he expected when the outbreak of war in 1914 eviscerated belief that economic interdependence by commerce made war virtually impossible.
[25] In the aftermath of the First World War (1914-1918), countries' economic recovery was severely conditioned by reparations and repayments obligations.
[26] Peter. J. Cain and Antony Hopkins, *British Imperialism, 1688-2000.*, 2nd editio (New York: Longman, 2001); Joanne Gowa and Raymond Hicks, "Politics, Institutions, and Trade: Lessons of the Interwar Era," *International Organization* 67, no. 67 (2013): 439–67, https://doi.org/10.1017/S0020818313000118.
[27] Irwin, *Peddling Protectionism*, 4–5.
[28] Various explanations of the inter-war trade collapse analyse whether Smoot-Hawley retaliation was responsible for the collapse of the international trading regime in the 1930s, focusing on different policy drivers. For example, see Barry Eichengreen, "The Political Economy of the Smoot-Hawley Tariff," *Research in Economic History*, 12 (1989), 1–43, https://doi.org/10.3386/w2001; Irwin, *Trade Policy Disaster: Lessons from the 1930s*; Irwin, *Peddling Protectionism*; Joseph M. Jones Jr., *Tariff Retaliation: Repercussions of the Hawley-Smoot Bill* (Philadelphia: University of Pennsylvania Press, 1934).
[29] Ronald Rogowski and Jeffry A. Frieden, "Modern Capitalism: Enthusiasts, Opponents, and Reformers," in *The Cambridge History of Capitalism Volume 2: The Spread of Capitalism: From 1848 to the Present*, ed. Larry Neal and Jeffrey Williamson (Cambridge: Cambridge University Press, 2014), 395, https://doi.org/10.1017/CHO9781139095105.012.

(September1931- February 1932). When it happened, the abandonment of the Gold Standard "shocked the world,"[30] but it was a liberating experience: making cheap credit possible had an expansionary effect on the economy, just as John Maynard Keynes predicted. The successful fiscal consolidation followed, which, along with the floated sterling, was even more important for boosting confidence at home and abroad.[31] Abandoning free trade, however, was motivated only in part by the objective of defending the exchange rate – balancing trade through tariff protection was a goal in its own right.[32]

Puzzle: A Free Trade Nation in a World of Protectionists

The introduction of the Import Duty Bill in the House of Commons on 4 February 1932 by the National Government's Chancellor of the Exchequer, Neville Chamberlain, was a solemn occasion similar in magnitude to the Corn Laws Repeal (1846), only this time, Britain was *abandoning* free trade.[33] Not only did this move to trade protection represent "a major change in national policy," but it also came shortly after the "momentous" suspension of the Gold Standard.[34]

It was full of personal symbolism, too. There had been "few occasions in all our long political history," Neville Chamberlain said with emotion, "when to the son of a man who counted for something in his day and generation has been vouchsafed the privilege of setting the seal on the work which the Father began but had perforce to leave unfinished."[35] Drawn upon "the direct and legitimate descendants of his own conception…if not exactly in his way, yet in some modified form" this historic legislation vindicated Joseph Chamberlain's "great campaign in favour of Imperial Preference and Tariff Reform" of twenty-nine years. [36] Now that "these proposals…would be laid before the House of Commons, which he loved, in the presence of one and by the lips of the other of the two immediate successors to his name and blood," continued the Chancellor, referring to his brother Austen Chamberlain,[37] "…the fulfilment of his aims…his vision would eventually take shape. His work was not in vain. Time and the misfortunes of the country have brought conviction to many who did not feel that they could agree with him then."[38]

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[30] Morrison, "Shocking Intellectual Austerity: The Role of Ideas in the Demise of the Gold Standard in Britain," 2015, 202.
[31] Middleton, "British Monetary and Fiscal Policy in the 1930s," 437.
[32] Middleton, 437.
[33] Douglas A. Irwin, *Against the Tide: An Intellectual History of Free Trade*, 2nd ed (Princeton: Princeton University Press., 1996), 5. Free trade describes an international commercial policy of the nation-state in which trade barriers are absent. It implies that there are no restrictions on the imported goods or restraints of the exports to the foreign markets.
[34] P Williamson, *National Crisis and National Government: British Politics, the Economy and Empire, 1926-1932* (New York: Cambridge University Press, 1992), 507.
[35] N. Chamberlain, HC Debate 4 February 1932, Vol. 261 cc296.
[36] Ibid.
[37] Ibid.
[38] Ibid.

The Bill proposed a general *ad valorem* duty of ten per cent upon all British imports, with exceptions for some goods (mainly food and raw materials) on the "free" list and established the permanent Import Duty Advisory Committee[39] that would be empowered to recommend adjustable surtax.[40] Along with the new pressing needs - rebalancing trade and payments, tackling industrial decline and unemployment, alleviating taxation, and stabilising sterling, the tariff reform was about "an imperial sense of fairness" based on reciprocity and "gaining back control" through tariff retaliation against protectionist rivals strangulating British and imperial foreign trade.[41] After being rushed through the Parliament with crushing majorities, it became law on March 1.[42]

It is easy to appreciate why Britain's decision to introduce protection on the heels of the unexpected abandonment of the gold standard in September of 1931 provided IPE with its "indispensable case."[43] Scholars have attributed the breakdown of trade relations in the interwar period to the macroeconomic upheaval of the Great Depression[44] and difficulties of strategic interaction.[45] It has been widely recognized that a combination of "desperate crisis conditions of the Great Depression,"[46] protectionist pressure from interest groups (businesses, the City of London, the Dominions),[47] the fall of the Labour Government and the electoral victory of the Conservative Party in 1931[48] caused British policymakers to abandon free trade. Eichengreen, and others, pointed out that Britain adopted protectionism in response to the abandonment of the Gold Standard in September 1931 precipitated by the financial crisis in the summer of 1931. British policymakers needed to strengthen the trade balance to prevent

[39] George May, Chairman of The National Executive Committee in 1931; Sydney Chapman, Chief Economic Advisor to the Government; Allan Powell, Chairman of the Food Council. Runciman Papers 248 (hereafter WR 248), "The Record of the National Government August 1931 – March 1932: B. Restoration of Trade, 3-6," 4.
[40] HC Debate 4 February 1932, Vol. 261 c288-289.
[41] Trentmann, *Free Trade Nation: Commerce, Consumption , and Civil Society in Modern Britain*, 9.
[42] Marvin E. Lowe, *The British Tariff Movement* (American Council of Public Affairs, Washington, D. C., 1942), 132.
[43] Morrison, "Historical International Political Economy," in *The Oxford Handbook of International Political Economy*, ed. Jon C. W. Pevehouse and Leonard Seabrooke, 2021
[44] Peter A. Gourevitch, *Politics in Hard Times: Comparative Responses to International Economic Crises* (Ithaca and London: Cornell University Press, 1986); Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939* (New York: Oxford University Press, 1992), https://doi.org/10.1093/0195101138.001.0001; Douglas A. Irwin, *Peddling Protectionism: Smoot-Hawley and the Great Depression* (Princeton, N.J.: Princeton University Press, 2011).
[45] John A . C . Conybeare, *Trade Wars : The Theory and Practice of International Commercial Rivalry* (New York: Columbia University Press, 1987); Kenneth A. Oye, *Economic Discrimination and Political Exchange: World Political Economy in the 1930s and 1980s* (Princeton, N.J.: Princeton University Press, 1992).
[46] Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939*, 166.
[47] Tim Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s* (Cambridge University Press, 1992); Andrew Marrison, *British Business and Protection, 1903-1932* (Oxford: Clarendon Press, 1996); Forrest Capie, *Depression and Protectionism: Britain Between the Wars* (Boston: Allen & Unwin., 1983); Anthony Howe, *Free Trade and Liberal England 1846–1946* (Clarendon Press Oxford, 1998), https://doi.org/10.1093/acprof.
[48] P Williamson, *National Crisis and National Government: British Politics, the Economy and Empire, 1926-1932* (New York: Cambridge University Press, 1992); Robert C. Self, *Tories and Tariffs: The Conservative Party and the Politics of Tariff Reform, 1922-1932* (New York: Garland Publishing, 1986); Stuart Ball, "The Conservative Party and the Formation of the National Government: August 1931," *The Historical Journal* 29 (n.d.): 59–82; Robert W. D. Boyce, *British Capitalism at the Crossroads 1919-1932. A Study in Politics, Economi9cs, and International Relations* (Cambridge University Press: Cambridge, London, New York, New Rochelle, Melbourne, Sidney, 1987).

the excessive depreciation of the exchange rate and address rising unemployment. Put simply, "[T]he General Tariff was designed to accomplish what exchange-rate depreciation would not: the restoration of the external balance."[49] Since Kindleberger's analysis of Britain's inability and the United States' unwillingness to assume responsibility for stabilising the international economic system[50], hegemonic stability theories have pointed at Britain's loss of relative economic power as one of the key reasons for the breakdown of the international economic cooperation, which dramatically affected international trade openness between the World Wars.[51]

Krasner points out how Britain "put economic instruments to good use" in creating and maintaining an open international trading structure for three quarters of the nineteenth century.[52] When in 1880-1900, Germany, France, Russia, and Italy raised tariffs, he argues, Britain lacked the military or economic power to forestall the rise of these protectionist trade policies.[53] Indeed, approaching the turn of the century several key concerns emerged/were established in Britain: that it was on the verge of being surpassed by the rising economic rivals the United States and Germany and whether the continued policy of free trade would be enough to maintain Britain's early industrial advantage.[54] Concern about the integrity of the empire was also "a product of the Boer war which marked a crisis point in Britain's imperial policy, it presented an opportunity as well."[55] If Krasner's theory predicts that "a hegemon's interest should switch from [international system] openness to closure after its lead over rivals has peaked", [56] Britain's shift to protectionism should have taken place in the 1880s. Yet, Britain only switched to protection in 1932.

There is a proven historical record that protection had always been desired in Britain.[57] Ever since Joseph Chamberlain first attempted to reverse free trade in 1903-06, its adoption had been just a matter of time. Chamberlain and a number of prominent historical economists, like W. A. S. Hewins and William Ashley, tried to explain that the negative systemic effects of one-

[49] Eichengreen, *Sterling and the Tariff, 1929-32*, *Princeton Studies in International Finance*, 1981, 2; "Keynes and Protection," 1984): 363–73; J. M. Keynes, "Proposal for a Revenue Tariff. By J. M. Keynes," *The New Statesman and Nation* 1, no. March 7, 1931 (1931): 53–54; Barry Eichengreen and Jeffrey Sachs, "Exchange Rates and Economic Recovery in the 1930s," *The Journal of Economic History* 45, no. 4 (1985): 925, , "Trade Blocs, Currency Blocs and the Reorientation of World Trade in the 1930s," *Journal of International Economics* 38, no. 1–2 (1995): 1–24.
[50] Kindleberger 1973; DeLong and Eichengreen 2012
[51] Robert Gilpin, *War and Change in International Politics* (1981); Charles P Kindleberger, *The World in Depression,1929-1939* (1986); Stephen D. Krasner, "State Power and the Structure of International Trade," *World Politics* 28, no. 3 (1976): 317–47.
[52] Krasner, "State Power and the Structure of International Trade," 336.
[53] Krasner, 337; Stein, *The Hegemon's Dilemma: Great Britain, the United States, and the International Economic Order*, 38:368.
[54] Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895 - 1905*, 30.
[55] Andrew S . Thompson, "Tariff Reform : An Imperial Strategy, 1903-1913," *The Historical Journal* 40, no. 4 (1997): 1039.
[56] Krasner, "State Power and the Structure of International Trade," 319–20; Stein, *The Hegemon's Dilemma: Great Britain, the United States, and the International Economic Order*, 38:384; Webb and Krasner, "Hegemonic Stability Theory: An Empirical Assessment," 184.
[57] Ralph A. Young, "Great Britain's Recent Trend toward Protection," *The Annals of the American Academy of Political and Social Science* 135, no. 189–250 (1928); Anthony Howe, *Free Trade and Liberal England 1846–1946* (Clarendon Press Oxford, 1998), https://doi.org/10.1093/acprof.

sided free trade (declining productivity, rising structural unemployment) were bound to exacerbate over time and that the Tariff Reform and Imperial Preference would turn Britain's fortunes by providing increasing welfare for the working classes based on secured employment. Their arguments were informed by the mercantilist ideal of full productive employment and derived from the study of the competing economies, whose trade policy was protectionist (commercial rivals, like Germany, France and the United States, had been closing the international trade system on Britain for decades).[58] They advocated tariffs for their bargaining potential: as tools to liberalise trade through reciprocity and retaliation under changed conditions.[59] This would make trade fairer for Britain and freer for everyone by leveraging the vast British Empire's potential for creating neutral markets and increasing international security.

According to the domestic politics account, Joseph Chamberlain and the Tariff Reformers did not succeed in implementing the Imperial Preference as the Tariff Reform did not pass the test of 1906 election, which hinged on the issue of free trade and protection."[60] Irwin explains that free trade triumphed over protectionism because it was decided by a democratic election, disabling the interest groups' lobbying for sector-specific tariffs and thus determining the institutional mechanism behind the policy outcome.[61] Unlike the repeal of the Corn Laws, ideology appears to have played only a secondary role in the 1906 election, and "widespread opposition to free trade emerged only after import competition began to affect certain industries adversely."[62] Although Chamberlain and the tariff reformers failed to reverse free trade in 1906, they formulated proposals for protection that served a wide range of practical needs under the changing structural conditions and laid the foundations for adopting protection and Imperial Preference in 1932.[63]

Krasner explains the apparent "lag" between the onset of the decline and actual policy change through policy capture by interest groups and institutional path dependence: "The British state was unable to free itself from the domestic structures that its earlier policy decisions had created, and continued to follow policies appropriate for a rising hegemony long after Britain's star had begun to fall."[64] "Institutions created during periods of rising ascendancy," such as British banking whose monetary policy decisions were geared toward the international economy, "remained in operation when they were no longer appropriate".[65] At the same time, "[G]roups favouring closure, such as organized labour [were] unlikely to carry the day until some external event [war, economic depression]" would demonstrate that existing policies

[58] Stein, "The Hegemon's Dilemma: Great Britain, the United States, and the International Economic Order," 1984, 375; Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895 - 1905*; Semmel, *The Rise of Free Trade Imperialism: Classical Political Economy the Empire of Free Trade and Imperialism 1750-1850* (1970); Howe, *Free Trade and Liberal England 1846–1946*.
[59] Their use of protection would be given credence by subsequent economists: Keynes in the 1930s, Johnson in 1960.
[60] Irwin, "The Political Economy of Free Trade: Voting in the British General Election of 1906," 104, 82.
[61] Irwin, 103.
[62] Irwin, 86.
[63] Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895 - 1905*, 82.
[64] Krasner, "State Power and the Structure of International Trade," 342.
[65] Ibid.

[free trade] could "no longer be implemented."[66] Thus, Krasner attributes "the final dismantling of the nineteenth century international economic system" not to gradual changes in British trade and monetary policies but to the First World War and the Depression. [67]

After its ad hoc introduction during World War I, partial protection was operating in Britain under McKenna Duties 1915, which turned out to be a winning strategy for building up new industries (e.g. automobiles). In 1919, Britain reciprocated imperial preferences that the colonies had granted (before WWI) to recognise the Empire's effort in the war based on this protection. The counterintuitive return to the Gold Standard at pre-war pound convertibility rate in 1925 did not restore the pre-war international trading system as expected and further exacerbated systemic unemployment.[68] Failure of the 1927 Economic Conference to contain the exponential rise of protection, especially in Europe, demonstrated that Britain, still seen as a self-serving hegemon, could not, on the basis of free trade alone, counter forces that were hampering international economic recovery. By 1930, the Wall Street crash, the onset of the Great Depression and the Smoot-Hawley Tariff Act pushed already contracting international trade into a downward spiral.[69] Now that J. Chamberlain was being proved right by the very events he wanted to avert,[70] it was only logical to give his policy a try.

By all accounts, there was a strong political impetus in Britain for the move to general and imperial protection in 1930-1931. Structural incentives aligned with interests, institutions and individual preferences to deliver the policy shift: the Imperial Conference of 1930 was a turning point for the Empire to agree on a united economic policy; Ramsay MacDonald, Britain's Prime Minister, was inclined to introduce a general tariff to strengthen the Labour Government's position; John Maynard Keynes and the Economic Advisory Committee economists urged the introduction of tariffs to address unemployment and special interests (most notably, the City of London bankers, the Trade Union Council, and the Manchester Chamber of Commerce, who were the stalwarts of free trade) called for using tariffs for retaliation. Given that the political and intellectual elements were in place since 1906 and structural incentives lined up by 1930, why did the actual shift to protection only happen in 1932? Several critical individuals stemmed Britain's protectionist slide.

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[66] Ibid., 343.

[67] Krasner, 341; Eichengreen, *Sterling and the Tariff, 1929-32*; Barry Eichengreen, "The Eternal Fiscal Question: Free Trade and Protection in Britain, 1860-1929," in *Protectionism in the World Economy*, ed. Forrest Capie (Aldershot: E. Elgar Pub. Co, 1992), 162–90.

[68] Morrison, *England's Cross of Gold: Keynes, Churchill, and the Governance of Economic Beliefs* (Cornell University Press, 2021); Barry Eichengreen, "Keynes and Protection," *The Journal of Economic History* 44, no. 2 (1984): 363–73,

[69] Barry Eichengreen and Douglas A. Irwin, "The Slide to Protectionism in the Great Depression: Who Succumbed and Why?," *The Journal of Economic History* 70, no. 4 (2010): 871–97; Douglas A. Irwin, *Peddling Protectionism: Smoot-Hawley and the Great Depression* (2011).

[70] Dani Rodrik, *Straight Talk on Trade: Ideas for a Sane World Economy* (Princeton and Oxford: Princeton University Press, 2018), ix. Rodrik explains how excessive globalisation deepened societal divisions, exacerbated distributional problems and undermined domestic social bargains that Joseph Chamberlain had tried to address.

Against this steep protectionist tide stood Philip Snowden, "the Iron Chancellor,"[71] an orthodox liberal free trader who thwarted every attempt to adopt any form of protection throughout his Chancellorship (1924, 1929-1931) and reversed protectionist measures introduced since World War I.[72] Being "the most autocratic Chancellor the twentieth century had ever seen,"[73] for him, free trade was a matter of principle: he effectively contributed more than any other actor to the deferral of the introduction of general protection until 1932. Wrecking the potential agreement on the Imperial Preference policy in 1930, he delayed both the abandonment of free trade and the start of intra-imperial and international trade liberalisation.[74] His blocking of the Imperial Wheat Quota in 1931 led to a critical postponement of the Ottawa Conference from 1931 to 1932. His refusal to introduce a tariff for revenue resulted in the collapse of the Labour government and the suspension of the Gold Standard; it fractured the Labour and cost him and MacDonald their party membership during the financial crisis of 1931.

It looked as if the Conservatives' crushing victory in the 1931 general election was the final, decisive jigsaw in the puzzle of structural events culminating in the suspension of the Gold Standard, which finally delivered protection.[75] As Rooth argues, once in power, the Conservatives could use devaluation as an urgent and pragmatic justification for adopting permanent protection, for which they had long prepared, for altogether different reasons ("empire-building").[76] If this is the case, then why, when finally introduced, was the general tariff significantly more modest than anticipated by the "free-hand" protectionists dominating the government? And why did the free traders support its introduction after it was no longer necessary, according to Keynes, following the suspension of the Gold Standard?

The conventional reading of the events obscures the struggles behind the scenes. Liberals did not "convert" to protection lightly. Some, like Philip Snowden, would fight it to the very bitter end, believing that protecting Cobden's free-trade legacy was to protect the world itself from further descent into economic and political turmoil. But others, like Walter Runciman, embraced it as a tool, a weapon he could use to moderate and liberalise international trade in emulation of Cobden's approach of breaking down the tariff walls by negotiating with foreigners. Rarely, if ever, has an election delivered such a "Pyrrhic victory" – Conservatives, the staunchest protectionists, achieved 471 of the Government's 556 seats, which exceeded

[71] Winston Spencer Churchill, "Mr. Philip Snowden," in *Short Biographies*, CHAR 8/591 (Churchill Archive, 2006), 225. According to Churchill, Snowden was "the most responsible of the Socialist politicians."
[72] Tim Rooth, "The Political Economy of Protectionism in Britain, 1919-1932," *Journal of European Economic History* 21, no. 1 (1992): 74.
[73] Colin Cross, *Philip Snowden* (Barrie and Rockliff: London, 1966), 207.
[74] The meaning of the 1930 conference as a"critical juncture" needs to be fully grasped. Since the Balfour Declaration[74] at the Imperial Conference of 1926 organising economic relations within the Empire was crucial to counterbalance its legal dissolution into the Commonwealth before the passing of the Westminster Act (November 1931).
[75] "The Cabinet Decides," *The Times*, 6 October 1931, 12. *The Times* Digital Archive. The aggravated uncertainty of British political situation following the financial crisis and Labour Government's collapse in late summer of 1931and unemployed demonstrations rocked the foreign opinion leading to dissolution of Parliament on October 7, 1931.
[76] Tim Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s* (1992), 96.

their highest expectations.[77] Structure delivered an anticipated outcome: a political majority to implement the protectionist mandate. But agency – namely, a few critical Free Traders in key positions of power – corrected the policy course. The hard-bargained compromise between Cabinet factions over the formulation of protection in the National Government manifesto established the expectation of ruling by consensus. Protectionists could take no tariff decisions without negotiating with the Cabinet's free traders, including Snowden, or without approval from MacDonald and Walter Runciman, the new President of the Board of Trade.

Free traders' presence in the Cabinet, without a doubt, helped to moderate the scale of protection.[78] For instance, it was through private conversations with Neville Chamberlain that Runciman convinced him to drop the Conservatives' three-decker plan for protection[79] and agree that the "compromise lies in him adopting and our agreeing to a ten per cent Revenue Tariff."[80] After attenuating the scale of protection, Runciman took charge of shaping its course. Thanks to his efforts, the Import Duties Act of 1932 was used as a means of liberalising international trade through reciprocal bargaining before the Second World War. By the time Runciman met with F.D. Roosevelt and Cordell Hull in January 1937, he had delivered twenty-three bilateral trade and payment treaties (compared to the US's thirteen), reducing the relative impact of the Imperial Preference negotiated at Ottawa and lowering international tariff and non-tariffs via bilateral agreements.[81] Trade liberalisation was principally pursued in the sphere of British commercial interests and influence: the Commonwealth of British Nations, the Sterling Area, and foreign countries in the ambit of British commerce. For Runciman, this meant a vindication of Cobden's approach which was consistent with the liberal tradition. Snowden, who could no longer sacrifice his principled position on free trade following the introduction of the Ottawa Agreements, resigned from the National Government.

We can see how the introduction of protection was a project that took nearly thirty years to materialise. The abandonment of free trade was possible because the political and intellectual elements within the declining hegemon had reshaped, which eventually allowed the structural dictates to direct the trade policy shift. Chamberlain and the historical economists placed fiscal reform, commercial reciprocity, and retaliation at the centre of the debates about Britain's relative economic decline, imperial unity, and domestic political stability. The introduction of protection was delayed and attenuated by critical individuals who stemmed the protectionist slide, namely the liberal free traders Snowden and Runciman. However, this is not the way we

[77] In this case, the Conservatives miscalculated by participating in the 1931 general election under the National Government umbrella. This resulted in overrepresentation of the Labour and Liberal minority in the Cabinet with veto power over highly contentious protectionist policy.
[78] Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s*, 94.
[79] A three-decker system of tariffs included "a low rate for the Dominions, med[ium] rate for low tariff countries, and a high rate of for high tariff countries. A figure of less than 25 per cent would tend to telescope the range within which such a tariff could be constructed." TNA, CAB 23/70/10, "Cabinet Conclusions," 29 January 1932, 5.
[80] WR 3/37, Runciman to MacDonald, 21 December 1931, cited in Wrench, 151.
[81] David Dutton, "Walter Runciman and the Decline of the Liberal Party," *Journal of Liberal History* 84, Autumn (2014): 34. According to Dutton, Runciman used British tariffs "as a bargaining counter in negotiations with other countries that had also introduced tariffs in order to move towards all-round reductions and, ultimately, the restoration of a free-trade system."

understand this puzzle in IPE. In the next section, I discuss limitations of the existing explanations and motivate the broader importance of this puzzle.

Previous Explanations and Their Limitations

Hegemony and Trade

Hegemony has been defined in IPE as a "primarily exercise of structural and indirect power."[82] According to the hegemonic stability theory, British-led international economic system , which operated from around 1820 until World War I,[83] provided such public goods for transnational commerce as security at sea, trade liberalization,[84] an effective international monetary system, a liberal ideology and systemic stability.[85] The failure of the British system of free trade manifested itself as the hegemonic decline in relative economic terms. Britain's share of international commerce fell from 25 per cent in 1880 to 21 per cent in 1900.[86] Whereas its share of world manufacturing production dropped by more than half, from 31.8 to 14 per cent between 1870 and 1913.[87] Krasner has linked free trade and protectionism with hegemonic ascent and decline to explain international system fluctuations from greater openness to greater closure. When in ascendancy, hegemon gets the biggest advantage from creating and maintaining an open trading system based on free trade which fosters hegemon's aggregate national income, economic growth rate and political power in the international system[88] which others benefit from by "free riding" on the collective goods supplied by hegemon.[89] However, a hegemon, and the liberal international order it maintains, will decline when avoiding instability becomes costlier than maintaining stability.[90]

Although the general premise of the hegemonic stability theory (HST) has been asserted,[91] its ability to explain and predict the change in the international economic regimes has been

[82] Patrick K. O'Brien and Geoffrey Allen Pigman, "Free Trade, British Hegemony and the International Economic Order in the Nineteenth Century," *Review of International Studies* 18, no. 02 (1992): 90.
[83] Jeffrey A. Frieden, David A. Lake, and J. Lawrence Broz, eds., *International Political Economy: Perspectives on Global Power and Wealth*, Sixth edit (W. W. Norton & Company New York London, 2017), 15.
[84] Krasner identifies "three measures of trade liberalization in his early application of the hegemonic stability thesis to international trade liberalization. These measures were the ratios of trade to national income for different countries (increasing ratios indicate increasing openness), tariff levels, and the concentration of trade within regions composed of states at different levels of development (lesser regionalization indicates greater liberalization)." Michael C. Webb and Stephen D. Krasner, "Hegemonic Stability Theory: An Empirical Assessment," *Review of International Studies* 15, no. 2 (1989): 191,
[85] O'Brien and Pigman, "Free Trade, British Hegemony and the International Economic Order in the Nineteenth Century," 89–90.
[86] Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895 - 1905*, 24–25.
[87] Friedberg, 24–25.
[88] Krasner, "State Power and the Structure of International Trade"; O'Brien and Pigman, "Free Trade, British Hegemony and the International Economic Order in the Nineteenth Century," 89–90.
[89] Ibid., 89–90.
[90] Krasner, "State Power and the Structure of International Trade," 28; O'Brien and Pigman, "Free Trade, British Hegemony and the International Economic Order in the Nineteenth Century," 89.
[91] Helen V. Milner, *Resisting Protectionism: Global Industries and the Politics of International Trade* (Princeton University Press Princeton New Jersey, 1988); Joanne Gowa, "Rational Hegemons, Excludable

meticulously examined[92] and relentlessly challenged:[93] "as best explanation of regime change carries little weight";[94] cannot "explain why some states were more inclined than others to close their economies and form trading blocs";[95] does not explain why countries with similar positions in global economy adopted different policies;[96] and fails to differentiate nonhegemonic structures and states' relational positions towards each other affecting their trade policies.[97] Strange argues that, above all, "a single, recognized locus of power over time is the one attribute that the international system so conspicuously lacks."[98] According to Rogowski, hegemonic stability theory can only provide a partial explanation of the inter-war collapse of the international trade regime as it does not explain Germany's challenge of Britain or the United States' hesitancy to assume economic leadership responsibilities.[99]

The IPE studies also have questioned the determinacy of hegemony for the creation and existence of free trade regime. According to Gowa, the question of whether "a correlation between hegemony and free trade actually exists or represents a causal relationship has become extremely controversial."[100] For instance, Keohane finds the "lucidity" of Krasner's analysis problematic because of the gaps in its causal arguments and in its explanation of "why hegemony should engender openness."[101] Morrison's novel empirical analysis of the origins of Britain's hegemonic ascent recasts Krasner's explanation by proving that "the pursuit of openness might long antedate its achievement. Indeed, Britain first sought openness in the 1780s, as a threatened power in a hostile, multi-polar system."[102]

Goods, and Small Groups: An Epitaph for Hegemonic Stability Theory?," *Source: World Politics* 41, no. 3 (1989): 307–24.

[92] For a full review of the hegemonic stability theory and international trading system, see O'Brien and Pigman, "Free Trade, British Hegemony and the International Economic Order in the Nineteenth Century," 89–92.; for a full overview of the theories and frameworks analysing international trade relations, see Helen V. Milner, "International Trade," in *Handbook of International Relations*, ed. Walter Carlsnaes; Thomas Risse-Kappen; Beth A. Simmons, 2nd ed. (SAGE, 2013), 720–45.

[93] Timothy J. McKeown, "Hegemonic Stability Theory and 19th Century Tariff Levels in Europe," *International Organization* 37, no. 1 (1983): 73–91; Gowa, "Rational Hegemons, Excludable Goods, and Small Groups: An Epitaph for Hegemonic Stability Theory?"; Joanne Gowa, *Allies, Adversaries, and International Trade*, 1995; Duncan Snidal, "The Limits of Hegemonic Stability Theory," *International Organization* 39, no. 4 (1985): 579; Susan Strange, "The Persistent Myth of Lost Hegemony," *International Organization* 41, no. 4 (1987): 551–74,; Timothy J McKeown, "Firms and Tariff Regime Change: Explaining the Demand for Protection," *World Politics* 36, no. 2 (1984): 215–33; Susan Strange, "Cave! Hic Dragones: A Critique of Regime Analysis," *International Organization* 36, no. 2 (1982): 479–96; Bruce Russett, "The Mysterious Case of Vanishing Hegemony; or, Is Mark Twain Really Dead?," *International Organization* 39, no. 02 (1985): 207–321.

[94] McKeown, "Firms and Tariff Regime Change: Explaining the Demand for Protection," 89.

[95] Kerry Chase, "Imperial Protection and Strategic Trade Policy in the Interwar Period," *Review of International Political Economy* 11, no. 1 (2004): 177; Joanne Gowa and Raymond Hicks, "Politics, Institutions, and Trade: Lessons of the Interwar Era," *International Organization* 67, no. 67 (2013): 439–67.

[96] Trentmann, *Free Trade Nation: Commerce, Consumption , and Civil Society in Modern Britain*, 12.

[97] Lake, *Power, Protectionism, and Free Trade: International Sources of U.S. Commercial Strategy, 1887-1930*.

[98] Strange, "Cave! Hic Dragones: A Critique of Regime Analysis," 487.

[99] "Structure, Growth, and Power: Three Rationalist Accounts," *International Organization* 37, no. 4 (1983): 735–36.

[100] Gowa, "Rational Hegemons, Excludable Goods, and Small Groups: An Epitaph for Hegemonic Stability Theory?" 310.

[101] Ibid.

[102] Morrison, 2012, 395–428.

Based on empirical findings, the thesis identifies several limitations of structural analyses: at the systemic level (explaining how the declining hegemon moves from closure to openness) and sub-systemic level analysing the role of domestic politics and of the 3 I's (ideas, interests and institutions) in trade policy change. While Krasner's analysis is responsible for the outsized importance of this case in IPE,[103] his theory cannot explain how these dramatic policy initiatives came to be.[104] This may be the case because his structural theory lacks the policy data analysis at the local level to be able to explain this pivotal IPE puzzle.[105] This thesis tackles Krasner's account by analysing Britain's trade policy strategies to cope with hegemonic decline. The main thrust of my analysis is on how not taking into account individual agency at the local policy level led to misinterpretations of Britain's interwar trade policy shift in IPE. The "interwar" framing obscured the early stage of trade policy change when intellectual and political rationales for protection were developed to tackle Britain's relative position vis-à-vis rivals. This resulted in limiting our understanding of trade policy priorities (protection against imports, inducing trade liberalisation via bilateral tariff concessions) when the hegemon attempts to reverse the decline. The theory also does not explain how the interest capture and institutional inertia were overcome. Lack of empirical analysis at the local level led to missing out on relevant political determinants of this trade policy change and weakened the explanatory potential of Krasner's theory.

Eichengreen points that the problem with the hegemonic stability argument, "[a]s applied to trade relations" is that "the neoclassical trade theories […] predict precisely the opposite, namely that large countries have the most to gain from restricting trade."[106] Also, according to Keohane, "political pressures for closure are more likely to focus on imports than on exports when hegemon attempts to tackle decline." [107] Analysing trade policy by linking protection with closure and free trade with openness (presence/high levels or absence/low levels of tariffs, as an example), as Krasner does, does not really explain how you get from closure to openness when your hegemony is in decline (unless you use protection) (this is also relevant to the US). For instance, Trentmann questions why while enjoying unrivalled power, Britain did not use its huge domestic market as a weapon for bargaining down competitors' tariffs and maximising its own wealth and power. [108]

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[103] Morrison, "Historical International Political Economy," 2021. Morrison argues that "[I]t is worth considering the UK's lead toward, and away from, the liberal international order for several reasons. First, the UK has had an outsized effect on the trajectory of IPE across the last several centuries. For better and for worse, the decisions made in London substantially altered the constraints and opportunities for many other actors, from Dublin to Delhi. Perhaps for this reason, the UK has assumed an altogether outsized importance in the field. From the Hegemonic Stability Theorists to the pathbreaking comparativists, the UK has been IPE's indispensable case. And despite that it is also the most heavily conceptualized case, new methods and new perspectives continue to grant new purchase on even this well-trod ground."

[104] Morrison., 2021: "[T]he history of political-economic reality defies the elegance of generalized IPE theory."

[105] Keohane, "Problematic Lucidity: Stephen Krasner's 'State Power and the Structure of International Trade,'" 155; Joanne Gowa, "Hegemons , IOs , and Markets : The Case of the Substitution Account," *International Organization* 38, no. 4 (1984): 682–83.

[106] Barry Eichengreen, "Review Trade Wars: The Theory and Practice of International Commercial Rivalry by John A. C. Conybeare," *The Journal of Economic History* 48, no. 3 (1988): 800.

[107] Keohane 1997, 155.

[108] Trentmann, 12

For Keohane, one of the weaknesses of Krasner's rendering of trade policy shifts in the context of hegemonic decline is that "he does not explore the conditions under which such a state's internal institutions would enable it to overcome fragmented interests and problems of collective action."[109] Trentmann also underplays systemic analysis which "links the interest of the state more directly to powerful groups with stake in the global economy" in explaining Britain's overdue adherence to free trade by the international financial role of the City.[110] He argues that concluding that Britain did not modify its free trade policy as it went into a relative economic decline in the late nineteenth century, as Krasner's HST does, obscures the fact that the British state was "not a uniform actor", but rather "the sight of growing debate about what the national interest was and how best to protect it."[111] This debate "included the fiscal capacity of the state in its relation both with taxpayers at home and with foreign countries and the Empire abroad." [112] This makes Joseph Chamberlain, who steered that debate and made protection a practical policy alternative to free trade tested through a general election, central to understanding Britain's interwar puzzle when his policy was finally adopted.

According to Grayson, the empirics challenge descriptions of tariff reform in 1932 as primarily an economic and social policy or an electoral strategy. The presence of the Empire in the equation points at the difficulty of compartmentalising this analysis along such lines. The imperial dimensions of the tariff reform had been crucial to many Conservative policymakers, from Joseph to Neville Chamberlain.[113] Analysing Britain as a nation-state instead of "empire-state" is ontologically problematic and ahistorical from the standpoint of the first half of the 20th century.[114] At the time, interacting units in the international economic system were not states or firms, but empires and commercial blocs. According to Pincus, "Britain and its empire need to be understood not as a nation-state with subordinate colonies but as an imperial state. […] deep divisions over how exactly to organize that imperial state […] occurred within both England and the colonies."[115] Common imperial policy was a product of Imperial Conferences, and ever-changing party- or coalition-led governments in Britain and the Dominions. Within the context of empire-entity, lobbying was aggregated along national interests and was manifested politically (for example, "Canada first!" as it turned out in Ottawa.)[116] Indeed, for British policymakers, the shift from cosmopolitan free trade to imperial protectionism was

[109] Keohane 1997, 155.
[110] Trentmann, 12
[111] Ibid.
[112] Ibid.
[113] Richard S. Grayson, "Imperialism in Conservative Defence and Foreign Policy: Leo Amery and the Chamberlains, 1903–39," *The Journal of Imperial and Commonwealth History* 34, no. 4 (2006): 505
[114] See exception to these approaches in Rogowski and Frieden 2014, 397–98.
[115] Pincus, 2012, 63. The inter-war international system was composed of Empires, declining and rising. The 'imperial state' as an analytical category has been largely overlooked in both systemic and sub-systemic IPE analyses Kindleberger, *The World in Depression,1929-1939*; Gilpin, *U.S. Power And the Multinational Corporation: The Political Economy Of Foreign Direct Investment*; Krasner, "State Power and the Structure of International Trade"; Milner, *Resisting Protectionism: Global Industries and the Politics of International Trade*; Ronald Rogowski, *Commerce and Coalitions: How Trade Affects Domestic Political Alignments* (Princeton University Press: Princeton, New Jersey, 1989); Gowa, *Allies, Adversaries, and International Trade*..
[116] Joseph M. Jones Jr, *Tariff Retaliation: Repercussions of the Hawley-Smoot Bill*, 1934.

guided by the "home producers first, empire producers second, and foreign producers last" rhetoric.[117]

In the mind of such politicians as Winston Churchill, the Chamberlains, and Leo Amery, what was domestic was imperial, and what was imperial was becoming exceedingly more international with the creation of the Commonwealth in 1926-1931, where Britain was one trading partner (although of outsized economic importance) among equals for purposes of tariff negotiations.[118] Most leading theorists and policymakers expected the empires in charge to change: in "the place of the legal ties which have been dissolved…ties can be found in the economic bonds."[119] It was believed by protectionists and free traders alike that liberalising trade within its historical sphere of influence would help to tip the scales: "if the world decides on dividing itself into self-contained units" Britain should "occupy a more powerful and a more influential position if we can speak to the world with the voice of the British Empire. […] by adopting that position ["as a powerful negotiator"] we shall find that the policy which we have in our minds at this moment of doing our utmost to lower tariffs will be furthered to a very large extent."[120]

This thesis shows, that there are strong empirical grounds for shifting our focus from states as units of the international system analysis at the time, and moving International Political Economy away from "post-colonial" thinking in the same way it has been happening in International Relations. There is another blind spot in hegemonic stability accounts which IPE has not yet fully addressed. Scrutinising the relationship between the "hegemonic stability theories" (Kindleberger, Krasner) and individual agency, Morrison points at a vital flaw – the lack of recognition that structural change engenders active human agency. In such accounts, he argues, "the interwar period is the story of the international system beating self-aggrandised individuals into acceding to the dictates of structure."[121]

Hegemony and Agency

As this thesis analyses in depth, individual actors shaped the direction of trade policy in step with evolving structural conditions. It was Chamberlain "who had gone straight to the heart of the problem of imperial unity: fiscal union and commercial reciprocity" and "who had realized that there was little alternative to a system of preferential tariffs if the empire was to be held together."[122] He delivered the first political attempt to reverse free trade in 1903-06. In the same way, Runciman's pursuit of trade liberalisation via tariff negotiations and personal access

[117] Ethel B . Dietrich, "The New Model Trade Agreements," *Journal of Political Economy* 42, no. 5 (1934): 595.
[118] "… the group of self-governing communities composed of Great Britain and the Dominions. …They are autonomous communities within the British Empire, equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs, though united by a common allegiance to the Crown and freely associated as members of the British Commonwealth of Nations." The Balfour Declaration signed at the Imperial Conference in 1926. "Dominions And Preference," *The Times*, 3 December 1930, 8. *The Times* Digital Archive.
[119] Hansard, Lords, Feb. 29, 1932, col. 763-769.
[120] Lord Londonderry: Hansard, February 29, 1932, col. 675-677.
[121] Morrison, Cross of Gold manuscript 2020, p.4.
[122] Thompson, "Tariff Reform : An Imperial Strategy, 1903-1913," 1041.

to Roosevelt in 1936-37 to coordinate the strategies of international trade liberalisation and peace-through-trade defy the "system-closing" systemic assumptions of hegemonic stability theories. Such examples show why Krasner's explanation of Britain's shift as system-closing is not only analytically problematic, but also empirically inaccurate. Thinking about this move as "system-closing" leads us on a path of misunderstanding this puzzle. Was Britain really "quitting" the international liberal order it helped to create by adopting protection in 1932? What else could a free trading nation in a world of protectionists do absent tools to compel others to re-level and re-open the international trade system?[123]

For Kirshner, hegemonic system disruption functions as a signal compelling policy strategy rethink. [124] Following the decline and systemic disruption (economic challenge from Germany, WW1) Britain was obliged to switch its commercial strategy between power (hegemony) and influence (leadership).[125] According to Kirshner, "[S]tate trading can take place in the absence of free markets" and that "creation of a dependent trade relationship often fosters bilateralism vs multilateralism." [126] For instance, pragmatic liberals attempt to translate mercantilism into commercial policies in line with liberalism's objective to keep the international system open. This is precisely what Walter Runciman was doing, effectively applying such a policy approach at the Board of Trade throughout 1931-37. The thesis analyses trade policy shifts in the context of hegemonic transition through individual agency and local level policy decisions precisely to address the complexities that level-analyses do not capture.

Empirics suggest that an explanatory framework at the system level may be desirable but is not sufficient "to explain either state preferences or the nature of the international economic order."[127] For instance, power is necessary but not sufficient for the evolution of the world economy or its constituent international economic regimes because "market forces cannot be reduced to changing configurations of state power."[128] As Gowa argues, other variables (than Krasner's war, economic depression) may be needed to explain lags between power and regime change[129] and also, as I argue, place the analyses relying on institutional path dependence and vested interests on firmer empirical foundations.

Krasner's analysis cannot account explicitly for the political struggles on the ground or elucidate the trade strategies that policymakers devised and deployed. For instance, neither the National Government set up with its balance between protectionists and free traders, nor the

[123] Stein, *The Hegemon's Dilemma: Great Britain, the United States, and the International Economic Order*, 38:375. According to Stein "Britain's departure from its long-standing freer trade policy came only after it failed to restructure the asymmetric bargain that had underlain the prewar trading order… Britain only retreated from free trade and systemic leadership after others had refused to continue following its lead or even to compromise."
[124] Jonathan Kirshner, *Currency and Coercion The Political Economy of International Monetary Power* (Princeton University Press Princeton New Jersey, 1995), 215.
[125] Kirshner, 193.
[126] Kirshner, 24. According to Kirshner "[s]tate trading can take place in the absence of free markets' and that "creation of a dependent trade relationship often fosters bilateralism vs multilateralism".
[127] Gowa, 668.
[128] Gowa, 682–83.
[129] Gowa, 682–83.

historical pursuit of the common Imperial Preference by Britain and the Dominions, enter into the analysis. However, both of these factors materially affected policy outcomes. Gowa addresses this gap by showing that lags between power and regime change require a "domestic politics explanation of regime continuity and change."[130] Milner argues that the structure of government and the nature of the party system is an "important institutional factor shaping trade policy [that] also can help explain why some policymakers are more favourable to protectionism than others."[131]

Frieden, Lake and Broz observe, "[T]he assessments of various approaches to trade policy in IPE warrant that same information" (empirics) can lead scholars "into strikingly different analytic conclusions"[132] about the relative importance of the factors affecting change. According to Williamson, "[T]he introduction of protection will not be understood if it is assumed that politicians who had spent half a lifetime believing in tariff reform needed businessmen, officials, and economists to be led in direction of such a policy."[133] Trentmann argues, "the general tariff, when it was finally introduced in the winter of 1931-2 was not the result of industrial lobbies or state actors. It was a revolution that was steered by politicians but only succeeded because Free Trade's public army of supporters had left the field."[134] Such accounts emphasise the hegemonic stability theories' rendering of the inter-war collapse of liberal international trade regime as "abandonment of free trade" and "return to protection." My empirical findings offer a different interpretation: not only did free traders not leave the field, but it was they who purposefully steered the adoption of protection.

Systemic and sub-systemic interpretations fail to acknowledge that Britain's move to protectionism was a conscious attempt to pursue imperial and international trade liberalisation via reciprocal bargaining, a la Cobden-Chevallier Treaty, under specific conditions (commercial rivals had been closing the system on Britain for a long time) in order to recreate systemic openness. Both Joseph Chamberlain and Walter Runciman, for instance, saw protection as a tool to liberalise international trade, retaining their core Liberal Free Trade beliefs but recognising that changed structural conditions made them invalid in the world of pragmatic politics. By omitting/not explicitly including people like J. Chamberlain and Runciman, who are not protectionists but free traders looking for leverage to re-liberalise trade (e.g. pragmatic Liberals) from IPE analyses, we misinterpreted Britain's exit from the liberal international order and under-analysed hegemonic transition during the inter-war period. I analyse how Runciman, as a liberal free trader and President of the Board of Trade, designed and used policy to such attenuating effect in Chapter 5. These empirical findings recast Kindleberger's conceptualisation of Britain as "unable" while the US was "unwilling" to

[130] Gowa, "Hegemons , IOs , and Markets : The Case of the Substitution Account," 682–83.
[131] Milner 2013, 722.
[132] Jeffry A. Frieden, David A. Lake, and J. Lawrence Broz, *International Political Economy: Perspectives on Global Power and Wealth*, 5th ed., 2010, 15.
[133] Williamson, *National Crisis and National Government: British Politics, the Economy and Empire, 1926-1932*, 13.
[134] Trentmann, *Free Trade Nation: Commerce, Consumption , and Civil Society in Modern Britain*, 19.

stabilise the international system and Krasner's systemic analytical framework of "openness" and "closure" premised on the distinctness of protectionism and free trade in a new light.

My analysis has important implications for how we can explain Britain's interwar exit from the liberal international order and contribute to our understanding of the role of individual policymakers (agency) in steering and shaping the trade policy of the declining hegemon back to openness. By analysing the Import Duties Act 1932 and the Ottawa Agreements Act 1932, we get the opportunity to learn how to reverse the protectionist slide and re-open the system through different strategies for international trade liberalisation.[135] This highlights the broader relevance of this puzzle. It is important to get it right empirically so that we can reflect on this case through a new analytical lens and re-evaluate the theories which have informed our understanding of trade policy shifts and changes in international trade regimes. In the international system, such influence which critical individuals may have from the local level of policymaking (exercising autonomy against material constraints – interests and institutions) affects international trade regimes (structure), especially at the time when multilateral cooperation is weakened and fragmented, as it was after World War I, and more recently, after the 2008 Global Financial Crisis. It can help us make sense of hegemonic transitions (between Britain and the United States in the past, and between the US and China presently) and the fragmenting architecture of the post-World War II liberal international order through a greater appreciation of a human agency factor. It may show us that individual leaders matter as they undeniably shape such systemic transformations, and commercial policy – trade - is an important vector in this process.

Key Argument and Findings

This thesis aims to improve our understanding of the trade policy shifts through an individual agency in the context of the past hegemonic decline. Using the historical (archival) data, the thesis advances the argument that, instead of relying solely on systemic explanations, we should look at this shift as the conscientious attempt by critical individuals to re-open the system by re-lowering international protection with the help of tariffs. Based on novel empirical findings, it concludes that Britain's transition from free trade to protection will be misunderstood if we don't take into account the actors who shaped (J. Chamberlain), resisted (Snowden) and steered (Runciman) this change at critical junctures.

In the first instance, I analyse how the intellectual rationales, political motivations and justifications for the shift to protectionism were developed and deployed by Joseph Chamberlain by 1906. Chamberlain was an imperial protectionist who wanted fairer and freer trade. He wanted Britain to realise its full economic potential by organising trade relations based on reciprocal tariff preferences, first and foremost with the Empire countries. At the same time, he wanted to address the industrial decline and provide employment stability. He proposed to achieve this in two ways: through retaliation and preference – keep foreign markets

open and create a common market within the Empire. A strong, united British Empire, he argued, would be the guarantor of open trade and world peace but would also have a tool to check the rampant rise of protection. I argue that it is worth recapitulating these statements today to show how this analytic move became a part of the policy framework that was used to bring about protection in 1932 (the Import Duties Act 1932 objectives were regarded as the "direct descendants" of Joseph Chamberlain's Tariff Reform proposals).[136]

Snowden's resistance to the introduction of protection easily leads us to conclude that he effectively deferred the introduction of protection from 1930 to 1932. Had it not been for Snowden,[137] it is highly likely that the Labour Government would have introduced protectionist measures in 1930.[138] By acting on the uncompromising, principled belief in free trade as sound fiscal policy, he reversed and forestalled various attempts to introduce protection for addressing steep unemployment (and thus mitigating "the Slump") and did so at the cost of unity for the Empire, the Labour Government, the Gold Standard, and the labour movement. Snowden's resilience and unwillingness to compromise on protection were especially significant in the presence of policy alternatives and these compelling structural dictates. Even after protection could no longer be averted, he fought to the very bitter end against it (the Import Duties Act, the Ottawa Agreements 1932), making its implementation problematic.

After protection was no longer inevitable, Runciman, also a free trade Liberal, took a pragmatic approach, different from Snowden. He came to view the abandonment of free trade as a justified, temporary response to extraordinary structural changes – unplanned sterling float, confidence in which was anchored on the balance of trade in the absence of the Gold Standard adjustment. Hence, the immediate need to address adverse balance was met with imports prohibition (Abnormal Importations Act, November 1931). But Runciman came to see general tariffs as necessary to ensure long-term international recovery via reciprocity and retaliation and domestic stability by addressing unemployment through the creation of jobs via a reciprocal lowering of tariffs with rivals and friends. His rationales and trade policy response to structural changes were remarkably similar to Joseph Chamberlain's, while at the same time they were inspired by Richard Cobden's Anglo-French Treaty (1860).

We misinterpreted this shift by prioritising structural explanations and neglecting critical individual actors and their ability to direct trade policy transitions at the local level. By analysing this shift as system closing, we misunderstood actors like J. Chamberlain and Runciman, who advanced protectionist policy as a bargaining tool to re-level the playing field in international trade with the help of tariffs. We also did not give sufficient importance to the actors whose policymaking created points of resistance and moderation, which stemmed the protectionist slide. Thanks to the Liberals' direct involvement, the introduction of protection was first deferred because Snowden's policy decisions were inspired by the logic of free trade

[136] Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895 - 1905*, 82.
[137] Thorpe, *The British General Election of 1931*, 1991, 235–36.
[138] Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s*, 54; James D. Fearon, "Counterfactuals and Hypothesis Testing in Political Science," 1991, 180–82.

principles and then attenuated thanks to Runciman's strategy of using reciprocal tariff lowering to pursue freer and fairer trade.

Their examples help to explain why, given that the structural incentives and the major arguments for protection were both in place since 1906, it took a quarter-century for trade policy to change. The shift to protection could have occurred sooner, and the trend towards "closure" could have been steeper if it were not for Snowden and Runciman. However, by focusing on the momentous outcome of this policy shift (IDA 1932), we left Snowden out of the analysis as a critical intervenient variable of material importance. I support this argument by showing in Chapters 4 and 5 that these actors did have for their purpose forestalling and attenuating of protection, that they employed various strategies in this pursuit, and ultimately proved successful at stemming the protectionist slide. The agency-centric, local-level empirical analysis, which I develop in Chapter 2, adds to the explanation of Britain's shift to protection during the inter-war period and gives us new tools to theorise about the role and relative importance of critical individuals in shaping the trajectory of trade policy shifts.

Thesis Roadmap

This thesis is based on a one-case study broken into three empirical chapters (Chapters 3, 4 and 5), preceded by an introductory chapter (Chapter 1, this) and theory (Chapter 2). The empirical chapters are followed by the discussion of the conclusions on findings in Chapter 6.

In Chapter 2, "Individuals and Trade Policy," I first present the justification for the focus on an agency-centred approach in analysing systemic change, which brings together pivotal actors and structural changes in one analysis. I explain the case selection and discuss the methodology which is used to analyse the effect of individual agency and how I resolve the challenges and limitations of archival and case-study research. I develop an analytical framework for assessing the scope, degree and relative importance of individual agency, which I then use to discuss the actors' trade strategies in response to structural dictates at different focal points of the policy shift. Finally, I reflect on the limitations and trade-offs of the individual agency approach compared with level analyses.

In Chapter 3, "Joseph Chamberlain, Historical Economists, and the First Attempt to Reverse Free Trade," I explore how the rationale for the policy shift in 1932 had been formulated and deployed by J. Chamberlain and the historical economists supporting his 1903-1906 campaign. I show how our understanding of mercantilism and protectionism may be imprecise if we do not analyse them in historical contexts, where they had the most influence on policy, and unless we do so as much from the actors' perspective as through our critical lens. Archival records of their ideas about trade policy (novel at the time) reveal how their interpretation of structural "imperatives" was translated into meaningful policy change over time (why they developed this specific set of rationales and arguments for protection and not a different one). Chamberlain's role as a political entrepreneur is crucial to understanding the attempt to reverse free trade – its initial failure and eventual success in the long run. Without analysing his role in this shift, we would not have a proper context or assessment of trade liberalisation, imperial development and industrial rationalisation of the policy shift in 1932.

By all accounts, there was strong momentum for the introduction of general protection in 1930, when structure, interests, institutions and individual preferences converged to deliver the policy shift, yet it did not happen. In Chapter 4,[139] "Staving off the Protectionist Slide: Snowden and the Struggle to Keep Britain Open," I explore the "why the dog did not bark" moment through the agency of Philip Snowden. As an orthodox Liberal Free Trader in a strategic position of control over fiscal policy and veto power over the Government's trade policy, Snowden forestalled protection, deferring its introduction until 1932.

In the last empirical chapter, Chapter 5, "Britain's "Exit" from Free Trade in 1932: Walter Runciman against the Tide," I analyse how Walter Runciman shaped the trajectory of the

[139] This chapter is already published Oksana Levkovych, "Staving off the Protectionist Slide: Snowden and the Struggle to Keep Britain Open," in *Political Economy and International Order in Interwar Europe*, ed. Alexandre M. Cunha; Carlos Eduardo Suprinyak (Palgrave Macmillan, 2021), 335–60.

policy shift and attenuated protection from a position of a pragmatic Liberal whose principal motive was to use protection to bargain for freer international trade. Runciman gets a few cursory mentions in the existing IPE analyses.[140] Access to his personal archive provided important evidence to my key argument about Runciman's role in mitigating protection after it could no longer be averted and spearheading Britain's push for international re-lowering of tariffs through bilateral treaties from 1932.

In the final chapter, "Liberals and Protection: In the Name of Freer and Fairer Trade", I discuss what implications my empirical analysis has for IPE theories explaining agency and trade. I compare Chamberlain's and Runciman's strategies for trade liberalisation based on reciprocity and retaliation and analyse the difference between Runciman's pragmatic and Snowden's principled liberal approaches to trade. I flesh out my argument for why analysing the role of the pivotal policymakers at the local policy level is indispensable if we want to fully understand Britain's crucial shift from free trade to protection, why and how international trade regimes change, and what trade policy strategies are available for hegemons to reverse their decline. I use my findings and conclusions to motivate future research.

[140] Eichengreen, *Sterling and the Tariff, 1929-32*; Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s*.

Chapter 2

Individuals and Trade Policy

"He [Snowden] recommended Runciman for the Board of Trade as a Free Trader of 'unshakeable tenacity'. Not unshakeable, indeed, but tiresomely tenacious in trying to mitigate or undo the policy of his protectionist colleagues."[141]
---Leo Amery (1955)

"…I appealed to him [Runciman] that …he might at any rate give assurance that except in special circumstances he would not reduce the duties beyond the point suggested, but he just folded his arms and declined a reply. He will have to be got rid of somehow." [142]
---Leo Amery (1933)

"But for the presence of Snowden, the Labour government would almost certainly have introduced protectionist measures in 1930."[143]
---Tim Rooth (1992)

"Considering the past strength of the free-trade dogma, these [Joseph Chamberlain's] were not small accomplishments, and, for better or worse, they helped to lay the groundwork for the adoption in the 1930s of preference and protection."[144]
---Aaron L. Friedberg (1988)

Hegemonic stability theory is the clear paradigm central to my analysis, where I seek to make a real contribution. As I argue in Chapter 1, Krasner's (1976) systemic-level focus simply cannot explain such local-level policy decisions. In this chapter, I provide justification for the individual agency approach, which takes structural factors at the local level (interest, institutions, domestic politics) into analysis more explicitly than Krasner's theory does. I explain the case selection and discuss the methodology which is used to analyse the effect of individual agency and how I resolve the challenges and limitations of archival and case-study research. I develop an analytical framework for assessing the scope, degree and relative importance of individual agency, which I then use to discuss the actors' trade strategies in response to structural dictates at different focal points of the policy shift. I provide a brief overview of actors' policy options and positions, which brings together empirical data at the systemic and local levels and an analytical framework to assess the degree and relative

[141] L. S. Amery, *My Political Life Volume Three The Unforgiving Years 1929-1940*, 1955, 72.
[142] John Barnes, David Nicholson, and Leo Amery, *The Empire At Bay: The Leo Amery Diaries, 1929-1945*, ed. John Barnes and David Nicholson 1988, 295.
[143] Tim Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930, 1*992, 54.
[144] Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895 - 1905*, 82.

importance of these actors' agency. I also discuss the limitations of the individual agency approach, systemic level analyses, research methods and analytical framework.

Analytical Approach: Individual Agency, Structural Change

According to Morrison, analysing "the UK's lead toward, and away from, the liberal international order"[145] is important for several reasons: the UK's historically "outsized effect on the trajectory of IPE" and because even despite being "the most heavily conceptualized case" new analytical perspectives continue to expand our understanding of this case in new directions. IPE scholars have long recognised individuals' ability to exercise autonomy vis-à-vis interests and institutions by focusing their analyses on the factors that determine the scope of agency and its effect on policy. In her seminal study of the repeal of the Corn Laws in 1846, Schonhardt-Bailey explains how, when, and why "interests, ideas, and institutions (the three I's) interacted to produce Britain's abrupt shift to free trade,"[146] emphasising interactive effects and relative importance of such factors when it comes to explaining the first systemic trade policy shift.[147] It has also been asserted that material variables, such as domestic interests and institutions, matter because they define the range of possibilities available to policymakers. As Morrison argues, the broader such range is, the stronger the case is for the explanatory power of individual agency and non-material variables in analysing policy change.[148]

Sub-systemic accounts that privilege political over economic explanations and highlight the determinate nature of domestic politics and institutions assert that "[T]here is no question but that the play of domestic politics influences decisions about trade policy."[149] Goldstein reiterates Gowa's point by arguing that "[T]rade policy has always been, and will always remain, a hostage to domestic politics."[150] Over a century ago, Seaton arrived at a similar conclusion that "it is impossible to separate international trade from politics. All argument on the subject that leaves politics out of account is argument in the air."[151] By these accounts, the policy shift can be caused by changes in both structure and agency.[152] Drummond argues that "[P]arty, ideology, and personality determined how politicians responded to the pressures that were applied."[153] The example of the National Government (1931-1935) premised on a

[145] Morrison, "Historical International Political Economy, 2021
[146] Schonhardt-Bailey, *From The Corn Laws To Free Trade: Interests, Ideas, and Institutions in Historical Perspective*, 2, 22.
[147] Ibid.
[148] Morrison, 2012, 396.
[149] Gowa 1995, 8; Lake, "The State of American Strategy in the Pre-Hegemonic Era," *International Organization* 42 (Winter, no. 1 (1988): 33–58.
[150] Goldstein, "Trade Liberalization And Domestic Politics," 2012, 81
[151] Seaton, *Power v. Plenty: Some Thoughts on the Tariff Questio*,1912 31.
[152] Eichengreen, 2–3; Barry Eichengreen and Douglas A. Irwin, "The Slide to Protectionism in the Great Depression: Who Succumbed and Why?," 2010, 871–97; Abel, *A History of British Tariffs 1923-1942*, 1945; Williamson, *National Crisis and National Government: British Politics, the Economy and Empire, 1926-1932*, 1992.
[153] Drummond, *Imperial Economic Policy 1917-1939: Studies in Expansion and Protection*, 1974; Deryck, *A History of British Tariffs, 1923-1942*, 1945; Lowe, *The British Tariff Movement*, 1942..

compromise over trade policy between Conservatives, Liberals and Socialists demonstrates how the structure of government and the nature of the party system as "important institutional factor[s] shaping trade policy also can help explain why some policy makers are more favourable to protectionism than others,"[154] highlighting the contingency and bureaucracy involved. However, although "partisanship and the nature of the political party system as a source of trade policy may matter a lot,"[155] we need to look at "theories about the conditions under which policy makers will abandon ideas that produce 'bad' results and what ideas they will adopt."[156]

As Milner argues, trade policy can depend "greatly on the personal preferences and ideas of politicians."[157] She highlights how Baldwin[158] and Goldstein[159] have also argued that "it is the ideas that policy makers have about trade policy that matter most. Rather than material factors determining preferences, ideational factors are paramount."[160] Irwin's analysis of the first systemic trade shift from protection to free trade in the first half of the nineteenth century "confirms the important role of ideas and ideology in the great drama surrounding the first success of free trade since the emergence of the science of political economy."[161] As he demonstrates empirically: "[E]conomic ideas, and not the pressure of interests, were central to Peel's conversion to favor repeal of the Corn Laws. … Peel was pivotal to the success of repeal."[162] According to Morrison, the ideas of intellectuals play a decisive role in shaping policymakers' responses to crises. Britain's shift towards free trade, which had started by the end of the eighteenth century, "depended crucially on the intellectual conversion of a key policymaker—the Earl of Shelburne—from mercantilist foreign economic policy to Adam Smith's revolutionary laissez-faire."[163]

In contrast to hegemonic stability theory emphasising structure, the role of individual leadership has been overlooked in explanations of Britain's departure from free trade between the World Wars One and Two.[164] According to Riddell-Dixon, "hegemonic stability theory fails to establish causal links and it ignores other important variables, such as the constraints imposed by changes"[165] in the domestic and international environments. Williamson notes that various crises in party politics, policy and government, including the less-studied imperial and

[154] Milner, "International Trade," 730.
[155] Milner 2013, 730.
[156] Milner 2013, 729. In sum, theories of trade preferences seem to provide an initial level of explanation for the supply and demand for trade policy. But they cannot as yet provide a complete explanation of this process" Exception Morrison 2012, 2016; Irwin; Trubowitz and Harris 2015.
[157] Milner, "International Trade," 727.
[158] *Economic Statecraft* (Princeton, N.J.: Princeton University Press, 1986).
[159] "Ideas, Institutions, and American Trade Policy," *International Organization* 42, no. 1 (1988): 179–217.
[160] Milner, "International Trade," 727.
[161] Douglas A. Irwin, "Political Economy and Peel's Repeal of the Corn Laws," *Economics and Politics* I, no. 1 (1989): 55–56.
[162] Ibid.
[163] Morrison, "Before Hegemony: Adam Smith, American Independence, and the Origins of the First Era of Globalization," 395.
[164] Elizabeth Riddell-Dixon, "Individual Leadership and Structural Power," *Canadian Journal of Political Science* 30, no. 2 (1997): 258.
[165] Ibid., 259.

international crises (for instance, the League of Nations' European Tariff Truce 1927-1931, and Imperial Conferences 1926-1931 creating the Commonwealth in the wake of Ireland's departure and paving the way for India's independence), have been studied in isolation, yet, he argues, they "did not bear upon contemporary political leaders in isolation, nor did they just happen to coincide: they became interconnected, and they reacted upon each other."[166]

Many existing approaches to assessing political leaders and their impact on policy have not integrated a notion of structure into their research in an explicit or detailed way.[167] The need for "a dynamic synthesis of structural and agential factors in the explanation of change"[168] has prompted various IPE and political scientists to explicitly take individual actors into account (historians have been doing it for years).[169] The benefit of such an approach, as Sewell points out, is that "developing a theory of structure that restores human agency to social actors, builds the possibility of change into the concept of structure."[170] Eichengreen and Irwin[171] provide a guiding explanation for how individual actors direct systemic change by arguing that discriminatory trade policies and international monetary arrangements during the inter-war period "had neither a uniformly favourable nor unfavourable implication for world trade; instead the balance of trade-creating and trade-diverting effects depended on the motivations of policy-makers, and hence on the structure of their policies."[172] I build on these analytical approaches to show how the individuals concerned were important in shaping policy discussions and directing policy change at critical junctures during Britain's inter-war shift from free trade to protection.

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[166] Williamson, *National Crisis and National Government: British Politics, the Economy and Empire, 1926-1932*, 10–11. The creation of Commonwealth through 1931 Statute of Westminster was not regarded in Britain "as retreat from Empire, but as Britain-led partnership…As trade and finance were considered to be essential underpinnings for this new relationship, the establishment of an imperial preference system and a sterling bloc had profound political and as well as economic significance." A government based on a broad national coalition that would tip towards moderate opinion and would keep Conservative imperialist resistance at bay was extremely important.

[167] Buller and James, "Integrating Structural Context into the Assessment of Political Leadership: Philosophical Realism, Gordon Brown and the Great Financial Crisis," *Parliamentary Affairs* 68, no. 1 (2015): 77–96,

[168] Walter Carlsnaes, "The Agency-Structure Problem in Foreign Policy Analysis," *International Studies Quarterly* 36, no. 3 1992, 247.

[169] Morrison, 2016, 175–207; Irwin, "Political Economy and Peel's Repeal of the Corn Laws"; Elizabeth N. Saunders, "No Substitute for Experience: Presidents, Advisers, and Information in Group Decision Making," 2017, 219–47.

[170] William H Sewell Jr, "A Theory of Structure: Duality, Agency, and Transformation," *American Journal of Sociology* 98, no. 1 (1992): 2.

[171] Irwin, "Political Economy and Peel's Repeal of the Corn Laws"; Morrison, "Before Hegemony: Adam Smith, American Independence, and the Origins of the First Era of Globalization"; Morrison, "Shocking Intellectual Austerity: The Role of Ideas in the Demise of the Gold Standard in Britain," 2015, 1–33.

[172] Barry Eichengreen and Douglas A. Irwin, "Trade Blocs, Currency Blocs and the Reorientation of World Trade in the 1930s," 1993, 4.

Case Selection, Sources and Methodology

The inter-war collapse of the liberal international trade regime, attributed to Britain's hegemonic decline and its turn to protection, is the IPE's foundational puzzle (Kindleberger, Krasner). Krasner's systemic analysis is a clear paradigm central to my analysis of Britain's hegemonic decline. [173] While systemic and sub-systemic accounts dominate the treatment of this case, individual-level analyses have been lacking. The thesis aims to address this gap. Krasner's/structural analyses will benefit from knowing precisely how the structural "imperatives" were translated into meaningful policy change by engaging with archival (and secondary) evidence at the local level.

The research is framed as a one-case study divided into three empirical sub-cases according to focal points defined by pivotal actors having the most effect on policy at critical junctures during the big systemic shift (treated as one case study).[174] I analyse three moments in Britain's shift to protection by examining the influence of three pivotal actors on trade policy: failure to reverse free trade (Joseph Chamberlain, Chapter 3), failure to introduce protection when it was a viable economic and government-saving strategy (Philip Snowden, Chapter 4), and failure to implement high, empire-centred protection with its introduction in 1932 (Walter Runciman, Chapter 5). The study follows an inductive research approach and relies on within-case methods (process tracing,[175] counterfactual analysis, and analytical narrative constructed from theory and empirical archival evidence), which, as Bennett and Elman argue, "provide evidence that bears on multiple testable implications of alternative theories within a single case."[176] According to Mahoney, process tracing helps to identify general variables and speak to larger debates[177] and enables focus on the events or situations over time. [178] Process tracing can generate an explanation of Britain's trade policy shift that takes into account the causes proposed in structural theories of hegemonic stability (war, economic depression) and domestic politics /sub-systemic (interests, institutions) but that also includes novel causes such as, in my case, pivotal/critical actors in charge of trade policy (individual agency) distinctive to my case.

The thesis explains why and how pivotal actors were so important and highlights the contingency (as the key element of critical junctures" when it becomes "enhanced, as the structural constraints imposed on actors" are "substantially relaxed")[179] involved in economic

[173] James Mahoney, "Process Tracing and Historical Explanation," Security Studies 24, no. 2 (2015): 215.
[174] Gerring defines the case study "as an intensive study of a single unit for the purpose of understanding a larger class of(similar) units." John Gerring, "What Is a Case Study and What Is It Good For?," *American Political Science Review* 98, no. 02, 2004, 342.
[175] James Mahoney, "After KKV: The New Methodology of Qualitative Research," *World Politics*, 2010; David Collier, "Understanding Process Tracing," *PS: Political Science and Politics* 44, no. 4 2011): 823–30; Andrew Bennett and Jeffrey Checkel, *Process Tracing: From Metaphor to Analytical Tool*, 2015.
[176] Andrew Bennett and Colin Elman, "Case Study Methods," in *The Oxford Handbook of International Relations*, 2008, 504.
[177] Mahoney 2015, 215.
[178] Mahoney, 2010; David Collier, "Understanding Process Tracing," *PS: Political Science and Politics* 44, no. 4 (2011): 823–30; Andrew Bennett and Jeffrey Checkel, *Process Tracing: From Metaphor to Analytical Tool*, 2015.
[179] Capoccia and Kelemen 2007, 368.

policymaking. As Capoccia and Kelemen argue, contingency can only be studied "by taking counterfactual analysis seriously. The reconstruction of plausible counterfactual scenarios, based on theoretically informed expectations and narrative reconstruction of the decision-making process supported by empirical evidence, is therefore key in this kind of analysis."[180] Only then, we can better understand the limitations or trade-offs of structural accounts. It also helps to think in terms of counterarguments; in my case, I assess the effect on policy by individual agency relative to other factors (in this chapter, I develop an analytical framework which analyses the effects of individual agency relative to other, structural variables, such as interests and institutions).

In IPE, we tend to frame this puzzle as an inter-war breakdown of the international cooperation on trade thinking of the twentieth-century World Wars I and I. Yet, in Britain's case, such a timeframe leaves out an important antecedent condition of the South African War of 1899-1902. It is negligent of Britain's relative decline as perceived by actors who operate within the timeframe[181] and Britain's more complex definition as "empire-state" against the default "nation-state" that is used. The Boer War incited Chamberlain to actively pursue the reversal of Britain's one-sided free trade policy and led to the adoption of the Imperial Preference in 1932. The WWII marks the transition to the GATT/WTO system, with Runciman's trade policy, inspired by Richard Cobden, predating Cordell Hull's and the United States' lead towards international liberalisation.[182] This makes Chamberlain and Runciman the two "bookends" of the thesis, appearing to be on opposite sides of the question (systemic closure and openness). One is an Imperial Protectionist, and another is a Liberal Free Trader, but there is a remarkable overlap in their pragmatic approach to trade policy, as both choose retaliation to reverse decline. Snowden rejected protection and delayed both the end of free trade and the start of trade liberalisation. His orthodox liberal views and principled free trade position contrast with both Chamberlain's radical imperial protectionism and Runciman's pragmatic Liberal approach to trade policy. Expanding the timeframe of analysis (between the two wars engaging the whole of the British Empire) provides better scope for analysing the factors which affected this crucial policy change. Lack of understanding of J. Chamberlain's defining impact on policy early on led to misinterpretation of the motivation behind the shift (not to protect,

[180] Giovanni Capoccia and R Daniel Kelemen, "The Study of Critical Junctures: Theory, Narrative, and Counterfactuals in Historical Institutionalism," *World Politics* 59, no. 3 (2007): 368.

[181] The actors do not see the relative decline in hegemonic terms (perhaps only in relation to Britain's own place within the Empire). For instance, Joseph Chamberlain and the historical economists devise their policy (Tariff Reform and Imperial Preference) to forestall the drifting apart of the Empire that needs an economic platform. They aspired for a political project shared by all members of the Empire on equal terms (principally the Dominions); they wanted the Empire richer to pay for defence. Their "outlet for manufactures" followed the division of labour logic and was a temporary arrangement for industrial development to catch up. They wanted fairer, optimised market access between each other and with those who traded reciprocally. If this is not the logic behind the creation of the European Union anchored on the legacy of Germany's economic might, or any other free trading bloc, it is difficult to imagine what is. They too admitted (to those immediately beneath them – the Dominions) and regretted (not too much) the past evils of their "trade follows flag" imperialism. It was a strategy of levelling up.

[182] At the moment there is a chronological gap in my coverage of the whole puzzle 1914-1929 (the silent chapter). I will form part of the continued research for a book project based on the thesis.

but to induce international trade liberalisation; not a move towards closure, but towards openness).

The case can be made that, instead of relying solely on systemic explanations, we should look at this shift as the conscientious attempt by critical individuals to re-open the system by re-lowering international protection with the help of tariffs. By integrating agency, we can better understand the declining hegemon's trade policy response and better evaluate the outcomes, the timing and the form of this shift. Then the argument can be made that by having misunderstood people like J. Chamberlain and Runciman (but also Stanley Baldwin, Ramsay MacDonald) (their rationales, motivations and justifications), who are not protectionists but pragmatic free trade Liberals looking for leverage to re-liberalise trade, we misinterpreted Britain's exit from the liberal international order and under-analysed hegemonic transition during the inter-war period.

Using local archival records[183] and an individual-level analysis justifies this novel interpretation of this case, which can be reframed as Britain's lead forward from a failed attempt to reconstruct the pre-WWI international liberal economic order. Systemic IPE accounts focus on Britain's inability to uphold that order due to decline, hence the retreat. The thesis, within the limitations imposed by the archival research,[184] tries to correct this narrative and offers a contrasting view to structural analyses by focusing on the individual agency.

The relevant actors are identified by whether they are useful and critical "in helping us understand the outcomes."[185] These pivotal/critical actors are individuals who had the largest impact on policy at "critical junctures."[186] What makes these actors "critical" is the combination of the following factors: the presence of structural incentives for policy change;[187]

[183] This research uses historical data collected from various digital and physical archives. These include government documents from The National Archives of the United Kingdom (TNA) (Kew Gardens, London, UK), including Records of the Cabinet Office **(**CAB 23); War Cabinet and Cabinet Minutes CAB 24 and Memoranda (GT, CP and G War Series); Records of the Public Record Office (PRO). Also, I have used the archives with the LSE Library: The British Library of Political and Economic Science, the British Library, the Senate House Library, specifically to use contemporary publications from the 1930s where archival data was not accessible. My research is indebted to many scholars who specialise in British history: Philip Williamson, Andrew Marrison, Tim Rooth, Bernard Semmel, David Wrench and many others, whose books proved indispensable for a systematic and rigorous consultation, guiding my archival research and corroborating my findings.

[184] To explain how empirical archival evidence gets produced to support arguments and analytical frameworks ("attenuates", "autonomy"): it gets gathered, processed, used in and discarded from the narrative as analytical priorities shift and word limits demand, gets recycled for being operationalised in final analysis. The Runciman's analysis in this thesis draws from non-digitized archives accessed directly (in Newcastle) and through secondary literature (historians like Wrench had used key archival records before). One of the key challenges with inductive research is (too much) data mining (danger of falling to a trap of "developing ex-post logic to justify observed empirical pattern", according to James Mahoney, "After KKV: The New Methodology of Qualitative Research." *World Politics* 62 (1): 120–47

[185] Frieden, Lake, and Broz, *International Political Economy: Perspectives on Global Power and Wealth*, 2017, 5.

[186] Giovanni Capoccia and R Daniel Kelemen, "The Study of Critical Junctures: Theory, Narrative, and Counterfactuals in Historical Institutionalism," *World Politics* 59, no. 3 (2007): 341–69.

[187] In addition to the detailed footnote reference above, I discuss Britain's structural incentives for adopting protection to liberalise international trade in the introductory chapter and how they were operationalised for systemic analyses such as Krasner's (1976).

operating in a "critical juncture" when policy change is highly likely, desirable or possible;[188] (but also other factors, such as the available policy alternatives, the existence of an active political or intellectual opposition to policy change, dedication to a norm, a conviction in own beliefs as I discuss in the analytical framework section). As Hogan and Doyle argue, critical junctures point "to the importance of the past in explaining the present"[189] and that examining them can incorporate "a predictive element."[190] They show that "the duration of a critical juncture may be brief, while for others it can constitute an extended period of reorientation."[191]

I then establish the timeframes within which each actor operated to help match them with respective critical junctures when they had a decisive effect on policy (development, delay, or attenuation of protection; reversal, defence or adaptation of free trade) and scope each actor's case for my analysis. Britain's trade policy shift was a "critical juncture" at the systemic level, which took thirty years, from Joseph Chamberlain's Tariff Reform campaign in 1903-06 to introducing a general tariff under the Import Duty Act 1932. In Table 1, I identify several "critical junctures" within this period at the local policy level that were momentous for this shift and when the chosen critical actors had the most impact on policy.

Table 1: Pivotal Actors' Impact on Policy at Critical Junctures

	Joseph Chamberlain (JC)	**Philip Snowden (PS)**	**Walter Runciman (WR)**
Critical juncture (when free trade can be replaced with protection)	The Anglo-Boer War (1899-1902) exposed relative decline versus protectionist rivals.	1929-1932 the Slump, Great Depression	1931-1932 The Labour Government collapse, the Financial crisis and the Gold Standard Abandonment
Policy window	1902-1906 Tariff Reform campaign and the General Election (1906)	The 1930 Imperial Conference to agree on preferences Summer 1931 – Financial, Government crisis -general tariff "on the table"	Protectionist-dominated National Government (1931-1937)
Trade policy strategy	Change free trade for protection	Preserve free trade	Change protection to preserve free trade
Actor's approach	"Weather maker"	"Iron Chancellor"	Free Trader in charge of protection
Actor's impact	Political entrepreneur	Veto player	Pragmatist

[188] Giovanni Capoccia and R Daniel Kelemen, "The Study of Critical Junctures: Theory, Narrative, and Counterfactuals in Historical Institutionalism," *World Politics* 59, no. 3 (2007): 341–69.
[189] John Hogan and David Doyle, "The Importance of Ideas: An a Priori Critical Juncture Framework," *Canadian Journal of Political Science* 40, no. 4 (2007): 886.
[190] Hogan and Doyle, 884.
[191] Ibid., 885. Surveying existing scholarship: "Their definition does not imply institutional innovation occurs in short episode" (Thelen, 2004: 215); Hogan questioned whether these periods could be called critical junctures or were instances of incremental change (2005, 2006), labelled by Streeck and Thelen as periods of conversion (2005).

Local level policy outcome	First attempt to reverse free trade failed.	Forestalment and reversal of protection.	Introduction and attenuation of protection to re-open international trade.

J. Chamberlain was the Colonial Secretary [in charge of imperial policy] (1895-1903). He was the architect of the tariff reform and imperial preference policies and made the first practical attempt to reverse free trade policy [change free trade for protection] (1902-1906 Tariff Reform campaign) when The Anglo-Boer War (1899-1902) exposed Britain's relative decline versus protectionist rivals. Free trade could be replaced with protection if the Tory Unionist Party led by Arthur Balfour and J. Chamberlain won the General Election (1906). But he failed to reverse free trade, and the shift was delayed. I analyse Joseph Chamberlain's rationales, arguments and justifications for protection drawing primarily from his speech records in *Mr. Chamberlain's Speeches. Volumes I and II* by Charles W. Boyd (1914). This source and digital archives (Times, Hansard) were sufficient to operationalise Chamberlain's policy proposals for my analysis. His case analysis focuses on the trade policy of retaliation and reciprocity as a means to reverse Britain's relative decline and forestall closure leveraging its status of the largest "imperial state" at the heart of the international system of commerce.

Snowden was the Chancellor of the Exchequer in charge of fiscal policy (1924, 1929-1931): he upheld fiscal orthodoxy – balanced budgets, the Gold Standard, and free trade. His main policy objective was to preserve free trade. A combination of factors constituted the critical juncture in which he had the most impact on trade policy in 1929-1932 during the Slump (economic recession in the UK) when protection could have been introduced. The 1930 Imperial Conference to agree on preferences for economic consolidation of the Commonwealth as the Dominion Core of the British Empire legally dissolved (the Balfour Declaration at the 1926 Imperial Conference and the Westminster Statute 1931). Snowden forestalled and deferred the introduction of protection [was responsible for the failure to introduce protection - forestalment and reversal of protection] when it was a viable economic and government-saving strategy (the financial crisis summer of 1931).

Snowden's personal records were destroyed per his request. I use his *An Autobiography: Volume Two 1919-1934* (1934) and biography *Philip Snowden* (1966) by Colin Cross (1966), memoirs, media, records of contemporaries and political peers like Winston Churchill; Ramsay MacDonald's diary and the UK Parliament's digital archive Hansard. This presented a challenge in terms of checking primary evidence and created gaps in the analysis, which I addressed by triangulating different sources. I used Cross's biography of Snowden to find the leads (however, published in 1966, it does not reference the sources in a traceable way, plus he had the same issue with the archive being destroyed) to then corroborate my argument by drawing on MacDonald's account of Snowden's role in the collapse of the Labour Government during the 1931 Financial crisis (as I show in Chapter 4). Snowden's case is exemplary of pivotal actors' relevance to the analysis of policy change as it can be traced through the "critical junctures" determined by "structural fluidity and heightened contingency"[192] when "decisions

[192] Capoccia and Kelemen, "The Study of Critical Junctures," 352.

by influential actors…steer outcomes towards a new equilibrium."[193] I show in the summary below how despite the force of structural and ideational elements realigning to curb "closure" with "less" protection, Snowden was able to bend Britain's trade policy to his will to preserve "openness" long gone.

Runciman was the President of the Board of Trade (1931- 1937[194]) who effectively moderated the scale of protection and shaped it as a trade liberalising strategy, which resulted in the failure to implement high, empire-centred protection with its introduction in 1931-1932 at the critical juncture of economic recession: Abnormal Importations Act 1931, Import Duties Act, Ottawa Agreements 1932. A fresh look at the empirical archival data strongly suggests that without the analysis of Walter Runciman's personal contribution, the explanation of Britain's shocking departure from free trade is incomplete. Walter Runciman's archive in Newcastle is/was not available digitally; I collected the data during my two visits in 2018, which proved crucial for my novel empirical findings. I use these sources and government records from Hansard and ProQuest U.K. Parliamentary papers. Runciman's case, as I discuss in the summary, focuses on Britain's pragmatic embrace of reciprocity and retaliation through tariff protection (leveraging its status as the largest imports market and its status of the responsible hegemon to induce re-opening at three interconnected levels: domestic, imperial and international (showcasing the strategic trade policy overlap with J. Chamberlain).

Table 2 provides summarily key information (process traced through archival records) about these pivotal actors whose agency was a factor of relative importance and made them critical to explaining Britain's trade policy shift. It gives multiple points of reference for constructing the process of change and explaining the agency effects with the help of an analytical narrative. After analysing their impact on policy through process-tracing, I also classify them for purposes of comparison and contrast: a political entrepreneur ("Weather maker), a veto player ("Iron Chancellor"), and a pragmatist (Free Trader in charge of protection). I fully develop a comparative analysis of Chamberlain, Snowden and Runciman's trade strategies in response to Britain's relative hegemonic decline and their individual effects on the shift in Chapter 6.

[193] Ibid., 354.
[194] Runciman had been President of the Board of Trade in 1914-1916 as well.

Table 2**: Mapping of the Pivotal Actors**

Actor	**Joseph Chamberlain**	**Philip Snowden**	**Walter Runciman**
Position	Colonial Secretary (1895-1903)	Chancellor of the Exchequer (1924; 1929-1931)	President of the Board of Trade (1914-1916; 1931-1937)
Party	Tory Unionist Party (Conservative)	Labour Party	Liberal Party (National Liberal after 1931)
Political creed	Pragmatic Protectionist (former Orthodox Liberal; Radical Social Reformer)	Orthodox Liberal, Socialist	Pragmatic Liberal (Liberal Free Trader)
Prime Minister	Salisbury, the Marquess of; Arthur Balfour	Ramsay MacDonald	H.H. Asquith Ramsay MacDonald Stanley Baldwin
Policy opponents	Charles Ritchie Herbert Asquith Arthur Balfour Richard Cobden (one-sided free imports)	Neville Chamberlain J. M. Keynes (pro-tariff) Winston Churchill	Philip Snowden Herbert Samuel Leo Amery Austen Chamberlain D. Lloyd George
Economic /trade policy rationales in context	Develops his argument against Richard Cobden's Adam Smith J.S. Mill Robert Torrens Historical Economists: Gustav von Schmoller W.A.S. Hewins William Ashley	Richard Cobden (one-sided free trade) William E. Gladstone	Richard Cobden (trade liberalisation through reciprocity and retaliation) J. M. Keynes (uses 10% general tariff proposal)
Objectives and priorities	Fairer and freer trade Protection - Grow imperial trade at the cost of foreign trade: JC: "Let us buy of one another."[195] - Secure jobs for the UK population	Free trade - Defend free trade at all costsPS: "Free Trade is not dead."[196] - Sound finance and free market exchange will take care of employment	Freer and fairer trade Trade liberalisation - Use protection to liberalise imperial and international trade. WR: "Nothing less than the world will satisfy us."[197] - Get jobs for the British unemployed
Argument for/against the shift from free trade to protection	JC: "I am a Free Trader. I want to have free exchange with all the nations of the world, but if they will not exchange with me, then I am not a Free Trader at any price." "When I find the effect of this policy on the part of other	PS: "it would be disastrous not only to this country but for the world if at this time this country, in a state of panic, were to change its well-tried fiscal policy. We have a great heritage to maintain …not only for ourselves but for the	WR: "I have been a Free Trader all my life and I am still a Free Trader. I am not sure that I am not the most bigoted Free Trader in the House, but I am not so much a Free Trader as to shut my eyes to the terrible risks we are running at the present time

[195] Joseph Chamberlain, "Canada and Imperial Union," in *Mr. Chamberlain's Speeches. Volume II*, ed. Charles W. Boyd (London Constable and Company Ltd, 1905), 332.
[196] HL Debate 29 February 1932, Vol. 83 c697, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.lds5lv0083p0-0036?accountid=9630, accessed 4 May 2020).
[197] Walter Runciman, "Imperial Preference: An Address Delivered at The Trocadero, London, W.1, on October 28th, 1926, by The Right Hon. Walter Runciman, M.P.," 1926, 8.

	countries, I look about for a means of meeting it."[198]	world. Free trade has withstood many assaults in the past." [199]	in a failure to balance our trade budget." [200] "With the British tradition behind…We have aimed at reducing rather than increasing" tariffs…what we have done in smaller area, we are willing to do over a wide area."[201]
Policy	Tariff Reform and Imperial Preference 1903-1906	Forestalled tariff introduction in 1930-31; obstructed agreement on Imperial Preference 1930; vetoed introduction of the Imperial Wheat Quota in 1931. Reversed McKenna Duties 1924 Pledged not to renew any existing protectionist legislation after expiry	Abnormal Importations Act 1931; Import Duties Act, Ottawa Agreements 1932 By 1937, had delivered twenty-seven bilateral trade and payment treaties reducing the relative impact of the Imperial Preferences negotiated at Ottawa and lowering international tariff and non-tariffs barriers.
Trade approaches	Reciprocity, retaliation	Unilateral free trade	Reciprocity, retaliation
Approaches	-Tariff reform based on low general tariff of 10% for retaliation/reciprocity (later, scientific tariff) -Reciprocate imperial preferences granted by fiscally independent dominions -Retaliate against protectionist rivals absent reciprocity	- Zero tariffs - Rejected introduction of permanent "all-round 10 per cent. import duty for revenue purposes" - Reversed protection through multi-lateral international cooperation	- Proposed low general tariff of 10% for revenue and bilateral bargaining to reduce protection reciprocally. - A retaliation tool against protectionist rivals absent their willingness to reciprocate - Use retaliation as deterrent against protection rises damaging to British trade
Policy outcome	JC formulates Tariff Reform and Imperial Preference proposals by 1906; implementation *delayed* till 1931-32 (partial imperial preference in operation since 1919)	Snowden *defers* introduction of Tariff Reform and Imperial Preference from 1930 till 1932 (gambles Labour government, the Gold Standard, the Labour movement cohesion in the process)	Runciman shapes and *attenuates* implementation of protection in 1931-1932, effectively averting introduction of a more extreme protection desired and developed by the Conservatives
Empirical chapter	Ch 3: "Joseph Chamberlain, the Historical Economists, and the First Attempt to Reverse Free Trade"	Ch 4: "Staving off the Protectionist Slide: Snowden and the Struggle to Keep Britain Open"	Ch 5: "Britain's "Exit" from Free Trade in 1932: Walter Runciman against the Tide"

[198] Joseph Chamberlain, "Retaliation," in *Mr. Chamberlain's Speeches. Volume II*, ed. Charles W. Boyd (London Constable and Company Ltd, 1903), 168.
[199] Philip Snowden, *The Menace of Protection. Speech Delivered at Free Trade Hall, Manchester, October 20, 1930* (The Labour Party, 1930), 13.
[200] HC Debate 10 September 1931, Vol. 256 c332. UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0256p0-0003?accountid=9630, accessed 9 January 2020.)
[201] WR 316 Vol. 10, "U.S. and the Conference," *The Times,* 20 June 1933, n.p. Contains the transcribed Runciman speech.

Analytical Framework: Individual Agency

The thesis establishes that individual agency is a factor in the decisions on British trade policy: J. Chamberlain, Snowden and Runciman were the critical actors who had the most effect on trade policy at different focal points of the critical juncture studied. To make my arguments (that J. Chamberlain formulated policy rationales used in 1932; Snowden and Runciman stemmed the protectionist slide; misunderstanding Runciman and Baldwin as protectionists led to misinterpretation of Britain's interwar shift) not only empirically rigorous but also analytically useful; to explain the systemic shift by engaging the individual-level analysis and to make generalisations about role of [individual] agency (in trade policy, in declining hegemon), I set out the framework for a structured agency analysis.

In the next section, I sketch the framework informing my agency-centric, local-level policy analysis drawing from each actor's case. The framework focuses on actors' rationales and strategies and on trade policy outcomes. For the purposes of my analysis, I operationalise the empirics into claims (to support my arguments) by identifying *changed conditions* (critical junctures at systemic and sub-systemic levels), critical actors (trade policy approaches and tools) as *change agents* (these points have been covered in the case selection and methodology above), as well as the other factors which defined the degree, scope and relative importance of individual agency in explaining trade policy outcomes.

The analytical framework is built in the process of the inductive research using the actors' empirics (archival findings) and focusing on: why (rationales and motivations), when (timing of the policy change, critical juncture) and how (policy strategies, which factors shaped the degree of actor's agency at the local level). It reveals what attributes make J. Chamberlain a political entrepreneur ("Weather maker"), Snowden a veto player ("Iron Chancellor") and Runciman a pragmatist (Free Trader in charge of protection), how the scope of each actor's individual agency affected the policy shift (relative to other factors) and, finally, what does it tell us about the role of agency in the trade policy of a declining hegemon?

To frame the agency-centric analysis and discussion, I identify the factors that shaped the degree of agency that the critical actors were able to exert over policy (JC none as failed; PS more; WR less) and assess the relative importance of individual agency versus other, structural factors (how important was individual agency?). Analytical framework for assessing the scope of agency takes into account the following: the presence of a critical juncture; competing policy options; divided opinion in government/party/interest groups; conviction in own beliefs, dedication to a norm; the degree of autonomy in decision making.

Presence of a critical juncture

A critical juncture, in this case, is when free trade could be replaced with protection/when there are attempts to replace free trade with protection. This means the existence of structural incentives for policy change (when the economic hegemon's position is weakened due to systemic crisis, relative decline; absence of international cooperation, domestic political

stability). Individual actors can operate at a critical juncture reactively (PS, WR), and/or actively by exploiting/generating crises (JC).

Competing policy options

During the critical juncture, actors have a choice between available policy options from which actors could choose,[202] like maintaining a status quo (PS) or changing policy (JC, WR). Capoccia and Kelemen emphasise the enduring impact of choices made by actors during critical junctures in history, which close off alternative options.[203] As Fearon shows, actors may consider "several possible choices at certain junctures."[204]

Divided opinion in government/party/interest groups

When pivotal actors are faced with political and/or intellectual opposition to their chosen policy course. It also involves the actors' ability (WR) or inability (JC, PS) to build coalitions. Participation in politics can be influenced, in particular, "by the actor's assumptions about the nature of political conflict and by his image of opponents"[205] bearing on the problem of action. In the actors' summaries here and empirical chapters (3, 4, 5), I show how the actors' interaction with political and intellectual opponents shaped their policy response and affected the policy outcome.

J. Chamberlain tested the soundness of his protectionist proposals by engaging in public debates with the Liberals defending free trade (Herbert Asquith, the future Prime Minister of the UK (1908-1916), the Cobden Club and the Trade Unions). Snowden pursued fiscal austerity in complete disregard of experts led by John M. Keynes, who formally advised the Labour Government on the economic policy, including trade and finance. Much of his reasoning against protection was revealed in the debates with the former (and the Shadow Cabinet's) Chancellor of the Exchequer, Winston Churchill, the foremost and relentless critic of Snowden's policies. Runciman had to defend his policy of moderated protection against the protectionist die-hards – Leo Amery, Austen Chamberlain in the ruling majority and the orthodox, purist free traders within the Cabinet – the Lord Privy Seal Snowden and Herbert Samuel, the Liberal Home Secretary. He negotiated the direction of trade policy with pragmatic protectionists Neville Chamberlain, the Chancellor of the Exchequer and Stanley Baldwin, the Lord President of the Council.

Conviction in own beliefs, dedication to a norm

Pivotal actors' ability (WR) or inability (PS, JC) to compromise over policy is rooted in their own beliefs (old or new) and dedication to a norm. This involves keeping or adapting policy

[202] Fearon, "Counterfactuals and Hypothesis Testing in Political Science."
[203] Capoccia and Kelemen, 2007, 341.
[204] Fearon, 1991: 193.
[205] Alexander L . George, "The 'Operational Code': A Neglected Approach to the Study of Political Leaders and Decision-Making," *International Studies Quarterly* 13, no. 2 (1969): 221.

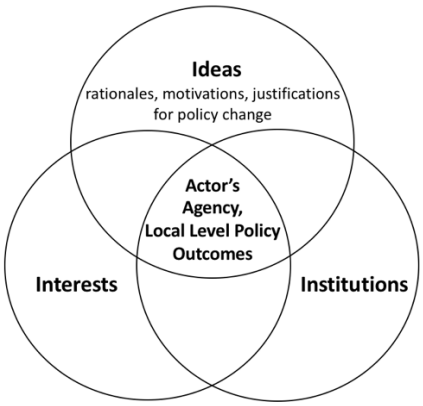
preference in response to evolving structural events; accepting (JC, WR) or rejecting (PS) economic and trade policy expertise (Snowden's defence of Cobden's and Gladstone's free trade liberalism and rejection of Keynes's alternative is a prominent example); taking a businessman's, negotiator's approach to policymaking based on historical precedent (WR). According to George [drawing from Leites], the actor's beliefs and premises serve "as a prism that influences the actor's perceptions and diagnoses of the flow of political events, his definitions and estimates of particular situations. These beliefs also provide norms, standards, and guidelines that influence the actor's choice of strategy and tactics, his structuring and weighing of alternative courses of action."[206] To use Rodrik's argument, for actors like Snowden "[T]heir view of the world could be wrong and could remain so even in the face of new evidence if that evidence is just used to confirm past beliefs. Conversely new information may present realities previously not considered," as was the case with J. Chamberlain and Runciman.[207] In the context of Britain's shift, this is especially salient in analysing the relationship between trade policy and unemployment, and trade policy and flexible exchange rates (currency depreciation).

The degree of autonomy in decision making

The individual agency-level analysis shows what actors can do to reduce structural pressure and direct structural incentives towards their desired policy outcomes. As transpires from the empirical findings, the concept of autonomy – to design and implement a policy strategy that replaces or preserves the old one – is one of the ways to explain how pivotal actors shape policy change at the local level in reaction to evolving systemic conditions (which policy strategies they use).[208] The degree of an individual actor's autonomy in decision-making is determined by the dynamic nature of the actor's engagement with the 3 I's – interests, institutions, and ideas (as I discuss in this chapter). It involves actors' ability to pursue their policy of choice against various structural factors such as competing interests, political opposition, institutional constraints, and novel policy proposals designed to address evolving structural changes (PS). Its scope can be reduced or expanded (un/limited, big or small) depending on the balancing of interests, institutional resilience and acquisition or loss of power by an actor.

[206] George, 191.
[207] Dani Rodrik, "When Ideas Trump Interests: Preferences, Worldviews, and Policy Innovations," *The Journal of Economic Perspectives* 28, no. 1 (2014): 194, https://doi.org/10.1257/jep.28.1.189. Or as Morrison put it, we "can think of it as a tempest on the sea versus the sea captains who are piloting the ship. Some want to sail against the storm and continue the old course (Snowden) while others insist that survival demands changing course to sail with the new predominant winds (JC, JRM, and perhaps WR)."
[208] Emirbayer and Mische, "What Is Agency?," *American Journal of Sociology* 103, no. 4 (1998): 963–64.. According to Emirbayer and Mische (1998, 963-64) "we can gain crucial analytical leverage for charting varying degrees of manoeuvrability, inventiveness, and reflective choice shown by social actors in relation to the constraining and enabling contexts of action."

Figure 1: *Actors' Agency, Local Level Policy Outcomes and the 3 I's*



Emphasising the role of agency (embedded in the interaction between the material [interests, institutions] and non-material variables [rationales, motivations, justifications for policy change]), in chapters 3, 4 and 5, I show how the pivotal actors were able to operationalise it in ways that had a real impact. This made individual agency an important factor in the decisions of British trade policy during the interwar period.

As a political entrepreneur, Chamberlain gained autonomy by quitting the Government on the one hand; on the other, his degree of agency and his ability to affect policy were limited due to the absence of critical structural factors and political power/mandate for policy change. In Snowden's case, critical structural factors (unemployment, run on the pound) were present, and through his political power as a veto player, he enjoyed a high degree of agency. He had the most effect on policy due to his dedication to a norm (his Government had no mandate for trade policy change) and refusal to compromise because of conviction in his own beliefs. Runciman was a pragmatist who had less agency but could expand his autonomy over policy by the ability to leverage international negotiations in domestic decision-making and vice-versa (and the ability to negotiate practical solutions and limit his opponents' political influence).

With Snowden's and Runciman's empirical analysis, I show how actors can gain and expand autonomy over trade policy in interaction with the 3 I's – ideas, interests, and institutions – at the local level. By assessing each actor's degree of agency based on the empirical analysis, I can claim that Snowden deferred and Runciman attenuated the shift to protection. We misunderstood Britain's 1932 "exit" from free trade by not taking them into account. I can use my empirical findings to argue that Runciman's pragmatic approach and ability to expand autonomy by negotiating with foreign governments defined the scale of protection and shaped its purpose (re-lowering foreign tariffs). Conversely, in Snowden's case, his autonomy vanished once he passed the Treasury to N. Chamberlain, as he could no longer veto the introduction of protection, although even as Privy Council, he was instrumental in mitigating it. Chamberlain acceded to Runciman's 10 per cent general tariff to ensure Snowden stayed and the National Government did not collapse.

These empirical findings, which are detailed in Chapters 4 and 5, support my argument that Snowden and Runciman stemmed the protectionist slide because these pivotal actors did have such a purpose, they did employ various strategies for such an outcome, and they did prove successful: Snowden at forestalling and Runciman at attenuating the protection between 1929-1937. Focusing on Runciman, I can claim that without understanding his pragmatic liberal approach to protection and how his moderation and attenuation efforts had decisive effect on policy, we cannot get the puzzle of Britain's inter-war abandonment of free trade right.

In the scope of this research (within the limitations[209]), I (a) analyse which trade policy strategies and tools actors used (free trade, retaliation, reciprocity), and (b) how they got implemented within existing institutional settings and against competing interests (highlighting each actor's degree of agency at the local level), thus making, with support of empirical evidence, the strongest possible case for asserting the role of individuals in directing structural changes, such as trade policy shifts. Assessing the scope of each actor's agency is one way in which I can ensure that my empirical findings allow us to conclude that Britain's transition from free trade to protection will be misunderstood if we don't take into account the actors who shaped (J. Chamberlain), resisted (Snowden) and steered (Runciman) this change at critical junctures on their own terms (to a greater or lesser degree). In the following sections, I provide summaries of the historical narrative, policy options and each actor's positions to frame the assessment of their individual agency's degree and relative importance.

Pivotal Actors and Trade Policy

The following brief overviews of each actor's case (actors' positions and policy options during the critical juncture) and demonstrate how empirical analysis and analytical framework are used to support my arguments and claims about these pivotal actors' effect on policy direction and outcome.

Joseph Chamberlain: Reversing Free Trade

Joseph Chamberlain was the Colonial Secretary (1895-1903) who made the first practical attempt to reverse Britain's unilateral free trade policy out of a deep concern with Britain's relative economic decline vis-à-vis international rivals. J. Chamberlain is vital to understanding Britain's interwar puzzle. He was the first politician to understand and translate structural trends – the rise of economic rivals and exclusion of British exports from foreign and imperial markets protected by tariffs walls, industrial decline and rise of unemployment - into practical policy proposals against unilateral free trade.

[209] To explain how empirical archival evidence gets produced to support arguments and analytical frameworks ("attenuates", "autonomy"): it gets gathered, processed, used in and discarded from the narrative as analytical priorities shift and word limits demand, gets recycled for being operationalised in final analysis. The Runciman's analysis in this thesis draws from non-digitized archives accessed directly (in Newcastle) and through secondary literature (historians like Wrench had used key archival records before).

His key priorities were the economic organisation of the Empire, declining domestic welfare and the need to respond to increasing protectionism towards the UK from Germany and the United States. Chamberlain believed that structural unemployment as an emergent problem had to be tackled early on to avert the irreversible relative decline. It was understood that other countries raised tariff walls not for purposes of commercial war but "to conserve their own trade and employ their own people and provide for their own financial needs."[210] Thus, historical economists like Gustav von Schmoller and William Cunningham advocated ending British trade *laissez-faire* and erecting a tariff system that would replace the standard of Free Trade capitalism with the mercantilist standard of national employment.[211]

Chamberlain developed an acute sense of the problems with the liberal, laissez-faire models of capitalism. And when conditions change, he argued, the policy must change. He pointed out that the problems with "free trade" – one-sided trade of unrestricted imports, the absence of tools to differentiate between "those who treat us well and those who treat us badly,"[212] an inability to reciprocate colonial preferences due to MFN obligations (which others abused), and the damaging effects of foreign competition on the UK industry – warranted a switch to protectionist trade strategy. He challenged cheap consumption with higher wages and living standards; specialisation with a diversification of production to preserve and foster local communities; the free market parity between capital, goods and labour mobility assumed by classical liberals with labour protection and socio-economic safeguards.

Chamberlain proposed substituting the economic policy of imperial interests for the interests of the consumer, measured not by immediate or ultimate economic gain but by the greater political or social stability and the greater defensive power of the Empire. With high unemployment resulting from declined exports, the growing social welfare needs of the electorally dominant demographic within the Empire presented huge economic potential but needed economic organising. Chamberlain's main concern about the integrity of the Empire was undoubtedly shaped by the critical juncture of the Boer War (1899-1902), which revealed both the imperial crisis and the opportunity to address it through trade policy.[213] The framework for Imperial Preference, based on reciprocity as a vehicle for international trade liberalisation and deployed by Chamberlain, had been developed by Robert Torrens in the 1840s. Torrens maintained that "[R]eciprocity should be the universal rule…while retaliatory duties should be imposed …upon the productions of countries retaining hostile tariffs against British commerce." [214] Moreover, he argued that "with the rigid enforcement of the principle of reciprocity, we may arm ourselves with accumulating force to break down hostile tariffs, and to establish free trade throughout the world."[215] For liberalisation based on such principle to work, the Empire should have been organised economically as one market. Torrens had

[210] W. A. S. Hewins, *Trade in the Balance*, 1924, 134,.
[211] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 185.
[212] Chamberlain, "A Demand for Inquiry," 136–37.
[213] Andrew S . Thompson, "Tariff Reform : An Imperial Strategy, 1903-1913," 1039.
[214] Torrens, *The Budget. Commercial and Colonial Policy with An Introduction in Which the Deductive Method, as Presented in Mr. Mill's System of Logic, as Applied to the Solution of Some Controverted Questions in Political Economy.*, 64–65.
[215] Torrens, 64–65. Torrens, 64–65.

underlined the importance of individual leadership, calling for a statesman who could overcome the domestic political hurdles of "carrying forth his program,"[216] anticipating Joseph Chamberlain's Tariff Reform and Imperial Preference proposals over fifty years later.

Chamberlain went from believing in Cobden's free trade principles to defending growing imperial trade at the cost of unfair, and in place of lost, foreign trade. He even used the ideas of Adam Smith to conceptualise the reorganisation of the British Empire as an economic and political unit quoting Smith's advocacy of retaliation under certain conditions and reciprocal imperial trade to justify his proposals for Tariff Reform and Imperial Preference in 1903-06.[217] Chamberlain proposed tariffs at a moderate rate[218] as a means for reciprocal bargaining for lowering foreign tariffs on British exports, as retaliation, and as a basis for Imperial Preference, or the development of imperial and national markets (the moderate tariffs could be both more effective for their purpose without driving prices too high and create the opportunity for a reduction in tariff levels by mutual agreement.)[219]

The Imperial Preference policy evolved with the use of the "scientific tariff," designed for J. Chamberlain's tariff reform, which could be adapted to preferential terms of the colonies and operate to the benefit of foreign countries. As explained by the historical economists, "[I]n the British Empire we are tending to a tripartite system of tariffs, that is a general tariff to be used for purposes of negotiation; an intermediate scale of duties to be granted to countries with which treaties are arranged; and preferential rates lower than intermediate scale for use within the Empire."[220] It had to increase or at least maintain the level of employment and wages without damaging the export trade; harmonise the interests of industry and agriculture; and translate into a scheme of preferences acceptable to the dominions and colonies with differing economic bases.[221] If properly designed, Imperial Policy based on the scientific tariff would enable closer intra-market integration, but not at the cost of the colonial national manufacturing, and could operate to the benefit of foreign countries.[222] Chamberlain believed that although the Empire's first duties were to cultivate friendship with all the nations of the world, it should be able to maintain itself against the competition of all its rivals. Much of Chamberlain's reasoning underlay the widespread support given to the Tariff Reform campaign (1902-1906) and explains why since 1930, his rationales have been accepted by different actors, including those who retained their free trade beliefs.

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[216] Semmel, *The Rise of Free Trade Imperialism: Classical Political Economy the Empire of Free Trade and Imperialism 1750-1850*, 195; Robert Torrens, *The Budget. Commercial and Colonial Policy,*1844, 66–67.
[217] Chamberlain, "The Case for Tariff Reform," 141.
[218] Herbert G. Williams, *Through Tariffs to Prosperity*, 1931, 131. According to Williams, because in many cases the price differences between home-produced goods and imported goods are small, a very **moderate tariff** would turn the scale in favour of the former without seriously affecting the latter where UK's productive efficiency happens to be significantly lower than that of competing nations. This perspective justifies the policy commonly described as *retaliation*,131-132.
[219] Ibid.
[220] Hewins, *Trade in the Balance*, 118.
[221] Marrison, 36–37.
[222] Marrison, 63, 65.

By inviting questioning of the old beliefs under changed circumstances, Chamberlain showed pragmatism in changing a policy approach when circumstances change despite a long-held ideological attachment to free trade. Chamberlain failed in his attempt to change policy before 1930 because the needed critical juncture of economic recession was absent. The other factors that reduced his scope for agency were institutions, interests, and ideas status quo, which ensured that support for free trade remained dominant. Being exposed by his liberal opponents as an economically illiterate politician who did not understand the "technical" arguments also limited Chamberlain's scope for agency. Britain's economy was growing in absolute terms (while he built his case on relative decline). My findings also point at Chamberlain's inability to build a winning political coalition due to the divided opinion in government/party/interest groups (Chamberlain did not succeed in getting Arthur Balfour's [Britain's Prime Minister, 1902-1905] full support for his protectionist agenda) and the loss of trade unions to Liberals whose ideological and economic arguments for free trade remained compelling (presence of a strong political/intellectual opposition to policy change) as other factors which affected the scope of his agency. I explore the relative effect of Chamberlain's agency on trade policy change in Chapter 3: "Joseph Chamberlain, the Historical Economists, and the First Attempt to Reverse Free Trade"

Philip Snowden: Defending Free Trade

Philip Snowden was the Chancellor of the Exchequer in charge of fiscal policy (1924, 1929-1931), who used his near-autonomous control over fiscal policy to reverse and scale down protection. He effectively forestalled tariff introduction (permanent "all-round 10 per cent. import duty for revenue purposes") in 1930-31. Snowden's unbending opposition to protection, including Imperial preference, resulted in the failure of the 1930 Imperial Conference, which was regarded as a turning point in the empire relations as it presented a unique opportunity to create an all-imperial commercial system based on preferential trade to counter the fast approaching legal and political dissolution of the Dominion core of the British Empire (the Statute of Westminster, 1931). In line with the Labour Government's "internationalist" agenda, he sought to achieve trade liberalisation by multilateral international action through the League of Nations' Tariff Truce. The assessment of Snowden's policy response requires analysing structural incentives for policy change, including the political risks of maintaining the status quo (free trade), the presence of policy alternatives that he faced and factors which enabled his policy position, such as dedication to a "free trade" norm, and the degree of agency he was able to bring to bear.

A combination of factors constituted the critical juncture in which Snowden had the most impact on trade policy in 1929-1932, starting with the changed systemic conditions. At the time of the overall expansion of world trade, British exporters retreated significantly from many markets after 1925. As a result, interests vested in foreign trade realigned, demanding protection. By the late 1920s, major industrial firms were rid of opposition to protection, realising after the events of 1926 (the General Strike organised by the Trades Union Congress

against mine owners) that workers could not be forced to accept lower wages.[223] Following the Wall Street crash in the autumn of 1929, the world slump (economic recession in the UK was known as the Slump) accelerated the collapse of support for free trade. Britain's leading economic institutions shifted from supporting free trade to imperial protectionism. As major examples, the fortress of free trade, the Manchester Chamber of Commerce members voted in favour of UK tariffs for retaliation in May 1930 (1736 members, opposed by only 607)[224] and in July, a group of pro-Free Trade City Bankers called for trade agreements based on Imperial preference and prohibitive tariffs on imports.[225]

Maintaining one-sided free trade in a protectionist world became truly challenging in 1930. Many understood Free Trade as the exchange of advantages but ignored the prior step – production. For Britain to be competitive and build capacity for mass production required protection of the home market (this was one of the key rationales in J. Chamberlain's trade protectionist policy).[226] Limits of direct taxation being reached, there emerged a strong case for a 10% revenue tariff. The Economic Advisory Committee led by Keynes called for the introduction of tariffs to address unemployment, one of the biggest challenges during Snowden's chancellorship**.** In line with the mercantilist argument, the new protectionists believed that only by the outright prohibition of imports or by tariff restrictions could unemployment be solved. [227]

By June 1931, already high unemployment was rising against the seasonal trend: 2,735,000 people were out of work. Practical, multilateral solutions to stop the international protectionist spiral (the US Smoot-Hawley 1930, failure of the Tariff Truce in Europe 1931) were absent. The Conservative Party and an increasing bulk of the business opinion, eventually supported by Keynes and Hubert Henderson, were for protection.[228] The Committee of Economists on the Economic Advisory Council, including Keynes, recommended tariff protection (low tariff < 10% excluding food and raw materials) to generate employment and ensure a positive trade balance through restriction of imports and improved terms of trade. Moreover, they concluded that the development of Imperial Preference was "a wise economic policy" for the UK.[229] The political support for protection was strong: MacDonald and key Cabinet members were in favour of a low general tariff for revenue to close the budget deficit, stop the run on the pound, and reduce the unemployment benefit cuts. The political risks, such as loss of the Government,

[223] Rooth, "The Political Economy of Protectionism in Britain, 1919-1932," *Journal of European Economic History* 21, no. 1 (1992): 60.
[224] Ibid., 62.
[225] "Empire Trade," *The Times,* 5 July 1930, *The Times* Digital Archive.
[226] Boyce, *British Capitalism at the Crossroads 1919-1932. A Study in Politics, Economics, and International Relations*, 1987, 255.
[227] W R Garside, "Party Politics, Political Economy and British Protectionism, 1919-1932," 1998, 50. Stanley Baldwin, a Conservative Prime Minister (1924-1929) "foresaw a greater role for tariff protection in the early reconstruction period … as a distinct and urgent response to mounting unemployment."
[228] Oswald Mosley, Lloyd George, and part of the Liberal Party were for loan-financed public works. Oswald Mosley, Labour MP (1927-1931), David Lloyd George, Leader of the Liberal Party (1926-1931), Hubert Henderson, Joint Secretary to the Economic Advisory Council (1930-1934). More information available at Oxford Dictionary of National Biography, https://www.oxforddnb.com.
[229] Rooth, "The Political Economy of Protectionism in Britain, 1919-1932," 67–68.

and currency collapse, were high. Protection presumably could help avert these outcomes. Yet, Snowden and the Treasury clung to Gladstonian orthodoxy: balanced budgets, free trade, and the Gold Standard. The policy shift did not happen due to his refusal to compromise and rejection of all practical solutions in the principled defence of free trade.

Given that Snowden appeared to adopt positions opposite to the views of most economic interests and significant sections of the Conservative and Labour parties, he offers an opportunity to analyse how he managed to exercise such a degree of agency. Several factors determined the scope and relevance of Snowden's agency and its effects on policy having to do with the strength of his own position vis-à-vis the opponents. Keynes's most credible policy alternative is a prominent example of political/intellectual opposition to maintaining policy based on principles when circumstances change. Snowden's position on policy, strongly rooted in his conviction in his own beliefs, reinforced his autonomy over the events that shaped the course of the trade policy.

Keynes's alternative

Taking into consideration Britain's particular economic circumstances in the late 1920s and early 1930s – its downwardly inflexible wages, the government's commitment to the Gold Standard and a fixed exchange rate, and persistently high unemployment - Keynes recommended tariff protection as a tool of economic planning that could help reduce unemployment. By raising import prices directly, a tariff would bring down real wages, and by enhancing profitability in the traded goods sector, it would increase investment relative to saving. Other initiatives, such as tax cuts, public investment, private investment subsidies, and lowering interest rates, "might be equally effective in principle, but only a tariff was likely in practice to prove compatible with the maintenance of sterling's gold standard parity."[230]
According to Keynes, a tariff measure was "unique in that it would at the same time relieve the pressing problems of the Budget and restore business confidence"[231] and by "substitution of home-produced goods for goods previously imported, [it] will increase employment in this country."[232] Additionally, "by relieving the pressure on the balance of trade it [tariff] will give us a much needed margin to pay for the additional imports which a policy of expansion will require and to finance loans by London to necessitous debtor countries."[233] In this way, the 'beggar-thy-neighbour' effect would be minimised when "the buying power which we take away from the rest of the world by restricting certain imports we shall restore to it with the

[230] Barry Eichengreen, "Keynes and Protection," *The Journal of Economic History* 44, no. 2 (1984): 365; Douglas A. Irwin, *Against the Tide: An Intellectual History of Free Trade*, 2nd ed (1996), 192–93.
[231] J. M. Keynes, "Proposal for a Revenue Tariff. By J. M. Keynes," *The New Statesman and Nation* 1, no. March 7, 1931 (1931): 54.
[232] Ibid.
[233] Ibid.

other hand."[234] Keynes's support for a revenue tariff in 1930-31[235] was accompanied by a strong argument for imperial preference.[236]

Snowden's position

Snowden was a Socialist as well as a Liberal Free Trader by conviction. His principled approach to fiscal and trade policy was a result of his deep and faithful attachment to both Cobdenism[237] and Gladstonian liberalism.[238] His predecessor at the Treasury and the foremost critic of his policies Winston Churchill argued that Snowden viewed his Socialist creed "with the blistering intellectual contempt of the old Gladstonian radical" who was "quite sure they know all about everything." For them, "the world might have much to do, but it had nothing to know after the days of the Queen Victoria. Adam Smith and John Stuart Mill wrote it all out quite plainly. Cobden, Bright, …Gladstone, expressed it all in admirable eloquence.[239] Snowden held a classical liberal view that to increase exports, Britain needed to keep imports of food and raw materials cheap to keep the cost of production cheap: "We have to import vast quantities of food and raw material. Otherwise our people will perish. Therefore it is most important, absolutely essential, that we should have a large foreign trade."[240]

Snowden consistently maintained an outright objection to Tariff Reform and Imperial Preference, arguing that they would make matters worse. He gave a public oath that he would never be a party to the imposition of a revenue tariff, which "apart from its Protectionist object" was "a means of relieving the well-to-do at the expense of the poor, and is an indirect method of reducing wages."[241] He opposed any form of protection due to the risk of distorting the

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[234] Ibid.

[235] Keynes, J. M. "Proposal for a revenue tariff. By J. M. Keynes," *The New Statesman and Nation,* Vol. 1*,* 53-54*,* March 7, 1931; "A Reply to Mr. Keynes By Lionel Robbins," *The New Statesman and Nation*, Vol. 1, p. 98-99, March 14, 1931; Keynes, J. M. "Economic Notes on Free Trade. I – 'The Export Industries,'" *The New Statesman and Nation, Vol. 1,* 175-6*,* March 28, 1931; Keynes, J. M. "Economic Notes on Free Trade. II – 'A Revenue Tariff and the cost of living," *The New Statesman and Nation, Vol. 1,* 211*,* 4 April, 1931; Keynes, J. M. "Economic Notes on Free Trade. III – The Reaction of Imports and Export," *The New Statesman and Nation, Vol. 1,* 242 – 243*,* 11 April 1931.

[236] E.A.C., "The Economists' Report. Report Committee of Economists. P.R.O., Cab. 58/151, E.A.C. (H.)127, 24 October 1930.," in *The Economic Advisory Council*, ed. Donald Winch and Susan Howson, 1977th ed., 1930, 202.

[237] Bernard Semmel, *The Rise of Free Trade Imperialism: Classical Political Economy the Empire of Free Trade and Imperialism 1750-1850* (Cambridge University Press: Cambridge, London, New York, Melbourne, 1970), 2. "Cobdenism", the Victorian free-trade ideology, combined internationalism, cosmopolitanism, internationalism and humanitarianism and was underpinned by England's system of free trade. The classical Cobdenite argument is that to increase exports, imports of food and raw materials must be kept cheap to reduce the cost of production.

[238] "Gladstonian" liberalism, also known as *laissez-faire* or classical liberalism, is a political doctrine based on free trade, balanced budgets, low taxation, government non-intervention in the economy, self-help, equality of opportunity and freedom of choice.

[239] Ibid., 224. Winston Spencer Churchill, "Mr. Philip Snowden," in Short Biographies, CHAR 8/591 (Churchill Archive, 2006), 225.

[240] Philip Snowden, *The Menace of Protection. Speech Delivered at Free Trade Hall, Manchester, October 20, 1930* (The Labour Party, 1930), 6.

[241] HC Debate 27 April 1931, Vol. 251 c1403 https://parlipapers.proquest.com/parlipapers/result/pqpdocumentview?accountid=9630&groupid=107925&pgId=83d29c87-2643-4d90-ad5a-d0c0517cdf8c&rsId=1700D59E1AC# 1403-1404

market by special interests, increasing the price of food and lowering living standards for the working classes, and provoking retaliation and trade wars by foreign countries. He denounced tariffs because, from his experience, they offered neither certainty nor stability. As the American experience demonstrated, according to Snowden, there was always a demand for raising the tariff wall, which proved that tariffs never protected. He was convinced that the responsibility for uncertainty in trade was on the countries imposing duties and restrictions.

The Chancellor maintained the view that the introduction of tariffs would serve private interests at the public's expense ("…the introduction of a tariff system in this country would strike at the purity of the political life. Parliament would become a sink of corruption."[242]). It would be detrimental to the economy and working people ("I have never said, no Free Trader has ever said, that you cannot benefit an isolated industry by Protection. …[but] by exploitation of every other class of production and general consumer."[243]). What dismayed his political opponents, such as N. Chamberlain, the shadow Chancellor, was Snowden's absolute rejection of any system of protective duties without pragmatic regard to how they might contribute to the reduction of unemployment. As Churchill observed, Snowden's dedication to norm made him defend "[F]ree imports, no matter what the foreigner may do to us, the gold standard, no matter how short we run of gold; austere repayments of debt, no matter how we have to borrow the money, high progressive direct taxation, even if it brings creative energies to a standstill; the 'Free breakfast-table' even if it is entirely supplied outside the British jurisdiction!"[244] He was "the most responsible of the Socialist politicians"[245] whose "dogged, strenuous fight … inside the Cabinet against every single item in the Labour programme," deserved and commanded, according to Churchill, "the admiration of his most bitter opponents."[246] Most notably, his refusal to introduce a tariff for revenue during the financial crisis of the summer of 1931 precipitated the collapse of the Labour Government and determined the course of events that delivered protection in 1932.

Based on empirical evidence, Snowden exercised a high degree of agency against opposing interests and had the most effect on policy. His case offers an opportunity to explore the issues that his "principled beliefs in free trade" and his being "a veto player in the government" raise in terms of contingency and bureaucracy in economic policy making. On the one hand, his uncompromising, principled belief in free trade (detached from the reality of the post-WW1 Britain, Europe and the world), and on the other, his resolute rejection of protection on ideological grounds because he favoured internationalist policy make his approach to trade policy complex, problematic and underscore his significance as an individual actor having a decisive effect on policy. I explore these themes in more detail in Chapter 4: "Staving off the Protectionist Slide: Snowden and the Struggle to Keep Britain Open".

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[242] Snowden, *The Menace of Protection. Speech Delivered at Free Trade Hall, Manchester, October 20, 1930*, 9.
[243] Snowden, 7.
[244] Winston Spencer Churchill, "Mr. Philip Snowden," in Short Biographies, CHAR 8/591 (Churchill Archive, 2006), 225.
[245] Ibid.
[246] Ibid.

Walter Runciman: Attenuating Protection

Walter Runciman seized Tariff Reform and Imperial Preference as an opportunity to stem the protectionist tide at the time when the world economic recession and the sterling crisis temporarily destroyed the conditions that had made free trade valid. Runciman was a devout Liberal Free Trader[247] until the financial crisis of 1931 (which hinged on the adverse balance of trade combined with a large budget deficit and sterling float) made him change his position. His changed approach to trade, however, did not signify a change in his Liberal faith. Encouraged by the internationalist MacDonald, supported by "mild" and pragmatic protectionists Chamberlain and Baldwin, and opposed by the Socialist and orthodox Liberal free trader Snowden, he had a decisive influence on Britain's and international trade policy. Runciman's achievements were "considerable,"[248] and his "contribution to government affairs was far more than first appears to be so."[249] Wrench argues that he was "no less principled a politician because he was prepared to compromise over tariffs."[250] In fact, he "worked hard to ensure that the tariff was less severe than it would have been under a purely Conservative government."[251] Runciman's 10 per cent revenue tariff was the best example of his "good judgement" as "it stamped his authority on the Import Duties Bill and distinguished it from purely 'Conservative' policy."[252]

His policy at the Board of Trade (1931-37) was motivated by two aspects of Cobden's theory: trade liberalisation and peace-through-trade.[253] Cobden linked reciprocity with concessional tariff bargaining, which could use Britain's economic power under the right circumstances "to effect a very great enlargement of the international area of trade."[254] Such an approach to the Anglo-French Treaty of 1860 delivered the universalised mechanism for proliferation of free trade through bilateral treaties, including the Most Favoured Nation clause (MFN). Cobden's contribution to the art of commercial negotiation "was his practical grasp of the fact that the principal object to be kept in view in negotiating with a protectionist State was not to convert the government (some of whose members were as likely as not to be converted) but to supply them with the means of overcoming the resistance of their own industrialists [vested interests]."[255] He believed that the method of commercial treaties offered "the only practicable means of making a breach in foreign tariff barriers… at the cost of a very small sacrifice of duties."[256]

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[247] Except introducing ad hoc trade protection during WWI as the President of the board of Trade in 1915-16 (McKenna Duties)
[248] Wrench, ""Cashing in ": The Parties and the National Government , August 1931-September 1932."
[249] Jonathan Wallace, "The Political Career of Walter Runciman, 1st Viscount Runciman of Doxford (1870-1949)" (University of Newcastle-upon-Tyne, 1995), 368.
[250] Wrench, ""Cashing in ": The Parties and the National Government , August 1931-September 1932," 152.
[251] Wrench, 152.
[252] Wrench, "'Very Peculiar Circumstances': Walter Runciman and the National Government, 1931-3," 81.
[253] Ikenberry, *A World Safe for Democracy: Liberal Internationalism and the Crises of Global Order*, xv. The peace-through-trade theory made Cobden a forerunner of liberal internationalism.
[254] Smith, *The Board of Trade*, 61–62.
[255] Ibid.
[256] Ibid.

This principle underpinned Runciman's trade policy strategy and explains his pragmatic approach to the use of protection in liberalising trade after 1932. Just like Joseph Chamberlain before him, Runciman came to regard tariffs as means for reciprocal bargaining for lowering foreign tariffs on British exports and for retaliation against protectionist foreign rivals and imperial partners. Runciman's ability to negotiate with other governments enhanced his autonomy over policy decisions and helped balancing competing interests and reducing institutional constraints. He insulated the Government from the protectionist interests' pressure through the creation of IDAC, over whose recommendations on tariff increases he would have the final say and allowing the Board of Trade to autonomously reduce the 10 % tariff in reciprocal bilateral negotiations with foreign trading partners.

His conduct of trade policy antagonised both protectionist die-hards and free trade purists in the Government. But his pragmatic and authoritative approach (strengthened by his political reputation and business experience in trade [overseas shipping]) also gained him the support of a socialist prime minister (MacDonald), the Conservative leader (Baldwin), and a Protectionist Chancellor of the Exchequer (N. Chamberlain). Promoting Runciman turned out to be an important choice that made possible lower protection and, thanks to the Runciman–Chamberlain partnership, created the essential "compromise [between the Treasury and the Board of Trade] that enabled the National Government to dominate British politics for the rest of the decade."[257] Under Runciman's leadership, Britain was able to pursue bilateral trade liberalisation ahead of the United States (RTAA 1934), paving the way to creating the post-WW2 international liberal trade order under GATT. Crucially, he managed to lower tariff barriers under the protectionist mandate of the Conservative-dominated National Government at the lowest point in international trade relations.

Runciman's case shows how important his ability to negotiate with domestic political actors and with other governments was in enhancing his policy autonomy/agency. By adapting his conviction in his own beliefs to changing structural imperatives demanding protection, he ensured that as a declining hegemon in the world of protectionists, Britain was seeking openness and not closure in international trade. I analyse how Walter Runciman shaped the trajectory of the policy shift and *attenuated* protection from a position of a pragmatic Liberal whose principal motive was to use protection to bargain for freer international trade in Chapter 5: "Britain's "Exit" from Free Trade in 1932: Walter Runciman against the Tide"

Conclusion

At different levels of analysis, Krasner and I have different analytical priorities, limitations of explanation and interpretation, and trade-offs in terms of empirical veracity and generalisation. Krasner's analysis allows to conceptualise Britain's interwar shift to protection according to the failure of the British system of free trade, which manifested itself as a hegemonic decline in relative economic terms and had important systemic ramifications. His systemic level

[257] Wrench, "Very Peculiar," p. 82. cited in Dutton, "Walter Runciman and the Decline of the Liberal Party," 65.

analysis rightly predicts that "[S]ome catalytic external event seems necessary to move states to dramatic policy initiatives in line with state interests."[258] As J. Chamberlain's attempt at the free trade policy reversal in reaction to the Boer War (1899-902) showcases, the juncture of the system-wide economic crisis was needed to finally move decisions on policy. It allows to make generalisations and predictions about the patterns in systemic change.

My individual-centric, local policy analysis builds on Krasner's and offers empirical foundations to his theoretical claims. By emphasising local-level policy decisions, and agency (pivotal individuals), it allows us to reconceptualise Britain's shift to protection as a tentative move to reverse closure and re-open international trade. Placing individual-level explanations at the heart of a systemic-level analysis allows to add important correctives to theoretical assumptions about behaviour of the hegemons. Study of various individuals highlights the important role contingency plays and the complexity of factors involved that enable or constrain actors' ability to shape policy change (Snowden stemmed the protectionist slide, Runciman reduced its scope). The analytical framework which emerges from my empirical analysis provides the basis for making generalisations about the role of agency and assessing its relative importance versus other, structural factors. It allows to explain the trajectory of change through individual agency as a factor influencing policy outcomes. Counterfactual analysis helps us to address the challenge of equifinality: had J. Chamberlain not have a stroke in 1907, he could have brought change or made significant advancements towards policy change sooner. This makes Chamberlain as an individual crucial to policy change, specifically in making a political break with the dominance of free trade orthodoxy, and thus initiating the shift; had Snowden been removed, the Labour Government and the Gold Standard would not fall; had a protectionist instead of Runciman become a President of the Board of Trade, the scope of Britain's protection could be much bigger and result in more international "closure".

The trade policy strategies discussed in this chapter help us understand and conceptualise Britain's inter-war policy transition as a move towards international and imperial trade liberalisation for domestic welfare creation and reversal of systemic closure. The thesis aims to show how these critical individuals - Joseph Chamberlain, Philip Snowden, Walter Runciman - were able to spearhead Britain's lead towards openness at the lowest point during the "closure" paving the way for its challengers and showing its rivals what the responsible hegemons do when threatened and in decline. In the empirical chapters (Chapters 3, 4 and 5), I analyse which trade policy strategies these critical individuals adopted and how much agency (degree, scope, importance relative to other factors) they were able to apply and thus shape the trajectory of Britain's interwar transition from free trade to trade liberalisation via tariff lowering through "their practical manifestations in government policy."[259]

[258] Krasner, 341; Eichengreen, *Sterling and the Tariff, 1929-32*; Barry Eichengreen, "The Eternal Fiscal Question: Free Trade and Protection in Britain, 1860-1929," in *Protectionism in the World Economy*, ed. Forrest Capie, 1992, 162–90.
[259] Coleman, "Mercantilism Revisited," *The Historical Journal*, 1980, 790,

Chapter 3

Joseph Chamberlain, Historical Economists and the First Attempt to Reverse Free Trade

"The cause of Tariff Reform may be considered almost won when it is clearly understood that both Free Trade and Protection are not principles but expedients, to be used or discarded as the interests of the country demand."[260]
---R. C. Seaton (1912)

"The struggle to create an effective British Empire is, at bottom, an attempt to counteract, by human foresight, the working forces, which, left to themselves, involve the decadence of this country."[261]
---W. J Ashley (1904)

"I am a Free Trader. I want to have free exchange with all the nations of the world, but if they will not exchange with me, then I am not a Free Trader at any price…when I find the effect of this policy on the part of other countries, I look about for a means of meeting it."[262]
---J. Chamberlain (1903)

The first attempt to reverse the free trade policy was made by Joseph Chamberlain in 1903-1906. The South African War (1899-1902) was a turning point for the recasting of Britain's self-perception as a global imperial power in relative decline, which was failing both to use its huge domestic market as a weapon for bargaining down competitors' tariffs and to tap into the vast economic potential of its empire.[263] In response, most leading theorists and policymakers expected the empire in charge to change, but not for imperialism itself to collapse. Chamberlain's Tariff Reform and Imperial Preference policy was shaped by the new mercantilism of "nation-building" of Gustav von Schmoller and its reformulation into "empire-preserving" by the English historical economists W.A.S. Hewins, William Ashley and others. The Tariff Reform generated the first major debate since the repeal of the Corn Laws and the first electoral contest on an economic issue in the new age of mass democracy. We know that the case was ultimately won when Britain departed from free trade in 1932, legislating the Import Duties Act and the Imperial Preference under the Ottawa Agreements. This chapter seeks to help us understand the efforts of those who were still thinking in terms of empire and economic nationalism and re-evaluate their policy failure at the time. It addresses the gap in

[260] R. C. Seaton, *Power v. Plenty: Some Thoughts on the Tariff Question* (London, P.S. King & Son, 1912), 160.
[261] Ashley, *The Tariff Problem*, 262–63.
[262] Chamberlain, "Retaliation," 168.
[263] Trentmann, *Free Trade Nation: Commerce, Consumption , and Civil Society in Modern Britain*, 12.

the IPE explanations of this iconic case by focusing on the individual policymakers and the trade policy rationales that shaped their response to Britain's relative decline.

After the repeal of the Corn Laws in 1846, Britain launched itself upon the career of unilateral free trade. Few could imagine that by the 1870s its ascent would be challenged by the rise of Germany and the United States, whose system was built on trade protectionism. Britain's hegemonic decline in relative economic terms was obscured by the continued absolute growth:[264] Britain's gross national product (GNP) grew in absolute terms between 1870 and 1900 (from £1.4 to £2.1 billion) and London retained its status as the world's financial centre. Invisible earnings from shipping, which were still growing and accounted for one-third of the world tonnage, and overseas investment, which contributed one-fifth of Britain's total earnings from abroad, compensated for the growing deficit in the current account.[265] Britain's share of international commerce fell from 25 per cent in 1880 to 21 per cent in 1900 (-4 %), while its protectionist rivals Germany and the United States both increased their share from 9 to 12 per cent (+3 %) and 10 to 11 per cent (+1 %), respectively.[266] To policymakers like Joseph Chamberlain, these economic trends warranted rethinking trade policy to forestall and reverse the decline in Britain's world pre-eminence.

As Britain was being displaced "in one critical area of production after another" (e.g. steel, coal),[267] its share of world manufacturing production dropped by more than half, from 31.8 to 14 per cent (-16.8%) between 1870 and 1913. [268] The shares of its rivals increased comparatively: the US from 23.3 to 35.8 per cent (+12.5%), Germany from 13.2 to 15.7 per cent (+2.5%), and Russia from 3.7 to 5.5 per cent (+1.8 %). Britain's share of world trade in manufactures dropped from 34 to 31 per cent (- 4 %) between 1899 and 1913, while Germany's and the United States' increased from 23 to 27.5 per cent (+4.5 %) and 11.5 to 13 per cent (+1.5 %), respectively.[269] It is ironic that, while remaining Britain's best customers outside the Empire, the leading industrial nations forced Britain into third place before the first World War.

By the end of the 19th century, it was clear that Cobden's ideals of free trade and international peace were not widely adopted outside Britain, and that economic nationalism and new imperialism were gaining momentum.[270] In Britain, Joseph Chamberlain (1836-1914) galvanised these trends around the Tariff Reform and Imperial Preference Movement. This first

[264] For example, Britain's output of steel production grew significantly but not nearly as much as it grew in its principal rival countries, according to Friedberg (1988, 25).
[265] Vivian C. Anthony, *Britain's Overseas Trade. The Recent History of British Trade, 1868-1968* (Heinemann Educational Books Ltd London, 1969), 14–15.
[266] Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895 - 1905*, 24–25.
[267] Friedberg, 25–26.
[268] Friedberg, 24–25.
[269] Friedberg, 24–25.
[270] According to Zebel, "[T]he heightened nationalism following the wars for Italian and German unification, the growing burden of armaments, the serious economic and social tensions resulting from the 'Great Depression,' the fast-developing industrial rivalry of Germany and the United States, and the diplomatic isolation of the island Empire vis-a-vis the new continental alliances all combined to convince thoughtful Britons that the Pax Britannica had finally ended." Sydney H. Zebel, "Joseph Chamberlain and the Genesis of Tariff Reform," *Journal of British Studies* 7, no. 1 (1967): 134.

attempt in sixty years to overturn the free trade policy had been preceded by a gradual pushback against free trade liberalism in the form of "fair trade" since the 1870s. The movement capitalised on the social reforms already under way at home, with a promise of increasing welfare for the working classes through fair wages and full employment in step with growing global economy. Furthermore, the Boer War (1899-1902) energised and synergised colonial and British efforts to unify the Empire commercially. Chamberlain's movement for Tariff Reform and Imperial Preference enjoyed support from leading intellectuals, businessmen, the majority of the ruling Tory Unionist party, leading colonial politicians, fiscal reform organisations such as the influential Tariff Reform League, and it had sympathy of liberal and socialist opponents.[271] It was led by arguably the most powerful statesman in Britain at the time, who had clear goals, knowledge, experience and substantial means to effect policy change. Why, then, did the 1902-1906 attempt to reverse free trade fail?

Chamberlain could not have launched his campaign at a less fortuitous moment, however, as the British economy, based on free trade, was growing in absolute terms, with exports climbing steadily and relative growth rate accelerating.[272] Why start the fiscal controversy and reform crusade then? After all, Chamberlain had already shaped his policy proposals by 1896 when he was a highly influential Colonial Secretary. His efforts were further encouraged by the Colonies when Canada granted preferences to British imports in 1897. On the one hand, the need to wage the Boer War (1899-1902) brought Chamberlain's plans to a temporary halt, and on the other, it became the catalyst, providing the first practical opportunity to reciprocate colonial preferences. The opportunity came with the introduction of revenue duty on corn to help finance the Boer War, on which Canada asked remission in return for granting further preference to Britain.

Despite having majority support in the Cabinet, including the Prime Minister Arthur J. Balfour, Chamberlain's attempt to finally introduce Imperial Preference into Britain's fiscal policy was thwarted by the then-Chancellor of the Exchequer and a devout free trader, Charles Ritchie, who repealed the corn duty in the 1903 Budget. Chamberlain responded to his defeat in the Cabinet by publicly launching a demand for a fiscal inquiry and announcing his Imperial Preference policy proposals in Birmingham in May 1903. He resigned from the Government four months later to lead the countrywide political campaign for tariff reform. The eventual failure to overcome differences over policy with Balfour and convince him to formally adopt general tariffs and the Imperial Preference as a party platform was one of the contributing factors in the election loss. The issue of tariff reform split the Conservative coalition,[273] but Chamberlain won wide Conservative support by arguing his case "more cogently" from 1903.[274]

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[271] Palen, "Adam Smith As Advocate Of Empire, c. 1870-1932*," 194.
[272] Palen, 194; Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 78–79. As Palen indicates, "the British economy underwent a rapid recovery in the middle of the first decade of the twentieth century, severely impeding Chamberlain's protectionist movement."
[273] Lobell, "Second Image Reversed Politics: Britain's Choice of Freer Trade or Imperial Preferences, 1903-1906, 1917-1923, 1930-1932," *International Studies Quaterly*, 1999, 678.
[274] Kenneth Fielden, "The Rise and Fall of Free Trade," in *Protectionism in the World Economy*, ed. Forrest Capie (Aldershot: E. Elgar Pub. Co, 1992), 548. I argue that Chamberlain did not split Tory Unionist coalition

According to Marsh, "[I]n contrast to the Manchester school, with its devotion to minimal government and free trade, he praised what he proclaimed as 'the Birmingham school' for its readiness to use the powers of the state to promote the welfare of the country and to strengthen the empire."[275] Chamberlain's Tariff reform "served both these ends" by aiming to secure "constant employment at fair wages" for the masses of the industrial population through the development of intra-imperial trade.[276] The campaign provoked a highly polemic political debate which exposed the vulnerabilities of the commercial policy based on unilateral free trade for a mature industrial economy in the age and the world of economic nationalism and trade protectionism. However, Chamberlain's promise to working classes of increasing employment and improving welfare, while keeping the cost of living from rising despite taxing food imports, failed against the deeply ingrained belief that free trade made 'loaf' cheap.[277] Chamberlain failed to reverse free trade in 1906 because he did not get Balfour's and Tory Unionist party's full support, nor the majority of the working class votes necessary to win the election. According to Fielden, the Liberal victory in 1906 "settled the issue for the time being…Free Trade was safe until the First World War."[278] With Chamberlain removed from active politics by a debilitating illness shortly after the election, the Tariff Reform and Imperial Preference movement had gradually lost its momentum.

Recognition of Chamberlain's agency as a key variable in the failed attempt to reverse free trade raises two key questions. First, why was Chamberlain so compelled to champion the Colonies' case for preference (specifically Canada) at such personal political cost?[279] By his own admission, it was due to changing global and local economic conditions, his own political experience, and engagement with the imperial matters which made him realise that Britain's existing system of unilateral free [import] trade was outdated and could not serve the purpose of effectively consolidating the British Empire.[280] His preoccupation with the issue of

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as is assumed. Because it involved free traders opposed to protectionists, and undecided moderates like Balfour, it had been divided from the start. What Chamberlain was attempting was to unite the party behind one issue which the preoccupied minds of all politicians, including Liberals and Socialists. The 1906 general election results and Balfour's capitulation showed to what extent he actually succeeded.

[275] Marsh, Peter T. "Chamberlain, Joseph [Joe] (1836–1914), industrialist and politician." *Oxford Dictionary of National Biography.* 23 Sep. 2004; Accessed 14 Apr 2021, https://www-oxforddnb-com.gate3.library.lse.ac.uk/view/10.1093/ref:odnb/9780198614128.001.0001/odnb-9780198614128-e-32350.

[276] *Birmingham Daily Post*, 10 July 1906 in Marsh, Peter T. "Chamberlain, Joseph [Joe] (1836–1914), industrialist and politician." *Oxford Dictionary of National Biography.* 23 Sep. 2004; Accessed 14 Apr. 2021. https://www-oxforddnb-com.gate3.library.lse.ac.uk/view/10.1093/ref:odnb/9780198614128.001.0001/odnb-9780198614128-e-32350.

[277] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 199.

[278] Fielden, "The Rise and Fall of Free Trade," 548.

[279] As Zebel puts it, "Why did a veteran, realistic politician like Joseph Chamberlain challenge Britain's long-sacrosanct free trade policy?" Zebel, "Joseph Chamberlain and the Genesis of Tariff Reform," 131.

[280] According to Lobell, "[I]mperial preferences were based on the assumption of the complementary exchange of finished and raw material between Britain and the empire. Within the empire there would be free trade (Imperial Free Trade Area), but each of its members could impose whatever duties seemed suitable on the products of foreign powers. This meant preferential treatment for food imports from the British colonies, while Britain would use the empire as "relief from international trading competition (Capie, 1983)." in Steven E Lobell, "Second Image Reversed Politics: Britain's Choice of Freer Trade or Imperial Preferences, 1903-1906, 1917-1923, 1930-1932," International Studies Quarterly 43, no. 4 (1999): 677–78, https://doi.org/10.1111/0020-8833.00141.

employment and social welfare made him acutely understand the problem of the declining industrial exports[281] and attempt to organise the commercial relations within the Empire as to match the economic organisation of the rising rivals.[282] Second, was his belief that the Tariff Reform and Imperial Preference would provide additional welfare for the working classes through secured employment well-founded? The "historical" economists certainly thought so and their ideas had direct influence on Chamberlain's policy proposals and the tariff reform campaign strategy. Under the influence of Gustav von Schmoller, they had developed distinct theories and arguments about industrial protectionism and "constructive imperialism" (W. A. S. Hewins),[283] the exercise of power in foreign affairs (Harold Mackinder),[284] "national" economics (William Cunningham),[285] imperial unity and "democratic imperialism" (William Ashley)[286] that conceptualised "British [new] imperial mercantilism"[287] as a unified doctrine,[288] which assumed active imperial-state management of the economy.

At a time when the Liberal approach to free trade was to maintain the status quo based on the principles of classic economics and belief in the free market's ability to self-regulate and produce optimal outcomes, Chamberlain challenged the free trade dogma and called for state intervention to make trade fairer to British workers. His was an early practical analysis and policy response – in the form of tariffs for reciprocity and retaliation – to the problem of systemic unemployment at home and Britain's waning export markets abroad. Chamberlain made a first, crucial step in reorienting Britain's commercial policy towards the economic and political consolidation of the Empire through mutual preferential trade while he rightly

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[281] Gamble, "Theories and Explanations of British Decline," in *Rethinking British Decline*, ed. Richard English and Michael Kenny, 2000, 1–22. Britain's obsession with decline is entwined with empire and industrial demise. Crucially, speaking of "decline" as hegemonic stability theory does is inaccurate for the turn of the century. Chamberlain speaks of the need to build the Empire first, which does not exist as a formal entity for purposes of defence and commerce, i.e. consolidate its loose parts via commerce, which would enrich colonies, at the cost of rivals, providing means for shared defence costs in the future in order to prevent its disintegration. See Gowa 1995, Grieco 1990.

[282] According to Rogowski and Frieden, "[T]his 'supranational' character of the state units in international system (empires, federations, commercial blocs) brought about rediscovery and rebranding of mercantilism, that ideationally cross-pollinated liberal and non-liberal states, and their political and intellectual elites." Ronald Rogowski and Jeffry A. Frieden, "Modern Capitalism: Enthusiasts, Opponents, and Reformers," in *The Cambridge History of Capitalism Volume 2: The Spread of Capitalism: From 1848 to the Present*, ed. Larry Neal and Jeffrey Williamson (Cambridge: Cambridge University Press, 2014), 398,

[283] W. A. S. Hewins, "Review The Growth of English Industry and Commerce in Modern Times by Cunningham," *The Economic Journal* 2, no. 8 (1892): 694–700.

[284] Mackinder, *Money-Power and Man-Power: The Underlying Principles Rather than the Statistics of Tariff Reform*, 5; Halford J. Mackinder, *Britain and the British Seas* (London: Heinemann, 1902).

[285] William Cunningham, *Richard Cobden and Adam Smith* (London, 1904), 3, 17. Cunningham suggested that any person who "is influenced by the political ideas of Sir John Seeley and is true to the economic teaching of Adam Smith, should not hesitate" in supporting an economic reorganisation of the British empire (1904, 3, 17); William Cunningham, *The Growth of English Industry and Commerce in Modern Times* (Cambridge, 1892); William Cunningham, "English Imperialism," *The Atlantic Monthly* LXXXIV, no. No. DI. (1899): 1–7; William Cunningham, *The Case Against Free Trade* (London: J. Murray, 1911).

[286] Ashley, *The Tariff Problem*; Ashley, "The Argument for Preference"; Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 199.

[287] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 240.

[288] I conceptualise "British [new] imperial mercantilism" as a set of ontological assumptions about how international political economic relations between empire-states work and as a set of political objectives behind the pursuit of relative power regardless of the policies driving its achievement historically (free trade or protection).

calculated that it would take decades to accomplish this politically. This analysis alters our understanding of Chamberlain as a hardcore protectionist, but rather shows that there had been elements of pragmatic liberalism in his approach to trade. It shows not only that Chamberlain created a policy platform largely adopted by Liberals like Runciman in 1932, but also why it is worth recapitulating his statements today as we grapple with our own backlash to globalisation based on free trade and its negative effects on domestic production and welfare. Because he was unsuccessful in his attempt to change policy before 1930, Chamberlain's case offers an assessment of relative importance of agency and structural factors (interests, institutions) as well as of the importance of the ideas/ideology in bringing about policy change.

This chapter will proceed as follows: I first discuss the intellectual contribution of the German and English historical economists to the formulation of the new protectionist imperial policy. I then analyse Chamberlain's transition from a supporter to an opponent of free trade and his failed attempt to introduce protectionism while in government. I then trace the formulation of Chamberlain's proposals for fiscal reform, including Imperial Preference, alternative proposals put forward within the Tory Unionist party by Arthur Balfour, and the critical response of liberal policymakers exemplified by Herbert Asquith. I then explain why Chamberlain's bid for policy change in the 1906 election could be considered a turning point despite Liberals winning on the platform of preserving free trade.

Historical Economists and the Rebuttal of Free Trade

By the end of the 19th century, mercantilism was reinterpreted as a political and developmental strategy by the German Historical School economists, most notably Gustav von Schmoller, who enhanced two key beliefs from the early modern mercantilist thought: "that an advantage to one state is always a disadvantage to another" and that "a strong state is the guardian against particular interests."[289] According to Wilson, "[T]he German historical economists had deflected [mercantilism] in the direction of power and approved it as strongly as their [classical economists] opponents had denounced it."[290] Both Schmoller and his contemporary Friedrich List "pointed out the correlation between nation-state's position in the international distribution of power and its economic policy preferences….only *after* the UK achieved economic primacy did official British policy switch to *laissez-faire."*[291] Schmoller denounced England for reaching the summit of commercial supremacy by violent and selfish means (1750-1800), "announc[ing] to the world the doctrine that only the egoism of individual is justified, and

[289] Gustav Schmoller, *The Mercantile System and Its Historical Significance. Illustrated Chiefly from Prussian History, Being a Chapter from the Studien Ueber Die Wirthschaftliche Politik Friedrichs Des Grossen 1884* (New York Macmillan and Co. and London, 1896).
[290] Charles Wilson, "'Mercantilism': Some Vicissitudes of an Idea," *The Economic History Review* 10, no. 2 (1957): 186.
[291] Daniel W. Drezner, "Mercantilist and Realist Perspectives on the Global Political Economy," *The International Studies Encyclopedia*, 2010, 5039. Drezner argues that "[T]his observation is thoroughly consistent with realist takes on how a state's position in the international system structures their preferences in the global political economy." See also Grieco 1990, Krasner 1976.

never that of state and nations, the doctrine that dreamt of a stateless competition of all the individuals of every land, and of harmony of the economic interests of all nations[?]"[292]

According to Rogowski and Frieden,

> [T]he trend towards return to mercantilism was represented by policy makers and intellectuals united in a 'guided' construction of a powerful state that could increase its relative gains via industrialization (reinvested in militarization), while at the same time was able to contain the social disruption industrial progress seemed inevitably to unleash.[293]

By linking mercantilism with the process of state-building,[294] Schmoller made creating and maintaining the state with a strong national character ("a united sentiment") the central function of economic policy:

> What was at stake was the creation of real political economies as unified organisms, the centre of which should be, not merely a state policy reaching out in all directions, but rather *the living heartbeat of a united sentiment*. Only he who thus conceives of mercantilism will understand it; in its innermost kernel it is nothing but state making and national-economy making at the same time state making in the modern sense, which creates out of the political community and economic community, and *so gives it a heightened meaning*. The essence of the system lies not in some doctrine of money, or of the balance of trade; not in tariff barriers, protective duties, or navigation laws; but in something far greater: - namely, in the total transformation of society and its organisation, as well as of the state and its institutions, in replacing of a local and territorial policy by that of *the national* state [my italics].[295]

Schmoller's ideas influenced the English historical economists, such as W. Cunningham, W. J. Ashley, W. A. S. Hewins, and H. J. Mackinder, by shifting emphasis from economic principles to the actual process of economic organisation.[296] They reinterpreted the principles primarily as a system of power and intra-imperial development[297] and asserted through their writings that "Britain first climbed the ladder of economic success with the help of mercantilist policies."[298] Bernard Semmel aptly named it "the [new] British imperial mercantilism."[299] As

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[292] Schmoller, *The Mercantile System and Its Historical Significance. Illustrated Chiefly from Prussian History, Being a Chapter from the Studien Ueber Die Wirthschaftliche Politik Friedrichs Des Grossen 1884*, 80.
[293] Rogowski and Frieden, "Modern Capitalism: Enthusiasts, Opponents, and Reformers," 397–98.
[294] Keith Tribe, "Mercantilism and the Economics of State Formation," in *Mercantilist Economics*, ed. Lars Magnusson (Kluwer Academic Publishers: Boston/Dordrecht/London, 1993), 175, 176.
[295] Schmoller, *The Mercantile System and Its Historical Significance. Illustrated Chiefly from Prussian History, Being a Chapter from the Studien Ueber Die Wirthschaftliche Politik Friedrichs Des Grossen 1884*, 50–51.
[296] Tribe, "Mercantilism and the Economics of State Formation," 176.
[297] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 141, 185, 194. The English School cannot, however, be set down as a mere offshoot of the German; it was of native growth and worked independently, turning its attention to a rather different type of problem (imperial protectionism, industrial decline).
[298] Koot 1993b, 190.
[299] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 240. "Imperial protectionism" is too narrow a term – it only a constitutes part of the wider programme, which included the doctrine of "constructive imperialism" and the policy of Imperial Preference. Bernard Semmel called it "the [new] British imperial mercantilism." [I am adding "new" because it emerged alongside the neo-mercantilism of

Ashley summarises: "We all know that Free Trade did but confirm and maintain for a time a supremacy which had come into existence under a different regime, if one realises that free trade has not made us, one is no longer afraid of the departure."[300]

William J. Ashley (1860-1927) was an English disciple of Schmoller who had made his mentor's views known in the US and Britain (they corresponded regularly). "By upbringing and sympathies, I am a Liberal," stated Ashley, "As an economist my main interest has always been in the condition of the working classes."[301] He was widely regarded as "the leading academic defender" of the Tariff Reform and Imperial Preference, and as being "close" to Chamberlain.[302] Ashley joined Joseph Chamberlain's tariff reform campaign in 1903, writing the book *The Tariff Problem,* in which he produced a comprehensive critique of the *laissez faire* policy developed by Adam Smith and Richard Cobden, compared its national economic effects in Britain with protectionist Germany, and formulated the economics of new protectionism. Ashley argued that the economic development of the world took a different direction from the Manchester School based on ""the policy of unrestricted import"[303] and made a case for diversified rather than specialised industry.[304] He was critical of the application of the principle of the freedom of exchange to labour: "the champions of free trade [Cobden, Bright] opposed the legislation limiting hours of labour, arguing this was "interference with the freedom of labour."[305] Using the example of factory legislation that was "built up piece by piece [by state] with little assistance from abstract theory [and market]," he argued that "the principle of unrestricted pursuit of individual self-interest…deservedly lost…its appeal to the ordinary intelligent person."[306]

Regarded as "the finest statement of the Tariff Reform case,"[307] Ashley's book appeared at a strategic point in time[308] for Chamberlain's campaign. It became even more important for its success when, on 15 August 1903, fourteen of the leading economists in England, including Alfred Marshall, published a letter in *The Times* in which they elaborated a scathing attack on the historical economists' arguments (for example, W.A.S. Hewins) and Chamberlain's policy

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the end of the 19th century defined as "a revived theory of mercantilism emphasizing trade restrictions and commercial policies as means of increasing domestic income and employment." See Merriam-Webster: https://www.merriam-webster.com/dictionary/neo-mercantilism.

[300] Ashley 1904, 3–4.

[301] Ashley, *The Tariff Problem*, v–vi.

[302] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 199, 201; Gerard M. Koot, "W. J. Ashley: The English Socialist of the Chair and the Evolution of Capitalism," in *English Historical Economics, 1870–1926 : The Rise of Economic History and Neomercantilism*, 1988, 102–21; Gregory C G Moore, "One Hundred Years From Today The Trials of an Oxford-Educated Parvenu," 1992.

[303] Ashley, *The Tariff Problem*, 13.

[304] Ashley, 79.

[305] Ashley, *The Tariff Problem*.

[306] Ashley, 14.

[307] Marrison, *British Business and Protection, 1903-1932*, 31.

[308] Moore, "One Hundred Years From Today The Trials of an Oxford-Educated Parvenu," 59.

while defending the policy of free trade underpinned by the classical economic theory.[309] The letter (known as "manifesto") ended with a damning verdict:[310]

> [I]n general, those who lightly undertake to reorganise the supply of food and otherwise divert the course of industry do not adequately realise what a burden of proof rests on the politician who, leaving the plain rule of taxation for the sake of revenue only, seeks to attain ulterior objects by manipulating tariffs.[311]

Ashley saw "no theoretical objection to tariffs for negotiation purposes; circumstances may occasionally arise in which they can be adroitly and effectively used."[312] He explained that Schmoller's "attitude towards the tariff question is precisely that of valuing them for purposes of negotiation."[313] Further, he argued that "[i]t is quite possible for an economist [Schmoller] to recognise to the full all the advantages of freedom of trade …in so far as it secures benefits of the division of labour – and yet to recommend protective measures in cases where these prospective advantages are counterbalanced by other considerations."[314] He argued, "[I]f England had not so completely divested itself of its weapons in 1860, it could in subsequent years have obtained larger concessions from other nations" securing the diffusion of obtained advantages by most favoured nation (MFN) practice. Ashley was convinced that "[T]he whole world, with relatively moderate tariffs, might now have been enjoying greater freedom of trade than it does with one country completely free and the others barred by high tariff walls."[315]

Throughout his diverse writings and activities in support of Imperial Preference, Ashley assiduously advocated "an imperial approach to tariff protection" focusing on the dominions and argued for a "Democratic Imperialism."[316] He argued that Imperial Preference would create greater intra-imperial free trade than there was at the moment when "Great Britain is absolutely open and the colonies are highly protected."[317] According to Ashley, "the struggle to create an effective British Empire is, at bottom, an attempt to counteract, by human foresight, the working forces, which, left to themselves, involve the decadence of this country."[318] He always recognised that the strongest argument against preferential policies was that they might open the door to forms of protection that were "unnecessary and undesirable. Only a grave sense of the needs of the nation and empire could induce any of us to be ready to face the risk."[319] According to him, "no man can be absolutely sure that a preferential system will secure

[309] A. W. Coats, "The Historist Reaction in English Political Economy 1870-90," *Economica* 21, no. 82 (1954): 143–53; Coats, "Political Economy and the Tariff Reform Campaign of 1903."
[310] Coats, "The Historist Reaction in English Political Economy 1870-90"; Coats, "Political Economy and the Tariff Reform Campaign of 1903."
[311] C. F. Bastable et al., "Professors Of Economics And The Tariff Question.," *The Times*, 1903.
[312] Ashley, "The Argument for Preference," 9.
[313] Ashley, *The Tariff Problem*, 30.
[314] Ibid., 18–19.
[315] Ashley, 29.
[316] Koot, "W. J. Ashley: The English Socialist of the Chair and the Evolution of Capitalism," 119–20.
[317] Ashley, "The Argument for Preference," 8.
[318] Ashley, *The Tariff Problem*, 262–63.
[319] W. J. Ashley, "The Present Position of Political Economy," *The Economic Journal* 17, no. 68 (1907): 489.

the unity of the Empire; but it presents itself as the only direction in which there is a fighting chance."[320]

For William A. S. Hewins (1865-1931), by making "abstraction of political boundaries and national conditions" the free-traders "pinned their faith to a principle of by no means universal validity."[321] He saw Chamberlain's "new departure" as a "result of a long course of development[322]… shown to be, not the reactionary step, but the natural development of the free-trade movement."[323] Indeed, Hewins argued that the cry of "'Free Trade v. Protection'…is irrelevant to the issues which Mr. Chamberlain has raised. The consolidation of Empire is a new problem."[324] The changing conditions of British commercial supremacy made "the commercial union of the Empire desirable…and a change of fiscal policy, with that end in view, necessary."[325]

Hewins's first contact with Chamberlain was by correspondence in 1900. In preparation for the revision of German commercial treaties, Schmoller invited Hewins to contribute "an article on probable influence of Imperialism on the commercial policy of the UK."[326] Chamberlain, then the Colonial Secretary, informed him at the time that he did not expect any "imminent" nor "considerable change" in the UK's commercial policy. Chamberlain made clear that proposals from colonies should be treated on merits and not "repudiated on technical or pedantic grounds."[327] Canada's request for reciprocal preference implied introduction of duty on foreign goods and that "was not likely to have any support" in the UK, Chamberlain told Hewins, as "it was asking too much and giving too little."[328] When they first met in June 1903, Chamberlain confided in Hewins: "I do not pretend to be an economic expert. I once read Mill and tried to read Marshall. You must supply the economic arguments."[329] Hewins accepted[330] and, from June till August 1903, laid out "The Fiscal Policy of The Empire" through 13 articles in *Times* under the pseudonym An Economist, stating that he drew extensively from "German authorities, who can scarcely question the general soundness of Mr. Chamberlain's economic views."[331]

Hewins regarded the consolidation of the Empire as "a constructive problem," the complete solution of which required time and could not be "supplied" in 1903. He developed a doctrine of "constructive imperialism" which adopted the whole Empire as the basis of public policy, and "the substitution in our economic policy of imperial interests for the interests of the consumer" not measured by immediate or ultimate economic gain, but "by the greater political

[320] Ashley, *The Tariff Problem*, 262–63.
[321] *The Times*, 4 July 1903, 14
[322] W. A. S. Hewins, "The Fiscal Policy Of The Empire," *The Times*, 15 June 1903.
[323] Ibid.
[324] Ibid.
[325] Ibid., 14.
[326] Hewins, *The Apologia of an Imperialist: Forty Years of Empire Policy. Volume I*, 48.
[327] Ibid., 49.
[328] Ibid., 48–49.
[329] Hewins, 68.
[330] Ibid., 69.
[331] Hewins, "The Fiscal Policy Of The Empire," 14.

or social stability, or the greater defensive power of the Empire."[332] According to Hewins, the Tariff Reform movement "came into being not as a political party expedient, but as the expression of necessary change in the economic relations of the empire."[333] It was "not a reversion to protection, but a revolt against individualist conception of society… an effort to express in practical form new social conceptions in their application …to the British Empire [of which we are members]."[334] As for its mission of regaining control over fiscal policy, like Ashley, Hewins believed that

> If the UK, instead of making a clean sweep of the old commercial system, had retained a number of import duties at a very moderate rate…we might have kept that bargaining power and power of retaliation which many of our free traders admit it is desirable to have …suppose that we could have been so short-sighted and anti-Imperial…as to refuse preference to them, and that the Empire had held together. Every free-trader in England would …have hailed the present movement as a vindication of the truth of the principles he professed, and statues of Mr. Chamberlain would have been placed side by side with those of Cobden and Bright.[335]

William Cunningham (1849-1919) was one of the founders of the Cambridge University Tariff Reform Association who met Chamberlain through the Compatriots Club and lent his expert advice to the Unionist leadership on many occasions.[336] According to Koot he "did most to emphasise role of the state in the evolution of Britain's great power status"[337] and popularised the view that the free trade was just an "interlude in the mercantilist history of Britain."[338] He was a nationalist like his German counterparts, according to Semmel,[339] who considered 'antipatriotism' of the Cobdenites as self-centred, selfish, anarchical.[340] Cunningham argued that Britain could not hope to survive without maintaining her imperial position, but insisted that British imperialism was different from all others. England did not seek exclusive economic control over her colonies; the reason for her imperialist activities was "not to pursue a nationalist policy of our own, but to keep neutral markets open to cosmopolitan trade and to give our own industry a fair chance."[341] He advocated ending British trade *laissez-faire* and erecting a tariff system which would secure England's food supply, benefit commerce, stimulate trade, widen the tax base[342] and replace the standard of Free Trade capitalism with the mercantilist standard of national employment.[343] Under the influence of Carey and List, Cunningham put forward specific proposals "that would enable Britain to maintain its

[332] Hewins, *The Apologia of an Imperialist: Forty Years of Empire Policy. Volume I*, 56.
[333] Ibid, 5.
[334] Ibid, 3.
[335] Hewins, "The Fiscal Policy Of The Empire," 28 August 1903.
[336] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 185, 192.
[337] Gerard M. Koot, "Historical Economics and the Revival of Mercantilist Thought in Britain, 1870-1920*," in *Mercantilist Economics* (Kluwer Academic Publishers: Boston/Dordrecht/London, 1993), 196.
[338] Koot, 197.
[339] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 183.
[340] William Cunningham, *Christianity and Economic Science* (London: John Murray, 1914), 56–57 in Semmel 1968, 188.
[341] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*; Cunningham, "English Imperialism."
[342] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 184.
[343] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*.

industrial base by allowing it to adopt retaliatory tariffs and to promote Imperial federation and imperial preference."[344] He regarded the adoption of a tariff by Britain as a step toward the achievement of international free trade.[345]

As Koot put it, Cunningham turned Cobden's argument upside down by arguing that imperialism was a true system of internationalism, under which the great empires would secure peace and order in the world.[346] This tradition [great national tradition of civic probity and integrity] and the British 'sense of imperial duty' transformed the nature of British imperialism, making it considerably more than the mere struggle for power and profit.[347] According to Semmel, Cunningham believed that the Tariff Reformers had these higher goals in view, whereas the Cobdenite political economists were only concerned with the profits of the moment.[348] He denounced the international division of labour on a Cobdenite basis as "illusory."[349] As Koot argues, Cunningham opposed England's reliance on "earnings from foreign investments and commercial services to balance its international payments" because it "failed to preserve its productive capacity and the employment of its workers."[350] Before the political economists had adopted the practice of surveying trade balances to measure the prosperity of the country, the older economists, had set up what Cunningham considered a wiser standard: for them "a vigorous population" was the most important condition for the material progress of the nation.[351] It was Cunningham who explicitly adopted the sufficiency or insufficiency of productive employment for the population, so central to Chamberlain's policy, as a principal criterion of a sound national life.[352]

Halford Mackinder (1861-1947), too, rested his argument on a mercantilist basis, but the emphasis in his writings was placed much more heavily on the need to augment British power in the new world of the twentieth century. According to Semmel, his contributions to the tariff campaign were "forcefully presented."[353] In "The Geographical Pivot of History," which would become the foundational treatise of German geopolitics, Mackinder analysed the threat that a great land-based power with strong army and industry posed for a sea-power on the periphery of the pivot, whose principal interest was peaceful trade.[354] He argued that "in order to defend herself successfully against Germany, Great Britain had to be transformed"[355] by

[344] Koot, "Historical Economics and the Revival of Mercantilist Thought in Britain, 1870-1920*," 203; William Cunningham, *Wisdom of the Wise: Three Lectures on Free Trade Imperialism* (Cambridge: Cambridge University Press, 1906); William Cunningham, "The Perversion of Economic History," *The Economic Journal* 2, no. 7 (1892): 491–506.
[345] William Cunningham, "The Failure of Free Traders to Attain Their Ideal," *Economic Review* XIV (1904): 47–48.
[346] Koot, "Economic History and Neomercantilism: William Cunningham and J.S. Nicholson," 153.
[347] Cunningham, *The Case Against Free Trade*, 10, 4–5 in Semmel 1968, 91.
[348] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 192.
[349] Ibid., 88.
[350] Koot, "Economic History and Neomercantilism: William Cunningham and J.S. Nicholson," 152.
[351] Cunningham, *The Case Against Free Trade*, 136–37 in Semmel 1968, 203.
[352] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 91.
[353] Semmel, 163.
[354] H. J. Mackinder, "The Geographical Pivot of History (1904)," *The Geographical Journal* 170, no. 4 (2004): 298–321, https://doi.org/10.2307/1780485.
[355] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 165.

adopting the mercantilist standard of power: "we must regard the exercise of Power in foreign affairs … as a normal and peaceful function of the national life, to be steadily provided for."[356]

According to Mackinder, there was more at stake than just tariffs in adopting protectionist policy. Britain's power had "in almost every instance been exerted in connection with some substantial market of our commerce, where wages to the extent of millions of pounds annually were at stake." [357] For example, Mackinder points to the application of British power to protect the Lancashire cotton industry, which was "employed to protect interests which are vital to our working classes."[358] Power, trade, wages, and labour were all arcs of the same circle, and each was necessary to make it complete. "Much power is needed to shelter a great trade," he proclaimed. "A great trade can alone supply much wages and support a great and efficient population" which was "the only firm source of great power."[359] According to Semmel, Mackinder condemned "irregularity of employment" as wasteful of man-power whether it was caused by strikes, foreign competition, or by "failure of employers" which Tariff Reformers sought to address to "value the labourer and guard his wages."[360] For Mackinder, "[P]roductive power" was "far more important" than "accumulated wealth."[361]

As Coats points out, besides the differences of "temperament, doctrine and method" from their classical opponents, what distinguished the historical economists and the proponents of the historical method at the time was that "they were more pro-German…sympathetic to German Tariff and social reform policy; …less inhibited by theoretical objections to a retreat from free trade."[362] Being "more sensitive to the process of historical change, and accordingly susceptible to the idea that new circumstances demanded the modification or abandonment of traditional policy"[363] Chamberlain and the tariff reforms offered them a perfect opportunity (which they seized) to apply their ideas in practice in the context of the British imperial state.[364]

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[356] Mackinder, *Money-Power and Man-Power: The Underlying Principles Rather than the Statistics of Tariff Reform*, 5.
[357] Mackinder, 5.
[358] Ibid., 7.
[359] Ibid., 14.
[360] Ibid., 21.
[361] Halford Mackinder, *Democratic Ideals and Reality: A Study in the Politics of Reconstruction* (New York Nenry Holt and Company, 1919), 9.
[362] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 224–25.
[363] Ibid., 224–25.
[364] Because "the economists had an unusually favourable opportunity to apply their expertise to a problem of outstanding public importance," it warrants "a thoroughgoing assessment of the role of economic ideas in the tariff reform campaign." A.W. Coats 1968, 181.

Joseph Chamberlain: The "Weather Maker"[365]

According to Joseph Chamberlain's "confession of faith," he "was brought up in the pure doctrine of Free Trade,…believed the statements of those who had preached it and who induced the country to adopt it. I accepted it as a settled fact."[366] However, according to Semmel, he was not a "doctrinaire Liberal, in the mode of Cobden or Bright," but a utilitarian who believed in the greatest good for the greatest number.[367] Chamberlain realised that the policy of free imports and Cobdenism, known as Free Trade, [368] was worth rethinking when he found that the US, Germany, and France "absolutely refuse to adopt the Cobdenite principle and to accept Free Trade as the model and example."[369] Their policy "to use tariffs to increase home trade, and …to exclude foreign trade" was "deliberately adopted and deliberately pursued" instead.[370] He concluded that "[A]ll these nations…adopted a tariff" not "from any want of friendship" or "ill-feeling" to Great Britain,[371] but because "it was necessary for their own security and prosperity… to exclude the manufactures of this country…That was a deliberate policy," and that it had succeeded.[372]

Chamberlain joined Salisbury's government as Secretary of State for the Colonies (1895-1903), which seemed an unexpected move for a Radical social reformer.[373] However, according to Boyd, it happened as a result of his tenure as the President of the Board of Trade in Gladstone's Cabinet (1880 – 1885) when he had become aware of the effect "of ineffective and ill-considered foreign and colonial tactics" on British commerce.[374] His visit to Canada in 1887, as the British Commissioner in a fisheries dispute between Ottawa and Washington, gave him the opportunity to acquire first-hand knowledge of colonial problems. By the end of the nineteenth century, British free traders proposed that colonies "should carry out fully the doctrines of Free Trade"[375] which was rejected by the British colonies. Colonial protectionists proposed "to make a revolutionary change" of Britain's fiscal system by imposing duties on

[365] Churchill called Chamberlain the man "who made the weather" [in politics], according to https://www.bbc.co.uk/news/uk-england-28111051.
[366] Chamberlain, "Retaliation," 167.
[367] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 76.
[368] Joseph Chamberlain, "Trade Unionism and Tariff Reform," in *Mr. Chamberlain's Speeches. Volume II*, ed. Charles W. Boyd (London Constable and Company Ltd, 1905), 318.
[369] Chamberlain, "Retaliation," 167.
[370] Ibid., 167.
[371] Ibid., 167.
[372] Ibid., 168.
[373] He became the first politician to adopt Charles Booths' proposal for old-age pensions presenting a pension scheme in 1892. On his initiative, legislation to provide for payment by industry for all accidents [workmen's compensation] was enacted in 1897. See Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 82.
[374] Charles W. Boyd, ed., *Mr. Chamberlain's Speeches. Volume I* (London Constable and Company Ltd, 1914), 359.
[375] Joseph Chamberlain, "Commercial Union of the Empire," in *Mr. Chamberlain's Speeches. Volume I*, ed. Charles W. Boyd (London Constable and Company Ltd, 1896), 368.

foreign food and raw material in exchange for reciprocal preferences with the colonies[376] which was rejected by Great Britain. [377] Chamberlain proposed "a third course" [378]:

By 1896, Chamberlain formulated a constructive approach to the commercial union of the Empire: the creation of a Customs Union [modelled on the principle of the German Zollverein and the federation in the United States], which "would establish at once practically free trade throughout the British Empire, but would leave the separate contracting parties free to make their own arrangements" for duties on foreign goods with the "essential condition" that Great Britain should "consent to place moderate duties" on items which were largely produced in the colonies, such as corn, meat, wool, and sugar.[379] However, Chamberlain believed that if such course were proposed by the UK, it would be "[n]either wise [n]or practical"[380] and so he promoted and encouraged colonial initiative: "[L]et the offer come voluntarily from them."[381]

Canada First

The proposals for a preferential system originally came from the self-governing colonies who had drifted away from Free Trade[382] and had by the turn of the century began to be increasingly concerned about their imperial economic arrangements. The second colonial conference in Ottawa in 1894 had passed resolutions calling for preference. The Dominions could offer a tariff preference to British industry for the first time after the cessation of commercial treaties with Belgium and Germany in 1897.[383] Following the third colonial conference in London in 1897, presided over by Joseph Chamberlain, Canada proceeded with the granting of unilateral preference to Britain of 25% on all dutiable goods, which was increased to 33.3% in 1900.[384] New Zealand and South Africa followed suit in 1903, and Australia in 1907.[385] Canada's offer of preferential tariffs to Britain was an attempt to promote closer imperial union "in their own way or by their own means,"[386] however, it provoked a tariff war between Germany and Canada.[387]

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[376] Ibid., 370.
[377] Ibid.
[378] Ibid., 368.
[379] Chamberlain, "Commercial Union of the Empire," 370–71.
[380] Chamberlain, 371.
[381] Ibid., 372.
[382] For instance, the Canadian tariff of 1859 had been based upon the protective principle. Since the election of the Liberal government in 1896, Canada moved towards reciprocal trade with the United States. Both Canada and Australia had urged the mother country to inaugurate a preferential system.
[383] Andrew S . Thompson, "Tariff Reform : An Imperial Strategy, 1903-1913," 1041; Zebel, "Joseph Chamberlain and the Genesis of Tariff Reform," 141; Hewins, *Trade in the Balance*, 44 Because of MFN, German and Belgian imports could not be taxed higher than Britain's.
[384] Charles W. Boyd, ed., *Mr. Chamberlain's Speeches. Volume II* (London Constable and Company Ltd, 1914), 135.
[385] In 1907, Canada increased its preference to British goods.
[386] Joseph Chamberlain, "A Demand for Inquiry," in *Mr. Chamberlain's Speeches. Volume II*, ed. Charles W. Boyd (London Constable and Company Ltd, 1903), 133.
[387] Which would continue until 1910. See Zebel 1967, 141.

As Thompson notes, the key advantage of Imperial Preference was that "it did not, in the least degree, interfere with their fiscal autonomy."[388] The key disadvantage was, as Britain soon found out, that it did generate foreign hostility. Chamberlain argued that while "we treat the German Empire as whole …we do not complain because one State [Hanover] gives advantage to another State [Saxony] within that Empire [customs union] and does not give it to all the rest of the world."[389] Germany, on the other hand, "refuses to recognise Canada as part of one Empire entitled to claim its privileges, insists on treating Canada as separate country" putting Britain "in rather humiliating position."[390] When Germany retaliated[391] at Canada's grant of tariff advantages to Britain, Britain's free trade position made it impossible to act in defence of imperial trade interests. This made clear the kind of challenges the formation of a cohesive preferential union may run up against.

At the 1902 Imperial Conference in London, Chamberlain made various suggestions for closer cooperation of "what we call the Empire…must be strengthened and organised," including on defence.[392] His recommendation of closer commercial relations generated an enthusiastic response, especially from Canada,[393] in light of the revival of a nominal 'registration' duty on corn in 1902 [3d. per hundredweight on imported corn and 5d. per hundredweight on imported flour estimated to bring £2.25 millions annually]. The duty was revived by the then Chancellor of the Exchequer, Sir Michael Hicks-Beach, in the April budget "as a revenue-producing device" for paying debts incurred during the Boer War.[394] In effect it offered the first practical possibility for Britain to reciprocate the colonial preference. Canada offered further preference if Britain were willing to give "a drawback on the small tax of 1s. per quarter…upon corn,"[395] to which Chamberlain tentatively committed on behalf of the Government.

Chamberlain saw the Canadian request for reciprocal trade preference as "as a first stage in a preferential treatment of her colonies by Great Britain."[396] It was the immediate reason ["spark"] for Chamberlain's challenge of Britain's traditional free trade policy[397] and he succeeded in getting the Cabinet's and Balfour's support to retain the duty on corn in November 1902. Charles T. Ritchie, a Liberal free trader in the Conservative Government and Chancellor

[388] Andrew S . Thompson, "Tariff Reform : An Imperial Strategy, 1903-1913," 1043.
[389] Chamberlain, "A Demand for Inquiry," 137.
[390] Ibid., 137–38.
[391] Edward Porritt, "Canada's National Policy," *Political Science Quarterly* 32, no. 2 (1917): 185–86. After UK denounced the Anglo-German trade treaty in 1898, Germany could no longer have preferential duties on its Canadian exports afforded via MFN clause. Germany applied maximum tariffs on Canadian imports; Canada retaliated in 1903, applying it highest (60%) duties on German imports until 1910 when the tariff war ended.
[392] Chamberlain, 279.
[393] Zebel, "Joseph Chamberlain and the Genesis of Tariff Reform," 141.
[394] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 75.
[395] Chamberlain, "A Demand for Inquiry," 136.
[396] Boyd, *Mr. Chamberlain's Speeches. Vol. II*, 120–21.
[397] According to Zebel (1967, 148): "Whatever the basic reasons, the immediate factor leading Chamberlain to take action was a new trade offer from the Canadian government. On August 31, only a few weeks after the close of the conference, Laurier's minister of finance visited the Colonial Secretary at Highbury, his home near Birmingham, and informed him that the Canadians were now prepared to grant British exports more generous treatment in return for the much-desired exemption of Canadian grain from the Corn Duty." Zebel, "Joseph Chamberlain and the Genesis of Tariff Reform," 157. The registration duty of 3*d*. on imported corn had been revived by Hicks Beach in the budget of 1902.

of the Exchequer (1902–1903), strongly objected, citing "the Treasury view that preference involved charging the British taxpayer in order to benefit the colonies" and warning of "the electoral danger of the expensive bread issue."[398] On his way back from South Africa, Chamberlain learned from Prime Minister Arthur Balfour that "Ritchie, would resign and precipitate a major governmental crisis unless Chamberlain abandoned the slight modification in the corn tax he promised the Canadians."[399] Chamberlain capitulated. "Almost single-handed, Ritchie succeeded in wrecking Chamberlain's plan"[400] for initiating Imperial Preference as a formal Government policy in 1902-03.

From Birmingham to Glasgow

Birmingham

Chamberlain responded to the defeat in Cabinet by announcing plans for the policy of Imperial Preference during his 1903 Birmingham speech (15 May). He used the failure to reciprocate Canada's request for preference as a reason to make a call for inquiry into Britain's fiscal system based on free trade.[401] The Boer War showed the voluntary support to Britain in terms of men and personal sacrifice in the Empire, while at the same time highlighting the problems of national finance and Britain's potentially vulnerable, isolated international position.[402] "[I]t gave us experience," argued Chamberlain, "It showed us a new vista. It made possible an organised union of all the different parts of the British Empire for common objects."[403] Chamberlain's idea of British policy was "to see these matters as they appear to our colonial fellow-subjects,"[404] "to meet everything they do,"[405] - "[E]very advance which they make should be reciprocated."[406] For Chamberlain, the root of the problem was free trade:

> [T]he policy which prevents us from offering an advantage to our colonies prevents us from defending them if they are attacked[407]… [W]e cannot make any difference between those who treat us well and those who treat us badly. …that is …the accepted

[398] According to Jane Ridley, Ritchie distrusted and hated Chamberlain, and was determined to block his ascendancy.
[399] Marsh, Peter T. "Chamberlain, Joseph [Joe] (1836–1914), industrialist and politician." *Oxford Dictionary of National Biography.* 23 Sep. 2004; Accessed 14 Apr 2021, https://www-oxforddnb-com.gate3.library.lse.ac.uk/view/10.1093/ref:odnb/9780198614128.001.0001/odnb-9780198614128-e-32350.
[400] Ridley, Jane. "Ritchie, Charles Thomson, first Baron Ritchie of Dundee (1838–1906), politician." *Oxford Dictionary of National Biography.* 23 Sep. 2004; Accessed 14 Apr. 2021, https://www-oxforddnb-com.gate3.library.lse.ac.uk/view/10.1093/ref:odnb/9780198614128.001.0001/odnb-9780198614128-e-35762.
[401] Dutton, D. J. "Chamberlain, Sir (Joseph) Austen (1863–1937), politician." *Oxford Dictionary of National Biography.* 23 Sep 2004; Accessed 14 Apr 2021, https://www.oxforddnb.com/view/10.1093/ref:odnb/9780198614128.001.0001/odnb-9780198614128-e-32351.
[402] Marsh, Peter T. "Chamberlain, Joseph [Joe] (1836–1914), industrialist and politician," *Oxford Dictionary of National Biography,* 23 Sep 2004; Accessed 14 Apr 2021, https://www-oxforddnb-com.gate3.library.lse.ac.uk/view/10.1093/ref:odnb/9780198614128.001.0001/odnb-9780198614128-e-32350.
[403] Joseph Chamberlain, "Preference, The True Imperial Policy," in *Mr. Chamberlain's Speeches. Volume II*, ed. Charles W. Boyd (London Constable and Company Ltd, 1905), 301.
[404] Chamberlain, "A Demand for Inquiry," 138.
[405] Ibid., 135.
[406] Ibid., 133.
[407] Ibid., 137.

> doctrine of the Free Traders and we are all Free Traders.[408] I am perfectly certain that I am not a Protectionist…[yet] in the cheapest market without regard to where we can sell… [is] the true interpretation [of free trade.][409]

He further argued that:

> We should insist that we will not be bound by any purely technical definition of Free Trade; that while we seek as our chief object free interchange of trade and commerce between ourselves and all the nations of the world, we will nevertheless recover our freedom, resume the power of negotiation, and, if necessary, retaliation whenever our interests or our relations between our colonies and ourselves are threatened by other people.[410]

Chamberlain was convinced that "…the question of trade and commerce is one of the greatest importance" that needed to be "satisfactorily settled" to achieve the imperial union.[411] He argued that while

> the influence of the Empire…will always be used for the peace and civilisation of the world...[it is] the business of British statesmen to do everything they can, even at some present sacrifice, to keep the trade of the colonies with Great Britain; to increase that trade, to promote it, even if in doing so we lessen somewhat the trade with our foreign competitors.[412]

According to Balfour, whose preoccupation was with meeting Chamberlain's challenge without breaking the party or losing his position, the Birmingham speech itself would have had "no effect comparable to that which it has actually produced had it not fallen on ground prepared for it by circumstances, had it not dealt with the problem which every man, consciously or unconsciously, had begun to apply to himself."[413] He acknowledged that that feeling was "greatly intensified by …Canada's Imperial effort to give preferential treatment to this country."[414] According to Zebel, Chamberlain's interventions in the Commons on May 22 and May 28, in which he argued that it was essential to give the colonies some tariff advantage at the cost of duties on food, if necessary, greatly intensified the controversy which had "raged" since his speech.[415] In the next cabinet meeting, held on June 9, "acrimonious exchanges between the free traders and the Chamberlain faction" took place,[416] which Balfour resolved with a promise of an inquiry into fiscal policy "by the Cabinet for the Cabinet."[417]

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[408] Ibid., 136.
[409] Ibid., 136–37.
[410] Ibid., 139.
[411] Ibid., 131.
[412] Ibid.
[413] Special Correspondent, "Mr. Balfour At Sheffield," *The Times*, 2 October, 1903, 4.
[414] Ibid., 4.
[415] Zebel, "Joseph Chamberlain and the Genesis of Tariff Reform," 149.
[416] Ibid., 150.
[417] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 200 According to Coats (1968, 191), "[A] Vice President of the Royal Economic Society, Balfour drew upon the advice of Percy Ashley, of the London School of Economics and, to a lesser extent, of Herbert Somerton Foxwell as well as various officials at the Custom House and the Treasury."

Chamberlain lost no time to ramp up support for his campaign throughout the summer of 1903. While Hewins, whose "views of policy thoroughly harmonised" with Chamberlain's,[418] mounted an authoritative academic defence of protection through the media campaign in *The Times* between June and August,[419] the Tariff Reform League was formally organised in July "to campaign in every constituency for the acceptance of Chamberlain's programme of imperial preference and Tariff Reform"[420] as an 'alternative' to socialism, according to Semmel.[421] They vigorously promoted the Tariff Reform as a concept based on "the common interests of employer and employed and asserted that an imperial policy was the one best calculated to promote the prosperity of the working class."[422]

Balfour and Chamberlain: Meeting Half-way

Chamberlain knew that for his Tariff Reform and Imperial Preference programme to have a fighting chance in the next election, he needed to get Balfour's and near unanimous party support. Following the internal inquiry on 1 August 1903, Balfour presented a cabinet memorandum of his view on fiscal policy "from the free trade point of view."[423] [424] He made a case for fiscal retaliation against countries erecting protective barriers against British exports.[425] He too argued that the free traders of 1846

> failed to foresee that the world would reject free trade, and they failed to take full account of the commercial possibilities of the British Empire. If they…had succeeded in giving us Imperial free trade ["future efforts in that direction can, under altered conditions, be only gradual and tentative," according to Balfour[426]], the protective tendencies of foreign nations would in the long run have been but of secondary importance.[427]

Establishing insular free trade left Britain "bearing all the burden, but enjoying only half the advantages, which should attach to Empire."[428] Balfour argued, *"[W]e are driven to ask, whether a fiscal system … remains suited in every detail to a free trade nation in a world of protectionists.*"[429]

He proposed "instead of appealing to economic theories in which they [foreign protectionist nations] wholly disbelieve, to use fiscal inducements which they thoroughly understand

[418] Hewins, *The Apologia of an Imperialist: Forty Years of Empire Policy. Volume I*, 69.
[419] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 188.
[420] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 92.
[421] Ibid., 90.
[422] Ibid.
[423] Balfour, *Economic Notes on Insular Free Trade*, 3. "…though the free trade is perhaps not always that which passes for orthodox in the House of Commons or on the platform."
[424] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 191. "A Vice President of the Royal Economic Society, Balfour drew upon the advice of Percy Ashley, of the London School of Economics and, to a lesser extent, of Herbert Somerton Foxwell as well as various officials at the Custom House and the Treasury."
[425] published on 16 September 1903 as a booklet entitled *Economic Notes on Insular Free Trade*.
[426] Balfour, *Economic Notes on Insular Free Trade*, 8.
[427] Ibid., 8.
[428] Ibid.
[429] Ibid., 9.

[disregarding the principle of "free trade"[430]]."[431] He argued that "these fiscal inducements" were intended to attain "increased free trade and nothing else." [432] There was "only one standard by which we can measure the free trade merits of any policy, and that is the degree to which it promotes free trade." The attitude of "free traders to whom it presents itself as heresy, if not as paradox" seemed "absurd" to Balfour, who held himself to be "in harmony with the true spirit of free trade" when he pleaded "for freedom to negotiate that freedom of exchange may be increased."[433] It could not "be right for a country with free trade ideals to enter into competition with protectionist rivals, self-deprived of the only instrument by which their policy can conceivably be modified…What is fundamental is that our liberty should be regained."[434]

Chamberlain resigned from the Government on 9 September 1903 to launch his nationwide Tariff Reform campaign. According to Friedberg, "Joseph Chamberlain believed that in order to call attention to the nation's problems, he had to issue a spectacular challenge to conventional wisdom"[435] and "educate the public" about the advantages of protectionist policy. He therefore adopted a role of a political entrepreneur who went to test the policy at the grassroots level, unshackled by office responsibilities. To Balfour was left the job of the statesman formulating the fiscal policy from within the Government and managing factions of the Tory Unionist party antagonised over the issue of free trade and protection.

The publication of the "manifesto" by fourteen professors in August, near the climax of the Cabinet crisis, led to the accusation of political prejudice and an illegitimate attempt of academic influence on a political issue, especially in reference to the last paragraph, which attacked Chamberlain:[436]

> [I]n general, those who lightly undertake to reorganise the supply of food and otherwise divert the course of industry do not adequately realise what a burden of proof rests on the politician who, leaving the plain rule of taxation for the sake of revenue only, seeks to attain ulterior objects by manipulating tariffs.[437]

[430] Ibid., 3. "…though the free trade is perhaps not always that which passes for orthodox in the House of Commons or on the platform."
[431] Balfour, 29–30.
[432] Balfour, 30.
[433] This is as far as Balfour could go with fiscal reform, reiterated in Sheffield on 1 October 1903, according to Coats (1968, 9): "retaliation" programme vs. JC: a systematic programme of imperial preference or protection. i.e. "meeting half-way."
[434] Balfour, *Economic Notes on Insular Free Trade*, 31.
[435] Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895 - 1905*, 88.
[436] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 198–99.
[437] C. F. Bastable et al., "Professors Of Economics And The Tariff Question."

The Cabinet free traders' involvement in the matter infuriated Balfour for dragging Government into a media squabble on one side of the controversy.[438] He manoeuvred them into resignations,[439] withholding the announcement of Chamberlain's exit.[440]

Balfour laid out his policy proposals at the party meeting in Sheffield on 1 October 1903. His personal declaration in favour of the principle of Tariff Reform was met with a resounding approval (excluding Tory Unionist Free Traders) and passed by a resolution. To a question which ceased to be hypothetical due to Chamberlain's public call for a tariff reform - "Do you desire to reverse …to alter fundamentally the fiscal tradition which has prevailed during the last two generations?" – Balfour's answer was yes.[441] He proposed to change that tradition "by asking the people of this country to reverse, to annul, and delete altogether from their maxims of public conduct the doctrine that you must never put on taxation except for revenue purposes."[442] His fundamental belief was that Britain had "publicly to resume in the face of Europe and the world that liberty of which it deprived itself."[443] Even though this liberty "may be abused…may get into incompetent hands; but it should be resumed" so that Britain "should again have what every other country in the world possesses, and that of which no country in the world would think of depriving itself, the liberty to negotiate and something to negotiate with."[444]

Balfour admitted that the aims of his reform proposals "can [not] be tried in its integrity" because he believed "the country will not tolerate a tax upon food" [that is why, his solution was "no cure, but a palliative"].[445] The outright rejection of food taxes lay the foundation of the schism between him and Chamberlain because of the Imperial Preference. According to Balfour, "In dealing with foreign governments we may threaten – and if need be, employ – retaliation."[446] Striking the bargain that the Colonies would accept involved food taxation which Chamberlain wanted. Balfour agreed with Chamberlain (both having been advised by their economic experts) that such taxation could be imposed without increasing the cost of

[438] Marrison, *British Business and Protection, 1903-1932*, 26. According to Marrison, "Tariff Reform was, above all, a press debate." Fraser 1962, 154. "Most of the press in the south and in London was Unionist, and of this the greater part campaigned for tariff reform, only *The Times* and the *Daily Telegraph* adhering, somewhat uncertainly, to Balfour."
[439] Ritchie and free traders left the Cabinet a week after Chamberlain on 18 September 1903 – Balfour made them resign after they issued a free trade manifesto. It appears that Marshall's Memorandum on Fiscal Policy of International Trade (reprinted in Official Papers by Alfred Marshall 365, J. M. Keynes Ed. 1926) was originally drafted in July 1903 at Ritchie's request. Cf. McCready, Alfred Marshall and Tariff Reform, 63 J. Pol. Econ. 259, 263, 267 n.21 (19 in Coats 1968, 186.
[440] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 183. "In addition to Ritchie and Chamberlain, Sir George Hamilton, Secretary of State for India, Lord Balfour of Burleigh, Secretary of State for Scotland, and Sir Arthur Elliott, Financial Secretary to the Treasury, also resigned…Austen Chamberlain, Joseph's son, was appointed as Ritchie's successor at the Treasury." Chamberlain was offered first, but refused to get Austen in. Probably institutional path dependence explains: Board of Trade and Treasury were staunchly for Liberal free trade, Chamberlain was nearing 70, so it was Austen's work.
[441] Correspondent, "Mr. Balfour At Sheffield," 4.
[442] Ibid.
[443] Ibid.
[444] Ibid.
[445] Ibid.
[446] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 195.

living for the working classes, but he also believed that making it part of the Government programme would break up the Party and endanger the retaliation part of Balfour's policy. While various planks of Chamberlain's policy were converging on that very single solution, for Balfour, "Colonial preference … has not yet come within the sphere of practical politics."[447]

In principle, Balfour and Chamberlain shared essentially similar aims, according to the Sheffield address:

> to mitigate, as far as circumstances allow, the injury [of a double kind] done to us by hostile tariffs. …They have divided one fragment of the Empire fiscally from the other,…diverted our industries [from natural channels],…restricted and hampered our export trade acting and reacting over consumers and producers for home consumption…gave insecurity to "some great branches of our industry."[448]

The difference between them, according to Hewins, was "from their very natures seeing different aspects of the same problem."[449]

In tariff negotiations, the common practice of foreign countries "is to have …a combative, a very high tariff placed upon all foreign goods, which they…reduce for the benefit of other nations which give them something in return."[450] Balfour "contemplate[d] no such procedure with regard to this country…[as] it would involve far too great a disturbance to our habits, our practice, and our trade."[451] This was another divergence from Chamberlain's position, who proposed using general duty for negotiations[452] (hence the Import Duties Bill 1932 proposals including a general tariff of 10 per cent were called "the direct and legitimate descendants" of Joseph Chamberlain's "own conception"[453] by his son, Neville Chamberlain]. According to Fraser, "Chamberlain envisaged a 10 or 20 per cent duty on all imported articles, as a starting point from which he could bargain for specific exemptions, whether politically with interests at home, or economically with countries abroad."[454] Convinced that "he [foreign negotiator] would be greatly helped to do us justice if he knows that behind our request for justice there is a method of exacting it,"[455] Balfour requested "that the people …should give to the Government that freedom of negotiation of which we have been deprived …by…our own pedantry and our own self-conceit."[456] It remained to be seen whose (if anyone's) "method" it would be: Balfour's or Chamberlain's.

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[447] 31 R.A. 23 84. Letter from Arthur James Balfour to the King, Sept. 15, 1903. This was written at the height of the Cabinet crisis. A more complete, but slightly different version appears in 1 Blanche Dugdale, supra note 4 at 353 in Coats, "Political Economy and the Tariff Reform Campaign of 1903," 195.
[448] Special Correspondent, "Mr. Balfour At Sheffield," 4.
[449] Hewins, *The Apologia of an Imperialist: Forty Years of Empire Policy. Volume I*, 9.
[450] Special Correspondent, "Mr. Balfour At Sheffield," 4.
[451] Ibid.
[452] Alan Sykes, "'Time Is Bearing Another Son': Tariff Reform and Imperial Apocalypse," in *Free Trade and Its Reception 1815-1960. Freedom and Trade: Volume I*, ed. Andrew Marrison (Routledge London and New York, 1998), 187–88.
[453] N. Chamberlain, HC Debate 4 February 1932, Vol. 261 cc 296.
[454] Peter Fraser, "III. Unionism and Tariff Reform: The Crisis of 1906," *The Historical Journal* 5, no. 2 (1962): 150, https://doi.org/10.1017/S0018246X00000170.
[455] Special Correspondent, "Mr. Balfour At Sheffield," 4.
[456] Ibid, 4.

Glasgow

Chamberlain launched his nationwide Tariff Reform campaign in Glasgow (6 October 1903) on the heels of Balfour's Sheffield address.[457] After firing the first shot at free trade in his native Birmingham, to launch an assault on free trade in the city of Adam Smith was nothing short of bold and strategic. "I am not afraid to come here to the home of Adam Smith and to combat free imports, and…to preach to you preference with our colonies."[458] It was Hewins who had advised him that for "a thorough discussion of Colonial policy" Chamberlain could "include the greatest of English economists amongst his supporters" taking passages from his fourth "Wealth of Nations" book along with "exceptions to his position on the general question of trade policy."[459]

The change in fiscal policy which Chamberlain proposed had two objectives: "the maintenance and increase of the national strength and the prosperity of the United Kingdom… the creation of an Empire such as the world has never seen."[460] To attain them, he proposed to treat the matter "on its merits"[461] and "to come to a decision" [462] for

> if you are to make a change in a system which has existed for nearly sixty years…you can only make that change successfully…if it becomes…a national policy in consonance with the feelings, the aspirations, and the interests of the overwhelming proportion of the country.[463]

Chamberlain was motivated by new conditions which affected Britain's trade and absence of means to reciprocate Canada's preference offer which threatened disintegration of the British Empire.

Cobden believed, reasonably at the time "that while foreign countries would supply us with our food-stuffs and raw materials, we…should send them in exchange our manufactures. But that is exactly what we have not done."[464] Chamberlain invited questioning of the old beliefs under changed circumstances:[465] "the amount of your trade remained stagnant [relative to the protected countries], but the character of your trade has changed… you have to consider of what it is composed."[466] It was "absolutely essential to our prosperity at the present time" to

[457] Chamberlain professed loyalty to A. Balfour: "I approve of the policy to which he proposes to give effect." Joseph Chamberlain, "The Case for Tariff Reform," in Mr. Chamberlain's Speeches. Volume II, ed. Charles W. Boyd (London Constable and Company Ltd, 1903), 142.
[458] Chamberlain, "The Case for Tariff Reform," 141.
[459] Hewins, "The Fiscal Policy Of The Empire," 14
[460] Chamberlain, "The Case for Tariff Reform," 143.
[461] Ibid., 144.
[462] Ibid., 142.
[463] Chamberlain is channelling Gustav von Schmoller here, cited earlier in the chapter: "not merely a state policy reaching out in all directions, but rather *the living heartbeat of a united sentiment*." Schmoller1884, 50–51.
[464] Chamberlain, "The Case for Tariff Reform," 146.
[465] Ibid., 147.
[466] Ibid., 146.

increase imperial trade "in proportion to our population and to the loss of trade with foreign countries…if our Imperial trade declines we decline."[467] Chamberlain urged "the working classes of this country…who are our masters, electorally speaking [to] meet those new conditions with altogether a new policy."[468] Chamberlain made clear that until the Government, authorised by the people, negotiated with colonies, foreign countries, and industrial heads and experts, his proposals were "a sketch plan"[469] to be "filled up when a mandate has been given to the Government" [470] as requested by Balfour in Sheffield.

Chamberlain proposed a duty of 2s. a quarter upon all imported foreign grain except maize and a similar duty upon imported flour: "the corresponding tax which will have to be put on flour should give a substantial preference to the miller" helping domestic agriculture "not merely the great farmer, but it will benefit the small owner of the plot or allotment."[471] He also proposed a duty of 5% upon foreign meat and dairy products except imported bacon, and "to give a substantial preference …upon colonial wines and…fruits. …those are the … new taxes, or alteration of taxation which I propose as additions to your present burden."[472] But he also proposed "some great remissions…to take off three-fourths of the duty on tea and half of the whole duty on sugar, with a corresponding reduction on cocoa and coffee…resulting upon cost of living and the Treasury."[473] Having consulted the economists, Chamberlain believed "these small taxes…especially if the tax be moderate, a portion, at any rate, is paid by the foreigner, and that is confirmed by experience[474]…no addition to the cost of living, but only a transfer from one item to another."[475]

To make up for the loss to the Exchequer estimated by experts, about £2.8 M per annum, Chamberlain proposed "to find it… in the other branch of this policy of fiscal reform…which is sometimes called 'retaliation' and sometimes 'reciprocity.'"[476] He stated

> that in attempting to secure reciprocity we cannot hope to be wholly successful. Countries (the United States, Germany, France, Italy) are not going to drop the whole of their protective scheme, because we ask them to do so, or even because we threaten[477]…we shall have to raise…a moderate duty on all manufactured goods, not exceeding 10 per cent on the average, but varying according to the amount of labour in these goods.[478]

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[467] Ibid., 148.
[468] Ibid., 148.
[469] Ibid, 158.
[470] Ibid, 163.
[471] Chamberlain, 158. The proposal is usually summarily referenced in literature which is a mistake, in my view. JC's concern with "the small owner of the plot or allotment"; proposed remissions and preferences; careful claim about cost partially falling on foreigner; including the amount of labour in tariff calculation; a reduction of other taxation; which press most hardly on different classes
[472] Chamberlain, 159.
[473] Ibid.
[474] Chamberlain, "The Case for Tariff Reform," 159–60.
[475] Ibid., 163.
[476] Ibid., 161–62.
[477] Ibid., 162.
[478] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 83. "an average duty of about 10% upon foreign manufactured articles"

Chamberlain further argued that

> when we have these taxes on manufactured goods, we might be willing to remit or reduce them if we could get corresponding advantages …We should either get…a reduction of other taxation or…a reduction of those prohibitive tariffs which now hamper so immensely our native industries.[479]

The duty averaging 10% would give the Exchequer £9M a year, at the very least. In Chancellor's position, Chamberlain would use this money to make up for £2.8 M deficit, and use it for further reduction both of taxes on food and also of some other taxes which press most hardly on different classes of the community. The best thing to do with revenue, he argued, would be "to remit taxation."[480]

> The principle of all this policy is that whereas your present taxation…brings you …nothing but the revenue, the taxation that I propose, which will not increase your burdens, will gain for you in trade, in employment, in all that we most want to maintain, the prosperity of our industries. The one is profitless taxation, the other scientific taxation [supplied by Hewins].[481]

Chamberlain explained that his proposal was "a broad outline…not a cut-and-dried policy which cannot be altered in any detail" and pledged to "not consent to move a step without calling for the opinion of experts from every industry in the country. …there are a good number of businesses about which I know nothing…and from my own small knowledge, to attempt to draw up a tariff, would be perfectly absurd."[482] He presented his case:

> [F]or is scientific treatment of trade subjects,…not this feeble and futile policy of official incapacity or…apathy, which makes it either below the dignity or below the duty of a British Government to take care of British trade[483]…to get rid of these unfair restrictions… [through] that power of bargaining, and if necessary, of retaliation, that Mr. Balfour has asked, and that I have asked. And, after all, if there be any difference between us whatsoever, it is only that I go farther than he does and that I ask, not in the future, but to-day, for the preference to our colonies which will bind them and us together.[484]

Puzzled by lack of "any appreciation by the free importers of the magnitude of this trade[485]… of which some of my opponents speak with such contempt, and, above all, with such egregious ignorance,"[486] Chamberlain kept on with his relentless attack on free trade, gradually gathering

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[479] Chamberlain, "The Case for Tariff Reform," 163.
[480] Chamberlain, 162.
[481] Chamberlain, 162–63. I discuss "scientific tariff" in Chapter 2 (Trade Policy Menu).
[482] Joseph Chamberlain, "The Attitude of the Colonies," in *Mr. Chamberlain's Speeches. Volume II*, ed. Charles W. Boyd (London Constable and Company Ltd, 1903), 197.
[483] Joseph Chamberlain, "Tariff Reform, Trade Unionism, and Shipping," in *Mr. Chamberlain's Speeches. Volume II*, ed. Charles W. Boyd (London Constable and Company Ltd, 1903), 213–14.
[484] Ibid., 216.
[485] Chamberlain, "The Case for Tariff Reform," 152.
[486] Ibid., 153.

support. As Irwin argues, "[F]ree traders could no longer defend the status quo on the basis of conviction alone but had to meet the arguments levied against Britain's experience with free trade in practice."[487]

Athanasius contra mundum[488]

Liberal Case: Mundum

The job of defending free trade against Chamberlain's charge fell to Herbert H. Asquith, an archliberal[489] whose chief objective was safeguarding free trade[490] as a matter of principle. Asquith thought that "Never was there a situation which called more urgently upon Free Traders for united and vigilant action…to set forth …arguments …to convince the judgement of people"[491] and that "Liberals were [n]ever better employed than in resisting, with every means at our disposal, this attempt to drag our country back into the dangers and errors of a discredited past."[492] His enthusiastic embrace of Chamberlain's challenge ("A squalid argument!") empowered the Tariff Reform campaign by, giving Chamberlain a fighting chance against an arch-opponent, and the Liberal party, by shifting its policy towards interventionist welfare provision,[493] while reinvigorating Liberal doctrine in the years preceding World War I.

Asquith argued that Chamberlain's proposal

> to tax British industry, to tax the food of the people and thereby diminish their wages, to tax the raw material out of which our wealth is made [was based on] unfounded assumptions and unproved inferences. There was no ground whatever for saying either that British trade as a whole was stagnant or decaying, or that the Empire can only be maintained by reverting to fiscal devices which were tried and found wanting in the old days of protection.[494]

He affirmed that "[F]ree influx of food and of raw materials, from every possible source of supply, into this country not only is essential, but is more essential to our national strength and

[487] Irwin, "The Political Economy of Free Trade: Voting in the British General Election of 1906," 86.
[488] Letter from Joseph Chamberlain to W. A. S. Hewins, Oct. 12, 1903, in Hewins papers. Cf. letter from Joseph Chamberlain to W. J. Ashley, Oct. 26, 1905 in Chamberlain papers. In Coats 1968, 188-189. Chamberlain: "At present I am somewhat in a position of *Athanasius contra mundum*…"
[489] Matthew, H. C. G. "Asquith, Herbert Henry, first earl of Oxford and Asquith (1852–1928)." *Oxford Dictionary of National Biography.* 8 January 2015; Accessed 14 April 2021, http://www.oxforddnb.com.gate3.library.lse.ac.uk/view/10.1093/ref:odnb/9780198614128.001.0001/odnb-9780198614128-e-30483?rskey=6k6QIb&result=8.
[490] Ibid.
[491] H. H. Asquith, *Trade and The Empire: Mr. Chamberlain's Proposals Examined in Four Speeches and a Prefatory Note* (Methuen & Co., 1903), 53.
[492] Ibid., 33–34.
[493] Sykes, "'Time Is Bearing Another Son': Tariff Reform and Imperial Apocalypse," 194.
[494] H. H. Asquith, *Trade and The Empire: Mr. Chamberlain's Proposals Examined in Four Speeches and a Prefatory Note*, 30.

prosperity than it was in the days of Cobden and Peel."[495] He rejected Chamberlain's analysis of the Corn Laws repeal[496] and repudiated all of Chamberlain's proposals outright.[497] Asquith argued against Chamberlain's claims about relative decline; that trade was growing in absolute terms; that placing tariff on consumer (food), while excluding raw materials from tariffs, would not be practically possible under Imperial Preference arrangements; that his 10 per cent tariff on imported manufactures could not deliver simultaneously revenue and employment; and argued that to adopt the very policy responsible for dumping would undermine workers' welfare by enabling sweated labour in Britain.[498]

According to Hewins, Mr. Chamberlain maintained consistently throughout his campaign that his first objective was "to secure more employment at fair wages for the working men of this country"[499] and argued that "they should address themselves …to the question whether or not the proposals which I make to them will increase their employment."[500]

According to Coats, the contending claims of free traders and fiscal reformers were focused on three key points: 1) use of statistics; 2) mobility of labour; and 3) incidence of taxation.[501] Chamberlain addressed the criticism by 1) establishing a Tariff Commission in December 1903; 2) promoting the arguments of the historical economists; and 3) devising a "general tariff" formula which could serve the wide range of the fiscal reform objectives. The Tariff Commission, which Hewins organised and headed from January 1904 after having resigned from his post of the (first ever) Director of the London School of Economics (1895-1903),[502] was an independent advisory body leading the trade inquiry, supplying statistics and preparing implementation of Chamberlain's policy.[503] One of Commission's primary functions was to devise "a scientific tariff."[504] According to Hewins, on 1 July 1903, Chamberlain told him: "If I get a mandate I shall devise something perfectly simple such as 10 or 20 per cent duty on everything, and force it through ruthlessly. I shall then be in position to bargain."[505] Hewins explained that "the policy Chamberlain was advocating required not the imposition of duties on all articles…but that duties should not be put on unless on examination of the case they were necessary and desirable."[506] In Hewins's definition, the term "general tariff" had no reference to taxed articles, or to their number or character. It simply meant "the tariff which is

[495] Ibid.
[496] Joseph Chamberlain, "The Anti-Corn Law Agitation," in *Mr. Chamberlain's Speeches. Volume II*, ed. Charles W. Boyd (London Constable and Company Ltd, 1903), 232–55.
[497] H. H. Asquith, *Trade and The Empire: Mr. Chamberlain's Proposals Examined in Four Speeches and a Prefatory Note*, 71–72.
[498] Ibid, 84–85.
[499] Chamberlain, "Tariff Reform and the Cotton Trade," 280.
[500] Joseph Chamberlain, "The Question of Employment," in *Mr. Chamberlain's Speeches. Volume II*, ed. Charles W. Boyd (London Constable and Company Ltd, 1903), 219.
[501] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 214.
[502] https://blogs.lse.ac.uk/lsehistory/2015/10/21/lses-first-director-william-hewins.
[503] Hewins, *The Apologia of an Imperialist: Forty Years of Empire Policy. Volume I*, 62–81; Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 92.
[504] John C. Wood, "Alfred Marshall and the Tariff-Reform Campaign of 1903," *The Journal of Law & Economics* 23, no. 2 (1980): 217.
[505] Hewins, *The Apologia of an Imperialist: Forty Years of Empire Policy. Volume I*, 69.
[506] Ibid., 83.

levied on the goods of all countries except in so far as they maybe exempt from it by treaties or conventions or other arrangements."[507] According to Coats, Chamberlain knew well that working men and audiences at public meetings would not be impressed by statistics or abstract economics[508] (he nevertheless based and elaborated his arguments carefully on both, as is clear from his speeches). He asked Hewins and Ashley

> wherever possible, you should take up …criticisms and deal with them from the expert point of view. At present I am somewhat in a position of *Athanasius contra mundum*, and of course I cannot deal separately with all my opponents, but their mis-statements and mistakes ought not to go uncorrected but should be answered as fast as they are made by the responsible authorities.[509]

Athanasius's Case: Employment[510]

According to Marrison, the Tariff Reform pitted the principles of classical economists against historical economists' and Chamberlain's more pragmatic approach to economic policy in response to structural changes.[511] The fourteen professors that authored the free-trade "manifesto" denied categorically "that an increase of imports involves the diminished employment of workmen in the importing country."[512] Asquith agreed that there was "no evidence whatever in this importation of foreign manufactures of any displacement of British capital or British labour."[513] For vanished exports, the explanation was "to be found not so much in the operation of hostile tariffs as in …defective methods of production and want of adaptiveness."[514] Moreover, he argued that "there is no greater fallacy than this which lies at the root of half of Mr. Chamberlain's argument and all Mr. Bonar Laws[515] – the fallacy of supposing that we have in this country an inexhaustible supply of available skilled labour for any purpose we like to put it to."[516] As Asquith put it:

> I decline to go into the details whether this or that little industry has been for the time being, or it may be permanently displaced, so long as I am satisfied that the general

[507] Ibid., 84, 169; Fraser, "III. Unionism and Tariff Reform: The Crisis of 1906," 150. "It is only 18 months since I first wrote to Chamberlain about a General Tariff. I am not really sure that he really understands now what it is."
[508] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 188.
[509] Letter from Joseph Chamberlain to W. A. S. Hewins, Oct. 12, 1903, in Hewins papers. Cf. letter from Joseph Chamberlain to W. J. Ashley, Oct. 26, 1905 in Chamberlain papers. In Coats 1968, 188-189.
[510] Employment creation in Britain was the main motivation and rationale for bargaining and adopting Ottawa Agreements in 1932. See Runciman-Bennett memo (in WR). Employment/trade policy is key to the thesis puzzle (In light of Keynes, Snowden, Runciman).
[511] Marrison, *British Business and Protection, 1903-1932*, 25.
[512] C. F. Bastable et al., "Professors Of Economics And The Tariff Question."
[513] H. H. Asquith, *Trade and The Empire: Mr. Chamberlain's Proposals Examined in Four Speeches and a Prefatory Note*, 47.
[514] Ibid., 44.
[515] Andrew Bonar Law (1858-1923) entered the House of Commons at the 1900 general election, relatively late in life for a front-rank politician; he was made a junior minister, Parliamentary Secretary to the Board of Trade, in 1902.
[516] H. H. Asquith, *Trade and The Empire: Mr. Chamberlain's Proposals Examined in Four Speeches and a Prefatory Note*, 58.

> productive power of the country remains unfettered and unimpaired, and the capacity of our trade to find employment for our people has not been seriously mitigated or diminished.[517]

Chamberlain treated employment as a new, nascent problem under the changed conditions he sought to mitigate: "[T]he question of employment, believe me, has now become the most important question of our time[518]… [T]he whole question of the social condition of the poor is contained in this one word – employment,"[519] which included "cheap food, a higher standard of living, higher wages."[520] He argued that "you must …treat the two subjects of tariff reform and protection of labour as being on the same level."[521] Contrary to Asquith, he believed that "more imports from abroad in the form of surplus production" led to "more want of employment."[522] To his opponents' arguments, which rested on general principles and generalised economic performance ("you must look at the industry of the country as a whole"[523] or invisible exports balanced trade[524]), Chamberlain responded with arguments developed by the historical economists, arguing about specific industries ("Free imports have destroyed this industry [sugar-refining in Greenock]…They have destroyed agriculture. Sugar has gone; silk has gone; iron is threatened; wool is threatened; cotton will go!"[525]), economic trends ("We ought to know something of their [exports] character and …direction"[526]) and local jobs. As Coats puts it, Chamberlain made Ashley's argument against Bagehot's "transferability of labour" an effective weapon in public debate against the explicit denial in the "manifesto" that a rise in imports brought a corresponding decline in home employment.[527][528]

In contrast to Asquith's "general productive power of the country "Chamberlain argued :

> You cannot go on watching with indifference the disappearance of your principal industries, and always hoping that you will be able to replace them by secondary and inferior industries. And, putting aside altogether the individual suffering that is caused by every transfer of employment, by taking the working man from some trade in which

[517] Ibid., 81.
[518] Chamberlain, "Trade Unionism and Tariff Reform," 317.
[519] Chamberlain, "Preference, The True Imperial Policy," 313.
[520] Chamberlain, "Tariff Reform, Trade Unionism, and Shipping," 201.
[521] Chamberlain, "Trade Unionism and Tariff Reform," 324.
[522] Chamberlain, "The Question of Employment," 225.
[523] H. H. Asquith, *Trade and The Empire: Mr. Chamberlain's Proposals Examined in Four Speeches and a Prefatory Note*, 68.
[524] Lobell, "Second Image Reversed Politics: Britain's Choice of Freer Trade or Imperial Preferences, 1903-1906, 1917-1923, 1930-1932," 678 According to Lobell, "for the free traders, a deficit in the balance of trade with America and Europe could be covered by British surplus in trade with India, Australia, the Near and Middle East, Equatorial Africa, Central and South America, and China and the Far East and its exports of invisible goods." Chamberlain discussed invisible exports income versus manufacturing income compared with imports (£1=£1). See Boyd 1914, 284-285.
[525] Chamberlain, "Retaliation," 176–77.
[526] Chamberlain, "Tariff Reform and the Cotton Trade," 281–82.
[527] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 214–15.
[528] According to Balfour's analysis "…because mankind are largely ruled by custom, are fond of home and country, cannot easily acquire new aptitudes and new languages, cannot migrate without cost and risk, that labour is not 'fluid'." Arthur James Balfour, Economic Notes on Insular Free Trade (Longmans, Green and Co. London New York Bombay, 1903), 4.

> he has been brought up, and in which he has been engaged all his life, and setting him down to something else to which he is not accustomed, and for which he has no aptitude – putting aside all that individual suffering, I say that there is no evidence whatever that there is any real compensation to the nation…that when one trade goes another immediately takes its place.[529]
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> …
>
> [I say that] the personal equation of suffering which all this transference of trade involves is the sort of thing which some political economists never think of at all, and the Cobden Club treats it as if it were of no consequence. It is, I say, of the utmost consequence. Even if it could be proved in the long run that the country did not suffer in wealth, that there had been a transfer from one trade to another, still I should say, when you count up the families that have been reduced to misery, all the heart-burnings, all the suffering that has been caused by these changes to the individual, when you think of the honest man who have gone to the workhouse and can never be brought back again to the ranks of continuous labour - when you think of all these things, then I say, even when the country were enriched its wealth would have been dearly purchased.[530]

Chamberlain argued that "there is more and more unemployment and 13 million of people are on the verge of hunger [out of 42 M population].[531] Chamberlain repudiated free trade as a policy of cheap imports which put the consumer above all, arguing that "to buy in cheapest market is not the sole duty of man, and it is not in the best interest of the working classes."[532] Britain's manufacturing exports provided the greatest employment, unlike invisible exports, but "have gone down continuously" met with rising foreign tariffs.[533] Keeping old policy meant losing trade and sending "more employment" to these protected foreign countries."[534] Chamberlain wanted everyone to realise "That is free trade, that is the real free trade."[535]

Chamberlain explained that he was not questioning the consistency of free trade doctrine – "whether it was right or wrong"[536] – but pointed out that "it was upon the basis of that doctrine that we had imposed upon us our present fiscal system by a Parliament, which in those days, was not in the slightest degree representative of the majority of the country, and above all of the working classes."[537] He accepted his opponents' claim that trade was good, on evidence at this moment in time, but argued that industrial and agricultural employment "is not keeping pace with the population" and that was the kernel of the problem:[538] "Our competitors are gaining upon us in that which makes national greatness. We may be richer, yet weaker."[539]

Chamberlain explained what motivated his rebuttal of free imports trade as follows:

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[529] Chamberlain, "The Anti-Corn Law Agitation," 248.
[530] Chamberlain, "The Question of Employment," 224.
[531] Chamberlain, "Tariff Reform and the Cotton Trade," 284.
[532] Chamberlain, "Tariff Reform, Trade Unionism, and Shipping," 205.
[533] Chamberlain, "Tariff Reform and the Cotton Trade," 284.
[534] Ibid., 284–85.
[535] Ibid., 283.
[536] Joseph Chamberlain, "Tariff Reform and Unemployment," in *Mr. Chamberlain's Speeches. Volume II*, ed. Charles W. Boyd (London Constable and Company Ltd, 1904), 259.
[537] Ibid.
[538] Chamberlain, "Preference, The True Imperial Policy," 299.
[539] Ibid., 313.

> They [JC's opponents – Liberal Free Fooders] say that I have predicted the immediate ruin of this country. I have never predicted anything of the kind; I have pointed out certain cracks in the great edifice of British commerce; I have pointed out changes which have gone on, which are going on under our eyes. I have said if these continue they will be extremely serious, especially…to the working classes, who depend on the work of their hands, and I have urged …not to leave them until they have grown so large that they cannot easily be dealt with.[540]

Chamberlain referred to "a book [*The Tariff Problem]* which has been recently published by Professor Ashley for comparison between German and British workers" as the "most careful and impartial authority," arguing that since the adoption of tariff under Bismarck, "the progress of the German workman…has been much greater, quicker, and more evident" than in Britain,[541] where workers were "suffering from unrestricted imports[542] of cheaper goods …also from unrestricted immigration of the people who make these goods."[543] Chamberlain argued:

> If you determine to continue the policy of unrestricted imports …without reference to how they are produced or by whom, then … you cannot maintain any form of protection of labour. The competition of cheaper goods…will force down the prices, and you will have to take lower wages or lose your employment. [544]

Addressing Trade Unions in 1905, Chamberlain explained that,

> on a larger scale, and perhaps on even broader principles, the objects I expect to attain are the same for which you have been striving ever since trade unionism was formed…to secure fair conditions for your labour, …full employment; … to maintain [and, crucial Chamberlain's argument here, "raise"] [your] standard of life.[545]

On Chamberlain's analysis, these objects "are altogether inconsistent with what our opponents call Free Trade, and what I call Cobdenism and free imports. You cannot make them consistent. …You must take a line. Be Free Traders if you like; but you cannot be Free Traders in goods and not be Free Traders in labour."[546]

The problem was, in Chamberlain's mind, that "while we have only a part of a market …at home, they [foreign competitors], have the whole of their own markets, protected by tariffs, and the whole of ours as well on free and equal terms" ["this did not exist 30 years ago, last 10 years started, will be worse in the next 10 years"].[547] He had "a great respect for Mr. Cobden"

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[540] Chamberlain, "Tariff Reform and Unemployment," 264.
[541] Ibid., 262.
[542] Ashley, *The Tariff Problem*, 13. On numerous occasions, as I found cross-referencing Ashley's book and Hewins's *Times* articles and correspondence reprinted in *Apologia of Imperialist,* Chamberlain used Ashley's and Hewins's arguments (unrestricted imports, relative growth, food taxes, etc) almost verbatim in his campaign speeches.
[543] Chamberlain, "Tariff Reform and Unemployment," 262.
[544] Ibid.
[545] Chamberlain, "Trade Unionism and Tariff Reform," 318.
[546] Chamberlain, 318.
[547] Chamberlain, 322.

[whose policy was valid for thirty years], but "[S]ince that time circumstances have entirely changed" and Chamberlain could not help thinking that "if Mr. Cobden were still alive… as a man of business he would have changed his policy also."[548]

Chamberlain was convinced that "with preference and the power of retaliation, you will increase immensely the trade which you have to do in this country, and you will find employment for those who are now unemployed."[549] Regarding retaliation, he called for increasing Britain's trade with the foreign protected countries by securing a revision of their tariffs, by arranging with them "to give us the same treatment that we give them, or some approach to it" (meaning Balfour's "retaliation" proposals).: "Suppose they will not" then it was his policy "to refuse to take that answer lying down."[550] Tariff protection would "also prevent dumping" which was "the most successful,…dangerous invention for destroying a competitor that the world has yet seen."[551]

As for the Imperial Preference policy, Chamberlain encouraged "the trade which is the best – with friends [colonies][552] proposing by "a reasonable preference obtain from the colonies equivalent concessions."[553] Chamberlain called for securing "the greatest and the most quickly growing market of the world…by bonds that are both of sentiment and of interest."[554] The foreigners already gained foot and squeezed Great Britain out of colonial markets: "If we do not succeed in these negotiations for preferential arrangement with our colonies, …the foreigners will have a very much larger proportion of their trade."[555] At the present time the market of the colonies was small, but it was "only at the beginning of Empire."[556]–Losing Empire, warned Chamberlain, implied not having "sufficient employment and sufficient wages"[557]: "you would lose what is called in business your best trade connections." [558]

According to Irwin, "[T]hrough the Chamberlain row in 1903 and the general election campaign, the opposition Liberal party strongly supported free trade and rejected any return to protection, movement toward imperial preference, or use of retaliatory tariffs."[559] Asquith maintained that retaliation did not work as offense and hurt the serving side.[560] He argued that

[548] Chamberlain, "Tariff Reform and the Cotton Trade," 282.
[549] Chamberlain, "Trade Unionism and Tariff Reform," 326.
[550] Chamberlain, "Tariff Reform and Unemployment," 324–25 "…we should not reduce hat they take from us, but we should keep what we make for ourselves and we should reverse the process [instead of British factory owners relocating abroad as they do to increase profits, "foreign factories would come over here."
[551] Chamberlain, "Tariff Reform and the Cotton Trade," 293.
[552] Chamberlain, "Trade Unionism and Tariff Reform," 324–25.
[553] Chamberlain, "Tariff Reform and the Cotton Trade," 293.
[554] Chamberlain, 293–94.
[555] Chamberlain, "Trade Unionism and Tariff Reform," 325–26.
[556] Chamberlain, "Tariff Reform and the Cotton Trade," 293–94.
[557] Chamberlain, "Preference, The True Imperial Policy," 299.
[558] Ibid.
[559] Irwin, "The Political Economy of Free Trade: Voting in the British General Election of 1906," 82.
[560] H. H. Asquith, *Trade and The Empire: Mr. Chamberlain's Proposals Examined in Four Speeches and a Prefatory Note*, 12.

> [I]t is all very well to use this vague rhetorical language about negotiation, and standing up to the foreigner [Balfour's retaliation proposals], and not taking his insults lying down [Chamberlain's retaliation proposals]…[But] you cannot retaliate effectively…without imposing the tax upon food or raw material. …we cannot retaliate without at the same time injuring either our working classes, or our manufacturers, or both.[561]

Looking at the case of "our colonial fellow-subjects," Asquith regretted that most of them were "protectionists in practice."[562] For Liberals, "Free Trade within the Empire" was "a splendid ideal" that was "impossible of attainment until the Colonies have come round to our view, and have abandoned their own."[563] According to Asquith, after having given the Colonies fiscal autonomy, "any attempt to interfere with the free exercise of it would be the prelude to the breaking up of the Empire."[564] They argued that Chamberlain's incitement of the Colonial administrations during his tenure as Colonial Secretary (1895-1903) created the problem in the first place, which the policy of preference could not solve, and would actually exacerbate: "In seeking to bring the mother country and the Colonies into closer union, they [tariff reformers] are really trying to introduce causes of discontent and political strife," argued Bastable.[565]

Echoing Schmoller's and Ashley's arguments, Chamberlain thus explained his position: "Let no man say, because to-day you and I are in favour of retaliation, or what our opponents call 'protection', that that it at all inconsistent with our having been Free Traders under totally different conditions."[566] Admitting that he was "not cosmopolitan enough to wish to see the happiness, success, or prosperity of American workmen secured by the starvation and misery and suffering of British workmen"[567] Chamberlain argued:

> I am an advocate of peace…but not at any price. I am a Free Trader. I want to have free exchange with all the nations of the world, but if they will not exchange with me, then I am not a Free Trader at any price[568] …when I find the effect of this policy on the part of other countries, I look about for a means of meeting it.[569]

For Chamberlain there was a link between retaliation and preference:

> I propose to meet the foreigner with his own weapons. ... to treat him as he does us until he treats us better …to treat our colonies better. I hope for something greater … than increased trade…than material prosperity. …for that Imperial Union which fill my heart when I look forward to the future of the world. …by that bond of commercial unity.[570]

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[561] H. H. Asquith, 15.
[562] Ibid., 69.
[563] Ibid.
[564] Ibid.
[565] C. F. Bastable, "An Imperial Zollverein with Preferential Tariffs," *The Economic Journal* 12, no. 48 (1902): 513.
[566] Chamberlain, "Retaliation," 166.
[567] Ibid., 174.
[568] Chamberlain, 168.
[569] Ibid.
[570] Chamberlain, "Tariff Reform, Trade Unionism, and Shipping," 200.

Chamberlain's "fundamental argument" was "that a policy of preference would raise the general level of employment,[571]…decline in exports…increase of foreign imports…only concealed, only compensated, by increase in colonial trade."[572] Chamberlain appealed to his free trader opponents that "Tariffs and Preference … are consistent with a growth and progress of protected nations enormously greater than our own" in vain.[573]

Chamberlain's retaliation and Imperial Preference being rejected, what was the Liberals' solution to the problem of employment? Asquith argued, "True it is also that , in spite of the continuous growth of our national prosperity, we still have with us the unemployed, the ill-fed, the aged poor; but here, again, let us look to natural and not to artificial remedies" [574] to which the Liberal "alternative policy" was "Better education, better training, better methods, a larger outlook, these are our primary needs. … Instead of raising the price of bread let us try to raise the standard of life. Temperance, better housing, the tenure and taxation of land."[575]

In the 1906 election *mundum* prevailed. As Howe argues, "[F]ree trade remained at the heart of a renewed Liberalism, which proved both intellectually vigorous and politically insurmountable."[576] But Chamberlain's efforts were not in vain, and the defeat was only temporary.

Failure to Reverse Free Trade in 1906

By placing analytical emphasis on the factor of individual agency, this chapter explains how the first attempt to reverse free trade failed because Chamberlain was defeated by Balfour and trade unions.[577] According to Chamberlain, "when fiscal reform first came up, and when I said to A.B. 'If you and I stand shoulder to shoulder we may bring this thing off'. He did not refuse, but as you know he has never heartily and clearly worked with us."[578] When Hewins, who in

[571] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 190.
[572] Chamberlain, "The Anti-Corn Law Agitation," 250.
[573] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 190. [Letter from Joseph Chamberlain to Duke of Devonshire, July 25, 1903, shire papers, Chatsworth, Derbyshire. Quoted by Julian Amery, s…
[574] H. H. Asquith, *Trade and The Empire: Mr. Chamberlain's Proposals Examined in Four Speeches and a Prefatory Note*, 31.
[575] H. H. Asquith, 31.
[576] Anthony Howe, "Free Trade and the Victorians," in *Free Trade and Its Reception 1815-1960. Freedom and Trade: Volume I* (Routledge London and New York, 1998), 178.
[577] My explanation focuses on pivotal actors (Balfour) and structural constraints (Trade Unions withdrawing support through election), which were instrumental in Chamberlain's failure to reverse free trade. However, as Lobell explains, broader structural conditions contributed to the defeat: "[O]pposition to protection included labor, which was in favour of free trade to keep consumer costs down, especially the price of food (known as the "cheap loaf"), and coal which was enjoying a boom (Friedberg, 1988). Second, both the Labour and Liberal parties were wedded to free trade. Finally, invisible exporters, including international financial services, shipping, insurance, and income from capital invested overseas lobbied against protection (Longstreth, 1979). The Bank of England, the City of London, and the Treasury were staunch defenders of fiscal orthodoxy that included balanced budgets, low debt, and a preference for nonprotective indirect taxes. They were joined by manufacturers of finished goods and consumers of imported raw materials who wanted to keep the costs of inputs low because imperial preference would result in retaliatory tariffs. Retaliation would lead to a commercial war of spiraling duties and counterduties (Kavanagh, 1973)." Lobell, "Second Image Reversed Politics: Britain's Choice of Freer Trade or Imperial Preferences, 1903-1906, 1917-1923, 1930-1932," 678.
[578] Fraser, "III. Unionism and Tariff Reform: The Crisis of 1906," 157. Chamberlain papers, A.C. 2/1.

autumn of 1905 had gone to Canada to prepare the preferential trade agreement with the UK (to be ready for implementation in case Chamberlain wins), heard of Balfour's probable resignation, he rushed back to London.[579] It was hoped that if only Balfour gave his full support to Chamberlain's proposals, the rest of the party would follow, and the election could be won. In the last effort to help bridge their differences, Hewins and Chamberlain made plans for Hewins to explain the economic side of Chamberlain's proposals to Balfour, but Chamberlain later changed his mind. Because the Canadian preferential trade offer was guaranteed if Chamberlain won the election, Hewins urged him to use it as evidence of Chamberlain's policy success. Chamberlain "did not think the election could be made to turn on the Colonial offer as dominant issue"[580] (the issue of the Irish Home Rule close to Chamberlain's heart took priority even for Chamberlain.)[581] After he had resigned as Prime Minister on 4 December 1905, Balfour, still an acting leader, laid out the party programme in Leeds on 18 December 1905. He declared that a general tariff was not indispensable, and that while it might be a convenient means of retaliation, it ought not to be used for protection:[582] "Under the circumstances, I deprecate negotiations [with Chamberlain]. Let us 'fight it out on that line."[583]

Before polling began, the election had been already lost. According to Hewins, Chamberlain was not expecting to win 1906 election. He estimated that the Liberals would win "by a majority of 120 (including the Irish)."[584] His chief objective, as the first indispensable step, was to bring Balfour and the party united behind Imperial Preference (to which his Tariff Reform was a means). According to Fraser, by trying to have one policy approach based on the evidential success of the Tariff reform campaign since 1903, Chamberlain had shown "a sounder instinct in democratic politics than Balfour.[585] According to Coats, Balfour's (and Chamberlain's) positions were obscure and imprecise only "to those who saw the problem exclusively in terms of free trade and protection."[586] As the empirical narrative demonstrates, both wanted an updated and fairer version of free trade: while Balfour wanted to increase free trade exchange, Chamberlain questioned the nature of that exchange vis-à-vis two practical problems: employment and empire consolidation through trade. The range of the issues, besides employment, preference and retaliation that Chamberlain was able to address with the help of the historical economists was far wider than Balfour's or his Liberal opponents'. Chamberlain's use of the historical economists' arguments (some of Hewins's and Ashley's arguments he used verbatim), organisation of the Tariff Commission (which by 1906 was in possession of "the most valuable trade information in the United Kingdom,")[587] and his direct

[579] Hewins, *The Apologia of an Imperialist: Forty Years of Empire Policy. Volume I*, ix, 152. The Canadian government appointed a tariff commission under W. S. Fielding to revise its tariff policy. Working on Chamberlain's behalf, Hewins established mutual consultation between the two commissions to coordinate development of reciprocal Imperial Preference.
[580] Hewins, 154.
[581] Chamberlain resigned and split the Liberal party in 1886 over Home Rule. He saw it as the break up of the Empire. According to Fraser 1962, Coats 1968.
[582] Fraser, "III. Unionism and Tariff Reform: The Crisis of 1906," 154.
[583] Ibid.
[584] Hewins, *The Apologia of an Imperialist: Forty Years of Empire Policy. Volume I*, 155.
[585] Fraser, "III. Unionism and Tariff Reform: The Crisis of 1906," 165.
[586] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 194.
[587] Hewins, *The Apologia of an Imperialist: Forty Years of Empire Policy. Volume I*, 173.

engagement with individual voters and organisations showed that he "did not embark on policy change without consulting with experts and those it will effect."[588]

Chamberlain asked for open discussion of the merits and demerits of his policy (Fair Trade), and the policy of his opponents (Free Trade), and believed that the outcome should be decided electorally and could only succeed if the working class supported his proposals (as the majority of the electorate): "unless I have the support of the working people, clearly my movement is already condemned and utterly a failure"[589]. As Irwin argues, "deciding a future of Britain's trade policy by a general election…is different than had that decision been made, say, by the Cabinet or a vote in Parliament."[590] According to Gourevitch, although "British labor was very deeply wedded to the cheap loaf,…the experience of Joseph Chamberlain shows, workers as electors could be won over to protectionism more easily than their representative organizations."[591] Chamberlain indeed regretted the absence of the mechanism of a national referendum in British politics at the time (unlike in Switzerland and the US).[592]

Trade unions advised by the Cobden Club proved effective in attacking Chamberlain's proposals "as a threat to the cheap loaf."[593] According to Coats, the massive collection of 940 signatures of Trade Unionists and Co-operative leaders against his proposals seemed to "bear him out."[594] Semmel writes:

> The support of organized labour for the Liberal party can be attributed to many causes: the less blaring, therefore partially disguised imperialism of the Liberal-Imperialists (…), the fear of the stomach tax, hostility to the Tories because of House of Lords' attacks upon the trade unions, the class bias of the Unionist argument against the Budget as well as the Liberal appeal to workers' class prejudice (tax the 'dukes'[595]), the attraction of the Liberal programme of social reform, and the general prosperity of the decade before the war of 1914.[596]

The 1906 United Kingdom general election was held from 12 January to 8 February 1906. Liberals won crushingly (399 seats to the Tory Unionists' 156 seats) attributing the victory to "electoral support for free trade."[597] According to Pigman and O'Brien, "Unilateral free trade remained popular because it was still perceived by many to be in the national (and imperial)

[588] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 188–89.
[589] Chamberlain, "Trade Unionism and Tariff Reform," 316.
[590] Irwin, "The Political Economy of Free Trade: Voting in the British General Election of 1906," 104.
[591] Peter Alexis Gourevitch, "Breaking with Orthodoxy: The Politics of Economic Policy Responses to the Depression of the 1930s," *International Organization* 38, no. 1 (1984): 121, https://doi.org/10.1017/S0020818300004288.
[592] Boyd, *Mr. Chamberlain's Speeches. Vol. II*, 123. According to Boyd, Chamberlain argued for adopting a principle of Referendum, "as "the only way in which the decision of great national questions can be separated from …party government. …we might have a national verdict which all sections would accept."
[593] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 199.
[594] Ibid., 199–200.
[595] Then they should have supported Chamberlain, whose radicalism was well known. Chamberlain's 'ransom' speech in 1885 had shocked the propertied classes. Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 82.
[596] Semmel, 231.
[597] Irwin, "The Political Economy of Free Trade: Voting in the British General Election of 1906," 85.

interest. It had become the enduring British ideology and continued to exercise a hold over the popular mind long after its rationale passed away."[598] As Chamberlain argued, "Our democracy is conservative. When a doctrine has been entertained, rightly or wrongly, for two generations, it becomes a superstition, and then it is sacred."[599]

Ascendancy of the Tariff Reform

According to Hewins, following the election,

> While Asquith duly solemnized…'obsequies' of Preference, I know of no period in my life during which Conservative members were so cheerful or so confident of success and so efficient, as when we were in minority of over two hundred in the House of Commons after the so-called great defeat of Chamberlain.[600]

In fact, the gains for Chamberlain were significant as 109 of 157 Tory seats went to the Tariff Reformers, Balfour lost the seat himself. As Fraser argued "the triumphant majority of tariff reformers in Parliament…the sudden ascendancy of the Tariff Reform League" put Chamberlain in a strong position to reorganise the party and make a formal platform out of his policy proposals.[601] Chamberlain made clear:

> I have no intention of setting up against him, but on the other hand I will not join him again without a more definite understanding as to policy. This is the critical time[602]…I suggested that the election had shown a half-way policy was not popular— that we must either be free traders or tariff reformers.[603]

According to Fraser, "Chamberlain's demands had crystallized into three cardinal points. …the official acceptance of a 'general tariff'; … 'a complete severance of relations with Unionists who refuse to accept' this as the official policy; …a democratic reorganization of the Unionist party."[604]

Balfour and Chamberlain continued to disagree on policy until 14 February, when Balfour converted, signing letter defining 'general tariff' as originally drafted by Hewins. According to Hewins's first-hand account of the events:

> It appears to me that the question was one of definition and drafting. From what I know of Balfour and Chamberlain I should say they failed completely to get on terms until the letter was drafted…It is a thousand pities that what was done at the end was not done long ago. Then we might have won the general election.[605]

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[598] O'Brien and Pigman, "Free Trade, British Hegemony and the International Economic Order in the Nineteenth Century," 107.
[599] Chamberlain, "Canada and Imperial Union," 332.
[600] Hewins, *The Apologia of an Imperialist: Forty Years of Empire Policy. Volume I*, 158.
[601] Fraser, "III. Unionism and Tariff Reform: The Crisis of 1906," 155.
[602] Fraser, 157. Chamberlain papers, A.C. 2/1.
[603] Fraser, 158.
[604] Ibid., 158–59.
[605] Hewins, *The Apologia of an Imperialist: Forty Years of Empire Policy. Volume I*, 168–69.

Imperial protectionists continued to enjoy gradual gains with each election. In the years preceding World War One, the Tariff Reform supporters in House of Lords played a strategic role in rejecting Lloyd George's 1909 "People's Budget" proposing indirect taxation for funding social welfare development, which led to one of the acutest political crises in English history.[606] In the January 1910 election, Balfour reiterated his commitment to Tariff Reform, this time in opposition to rising Socialism.[607] Following the intense propaganda campaign between the Tariff Reform League and the Free Trade Union, Unionist Party seats increased from 157 to 271: according to Lowe, "the voting did indicate, indirectly at least, the trend towards Tariff Reform."[608] Chamberlain and the historical economists had raised the issue of the role of the state in the economy to the centre of British political life.[609] Since the Tariff Reform and Imperial Preference campaign (1903-1906), commercial policy of the British Empire was no longer a matter of economics but of politics.[610] The significance of Imperial Preference lay 'in the debate itself' as a debate closely interlinking international, imperial and domestic affairs.[611] "After 1906 [...] it was an essential attribute of tariff reform that it was a single policy to solve the multitude of problems, and that it could respond to changing circumstances by changes of emphasis,"[612] just as Chamberlain imagined it.

"Let us buy of one another" [613]

There had always been two closely intertwined aspects to Chamberlain's Imperial Preference policy: practical and sentimental ("To me it [Empire] is everything.")[614] Why was he so compelled to champion the Colonies' case for preference at a personal political cost? According to Hewins, Chamberlain said that "he had been brought to his policy by pressure which as a statesman he could not ignore."[615] It was the Canadian Wilfred Laurier who impressed upon Chamberlain that: "If we do not come closer together we must inevitably drift apart."[616] When he launched his campaign in May 1903, Chamberlain was defending Canada against Germany: "I believe in a British Empire, in an Empire which, although it should be its first duties to cultivate friendship with all the nations of the world, should yet, even if alone, be self-sustaining and self-sufficient, able to maintain itself against the competition of all its rivals."[617]

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[606] Lowe, *The British Tariff Movement*, 8.
[607] Lowe, 11–15.
[608] Ibid., 14.
[609] Koot, "Historical Economics and the Revival of Mercantilist Thought in Britain, 1870-1920*," 188–89; Alan Sykes, *Tariff Reform in British Politics 1903-1913* (Oxford, Oxford University Press, 1979).
[610] Fuchs 1905, viii; unemployment and investment stats, relative trade decline (Lowe 1942, 9-10)
[611] Young 1928, 248; Zebel 1967; Williamson 1992; Grayson 2006. Another important result of the campaign was that it committed the Conservative party to the idea of imperial mercantilism, which offered alternative political economy and foreign economic policy to the one based on unilateral free trade, albeit often at the price of holding office.
[612] Sykes 1979, 6
[613] Chamberlain, 333.
[614] Chamberlain, "Trade Unionism and Tariff Reform," 327.
[615] Hewins, *The Apologia of an Imperialist: Forty Years of Empire Policy. Volume I*, 68.
[616] Chamberlain, "Tariff Reform and the Cotton Trade," 279.
[617] Chamberlain, "A Demand for Inquiry," 140.

It may all have started because of the failure to reciprocate the Canadian preference to Britain and the want of the means of retaliation against a commercial rival. But Canada, perhaps more than any other dominion, shaped Chamberlain's relentless pursuit of tariff reform and imperial preferences as a way to manage an imperial state. When the Canadian government appointed tariff commission to revise its tariff policy, Hewins established mutual consultation between the two to coordinate development of Imperial Preference.[618] The Canadian mission in which Hewins took part in autumn of 1905 showed close connection between tariff policy of the states of the Empire, the constitutional issues involved, and the significance of treaty negotiations, as well as "on what principles and within what limits tariff preference" could be arranged.[619]

When Chamberlain addressed the Members of the Canadian Manufacturers' Association in Birmingham in June 1905, he was asking the Canadians to work together to achieve the higher aims of the Empire:

> Let us not try to block the tide; let us keep it flowing. Let us press on, with all the energy we have remaining to us, that at least during our time we may have advanced one step in the direction of this great ideal which, if we can only seize it, will secure to the future of the world its civilisation and its peace. Our duty is to take every opportunity…for exchanging ideas…We have to think imperially.[620]

Chamberlain asked: "Can the States which compose it be consolidated in spite of their divergent interests?"[621] He recognised the complexity of this task:

> We all have our local interests to consider. …we have our party politics. But …here we are…still with common interests which it is our business to defend.[622] …We have our difficulties, and it is a business of every statesman to overcome them. I do not think that they are insurmountable, if only we keep in view the greater objects that lie behind these commercial undertakings, and which exceed them altogether in importance."[623]

Chamberlain believed that the British Empire was "…not an empire [yet]. ….It is a great potentiality."[624] He argued that "What we…have to do is to devise some means of cementing this union, which would be worth nothing if sentiment did not exist, but which cannot be worth much if the sentiment is not organised and consolidated."[625] His advocacy of reciprocity and the principal for preferential treaty was based on the belief "that we should treat our friends a little better…than our competitors."[626]

> You have this Empire; your Empire – that is what I wish to impress upon you – your Empire as much as ours. […] Let us buy of one another.…Commerce of that kind is

[618] Hewins, *The Apologia of an Imperialist: Forty Years of Empire Policy. Volume I*, ix.
[619] Hewins, ix.
[620] Chamberlain, 331.
[621] Ibid., 329.
[622] Ibid., 328–29.
[623] Ibid., 332.
[624] Chamberlain, "Preference, The True Imperial Policy," 295.
[625] Ibid., 330.
[626] Ibid., 332.

> twice blessed. …You have to think that there is no corner of this great Imperial possession whose prosperity is not really a definite matter of interest to every other part of it. Let our trade be, if we can make it so, under the common flag."[627] […] my own last word to you to help me to make the Empire one.[628]

According to Hewins, many objections to Chamberlain's policy were due to the failure to grasp the "principle of organisation" of the Empire for which his case was "immensely strong"; failure to distinguish between "the end in view and the character of the means to be adopted and the order in which they should be applied."[629] Hewins argued that "tariffs, like any other branch of policy, were no more than instruments of organisation", the aim being "building up the trade of the country and promoting the consolidation of the Empire" on an equal basis."[630] It was "not by the "conversion" to free trade of one little state after another that greater homogeneity of conditions has in modern times been introduced, but by the gradual consolidation of ever larger areas, the growth of the means of communication …within those areas, and the development of their resources."[631]

Beyond the commercial ties, Chamberlain spoke of "the effect of the Empire upon the whole character of the people,"[632] drawing from the historical economists, for instance Ashley, who merged imperialism with patriotism to reflect the defensive and not expansionist nature of imperial protectionism. Echoing Schmoller, Ashley regarded "the nation as an indispensable instrument for the ultimate well-being of humanity" and the British Empire as "the mightiest of instruments for good" and the "fairest hope of humanity."[633] Such was the interplay of the ideas, that the central claim underpinning Chamberlain's campaign: "[T]he character of a nation is more important than its opulence"[634] was inspired by the very same Germans whose commercial challenge to Britain Chamberlain sought to meet with the Tariff Reform and Imperial Preference, and the very same man who advised the British Government to give up its colonies.

The attempt to reverse free trade in 1902-1906 showcases well that "individuals can and do play significant roles as structural, intellectual and, most particularly, entrepreneurial leaders."[635] Through the agency of Chamberlain and the historical economists like Hewins and Ashley, we can reappraise their struggle to create an effective British Empire, or how they saw it, "an attempt to counteract, by human foresight, the working forces, which, left to themselves,

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[627] Ibid., 333.
[628] Chamberlain, "Trade Unionism and Tariff Reform," 327.
[629] Hewins, "The Fiscal Policy Of The Empire." *Times*, 28 August 1903, 10
[630] Hewins, *Times*, 28 August 1903, 10. If properly designed imperial policy, based on the scientific tariff, would enable closer intra-market integration, but not at the cost of the colonial national manufacturing, and could operate to the benefit of foreign countries. Marrison, "British Businessmen and the 'Scientific' Tariff: A Study of Joseph Chamberlain's Tariff Commission, 1903-1921. With Special Reference to the Period 1903-1913," 63, 65.
[631] Hewins, *Times*, 4 July 1903, 14.
[632] Chamberlain, "Preference, The True Imperial Policy," 300.
[633] Semmel, *Imperialism and Social Reform: English Social-Imperial Thought 1895-1914*, 199. Get direct quote from my Ashley sources
[634] Boyd, *Mr. Chamberlain's Speeches. Vol. II*, 255.
[635] Elizabeth Riddell-Dixon, "Individual Leadership and Structural Power," 259.

involve[d] the decadence of this country."[636] As an entrepreneurial leader, Chamberlain lived up fully to his claim of being a pioneer[637] by applying the ideas of historical economists to the commercial consolidation of the Empire through fiscal reform at home; by building the political platform on which Britain's inter-war departure from free trade was built.

According to George [drawing from Leites], "a belief system about politics [fundamental issues of history and central questions of politics] is influenced particularly by the actor's assumptions about the nature of political conflict and by his image of opponents"[638] bearing on the problem of action:

> The actor's beliefs and premises serve, as it were, as a prism that influences the actor's perceptions and diagnoses of the flow of political events, his definitions and estimates of particular situations. These beliefs also provide norms, standards, and guidelines that influence the actor's choice of strategy and tactics, his structuring and weighing of alternative courses of action.[639]

Chamberlain recognised that consolidating the Empire was a job for a few generations. He was doing his part under mounting systemic pressure of the day and against the free trade dogma, the Cobden's legacy, and the opposition of the Liberal political establishment to "advance towards…'the greatest happiness of the greatest number.'"[640] According to Hewins, Chamberlain succeeded because he was "the least doctrinaire" among his political peers and adversaries and because "he made immense appeal…to thousands…in personal sense. He held fast to the principles he had enunciated, and ultimately sacrificed his life in their defence."[641]

> *The union of the Empire must be preceded and accompanied, as I have said, by a better understanding, by a closer sympathy. To secure that is the highest object of statesmanship now at the beginning of the twentieth century….I know that the fruition of our hopes is certain. …I have faith in the people. I trust in the good sense, the intelligence, and the patriotism of … the vast majority of my countrymen. I look forward to the future with hope and confidence, and*
> *'Others I doubt not, if not we,*
> *The issue of our toil shall see*.[642] (italics in original)

[636] Ashley, *The Tariff Problem*, 262–63.
[637] Chamberlain, "A Demand for Inquiry," 142.
[638] Alexander L . George, "The "Operational Code": A Neglected Approach to the Study of Political Leaders and Decision-Making," *International Studies Quarterly* 13, no. 2 (1969): 221.
[639] George, 191.
[640] Joseph Chamberlain, "The Last Speech," in *Mr. Chamberlain's Speeches. Volume II*, ed. Charles W. Boyle (London Constable and Company Ltd, 1906), 368.
[641] Hewins, *The Apologia of an Imperialist: Forty Years of Empire Policy. Volume I*, 7.
[642] Chamberlain, 372. This passage links with the role Chamberlain's sons played in completing his work: Austen Chamberlain introduced Imperial Preference when Chancellor in 1919 Budget (Finance Act) and Neville Chamberlain introduced Import Duties Act and arranging Imperial Preference in Ottawa in 1932, as I discuss in Chapter 5.

Conclusion

The attempt to reverse free trade in 1902-1906 showcases how Chamberlain played a pivotal role in initiating Britain's long shift to protection. Because his early efforts paid off with the adoption of the Import Duties Act and the Ottawa Agreements in 1932, we may argue that, in the long run, Chamberlain succeeded in shaping this outcome. As an entrepreneurial leader, he applied the rationales of the historical economists for the policy of commercial consolidation of the Empire through fiscal reform at home and by building the political platform on which Britain's inter-world war departure from a unilateral free trade was built. As Friedberg acknowledged, "[C]onsidering the past strength of the free-trade dogma," Chamberlain's accomplishments "were not small."[643] Although the Boer war provided a strong focal point for reversing free trade in Britain, the fact that Chamberlain failed to change policy in 1906 means that stronger systemic-wide structural factors, such as the critical junctures of the global war, the economic recession, were needed as well as the support of the majority of economic and political interests, and the electorate to bring about real change.

This chapter demonstrates why recapitulating Chamberlain's, and the historical economists' statements is important to understanding Britain's drift to protectionism in the 1930s. Chamberlain's key contributions are in making protectionism a practical, growing political force in Britain's governance; in exposing the negative effects of one-sided free trade to domestic welfare and international security; in relaunching protection through tariffs as a credible policy to facilitate British exports in order to increase employment at home and liberalise international trade, both within and outside the Empire. More strikingly, as I show in Chapter 5, his arguments and rationales for protection would be deployed by Liberal free traders in pursuit of freer and fairer trade and the restoration of international trade openness during the interwar period. As I elaborate in the concluding chapter, revisiting these rationales today provides important insights into the present backlash to globalisation in the context of the declining American hegemony largely built upon the liberal ideal of the international system of universal free trade.

[643] Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895 - 1905*, 82.

Chapter 4

Staving off the Protectionist Slide: Philip Snowden and the Struggle to Keep Britain Open[644]

"Free Traders may, consistently with their faith, regard a revenue tariff as our iron ration, which can be used once only in emergency. The emergency has arrived."[645]
John Maynard Keynes (7 March 1931)

"I do not underestimate the magnitude of the task in which we are engaged, but it would be disastrous not only to this country but for the world if at this time this country, in a state of panic, were to change its well-tried fiscal policy."[646]
Philip Snowden (October 1930)

The interpretations of the inter-war collapse of European and international integration point at British international decline, which inevitably led Britain to abandon its signature free trade policy and adopt protectionism under the Import Duties Act and the Ottawa Agreements in 1932. This narrative, however, veils the intense policy debate in Britain in 1930 over whether the Empire should be sacrificed for the economic restoration of Europe. Since 1929, the Labour Government pursued the reduction of trade barriers and facilitation of the European economic integration. As the economic depression unfolded, the Conservative opposition pressured for the creation of the imperial economic union based on preferences, while J. M. Keynes urged the introduction of tariffs to tackle unemployment under the Gold Standard constraint. These competing views on restoring Britain's economic position created a new cleavage: should Britain continue to trade freely with economic rivals or protect against them? For a free trading nation with imperial commitments, the political choice between the Tariff Truce with Europe (economic internationalism) or Imperial Preference with the Empire (economic nationalism) during the early 1930s was challenging, divisive and depended on pivotal actors' economic beliefs and political decisions, as well as their willingness to compromise to advance a practical policy agenda. The orthodox Liberal free trader and the Chancellor of the Exchequer Philip Snowden used his position in the Cabinet to ensure that Britain remained "global" by increasing its economic presence in Europe at the same time as its imperial ambitions were revived with the creation of the Commonwealth. This chapter offers a novel analysis of Britain's trade policy change as a liberal response to demands for protection in 1930 and Snowden's effective deferral of its introduction till 1932.

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[644] This chapter has been published during the course of PhD, in 2021. Levkovych, "Staving off the Protectionist Slide: Snowden and the Struggle to Keep Britain Open."
[645] John Maynard Keynes, "Proposal for a Revenue Tariff. By J. M. Keynes," *The New Statesman and Nation*, 7 March 1931 (1931), 53–54.
[646] Philip Snowden, *The Menace of Protection. Speech Delivered at Free Trade Hall, Manchester, October 20, 1930* (London: The Labour Party, 1930), 13.

I analyse how Snowden was able to exercise such a high degree of agency against opposing interests by adopting positions opposite to the views of most economic interests and significant sections of the Labour and Conservative parties.

During the interwar period, economic protectionism rapidly became a global trend[647] and was accompanied by significant domestic political overhauls.[648] The need for greater self-sufficency and severing of trading links during the war[649] and for reconstruction after led Western European economies to build up tariff walls combined with intervention, regulation, and fiscal readjustment in pursuit of greater stability and as a means of restoring equilibrium.[650] In Britain, during the 1920s, absolute growth was favourable and accelerated over 1899-1913. According to Richardson, the indirect effects of protection before 1932 were central to these trends, leading to "industrial expansion which was crucial to recovery."[651] Between 1924 and 1929, GDP increased annually by 3.1 per cent thanks to rising productivity from the newer growth sectors in the economy[652] (e.g. automobile) where "infant-industry tariffs" applied stimulating "investment and mass production methods."[653] On the other hand, exports underperformed heavily in traditional sectors such as coal, textiles and shipbuilding, where high levels of unemployment were concentrated: for the entire decade beginning in 1920, at least 10 per cent of the insured workforce [one million people] were out of a job.[654] At their peak during the inter-war period in 1929, exports were still a fifth below the volume of 1913 due to a dramatic fall in the UK's share of world trade.[655] Loss of trade and a relative deterioration of Britain's competitive position by over 12 per cent between 1913 and 1929 was compounded by the overvaluation of sterling and was "very marked and in stark contrast" to the experience of its economic rivals.[656]

In response, through the 1920s, Britain's traditional policy of customs duties for revenue gave way to preservation of the wartime duties and a piecemeal introduction of protectionist tariffs in order to finance the war repayments and reciprocate the Dominions' preferential policies[657] It was clear that policymakers tried to grasp at every possible expedient to keep the economy going, which resulted in an unorganized pursuit of increasingly complex forms of protectionist policy.[658] The imperial preferences which were introduced in the 1919 Budget by Austen Chamberlain applied to all Empire products and were one third less than tariffs on non-Empire

[647] Krasner, "State Power and the Structure of International Trade," 325–26; Joanne Gowa and Raymond Hicks, "Politics, Institutions, and Trade: Lessons of the Interwar Era," *International Organization*, 67.67 (2013), 439–67, https://doi.org/10.1017/S0020818313000118; Irwin, *Peddling Protectionism: Smoot-Hawley and the Great Depression*, 174, 176; Kindleberger, 123–27.
[648] Beth A. Simmons, *Who Adjusts? Domestic Sources of Foreign Economic Policy During the Interwar Years* (Princeton, NJ: Princeton University Press, 1994), 219.
[649] Add ref for Allies 1916 agreemnt to use protection
[650] Bannerman, "The Free Trade Idea," 51.
[651] Richardson, *Economic Recovery in Britain, 1932-9*, 264–65.
[652] Rooth, "The Political Economy of Protectionism in Britain, 1919-1932," 9–10.
[653] Richardson, *Economic Recovery in Britain, 1932-9*, 264–65.
[654] Rooth, "The Political Economy of Protectionism in Britain, 1919-1932," 9–10.
[655] Rooth, 9–10.
[656] Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s*, 24.
[657] Young, "Great Britain's Recent Trend toward Protection," 250.
[658] Young 1928, 249; Drummond 1974, 25.

foreign imports. Also, Empire producers were given same preference as domestic ones in all Government contracts. In 1926 the Empire Marketing Board was introduced.[659]

The scope and the pace of the introduction of protection was shaped by the Conservatives' cautious attempts to shift to protection [660] and by the vigorousness of the Labour and Liberal resistance spearheaded by Snowden. During the 1929 election, the Conservative Party, bruised by their previous electoral defeats, renewed their pledge against food taxes and general tariffs.[661] Such a moderated approach had been challenged by Conservative die-hards, for whom their leadership's commitment to limited safeguarding and imperial preferences was out of step with the urgent need to create employment and foster the economic development of the Empire.[662]

Labour's victory and formation of the minority Government in 1929, with support from Liberal Members of Parliament (MPs), signalled an unequivocal pledge to the "internationalist" policy of free trade.[663] Both parties would split internally over the growing demands for protection from 1929-1931. The problem of unemployment proved especially challenging to the Labour Government.[664] Even John Maynard Keynes, a long-time free-trade liberal, urged the introduction of tariffs to tackle unemployment under the Gold Standard constraint,[665] at first expressing his views in private consultation,[666] and then making public his support for a revenue tariff in spring of 1931.[667]

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[659] Brice M. Mace and Adam, "Imperial Preference in the British Empire," 228.
[660] Howson and Winch, *The Economic Advisory Council 1930-1939. A Study in Economic Advice during Depression and Recovery*, 96.
[661] Andrew Thorpe, *The British General Election of 1931* (New York: Oxford University Press, 1991), 32, https://doi.org/10.1093/acprof:oso/9780198202189.001.0001; *British General Election Manifestos 1918-1966*, ed. F.W.S. Craig (Chichester, UK: Political Reference Publications, 1970), 45; Robert W. D. Boyce, *British Capitalism at the Crossroads 1919-1932. A Study in Politics, Economics, and International Relations* (New York: Cambridge University Press, 1987), 185.
[662] Marrison, 390–92; Craig, 44–45.
[663] Boyce, 197, 217–19; Patricia Clavin, *Securing the World Economy. The Reinvention of the League of Nations, 1920-1946* (New York: Oxford University Press, 2013), 39–45, https://doi.org/10.1093/acprof:oso/9780199577934.001.0001.
[664] Forrest Capie, "The Sources and Origins of Britain's Return to Protection, 1931-2," in *Free Trade and Its Reception 1815-1960. Freedom and Trade: Volume I*, ed. Andrew Marrison (London: Routledge, 1998), 246–77; Marrison, 393; Rooth, 48.
[665] Barry Eichengreen, "Keynes and Protection," *The Journal of Economic History*, 44.2 (1984), 363–73, https://doi.org/10.2307/2120714.
[666] Williamson, 65–66, 73–75; Susan Howson and Donald Winch, *The Economic Advisory Council 1930-1939. A Study in Economic Advice during Depression and Recovery* (New York: Cambridge University Press, 1977), 24–29; J. M. Keynes and G. D. H. Cole, "The Economic Outlook. Report by Chairman (Mr. J. M. Keynes) and Mr. G. D. H. Cole E.A.C. (H.) 85, 2 May 1930," in *The Economic Advisory Council*, ed. Susan Howson and Donald Winch, 174–77; E.A.C., "The Economists' Report. Report Committee of Economists. P.R.O., Cab. 58/151, E.A.C. (H.)127, 24 October 1930," in *The Economic Advisory Council*, ed. Howson and Winch, 180–243.
[667] Keynes, "Proposal for a Revenue Tariff. By J. M. Keynes"; John Maynard Keynes, "Economic Notes on Free Trade. I – 'The Export Industries,'" *The New Statesman and Nation*, 28 March 1931 (1931), 175–76; Lionel Robbins, "A Reply to Mr. Keynes By Lionel Robbins," *The New Statesman and Nation*, 14 March 1931 (1931), 98–99; John Maynard Keynes, "Economic Notes on Free Trade. II – 'A Revenue Tariff and the Cost of Living,'" *The New Statesman and Nation*, 4 April, 1931 (1931), 211; John Maynard Keynes, "Economic Notes on Free Trade. III – The Reaction of Imports and Export," *The New Statesman and Nation*, 11 April, 1931 (1931), 242–43.

In 1930, the movement for protectionism in Britain significantly strengthened calls to bring trade policy up for reconsideration. The League of Nations' Tariff Truce Convention– initiated on behalf of the British government by the President of the Board of Trade, William Graham, as a strategy to cope with declining exports through reduction of protection in Europe - was about to expire, lacking signing countries' ratifications.[668] The steep rise in unemployment – from 1.66 million in April to 2.2 million, almost 20 percent of the insured workforce, by October 1930 – combined with the retreat of free trade added momentum to calls for protection in preparation for the Imperial Conference.[669]

Against this protectionist tide stood Philip Snowden, Labour's Chancellor of the Exchequer, whose unwavering faith in economic liberalism remained intact throughout his career, making him the most orthodox inter-war Chancellor wedded to economy, free trade and gold with "fanatic tenacity."[670] Snowden had maintained categorical opposition to protection in all forms since the introduction of the McKenna duties in 1915 because of his Cobdenite beliefs in free trade for economic and diplomatic reasons.[671] His first Chancellorship (1923-24) had revealed that "both he and the Treasury were thoroughly Gladstonian."[672] Snowden ran fiscal policy independently, without interference from Prime Minister Ramsay MacDonald.[673] Snowden appears to have "abolished the McKenna duties in 1924 without any discussion in the Cabinet," acting according to his free-trade principles and entirely on his own initiative.[674] His foremost critic, Winston Churchill, himself a Liberal free-trader turned pragmatic protectionist, described Snowden's "rigidity of doctrine" as "impenetrable."[675] According to Colin Cross, Snowden's biographer, Snowden saw "sound" money "as the bedrock of social progress"[676] and "made his adherence to the Gold Standard absolutely definite from the moment of taking office" in 1929.[677] As Chancellor by general consensus, Leader of House of Commons in MacDonald's absence and *de facto* Deputy Prime Minister,[678] he occupied a key position in the Cabinet. When the Opposition called for extending safeguarding duties and preferences in

[668] Boyce, 235–40, 275–76.
[669] Williamson, 60; Trentmann, 20.
[670] Keith Laybourn, "Philip Snowden: The Road from Leeds to the Lords," in *Philip Snowden: The First Labour Chancellor of the Exchequer*, eds. Keith Laybourn and David James (Bradford, UK: Bradford Libraries and Information Service, 1987), 59–80; Tony Jovitt, "Philip Snowden and the First World War," in *Philip Snowden: The First Labour Chancellor of the Exchequer*, ed. by Keith Laybourne and David James (Bradford, UK: Bradford Libraries and Information Service, 1987), 39–57.
[671] Jovitt, 50.
[672] Colin Cross, *Philip Snowden* (London: Barrie and Rockliff, 1966), 198.
[673] Ibid, 199.
[674] The McKenna import duties (on cars, cycles, musical instruments, clocks and films) were introduced by the Coalition Government in 1915 as a temporary wartime measure during the First World War, but continued after the war's end. In 1924, they were yielding £3 million a year, under their shelter car-production industry that emerged in the Midlands, see in Cross, 204; Francis W. Hirst, *From Adam Smith to Philip Snowden: A Histoey of Free Trade* (London: T. Fisher Unwin Ltd., 1925), 86.
[675] "Literary: 'Short Biographies': proofs 2," Winston S. Churchill Papers, CHAR 8/591, Churchill Archives Centre, Cambridge, UK (available at http://www.churchillarchive.com.gate2.library.lse.ac.uk/explore/page?id=CHAR%208%2F591#image=70, accessed 2 March 2020).
[676] Cross, 202.
[677] Ibid, 242.
[678] Ibid, 234.

July 1929, Snowden reaffirmed the Government's plans for the reversal of protection: "It was known that if we were returned these duties would be repealed...the country at the recent General Election had given an emphatic verdict against Protection."[679] Regarding Imperial Preference, he did not believe that this "would be mutually advantageous to both countries by a system of preferential tariffs."[680] Until resignation from the National Government in September 1932, Snowden thwarted numerous internal attempts to introduce protectionist measures and firmly resisted mounting external pressure for the abandonment of free trade.

The Rise of the Protectionist Tide

The year 1930 became an essential one in the history of British public opinion on the tariff question.[681] At the beginning of June, the Manchester Chamber of Commerce members voted "overwhelmingly … against Free Trade."[682] Such a fall in the citadel of free trade served a truly devastating blow to the Liberal case for universal free trade. The Trades Union Congress followed suit by "calling for the empire to be turned into an economic bloc."[683] The British Preparatory Committee for the Imperial Conference representing the British Chambers of Commerce, the Federation of British Industries and the Chamber of Shipping of the UK were unanimous in recommending "not only to increase the volume of trade within the Empire but, by organising the Empire upon sound economic lines to enable it [to] contribute as a unit, in a larger degree than at present, to the total volume of world trade."[684] Another shocking "national turning point"[685] and a crushing verdict on the Tariff Truce was delivered by a group of twenty-three formally pro-Free Trade City Bankers who urged "reciprocal trade agreements between the nations constituting the British Empire" while "being prepared to impose duties on all imports from all other countries."[686] According to the *Daily Telegraph*, "[T]he water has got in among the foundations of Cobdenite Free Trade at last, and the walls are visibly crumbling."[687]

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[679] "King's Speech. Debate on the Address. Sixth Day," House of Commons (hereafter HC) Debate 9 July 1929, Vol. 229 cc723-845', UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/result/pqpdocumentview?accountid=9630&groupid=107925&pgId=b7629a8b-1984-48e0-b7a7-152ad7409b37, accessed 4 May 2020), 747-748; Philip Snowden, *An Autobiography: Volume Two 1919-1934* (London: Ivor Nicholson and Watson Limited, 1934), 773–74.
[680] "King's Speech. Debate on the Address. Sixth Day," HC Debate 9 July 1929, Vol. 229 cc723-845," 754–755.
[681] Jones, 221.
[682] HC Debate 17 June 1930, 5th Series, Vol. 240 cc6-7, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0240p0-0001?accountid=9630, accessed 4 May 2020); Marrison, *British Business and Protection, 1903-1932*, 398.
[683] John Gallagher, *The Decline, Revival and Fall of the British Empire: The Ford Lectures and Other Essays*, ed. Anil Seal (Cambridge, UK: Cambridge University Press, 1982), 115–16; "Commonwealth Trade: Empire Unity T.U.C. Committee's Suggestions," *The Times of India*, 28 June 1930, 12.
[684] "Work For the Conference," *The Times*, 14 July 1930, *The Times* Digital Archive.
[685] "The Bankers' Blow to Free Trade," *Morning Post,* 5 July 1930, Bank of England ADM10/44, *BoE ADM10/44 Bankers' Manifestos Jul-Sep 1930*, Bank of England Archives.
[686] "Empire Trade," *The Times,* 5 July 1930, *The Times* Digital Archive.
[687] "Bankers and Fiscal Policy," The *Daily Telegraph*, 5 July 1930, Bank of England ADM10/44, Bank of England Archives.

J. H. Thomas, Secretary of State for Dominion Affairs, responded to the calls for protection by announcing that the Government would go into the Imperial Conference excluding "nothing from our consideration" and "…with a single-minded desire to do all that is possible…in the interests of the Empire as a whole."[688] Informally, Thomas let it be known that the Cabinet had discussed tariff plans and everyone was in favour except Snowden and Graham, the President of the Board of Trade. It appeared that Labour had been presented with a good chance to exploit the rising tide of protectionist sentiment in the country and negotiate an ambitious scheme of trade preferences with the Dominions, thereby winning pro-imperialist press support and leaving Tories high and dry[689]: "Snowden was the only serious obstacle, 'and if he won't come in he may have to be thrown overboard.'"[690]

While others within the Labour and Liberal Parties were changing their minds about free trade, Snowden kept railing against protection and Imperial Preference throughout 1930. Shielding free trade from attack, he made his (and by default, the Government's) position known to his opponents. In March, Snowden denounced "economic unity" aspirations as an "Empire Protectionist stunt" and pledged "we [Labour Government] shall not place that subject on the agenda [at the 1930 Imperial Conference]."[691] Speaking for the Government on 16 July, he swore to "be no party to the imposition of food taxes, of taxes upon raw materials or of protective duties" [692] and, at the Imperial Conference, to "approve no final conclusion which involves this country in a food taxation policy or a general Protectionist policy."[693] For Snowden, his beliefs in free trade were sacrosanct. Any interference in the market for foodstuffs, such as registration fees, quotas, import boards, or tariffs meant restriction on supply that would burden consumers with increased prices and inflation, and incentivise other industries to seek protection. According to Boyce, "So far as he [Snowden] was concerned the debate had ended in 1846 and there was nothing more to be said."[694]

Neville Chamberlain, a senior Conservative MP and future British Prime Minister, warned that Snowden's "intense and fanatical dislike of Protection" tied his party "absolutely to the rejection of any system of Protective duties" without pragmatic regard to "what benefits and advantages…may contribute to the reduction…of unemployment."[695] He expressed the concern of many that as a result of the Labour Government being in office during the Imperial Conference, "the greatest opportunity for laying the foundations of a united Empire that has

[688] HC Debate 26 June 1930, Vol. 240 c1397, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/result/pqpdocumentview?accountid=9630&groupid=107925&pgId=64070b15-2427-4f0b-9451-366f512af3df, accessed 4 May 2020).
[689] Boyce, 263–64.
[690] Quoted in Ibid, 263.
[691] HC Debate 27 March 1930, Vol. 237 c597, UK Parliamentary Papers (available at https://api.parliament.uk/historic-hansard/commons/1930/mar/27/imperial-economic-conference#S5CV0237P0_19300327_HOC_206, accessed 4 May 2020).
[692] HC Debate 16 July 1930, Vol. 241 c1317-1318, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/result/pqpdocumentview?accountid=9630&groupid=107925&pgId=3c5c4100-6e0f-4658-be85-13651501205c, accessed 4 May 2020).
[693] Ibid.
[694] Boyce, 259.
[695] HC Debate, 16 July 1930.

ever been presented" would be "lost and thrown away."[696] The Dominions' absence from the Tariff Truce Conference had already been considered a warning about the potential failure of the upcoming Imperial Conference in October 1930.[697] The influential trade-related bodies were opposed to the Tariff Truce. The Federation of British Industries made representations to the Government not to adopt it because "…it would be against the interest of this country."[698] The main point of criticism was that Tariff Truce participation would damage every prospect of establishing economic cooperation based on imperial preferences.

Under mounting pressure for protection and imperial preferences, the British government postponed the ratification of the Tariff Truce Convention twice: in June[699] and in August 1930.[700] MacDonald summed up the view of "the majority" of the Cabinet that "it would be inadvisable to ratify the Convention… until the probable result of the negotiations could be forecast."[701] On 2 September, the ratification of the Tariff Truce Convention was brought up again, and the Cabinet split over Imperial Preference. Graham urged his colleagues' approval, insisting "[i]t was impossible to postpone question of ratification until after the Imperial Conference."[702] Graham argued that "failure to ratify" would lead "foreign Powers to infer that Great Britain was about to revise her whole fiscal policy."[703] (That was precisely why MacDonald was postponing ratification: he was pragmatically considering a 10 percent revenue tariff since the summer of 1930,[704] which would be impossible if the UK ratified the Tariff Truce.) Thomas objected, pointing out that "practically every British trade and commercial interest" had expressed views "hostile to ratification."[705] In Thomas's opinion, "the damage had therefore been done before ratification" because, since the signing of the Convention, many European Powers had increased their tariffs.[706] Snowden could not see how ratification could hamper the proceedings of the Imperial Conference,[707] arguing that he had made "perfectly clear, in Parliament" that while the Government was "prepared to discuss any proposals at the Conference, they could not agree to any taxation on food or any general Protectionist policy."[708] Using MacDonald's absence to his advantage, Snowden firmly supported Graham's request despite Thomas's vehement objections. The Cabinet split,

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[696] Ibid.
[697] The British dominions' absence (apart from the Irish Free State) signalled non-commitment to Britain's commitment to international tariff re-lowering which jeopardised enlargement of imperial preferences, also because they exercised the legal independence from Britain with transition from the Empire to the Commonwealth (1926-1931).
[698] HC Debate 4 March 1930, Vol. 236 cc291-292, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/result/pqpdocumentview?accountid=9630&groupid=107925&pgId=7f1ac78c-8834-4eb8-aebd-bc07361d5ae5, accessed 4 May 2020).
[699] The National Archives of the United Kingdom (hereafter TNA), Records of the Cabinet Office (hereafter CAB), Cabinet Meeting Minutes, CAB 23/64/10, 'Meeting of the Cabinet', 24 June 1930, 201.
[700] TNA, CAB 23/64/26, "Meeting of the Cabinet," 6 August 1930, 433-455.
[701] Ibid.
[702] TNA, CAB 23/65, "Meeting of the Cabinet," 2 September 1930, 7.
[703] Ibid, 6-7."Cabinet Conclusions CAB/23/65, 50(30), 2 September 1930, Pp.3-9," 1930, 6–7."Cabinet Conclusions CAB/23/65, 50(30), 2 September 1930, Pp.3-9," 1930, 6–7.
[704] Rooth, 54; Snowden, *An Autobiography*, 923–24; Williamson, 97; Boyce, 258; Cross, 254.
[705] TNA, CAB 23/65, "Meeting of the Cabinet," 2 September 1930, 4, 6.
[706] Ibid.
[707] Ibid, 6.
[708] Ibid, 8.

however, approving ratification of the Tariff Truce Convention by a majority of eight to two.[709] Without Snowden, Graham would not have been able to affirm Britain's commitment to delay any protectionist measures until 1 April 1931, at a time when the prospects of all-round ratification of the Tariff Truce Convention had been greatly diminished by the onset of the Great Depression and "since all Europe" was "following [a] protectionist trend."[710]

Imperial Conference 1930: A "Critical Juncture" [711]

The 1930 Imperial Conference was arranged to complete the implementation of the 1926 Balfour Report, which had launched the Dominions' legal and political independence. With the creation of the Commonwealth, the concept of the imperial economic unity became the central issue for the preservation of the self-governing Empire.[712] It was evident that the desire for common imperial foreign policy was underpinned by anxiety about the loss of British power. By October 1930, when Imperial Conference participants met, the British economy had deteriorated significantly, with no signs of recovery in sight.[713] According to Philip Williamson, the problems related to the Empire, the economy, and public finance generated a climate of 'national crisis' that confronted all party leaders with politically challenging decisions.[714] At the start of the Conference, Canadian Prime Minister R. B. Bennett, a Conservative, speaking on behalf of all delegates, issued a forceful call for approval or rejection of Imperial Preference as the principle: "There is here no room for compromise … [T]he day is now at hand when the peoples of the Empire must decide, once and for all, whether our welfare lies in a closer economic union or whether it does not. …The time for action has come."[715] Bennett suggested 10 percent ad valorem duties on non-Empire food as a minimum that Canada would accept, which was delivered as "an ultimatum."[716] Everyone understood that Bennett's demand implied "the break-up of the Empire should Britain refuse."[717]

Bennett "surprised" Snowden "by his apparent ignorance of the attitude of the Labour Government to Tariff policy."[718] The Dominions' request for the introduction of tariffs on foreign goods in exchange of tweaking – not removing – their own tariffs was incomprehensible to Snowden.[719] Despite Thomas's pleas with his Cabinet colleagues to make some decisions and concessions "other than preferential tariffs,"[720] Bennett's offer was rejected

[709] Ibid, 9; Boyce, 267.
[710] Clarence K. Streit, "Britain May Abandon Tariff Truce Pact, Geneva Is Warned," *The New York Times* (Special Cable to The New York Times, 14 September 1930), 1–2.
[711] Giovanni Capoccia and R. Daniel Kelemen, "The Study of Critical Junctures: Theory, Narrative, and Counterfactuals in Historical Institutionalism," *World Politics*, 59.3 (2007), 341–69.
[712] Williamson, 80–82.
[713] Ibid, 60.
[714] Ibid, 522–23.
[715] *Imperial Conference, 1930: Summary of Proceedings* (London: His Majesty's Stationary Office, 1930), 651.
[716] Snowden, *An Autobiography*, 868–69, 872; Jones, 198.
[717] Jones, 226.
[718] Snowden, *An Autobiography*, 868.
[719] Snowden, *The Menace of Protection*, 13.
[720] TNA, CAB 24/216/16, "Memorandum by the Secretary of State for Dominion Affairs," 27 October 1930, 101.

due to Snowden's unwavering opposition.[721] He had no plans for emergency tariffs, least of all for permanent fiscal reform that would make Britain abandon free trade. Snowden reiterated that although "anxious … to foster inter-Imperial trade," the Government "would not support …the taxation of food, raw material, or a general Protectionist policy."[722] He was sure that if Thomas "could have his own way…he would have conceded [to] the demands of the Dominions for a larger measure of Imperial Preference."[723] Snowden threatened resignation in October 1930 when the idea of a revenue tariff seemed to be gaining majority support in the Cabinet[724] and only conceded to allowing existing preferences to remain until their expiry in three years.[725] The Government tried to cushion the blow by moving to discuss quotas,[726] but its refusal to make any concessions regarding Imperial Preference caused "great offence to Canadian and Australian delegates."[727]

The Conference was deemed unsuccessful, with Snowden admitting as much himself: "After six weeks of this time-wasting procedure, the Conference ended with practically nothing accomplished."[728] All that could be saved was the agreement to examine "various methods by which each country could make the greatest possible contribution to economic cooperation within the Empire"[729] at the subsequent economic conference in Ottawa, planned to take place in August 1931. There was not much enthusiasm, however, if the Labour government were to remain in power.[730] Baldwin, the leader of the opposition, accused Snowden of setting the conference up for failure: "…the 9th July of last year [1929] … he made it quite clear that there could be no change in fiscal policy to meet any request from the Dominions; and we all know that without any change in fiscal policy it is perfectly impossible to advance … economic Imperial unity."[731]

Bennett's offer and the principle of Empire Preference were accepted on behalf of the Conservative Party.[732] In December 1930, a committee chaired by Philip Cunliffe-Lister, a former President of the Board of Trade, started building permanent tariff structures with scope for imperial preferences, capitalising on the growing erosion of support for free trade.[733] Considering the circumstances, Snowden's principled objection to imperial protectionism is significant. He effectively deferred the introduction of preferences until the ratification of the Ottawa agreements in autumn of 1932.

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[721] Williamson, 83–84; Snowden, *The Menace of Protection*, 13; Rooth, 54; Boyce, 272–75.
[722] Snowden, *The Menace of Protection*, 13.
[723] Snowden, *An Autobiography,* 871.
[724] Boyce, 274.
[725] TNA, CAB 24/216/28, "Economic Policy Note," 11 November 1931, 171.
[726] "The Imperial Conference," *The Economist,* 22 November 1930, *The Economist* Historical Archive.
[727] Williamson, 83.
[728] Snowden, *An Autobiography*, 870.
[729] TNA, CAB 24/216/28, "Economic Policy Note," 11 November 1931, 171.
[730] Williamson, *National Crisis and National Government: British Politics, the Economy and Empire, 1926-1932*, 84.
[731] HC Debate 27 November 1930, Vol. 245 cc1539-1663, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0245p0-0009?accountid=9630, accessed 4 May 2020).
[732] "Dominions And Preference," *The Times*, 3 December 1930, *The Times* Digital Archive.
[733] Quoted in Rooth, 58.

To show just how important free trade was to him, Snowden took the fight to Manchester, which, after having been a bastion of free trade for nearly a century, was now slipping into protectionism. For the second time since 1888, the Manchester Chamber of Commerce passed a resolution for protection, urging the Government to postpone any decision with respect to the signing of the Tariff Truce[734] until additional European countries signed. Snowden argued that crisis was no reason to abandon a principled approach to trade:

> I do not underestimate the magnitude of the task in which we are engaged, but it would be disastrous not only to this country but for the world if at this time this country, in a state of panic, were to change its well-tried fiscal policy. We have a great heritage to maintain …not only for ourselves but for the world. Free trade has withstood many assaults in the past, and I am confident that, if we will do our duty in this crisis, if we will bring home to people the full, solid facts of the case, we shall add one more success to the great victories we have achieved in the past. [735]

Snowden: Liberalism's Last Gasp

By the end of 1930, Snowden felt unwell and depressed. His budget was unbalanced - the forecast in 1930-1 was for a £37 million deficit, mainly because the revenue failed to meet Treasury estimates.[736] Exports fell by 30 percent during 1930, while rising unemployment unbalanced the Insurance Fund due to weekly borrowing of up to £1 million.[737] Despite his poor health and declared intention of moving on,[738] Snowden declined the offer of a peerage in March 1931. Snowden feared that his job would go to J. H. Thomas, a supporter of tariffs, and believed that only he could ensure that the principles of "sound finance" in dealing with the fiscal policy were safeguarded.[739]

As such, Snowden kept blocking key protectionist proposals. On 4 March, MacDonald conveyed to the Cabinet that Snowden "was opposed to the majority recommendation" for the urgent wheat quota, which was crucial for the Ottawa Imperial Conference in August 1931 to go ahead.[740] The Conference was cancelled due to the political situation in the UK. It was recognised abroad that "while Snowden is Chancellor of the Exchequer in Britain there can be

[734] HC Debate 18 November 1930, Vol. 245 cc228-230, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0245p0-0002?accountid=9630, accessed 4 May 2020).
[735] Snowden, *The Menace of Protection*, 13.
[736] Snowden, *An Autobiography*, 901–2.
[737] Cross, 259.
[738] MacDonald further wrote, "As to ourselves – Snowden, as you know, is going out. He had warned me of that three or four months ago, and before we thought of anything like this happening I had been discussing with him whether or not he would like to go to the House of Lords." TNA, Records of the Public Record Office (hereafter PRO), James Ramsey MacDonald Papers, PRO 30/69/1314, "Letter from Ramsey MacDonald to Stanley Baldwin," 5 September 1931.
[739] Cross, 269; Snowden, *An Autobiography*, 924.
[740] TNA, CAB 23/66/17, "Cabinet Minutes," 4 March 1931, 248-249.

no progress toward greater imperial preference."[741] Snowden's 1930-31 Budget, which he had prepared alone in his sickbed, was considered "within the limitations imposed on him by his Free Trade principles, an eminently sensible piece of work."[742] During the discussion of the Budget in the House of Commons on 27 April 1931, Snowden made it known that formalising the financial arrangements for the year had to wait for the recommendations of the May all-party report on the National Expenditure. He warned "any gap…in the finance of the year should be met by economy."[743] He also made clear that "[A] revenue tariff, apart from its Protectionist object, is a means of relieving the well-to-do at the expense of the poor, and is an indirect method of reducing wages. I shall *never* be a party to any such imposition."[744] This prompted Neville Chamberlain to reply: "…here is the last Chancellor of the Exchequer who will *ever* again introduce a Free Trade Budget in this House."[745]

Although the collapse of the Tariff Truce was always anticipated, it was still a serious blow to the government's economic strategy when it happened.[746] Graham tried to bilaterally negotiate a 25 percent tariff reduction on selected tariffs with existing most-favoured-nation partners (Germany, France, Belgium, Poland, Italy and Austria) to keep the Tariff Truce proposal alive, but failed.[747] In 1931, 61 countries, including eighteen British Dominions or possessions, raised import duties and introduced stricter types of import restrictions. Churchill, Ernest Bevin and Walter Citrine of the Trades Union Congress (TUC), John Simon, a senior Liberal MP, and many other principled free traders came to embrace protective tariffs.[748] John Maynard Keynes issued a public call for "a restriction of imports to support our balance of trade and to provide employment" in the absence of "a concrete, practical proposal for stimulating our export trades."[749] According to Cross, Snowden's reaction to such "desertions from free trade" was that "tabernacle now needed to be defended more vigorously than ever."[750]

When the Macmillan Committee report, published on 14 July 1931, justified the abandonment of Britain's free trade policies because of the country's chronic economic disequilibrium and as a means to obtain additional revenue for the National Exchequer, Snowden ensured that it warranted no immediate discussion or response.[751] Any serious consideration of the proposal

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[741] "Empire Conference for 1931 Postponed," *The New York Times*, 7 June 1931, (available at https://search.proquest.com/docview/99333625?accountid=9630, accessed 4 May 2020).
[742] HC Debate 28 April 1931, Vol. 251 c1563, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0251p0-0011?accountid=9630, accessed 4 May 2020).
[743] HC Debate 27 April 1931, Vol. 251 c1408, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0251p0-0010?accountid=9630, accessed 4 May 2020).
[744] Ibid.
[745] HC Debate 28 April 1931, Vol. 251 c1479, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0251p0-0011?accountid=9630, accessed 4 May 2020).
[746] Boyce, 310–11; "Tariff Truce Shelved: Time Not Ripe For Application Geneva Decision a Moral Obligation on Governments," *The Manchester Guardian*, 20 June 1931, 16.
[747] TNA, CAB 23/66/4, Cabinet Minutes', 20 May 1931, 92-93; Boyce, 276, 310.
[748] Cross, 274.
[749] Keynes, "Economic Notes on Free Trade. I – 'The Export Industries,'" 176.
[750] Cross, 274.
[751] Boyce, 331–32.

of a comprehensive average tariff of 10 percent could have compromised the Government's principles of internationalism.[752]

Snowden's handling of the May Report on the National Expenditure, however, published on 31 July, produced a much more dramatic effect and had far-reaching consequences for the Labour Government. The report revealed budget expenditures and deficits of about £120 million (later to be revised up to £170 million) that needed to be addressed by making economies and finding additional revenue.[753] The Treasury had provided the figures for the report (so he could not have been surprised), and Snowden later admitted that he withheld it for at least two days so it would not be debated. Snowden did not even consult with MacDonald, who, together with their Cabinet colleagues, dispersed for the holidays without fully grasping its implications. Snowden planned to use the recess to prepare an economy programme for unconditional approval, first at the Labour Party conference and then by the House of Commons. If all went well, the financial crisis would be surmounted with Labour in office and Snowden's policy of "sound finance" vindicated (Snowden and MacDonald both agreed that reduction of the unemployment insurance expenditure was needed).[754] But Snowden miscalculated when he assumed that the Labour Party, having already accepted the appointment of the all-party May Committee on the National Expenditure and his Budget, had committed itself in principle to his policy.[755]

The May Report triggered a confidence crisis and a run on the pound sterling. The Bank of England began pressuring the Government to correct the budget by retrenchment in order to obtain American and French loans.[756] On 7 August, Snowden called MacDonald back to London.[757] Snowden was "convinced of the terrible gravity" of the situation: the prospect of four million unemployed in 1932 made the burden of financial support unsustainable. "I have given up all hope of a revival of trade. I am sure it will get worse," he wrote to MacDonald while urging him to immediately convene the Cabinet Economy Committee (consisting of himself, MacDonald, Thomas, Graham, and Secretary of State for Foreign Affairs Arthur Henderson): "The collapse is almost certain to come before then [25 August] if we delay…We cannot allow matters to drift into utter chaos, and we are perilously that. I am having a full statement prepared of the outlook for the Budget which will be a very appalling one. Under existing trade conditions the limits of taxation have been reached." [758]

MacDonald called the meeting of the Cabinet Economy Committee immediately after arriving in London on 11 August, planning to work out a compromise between what the May Report

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[752] Eichengreen, "Keynes and Protection," 366; Boyce, 283, 331.
[753] TNA, CAB 24/222, "Cabinet Memorandum," 27 July 1931; Snowden, 933-934.
[754] Cross, 280; Snowden, *An Autobiography*, 932–33.
[755] Cross, 280.
[756] Williamson, 308; James Ashley Morrison, "Shocking Intellectual Austerity: The Role of Ideas in the Demise of the Gold Standard in Britain," *International Organization*, 70.1 (2016), 175–207 https://doi.org/10.1017/S0020818315000314.
[757] TNA, PRO 30/69/260, James Ramsey MacDonald Diaries, Snowden to MacDonald, 7 August 1931; Boyce, 348.
[758] TNA. PRO/30/69/260, MacDonald Diaries, Snowden to MacDonald, 7 August 1931.

had demanded and what Labour would accept.[759] Pressured by the Bank of England and the Opposition to correct the budget by retrenchment,[760] the Committee prepared a proposal for social spending cuts and additional taxation based on the principle of "common sacrifice and effort."[761] The main controversy was over Snowden's proposal to cut unemployment benefits and his principled refusal to include revenue tariff (wanted by Henderson, Graham, the TUC, and bankers), which could help reduce the expenditure costs and address the balance of trade deficit. In his diary in mid-August, MacDonald wrote: "I am disappointed with the scheme & disheartened. Discussed a revenue tax, 4 in favour and the Chancellor against[762]… All except Snowden recommend revenue tariff (Henderson even on food) to help the unemployed from having too great a cut."[763] When the Committee presented its proposal on 19 August, MacDonald "[A]sked [Cabinet] opinion on revenue tax 15 [ministers voted] for 10 [ministers] on manufactured goods only, 5 [ministers] on everything."[764] But the Cabinet agreed "to defer further consideration of…Revenue Tariff" to 21 August,[765] as it was decided that the opposing minority, including Snowden, was too large for the tariff to be adopted.[766] It has been speculated that "[F]irm leadership by MacDonald, and willingness to drop Snowden, might at this stage have turned the tariff into definite Government policy and so changed the character of future events."[767] And although there is no proof that anyone could remove Snowden or seriously ignore his position on tariffs at this stage, it is easy to imagine such a counterfactual considering the high stakes involved and that MacDonald had a Cabinet majority supporting him. The Trade Union Congress was willing to accept tariffs with members' approval.[768] Crucially, a revenue tariff offered "badly needed flexibility" in bargaining with the Conservatives, and "given the Bank of England support, even with the Liberals."[769] Against all these odds, Snowden's principles had a real effect on policy. Even under the threat of imminent political demise, the divided Labour Cabinet "thanks to a mixture of gut reaction and Snowden's obduracy…remained committed to the free-trade cause."[770]

On 21 August, "the situation had completely altered" due to "the rejection by the Liberal party of any such expedient [revenue tariff].[771] In the Cabinet, there was "considerable support for the view that the Revenue Tariff should be excluded from proposals if, and only if, no further economies were made in regard to Unemployment Insurance.[772] When Snowden "expressed the strongest possible objection to the Government being committed in any way to the principle of a Revenue Tariff," MacDonald assured him that in the discussions with the Opposition

[759] Cross, 281.
[760] Williamson, 308.
[761] TNA, CAB 23/67/16, "Cabinet Minutes," 19 August 1931, 310.
[762] TNA, PRO 30/69/1753, MacDonald Diaries, 18 August 1931.
[763] TNA, PRO 30/69/1753, MacDonald Diaries, 19 August 1931.
[764] Ibid.
[765] TNA, CAB 23/67/16, "Cabinet Minutes," 19 August 1931, 314.
[766] Cross, 288.
[767] Ibid., 290.
[768] TNA, CAB 23/67/18, "Cabinet Minutes," 21 August 1931, 326.
[769] Williamson, 308; TNA, CAB 23/67/17, "Cabinet Minutes," 20 August 1931, 318.
[770] Thorpe, 236.
[771] TNA, CAB 23/67/18, "Cabinet Minutes," 21 August 1931, 335.
[772] Ibid.

leaders and the representatives of the Bank of England "it would be clearly understood that no decision of any kind had been reached on a subject of a Revenue Tariff"[773] and "there would not…be included in the proposals any reference…to a Revenue Tariff in view of the failure to reach agreement."[774] On 23 August, after an American loan had been secured based on Snowden's and MacDonald's commitment to a 10 percent cut in unemployment benefits, Henderson's (and six other Cabinet Ministers') refusal to accept it, combined with a "too strong" opposition from the Trade Union Congress, led to his resignation from the Cabinet.[775] After being invited by the King to stay as Prime Minister and form an all-party National government,[776] MacDonald concluded: "It was plain that I would be left almost alone with Snowden."[777] The Labour Government, the Labour Party, and the Labour Movement were all overtly sacrificed for the sake of free trade.

Even the Gold Standard was effectively gambled because Snowden was so unwilling to bend on free trade. Snowden's most austere budget in Britain's history – "a considerable rise in taxation…accompanied by very large economies[778] – was voted through Parliament, but it was promptly suspended in September.[779] Balancing trade became ever more implicit for the stability of sterling.[780] Estimates for the deficit "varied from £50 millions to £100 millions a year, but there was great uncertainty."[781] MacDonald established a committee consisting of Snowden, Chamberlain and Reading, Henderson's successor as foreign secretary, so that the existing Cabinet could deal with the trade deficit as a continuing emergency.[782] They were expected to produce a policy addressing the trade deficit through a modified Conservative tariff package that would be acceptable to ministerial free traders. Despite their best efforts to do so, the committee antagonized the key players over the choice between an emergency or a general tariff.[783]

Against prominent bankers' advice[784] and on the Conservatives' instigation (which received support from Thomas and Snowden), the Cabinet agreed to call a general election[785] to break the deadlock over the trade deficit and "[t]ariffs obstacle."[786] The Cabinet now had to reconcile incompatible protectionist and liberal positions on trade policy to approach the election on one

[773] Ibid.
[774] Ibid.
[775] TNA, PRO 30/69/1753, MacDonald Diaries, 23 August 1931.
[776] Deryck Abel, *A History of British Tariffs, 1923-1942* (London: Heath Cranton Limited, 1945), 74–75.
[777] TNA, PRO/30/69/1753, MacDonald Diaries, 24 August 1931.
[778] TNA, CAB 23/68/6, "Cabinet Minutes," 3 September 1931, 103.
[779] Morrison, "Shocking Intellectual Austerity," 197–98; Cross, 309; TNA, CAB 23/68/13, "Cabinet Minutes," 20 September 1931, 229.
[780] Williamson, 389.
[781] TNA, CAB 23/68/12, "Cabinet Minutes," 17 September 1931, 211.
[782] House of Lords (hereafter HL) Debate 17 September 1931, Vol. 82 c64-93, UK Parliamentary Papers (available at https://api.parliament.uk/historic-hansard/lords/1931/sep/17/trade-inquiry, accessed 4 May 2020).
[783] Williamson, 400–401.
[784] TNA, CAB 23/68/12, "Cabinet Minutes," 17 September 1931, 212.
[785] Williamson, 401; Thorpe, 125.
[786] TNA, PRO 30/69/1753, MacDonald Diaries, 16 September 1931.

"National" platform.[787] After a week of intense negotiations over the election formula,[788] it was agreed for MacDonald to lead the Government into the election on a pledge "to take all measures for the stabilisation of the £ sterling, with nothing excluded"[789] and requesting a "free hand to deal with the question of the balance of trade."[790] Snowden had no direct stakes in the election as he accepted the offer of the peerage and was going to be a new member of the House of Lords,[791] except for safeguarding free trade[792] and keeping his former Labour colleagues out of power.[793] During these discussions, Snowden "worked with the two Liberal members and entirely shared their views…prepared to...ask for mandate to complete our work but not prepared to go to the country on a tariff issue."[794] Subsequently, Snowden and Liberal free-trade ministers formed one free-trade opposition group within the National Government.[795]

The general election on 27 October 1931 resulted in an overwhelming Conservative majority.[796] However, MacDonald remained Prime Minister as head of a National Government, a coalition formed between the Conservatives, Labour, and multiple Liberal factions. Winning as a coalition had its advantages in providing unity for fighting the Great Depression, but at some cost to the Government's freedom to carry out tariff reform quickly and without compromise.[797] According to Snowden, "[T]he Labour Party were not merely defeated, but decimated."[798] As Cross put it, Snowden "more than any other single individual had constructed the National Government's overwhelming victory. Now the Government he had made was doing things he hated."[799] In the Cabinet reshuffle, Snowden accepted the position of Lord Privy Seal hoping that only by staying in office he might still be able to forestall the adoption of full protection.[800] To strengthen opposition to protectionists in the Cabinet, he lobbied MacDonald to appoint Walter Runciman, a well-known Liberal free trader, to the key position of President of the Board of Trade.[801]

Snowden and free trade ministers came to accept the need for temporary emergency revenue tariffs to correct the trade deficit and decrease feared immediate pressure on a floated

[787] TNA, CAB 23/68/22, "Cabinet Minutes," 2 October 1931, 334-337.
[788] See TNA, CAB 23/68/21, "Cabinet Minutes," 1 October 1931, 326-327; CAB 23/68/22, "Cabinet Minutes," 2 October 1931, 334-337; CAB 23/68/23, "Cabinet Minutes," 5 October 1931, 341-343.
[789] TNA, CAB 23/68/23, "Cabinet Minutes," 5 October 1931, 342.
[790] Snowden, *An Autobiography*, 991.
[791] Williamson, 399; TNA, PRO 30/69/1314, MacDonald to Baldwin, 5 September 1931.
[792] Thorpe, 233, 238.
[793] Cross, 311–16; Snowden, *An Autobiography*, 995.
[794] Snowden, *An Autobiography*, 991; Cross, 311.
[795] Ibid., 1003–5.
[796] Williamson, 455; Craig, 63.
[797] David J. Wrench, "'Cashing in': The Parties and the National Government, August 1931-September 1932," *Journal of British Studies*, 23.2 (1984), 135–53.
[798] Snowden, *An Autobiography*, 997.
[799] Cross, 325–26.
[800] Ibid., 322; Thorpe, 233, 238; Snowden, *An Autobiography*, 998, 1000.
[801] Snowden, *An Autobiography*, 999: "I had suggested Mr. Runciman for this position because of his pronounced views on Free Trade. He had been regarded as one of the strongest free traders in the country, holding his views with unshakeable tenacity. How tragically mistaken I was later events proved!"

sterling.[802] However, they did so only under the promise of *"an impartial enquiry"* into the balance of the trade deficit and after distinguishing them from protection. According to Snowden, "[F]ree Traders could not take responsibility of breaking up the National Government at that stage"[803] and although they had not opposed the Abnormal Importations Act they "were very much concerned about the immediate future of fiscal policy."[804] It seems they had good reason to worry. On 2 December, Snowden sent a letter to MacDonald raising concern about the apparent move into full "permanent" protection with the introduction of significant food tariffs by the Horticultural Products (Emergency Customs Duties) Bill.[805] The new Lord Privy Seal wrote: "I feel that by making concessions in one direction and another to the Protectionists we are getting into a compromised position…I cannot go on sacrificing beliefs and principles bit by bit until there are none left."[806] MacDonald himself was "getting unhappy" that "recent discussions on duties have been put forward quite openly as protection, not as a means of balancing trade."[807] It was clear that after relinquishing the Exchequer and staying in a Cabinet dominated by protectionists, Snowden's ability to block protection disappeared. Still, his reputation demanded that his views had to be accommodated and everyone knew that introducing tariffs with Snowden in the Government was not going to be an easy task.[808] As future events demonstrated, even in his limited capacity, Snowden would staunchly defend free trade.

In December, MacDonald appointed the Cabinet Balance of Trade Committee, which included Snowden and Home Secretary Herbert Samuel, to find out if there was an adverse balance of trade and to advise how it should be addressed.[809] The National Government's future was hanging in the balance pending the acceptance of the Committee's proposal by these Cabinet free traders. Runciman pleaded with Snowden to accept a general ten percent revenue tariff, which would enable reduction on income tax, a precedent established by the Netherlands. Having worked closely on the proposal with Neville Chamberlain, now Chancellor of the Exchequer, Runciman expected that protectionist members of the Balance of Trade Committee would accept, and thus more extreme tariff proposals could be avoided. Snowden replied: "…he could not expect me to commit myself to such proposal, but I would think it over. I gave him no encouragement to believe that I should support it."[810] At the final Committee meeting on 18 January 1932, Snowden announced he could not subscribe to the Majority Report and would submit a note of dissent. He argued that the adverse balance of trade was exaggerated, and that it was going "far beyond the programme upon which the National Government went to the country," and could not warrant "a complete and permanent reversal of fiscal policy."[811]

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[802] TNA, CAB 23/69/5, "Cabinet Minutes," 12 November 1931, 55; CAB 23/69/6, "Cabinet Minutes," 13 November 1931, 65.
[803] Snowden, *An Autobiography*, 1004–5.
[804] Ibid.
[805] David J. Wrench, "'Very Peculiar Circumstances': Walter Runciman and the National Government, 1931-3," *Twentieth Century British History*, 11.1 (2000), 61–82, https://doi.org/10.1093/tcbh/11.1.61.
[806] Snowden to MacDonald, 2 December 1931 in Snowden, *An Autobiography,* 1006.
[807] Quoted in Wrench, "'Cashing in,'" 150.
[808] Williamson, 393.
[809] TNA, CAB 23/69/17, "Cabinet Minutes," 11 December 1931, 228-229.
[810] Snowden, *An Autobiography*, 1007–8.
[811] TNA, CAB 24/227, "Cabinet Minutes: Memorandum of Dissent," 21 January 1931, 340.

On 21 January, when the Committee proposed immediate introduction of permanent general tariff reform with provisions for the Imperial Preference[812] "agreement on the report could not be secured,"[813] and Snowden and the Liberal free traders threatened to resign. "Hopeless deadlock," according to MacDonald – "Snowden just as stiff necked and unaccommodating as ever he has been. What a situation."[814] Suspending the practice of Cabinet responsibility averted resignations. MacDonald managed to persuade Snowden and others not to quit by offering them "agreement to differ": "Solution found. Let them vote and speak against Tariffs."[815]

Snowden and the others accepted the offer on condition that "[t]his freedom [to speak and vote against any tariff proposals] was to extend to Members of Parliament…The Party Whips were not to exert any influence to get votes for tariff proposals and Liberals could run Free Trade candidates at the election."[816] Again, Snowden knew that "…if we did not accept it we should be open to the charge that we had rejected an unprecedented offer of personal freedom, and that we were determined to break up the Government and were indifferent to the consequences of such action."[817] But the introduction of the Import Duties Bill in February was too much for them.[818] Snowden mounted fierce opposition, now as a member of the House of Lords:

> This is the most important measure dealing with trade and commerce which has been before Parliament for nearly a century. The measure is revolutionary in its character […] It is criminal to gamble with the vital interests of the country by adopting a policy while staring us in the face are the facts of the disastrous failure of that policy elsewhere. […] This Bill will pass. As Mr. Chamberlain said, arguments will then pass into facts, and that, my Lords, is our satisfaction in this our temporary defeat. Facts and experience will finally settle this question. Free Trade is not dead.[819]

When Snowden's "last-ditch attempt to prevent ratification of Ottawa"[820] agreements failed ("a piece of colossal hambug"[821] according to Snowden), he finally abandoned MacDonald and the Government, but not his faith in free-trade:[822]

> I can no longer without loss of all self-respect, remain a member of a Government which is pursuing a policy which I believe is disastrous to the welfare of this country,

[812] TNA, CAB 23/70/5, "Cabinet Minutes," 21 January 1931, 85-116.
[813] Snowden, *An Autobiography*, 1010.
[814] TNA, PRO 30/69/1753, MacDonald Diaries, 22 January 1931.
[815] Ibid.
[816] Snowden, *An Autobiography*, 1011.
[817] Ibid.
[818] Williamson, 509–10; HC Debate 4 February 1932, Vol. 261 cc279-96, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0261p0-0003?accountid=9630, accessed 4 May 2020).
[819] HL Debate 29 February 1932, Vol. 83 c684-697, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.lds5lv0083p0-0036?accountid=9630, accessed 4 May 2020).
[820] Cross, 329.
[821] Snowden, *An Autobiography*, 1027.
[822] Ibid., 1018–30; MacDonald noted, "Snowden looked unusually unkempt & unshaven as though growing moustache or beard, cold, repelling, vindictive. I am disheartened." TNA, PRO 30/69/1753, MacDonald Diaries, 28 September 1932.

> which will lead to the disruption of the Empire, and which is fraught with great danger in our international relations. …So I go now.[823]

Conclusion

Traditional narratives of the inter-world war collapse of European and international integration emphasise causal structural explanations of policy changes as outcomes. This chapter analyses the effects of critical actors on the process of policy change when both contingency involved in policy decisions and the scope for an individual agency are very high. It showcases how individuals can direct policy transitions towards desired outcomes as a result of their economic beliefs and adherence to norm. Snowden worked assiduously to stave off flight toward protectionism because of his principled beliefs in free trade. As a veto player in the Government's decision-making over commercial policy, Snowden effectively tempered a shift toward protection in 1930-31. His near-autonomous control over fiscal policy is well documented. Snowden was able to exercise high degree of agency against opposing interests by adopting positions opposite to the views of most economic interests and significant sections of the Conservative and Labour parties. His resilience and unwillingness to compromise over protection are especially significant in the presence of policy alternatives and policy windows for responding to dynamic structural dictates.

Under new economic conditions, Keynes's tariff proposals offered practical solutions to unemployment, whereas Snowden failed to recognise the immense social and economic upheavals that the First World War had created, which warranted novel approaches to fiscal policy. [824] Furthermore, although the Imperial Preference implied the irreversible break with a traditional laissez-faire policy, it also provided the opportunity for Britain to be actively engaged in halting the rise of protectionism within the Empire, which many believed could be a step towards a global trade revival. Snowden resolved that Britain's fiscal policy enshrined in the principle of free trade should be defended and rejected the proposals. [825] The high credibility he enjoyed as the first Labour Chancellor of the Exchequer provided him with strong leverage over his opponents. Crucially, absent Snowden, the policy outcomes could have been different. Had it not been for Snowden's presence,[826] as Rooth argues, the Labour Government "would almost certainly have introduced protectionist measures in 1930."[827] Although Snowden's vehement opposition to protection (to the point of breaking the National Government) did not prevent it from being introduced by pragmatic Liberal free traders, thanks to Snowden, it was done in a much-attenuated form.

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[823] Philip Snowden, Resignation Letter, September 1932 in Cross, 329-330.
[824] Jovitt, 41, 56.
[825] Rooth, 54.
[826] Thorpe, 235–36.
[827] Rooth, 54; James D. Fearon, "Counterfactuals and Hypothesis Testing in Political Science," *World Politics*, 43.2 (1991), 169–95.

Chapter 5

Britain's "Exit" from Free Trade in 1932: Walter Runciman Against the Protectionist Tide

"…we have succeeded in pulling down tariffs in every country with which, during the last twelve months, we have made trade agreements. Indeed it is a matter of pride that I know that I am the only British minister who has succeeded in bringing about a reduction in foreign tariffs since the time of Cobden's French Treaty. We can only be judged by results, and if we can bring about the employment of more and more of our people we shall, in my opinion, be justified."[828]

---Walter Runciman (Britain's President of the Board of Trade), 1 December 1933

Traditionally, the interwar collapse of international economic integration is thought to have been overdetermined in its causes and redundant in its scope. British hegemonic decline, combined with protectionist interests and ideology at home, delivered both a currency devaluation in 1931 and a bevy of tariffs in 1932. This narrative, however, understates the persistence of free trade liberalism even at the highest ranks of the British policymaking establishment. Specifically, Walter Runciman, as president of the Board of Trade (1931-1937), worked assiduously to temper Britain's slide toward protectionism. His pragmatic approach to liberal policy revived and reapplied Richard Cobden's theory of peace-through-trade and "reciprocity treaties" based on tariff bargains in the mercantilist 1930s. That he was able to pursue trade liberalisation under a fully protectionist mandate of the Conservative-dominated National Government at the lowest point of international economic cooperation makes Runciman crucial to understanding the puzzle of Britain's shocking abandonment of free trade.

If Britain's unexpected abandonment of the Gold Standard in September of 1931 "sent shockwaves through world economy,"[829] its adoption of trade protection shortly after served "the final deathblow to a liberal non-discriminatory international trading regime."[830] This epic policy change entailed a radical change of the fiscal system based on free trade and the introduction of a general tariff policy under the Import Duties Act. The Act paved the way for

[828] Runciman Papers 264 (hereafter WR 264), Runciman to Shuttleworth, 1 December 1933.
[829] Eichengreen and Irwin, "The Slide to Protectionism in the Great Depression: Who Succumbed and Why?," 876.
[830] Nicholas Horsewood, Somnath Sen, and Anca Voicu, "Beggar Thy Neighbour: British Imports During the Inter-War Years and the Effect of the 1932 Tariff," *Department of Economics Discussion Paper 10-31*, 2010, n.p.

the creation of a protectionist system of the Imperial Preference at the Ottawa Conference in the summer of 1932.

This thesis questions whether the conclusions that have been drawn based on the structural and domestic political accounts of Britain's interwar trade policy shift are empirically correct. Historical evidence suggests that mercantilists may have wanted trade liberalisation, specifically when they expected to be dominant, and liberals may have pursued protection in order to "incentivise" liberalisation abroad.[831] If other countries raise tariffs (for instance, the United States' introduction of Smoot-Hawley in 1930) that harm the UK,[832] then even liberal free-traders have no other option (absent multilateral mechanisms of removing protection) than to retaliate (adopt protection and start bargaining) in order to punish the closure and incentivise re-opening of the international trade system.

When in 1931, leading Liberals broke the ranks in order to support national recovery, they were accused of "converting" to protection and abandoning their free trade principles in the face of a temporary crisis. Even Keynes, a former Liberal free trader, accused them of yielding to political pressure by Protectionists after the devaluation of the sterling: "a tariff was no longer necessary, many of them were found voting for it."[833] Keynes's criticism may not have been fair in the case of Walter Runciman, a devout Liberal Free Trader and a Cobdenite who served as Britain's President of the Board of Trade from 1931 until 1937. During his time in the National Government, he had near-autonomous control over trade policy, which he used to effectively temper Britain's slide to protectionism. According to Dutton, Runciman intended to use tariffs "as a bargaining counter in negotiations with other countries that had also introduced tariffs" to bring about "all-round reductions and, ultimately, the restoration of a free-trade system."[834] He did so when all the odds were against free trade because of the Conservatives' historic majority in the 1931 election.

This chapter analyses Britain's return to and implementation of protectionism, centring on Runciman's crucial role as the President of the Board of Trade (1931-1937). I first show how Runciman gained his autonomy over trade policy within the National Government through political negotiation and leveraging of his reputation. I then discuss how Runciman moderated protection, which was adopted through the Abnormal Importations Act 1931, the Import Duty Act, and the Ottawa Agreements of 1932, withstanding fierce opposition from both

[831] Hence, thinking about protection as equal to mercantilism can be wrong.
[832] Eichengreen, "The Political Economy of the Smoot-Hawley Tariff."; Irwin, *Trade Policy Disaster: Lessons from the 1930s*; Irwin, *Peddling Protectionism: Smoot-Hawley and the Great Depression*; Jones Jr, *Tariff Retaliation: Repercussions of the Hawley-Smoot Bill*; Percy Wells Bidwell, "The New American Tariff: Europe's Answer," *Foreign Affairs* 9, no. 1 (1930): 13–26; Judith A. McDonald, Anthony Patrick O'Brien, and Colleen M. Callahan, "Trade Wars: Canada' s Reaction to the Smoot-Hawley Tariff" 57, no. 4 (2016): 802–26.
[833] Keynes, 1979-1981, Vol. 9, cited in Eichengreen, "Keynes and Protection," 366. "[N]ot all my Free Trade friends have proved to be so prejudiced as I thought. For after a tariff was no longer necessary, many of them were found voting for it."
[834] Dutton, "Walter Runciman and the Decline of the Liberal Party," 34.

Conservative protectionists and Liberal free traders in the Cabinet and in the Parliament. I analyse Runciman's pragmatic liberal approach to commercial policy: how he used tariffs to negotiate trade agreements to lower protection abroad with the aim to create employment in the UK, and how towards the end of his time at the Board of Trade, he focused his efforts on pursuing Cobden's strategy of peace-through-trade, notably through a closer alignment with the United States and a personal relationship with the US President Franklin D. Roosevelt. The chapter ends with a brief discussion of Runciman's impact on trade policy and how this analysis recasts our understanding of Britain's hegemonic decline during the interwar period. I further develop this analysis in the Conclusion chapter.

Wither Free Trade?

The Rise of the Protectionist Tide: 1931

By the beginning of the 1930s, world trade was stagnant and declining due to a combination of factors such as greater self-sufficiency and prioritising of domestic markets following the disruption of WWI; a lack of adjustment to the changing structure of trade; declining investments due to instability in international finance; a proliferation of protectionist policies based on upward tariff adjustments; and a declining volume of trade in primary products and old manufactures.[835] Britain's exports performed worse than other countries mainly due to overreliance on specific commodities (cotton and coal), decline in demand for old styles of manufactured goods and distribution of export markets (Britain's was trading predominantly with primary product producing countries). Between 1913 and 1937, Britain's global share of exports fell from 13 to 9.5 per cent (-3.5 %).[836]

The financial crisis of 1931 marked the transformation of British macroeconomic policy and politics. Following the collapse of the Labour Government, Conservatives' insistence on tariffs received support from leading business organisations, making consistent emphasis on the balance of trade argument for tariffs. On 7 September 1931, the Empire Industries Association (EIA) called for addressing the adverse trade balance, followed by the Manchester Chamber of Commerce (MCC) (the citadel of free trade liberalism) issuing a statement from the Board of Directors on 15 September which called for "balancing of the national trade accounts" and "the imposition of the system of tariffs" as the only immediately effective method to eliminate the excess of imports over exports.[837] Immediate adoption of the tariff programme was requested by the Federation of British Industries (FBI) by 19 of September.[838] Orthodox full protectionism was represented by the official Conservative moderates like Stanley Baldwin

[835] Anthony, *Britain's Overseas Trade. The Recent History of British Trade, 1868-1968*, 32–33.
[836] Anthony, 23.
[837] The Times, 7 September 1931; 15 September 1931; 19 September 1931 cited in Lowe, *The British Tariff Movement*, 120–21.
[838] Lowe, 120–21.

and "die-hards" like Leo Amery. Expert economic opinion led by Keynes encouraged Labour and some others to consider devaluation.[839]

By 15 September, Budget debates had elicited public Liberal declarations (known as "conversions") in support of addressing the adverse trade balance with temporary recourse to protection.[840] Moreover, the press reported that "in addition to the Liberal Converts, whose numbers are growing daily, there are many Socialists who privately admit that the case for a tariff is overwhelming."[841] Labour would support tariffs as an alternative to expenditure cuts and Liberals as a temporary, emergency remedy to balance trade.[842]

Failure to agree on tariffs in September prolonged and increased uncertainty about Britain's financial position.[843] The suspension of the gold standard and pound devaluation on 21 September generated "a crisis the most serious which the world has faced since August, 1914."[844] It left the politicians to grapple with unpegged sterling; adverse balance of trade; chronic, growing unemployment; increasing foreign protection strangulating British exports and international trade at the same time. Four problems contributed to the sterling crisis in the third quarter of 1931: an exponential balance of payments deficit; the exposure of London's short-term foreign indebtedness; a general pursuit of financial liquidity precipitated by the collapse of Central European banking; and uncertainty about the stability of British government finances due to a large budget deficit revealed in the report of the May Committee on National Expenditure. As Williamson argues, "the collapse of confidence in the pound has seemed a relentless, inevitable process."[845]

After the suspension, the National Government's policy focus shifted to the trade deficit. Balancing trade with tariffs became ever more implicit in the stability of the sterling.[846] Keynes publicly withdrew his support for a tariff and urged the currency question as a dominant issue.[847] In his Letter to *Times,* he argued that the rational discussion on fiscal policy was impossible whilst monetary policy remained unsolved, but agitation for tariffs intensified.[848]

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[839] "Restoring the Balance," *The Economist*, no. 4595 (1931): 503–503.
[840] Abel, *A History of British Tariffs, 1923-1942*, 77–78. "Cabinet And Election," *The Times*, 25 September 1931, 2. *The Times* Digital Archive). See also "Free Imports," *The Times*, 21 September 1931, 8. *The Times* Digital Archive..
[841] "The Balance of Trade," *The Times,* 16 September 1931, 12. *The Times* Digital Archive.
[842] "A National Appeal." *The Times,* 17 September 1931, 12. *The Times* Digital Archive. The Opposition leaders (Mr. Henderson, Sir Norman Angell, Sr. Stafford Cripps, Mr. Wise, Mr. A.V. Alexander and Mr. Lees-Smith) got "seriously concerned about a number of converts to a tariff policy…. [and] set up a committee to consider fiscal policy."
[843] Levkovych, "Staving off the Protectionist Slide: Snowden and the Struggle to Keep Britain Open," 348–49; Morrison, "Shocking Intellectual Austerity: The Role of Ideas in the Demise of the Gold Standard in Britain," 2015, 197–197.
[844] "The British Decision," *The Times*, 21 September 1931, 12. *The Times* Digital Archive. See Morrison 2015 for a detailed analysis.
[845] Philip Williamson, "A 'Bankers' Ramp'? Financiers and the British Political Crisis of August 1931," *The English Historical Review* 99, no. 393 (1984): 777.
[846] Eichengreen, *Sterling and the Tariff, 1929-32*.
[847] Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s*, 65. See the *The Times*, 28 September 1931.
[848] Abel, *A History of British Tariffs, 1923-1942*, 79.

Earlier calls for trade protection by AEI, MCC, and BFI that month were now joined by the Association of the British Chambers of Commerce "urging the balancing of national overseas trade account and immediate tariff introduction to restrict imports and negotiate down foreign tariffs."[849] For protectionists Stanley Baldwin and N. Chamberlain, the devaluation of the pound altered the situation, but did not invalidate the need for tariffs. The good effects of the depreciation of the pound were being whittled away, and there could be no confidence that sterling would be firmly established with a heavy adverse trade balance (estimated at £113,000,000, even allowing for invisible exports and interest on investments abroad), with the limits of taxation practically reached and the volume of exports nearly 38 per cent lower than in 1929. They believed that a favourable trade balance was essential to secure reasonable exchange rates of the pound and continue restoring financial confidence lost in the crisis.[850] More importantly, according to Baldwin, "a tariff, carefully designed and adjusted to meet the present situation" was "the quickest and most effective weapon not only to reduce excessive imports but to enable us to induce other countries to lower their tariff walls."[851]

"Nothing now can stop us becoming a Protectionist country"[852]

The introduction of the Import Duty Bill in the House of Commons on 4 February 1932 by the National Government's Chancellor of the Exchequer, Neville Chamberlain, brought about a major change in economic policy "as momentous as suspension of the gold standard."[853] Neville Chamberlain explained that Britain's new fiscal regime based on the tariff was designed as a "system of moderate Protection."[854] Presented as "a plan which can readily be varied and adapted to suit changing conditions," it aimed to address Britain's adverse balance of trade to support floated sterling, bring in revenue to alleviate taxation, reduce unemployment, restore the efficiency of industry, reunite with the Empire to ward off foreign competition by enhancing self-sufficiency, and induce foreigners to lower their tariffs.[855]

The Bill proposed a general *ad valorem* duty of 10 per cent upon all British imports, with exceptions for the goods on the "free" list, which were mainly food and raw materials.[856] It

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[849] "Traders' Appeal For Tariffs." *The Times*, 21 September 1931, 7. *The Times* Digital Archive. See also Eichengreen 1981.
[850] Williamson, *National Crisis and National Government: British Politics, the Economy and Empire, 1926-1932*, 506.
[851] Craig, *British General Election Manifestos 1918-1966*, 64–65.
[852] HC Debate 4 May 1932, Vol. 265 c1179, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0265p0-0008?accountid=9630, accessed 13 April 2020).
[853] Williamson, *National Crisis and National Government: British Politics, the Economy and Empire, 1926-1932*, 508.
[854] HC Debate 4 February 1932, Vol. 261 c287, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0261p0-0003?accountid=9630, accessed 9 January 2021).
[855] HC Debate 4 February 1932, Vol. 261 cc286-288.
[856] Forrest Capie, "The British Tariff and Industrial Protection in the 1930's," *The Economic History Review* 31, no. 3 (1978): 402. According to Capie, "[T]he main features of the tariff were: (a) most imports of raw materials were free (and most imports from the empire were free) and (b) almost all other imports were subject to duty. Furthermore, most rates of duty were fairly moderate. Many manufactures had rates of 10 per cent and many 20 per cent, but rates above this level were relatively rare. The net result was that some 25 per cent of imports came

established an Import Duty Advisory Committee[857] empowered to recommend adjustable surtax as "an instrument to obtain rationalization of domestic industries and reductions of foreign tariffs," which, the Board of Trade, the Treasury and the Cabinet could revise, and only they could apply.[858] The provisions for trade with foreign countries were entrusted to Walter Runciman at the Board of Trade and Chamberlain at the Treasury and consisted of two kinds: in case of discrimination, the imposition of an additional duty up to 100 per cent, and lowering of foreign tariffs via reciprocal trade agreements, superseding the recommendations of the Import Duties Advisory Committee (IDAC) when necessary.[859] It was decided that "in the true spirit of Imperial unity and harmony," the British Empire goods would be exempted from tariffs until the conclusion of the Imperial Conference in Ottawa.[860] Trade negotiations with foreign countries would be under the de facto responsibility of the President of the Board of Trade,[861] Walter Runciman.[862]

Walter Runciman: The Free Trader in Charge of Protection

Walter Runciman entered the Cabinet to support Prime Minister Ramsey MacDonald in moderating extreme protectionism and promoting international economic cooperation. According to Wallace, Runciman accepted that "if he did not, an even more strongly protectionist policy could result" and as President of the Board of Trade, he could "influence the operation of tariffs." As a Liberal, he held a firm belief that "abundant trade [is] essential to our prosperity. …[it] can only be permanently acquired under the conditions of sound finance."[863] During the financial crisis in August-September 1931, he made clear that although he had been a Free Trader all his life, he was "not so much a Free Trader" as to ignore "the terrible risks" of failing to balance the budget,[864] which he proposed to address by emergency

in free of duty (though some of these were restricted in other ways), 50 per cent paid rates of between 10 per cent and 20 per cent, 8 per cent of all imports paid more than 20 per cent. The remaining I7 per cent of imports were paying either the old McKenna duties or 'safe- guarding' duties."

[857] George May, Chairman of the NEC in 1931; Sydney Chapman, Chief Economic Advisor to the Gov; Allan Powell, Chairman of the Food Council. WR 248 IMG_9458 Mar 1932. - NG report - trade.JPG.

[858] HC Debate 4 February 1932, Vol. 261 cc288-289. As Runciman reassured MacDonald on 29 February 1932.

[859] HC Debate 4 February 1932, Vol. 261 c294.

[860] HC Debate 4 February 1932, Vol. 261 cc292-292.

[861] HC Debate 4 February 1932, Vol. 261 c294; Williamson 1992, 506.

[862] Walter Runciman (1870-1949) had been the Liberal MP for Oldham 1899-1900, for Dewsbury 1902-18, Swansea West 1924-9, and for St Ives 1929-31. He continued to sit as a Liberal National for St Ives until 1937, when he went to the Lords as Viscount Runciman of Doxford. He was Parliamentary Secretary to the Local Government Board 1905-7, Financial Secretary to the Treasury 1907-8, President of the Board of Education 1908-11, President of the Board of Agriculture 1911-14, President of the Board of Trade 1914-16 and 1931-7, and Lord President of the Council 1938-9. Despite this long and varied career, he is probably best known for his role as Special Envoy to Czechoslovakia in 1938. See D Wrench, "'Very Peculiar Circumstances': Walter Runciman and the National Government, 1931-3," *Twentieth Century British History* 11, no. 1 (2000): 63, https://doi.org/10.1093/tcbh/11.1.61.

[863] Walter Runciman, *Liberalism as I See It* (Ernest Benn Ltd., London E.C.4, 1927), 7.

[864] HC Debate 10 September 1931, Vol. 256 c332. UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0256p0-0003?accountid=9630, accessed 9 January 2020). This measure had been implemented in Britain during WWI (Runciman was responsible as the President of the Board of Trade in 1914-1916).

protectionist measures for revenue such as "a temporary ban on import of luxuries to save £20 m/year on balance of trade."[865]

According to his analysis, the present emergency was due to the "continuance of large expenditure, shrinking revenue, and the interruption of international trade" detrimental to the balance of payments.[866] Britain was exposed to "the prime financial difficulties of Europe," which were due to payment of reparations following the (First World) war.[867] Those difficulties were "aggravated by the budget provisions of 1925 to 1928." [868] The balance of trade went from a surplus of £103,000,000 in 1929 to a considerable deficit of £104,000,000 in 1931.[869] According to Runciman, the two available solutions were to peg the pound to foreign exchanges of trade partners, which could be "the death-knell of British commerce" or "not to buy any more than we can pay for."[870] Britain had to "assure the outside world that the honesty and punctuality of our payments remain the prime feature of British commerce and finance."[871]

Runciman's key considerations regarding the adverse balance of trade were support of the pound, invisible payments receipts (from shipping, exports), and maintaining purchasing capacity of foreign trade partners. He argued that "[W]hat we must do now, is to go behind the mere currency machinery and see how we can so restore the balance in our foreign trade."[872] He also proposed "to deal with the problem of unemployment, not only by way of relieving unemployment, but by securing work."[873] The leading Liberals praised Runciman, Reading and others for "putting aside party and joining in the united effort,"[874] recognising that there was "no hope for the commercial and industrial future of Great Britain" unless politicians were prepared "to face the situation with courage and that open mind which should distinguish the party embodying Liberal idea."[875]

After the election was called, the campaigning focused on two salient issues: trade policy and public economy.[876] It fully exposed the political cleavages within the National Government despite the eventual agreement to ask for a "doctor's mandate" negotiated by MacDonald between the Cabinet factions.[877] The National Government's manifesto asked "for power to deal with control imports, whether by prohibition, tariffs or any other measures *which may be necessary."*[878] Highlighting that the National Government stopped borrowing, imposed

[865] Wallace, "The Political Career of Walter Runciman, 1st Viscount Runciman of Doxford (1870-1949)," 1995, 331.
[866] HC Debate 10 September 1931, Vol. 256 c318.
[867] Ibid.
[868] Ibid.
[869] Thorpe, *The British General Election of 1931*, 235–36.
[870] HC Debate 10 September 1931, Vol. 256 c330.
[871] HC Debate 10 September 1931, Vol. 256 c329-332.
[872] Ibid.
[873] HC Debate 10 September 1931, Vol. 256 c329.
[874] WR245-1, Forres to Reading, 4 October 31.
[875] Ibid.
[876] Thorpe, *The British General Election of 1931*, 235–36.
[877] Hankey Papers 44 in Wrench, "'Cashing in': The Parties and the National Government, August 1931-September 1932," 145.
[878] Hankey Papers 44 in Wrench, 145.

economy and balanced budget, it pledged for national and international steps to be taken without delay: monetary policy to restore sterling confidence; international agreements to remove War Debts and Reparations; "plans to change any adverse into favourable balance of trade"; unemployment address by the expansion of markets home and abroad.[879] Running for re-election, Runciman pledged that while he was "prepared to take such steps as are necessary to preserve our national balance" he would not "be a party to permanent tariffs being imposed" nor "in favour of an import duty on food."[880] He firmly believed "that the only hope for our ultimate recovery is by adhering to free trade," but neither free trade nor protection were applicable "to these immediate problems."[881]

The polling took place on 27 October 1931, with a turnout of 76.4 per cent.[882] The Conservatives won a surprising majority, achieving 471 of the government's 556 seats with 11.926.537 votes, which arguably "represented the final elimination of any important Free Trade opposition."[883] This has often been taken as an overdetermining explanation of Britain's shift to protectionism by the domestic political and IPE accounts.[884] According to Ball, "[W]hat followed was not a Conservative government, nor was it a front of dupes disguising a Conservative government."[885] Apart from MacDonald remaining as Prime Minister, Labour and Liberals held a large share of Cabinet posts "including the most powerful."[886] However, the compromise between the Tories and Liberals over the formulation of protection in the National Government manifesto mediated by MacDonald established the expectation that protectionists and free traders in the new Cabinet had to negotiate tariff decisions with each other.[887] Hence, the Conservative party won crushingly, "but at some cost to its freedom to carry out tariff reform quickly and without compromise."[888] According to Wrench, after the election, Conservatives "were forced to settle for a policy that Runciman and Mac Donald would accept."[889]

[879] "Election Plans," *The Times*, 8 October 1931, 10. *The Times* Digital Archive.
[880] Snowden, *An Autobiography: Volume Two 1919-1934*, 993.
[881] Runciman to Wilfred Auty, 30 September 1931, Runciman Papers 245-1 cited in Wrench, "'Very Peculiar Circumstances': Walter Runciman and the National Government, 1931-3," 66.
[882] Deryck Abel, *A History of British Tariffs 1923-1942* (London: Heath Cranton Limited, 1945), 84–85; Thorpe, *The British General Election of 1931*, 255–56.
[883] Lowe, *The British Tariff Movement*, 125.
[884] Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s*; Self, *Tories and Tariffs: The Conservative Party and the Politics of Tariff Reform, 1922-1932*; Morrison, "Shocking Intellectual Austerity: The Role of Ideas in the Demise of the Gold Standard in Britain," 2016; Simmons, *Who Adjusts? Domestic Sources of Foreign Economic Policy During the Interwar Years*.
[885] Stuart Ball, "Democracy and the Rise of Labour: 1924 and 1929-1931," in *Recovering Power: The Conservatives in Opposition Since 1867*, ed. Stuart Ball and Anthony Seldon (Palgrave Macmillan, 2005), 155.
[886] Ibid., 155.
[887] Stuart Ball, "The Conservative Party, the Role of the State and the Politics of Protection, c. 1918-1932," *History*, 2011, 301.
[888] Wrench, "'Cashing in': The Parties and the National Government, August 1931-September 1932," 148.
[889] Wrench, 148, 152. They now had to readjust their strategy to introduce protection "as a series of emergency measures designed explicitly to improve balance of trade, or to protect agricultural interests which were immediately threatened by dumping or over-production."

The overwhelming Conservative majority commanded the Tory Exchequer, a job that was given to Neville Chamberlain.[890] The balance was needed now between Treasury and the Board of Trade appointments.[891] As an outgoing Chancellor of the Exchequer, Philip Snowden, whose staunch rejection of protection had been implicit in the breakup of the Labour government and a subsequent collapse of the Gold Standard, supported Runciman's appointment to the critical position of the President of the Board of Trade "because of his pronounced views on Free Trade."[892]

Initially expressing concerns that "as Pres of B of T, he would be in the position of being merely forced to carry out Chamberlain's policy backed by the huge majority in the H of C,"[893] Runciman hesitated to accept. MacDonald pursued him by wire and telephone on 4 November to convince him, urging the need for a "modifying influence on the Tories":[894]

> I do hope that you appreciate how much depends on you to make the path more easy! You have the confidence of the Unionist Party. You have the affections of your friends. You have the opportunity of doing more to help the P.M. & S. B. now more than anyone. I know it is a sacrifice but for God's sake make it![895]

Even after Baldwin reassured him, Runciman still refused, and MacDonald "finally told him that if W. did refuse to take the Board of Trade, he would be obliged to go to the King & tell him he had failed to form a satisfactory Cabinet. He regarded W as absolutely essential in what he regarded as a key position to balance Chamberlain."[896]

Before finally accepting the position, Runciman bargained to secure independent control over trade policy and to be formally involved in the Government's financial business.[897] His conditions, which MacDonald accepted, were that:

> At all international conferences on Finance, and on all committees at home, the President of the Board of Trade shall have the right to attend as a member and as one

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[890] *Daily Herald,* 1931-10-29 in WR 337. According to *Daily Herald*, "Mr Runciman has been mentioned for the Treasury, but the Tories are not likely to be satisfied with anyone but a full-blooded Protectionist for this post."
[891] TNA, PRO 69/30/1176, MacDonald to Baldwin, 3 November 1931 in WR 337. According to MacDonald, without such balance "the country would regard it (the National Government) with great misgivings and wonder."
[892] Snowden, *An Autobiography: Volume Two 1919-1934*, 999"I explained to him how anxious I was that he should go to the Board of Trade to hold the fort for Free Trade against the assaults of the strong Protectionist elements in the Government…How tragically mistaken I was later events proved!"; According to Middleton, between 1929 and 1937, Chancellors (with first Philip Snowden and then Neville Chamberlain) were largely "unencumbered by meddling or dissenting prime ministers and other senior Cabinet colleagues" and "their authority within the core executive was immense." Roger Middleton, "British Monetary and Fiscal Policy in the 1930s," *Oxford Review of Economic Policy* 26, no. 3 (2010): 421.
[893] Wrench, "'Very Peculiar Circumstances': Walter Runciman and the National Government, 1931-3," 67–68. The account of these events is supplied by Hilda Runciman in an undated journal entry, probably written some weeks after the events described. Runciman Papers Add. 6iii.
[894] Wrench, 2000, 67. Runciman Papers Add. 6iii.
[895] WR245, MacDonald to Runciman, 4 November 1931
[896] Wrench, 2000, 68. Runciman Papers Add. 6iii.
[897] WR 245, Runciman to MacDonald, 5 November 1931. Wallace 1995, 338.

> of the British ministerial representatives – Finance to include Currency, Reparations and Debts.[898]

The King indicated that Runciman should be treated as a Secretary of State.[899] Therefore, he was in a strong position to exert modifying influence on N. Chamberlain on the trade aspect of fiscal policy when, internally, the huge Conservative majority in Parliament dictated tariffs, the electorate expected protection, and businesses demanded it.[900] Externally, growing economic nationalism, high tariffs, the deadweight of intergovernmental debt, reparations and recession needed to be addressed by Britain taking the lead on international trade policy.

Emergency Tariff for Revenue: The Abnormal Importations Act 1931(AIA)

Runciman's first job and Cabinet's priority was introducing "emergency protection" to address the immediate concerns of growing imports and a worsening trade balance.[901] He and Chamberlain were in charge of preparing the proposal.[902] After negotiating the terms of the Abnormal Importations Act, Runciman convinced Chamberlain to drop his varied tariff scheme (of 20 per cent and higher).[903] They agreed to allow for a maximum of 100 per cent duty on excessive imports for six months[904] (instead of the twelve proposed by Chamberlain), which would be applied at the discretion of the President of the Board of Trade.[905]

Having achieved the unanimous support of the Cabinet, including Snowden, the Abnormal Importations Act (AIA) was passed on 19 November by a vote of 329 to 44 as an "emergency" measure.[906] The Act was regarded as the decisive break with Britain's free trade of over eighty

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[898] Ibid.

[899] Wrench, "'Very Peculiar Circumstances': Walter Runciman and the National Government, 1931-3," 68.
[900] Lowe, *The British Tariff Movement*, 120–21.
[901] TNA, CAB 23/69/7, "Cabinet Minutes," 16 November 1931.
[902] According to Wrench, the working relationship that developed between Runciman and Neville Chamberlain evolved into something like personal friendship and became one of the National Government administration's "most valuable assets." Wrench, "'Very Peculiar Circumstances': Walter Runciman and the National Government, 1931-3," 63.
[903] Neville to Ida Chamberlain, 15 November 1931. Robert Self, ed., *The Neville Chamberlain Diary Letters. Volume Three. The Heir Apparent, 1928-1933* (Ashgate, 2002), 289; Wrench, "'Very Peculiar Circumstances': Walter Runciman and the National Government, 1931-3," 69; Wrench, ""Cashing in ": The Parties and the National Government, August 1931-September 1932," 151.
[904] His Britannic Majesty's Government, "CABINET 78 (31). Meeting of the Cabinet to Be Held in the Prime Minister's Room, House of Commons, on MONDAY, November 16th, 1 931, at 2,15 p,M.," 1931.
[905] Neville to Ida Chamberlain, 15 November 1931. Self, *The Neville Chamberlain Diary Letters. Volume Three. The Heir Apparent, 1928-1933*, 289 His Britannic Majesty's Government, "CABINET 74 (31). CONCLUSIONS of a Meeting of the Cabinet Held at 10, Downing Street, S.W.1., , on TUESDAY, November 10th, 1951, at 10.0 a.M."
[906] The Abnormal Importations (Customs Duties) Act 1931 (22 & 23 Geo. V c. 1) was an Act of the British Parliament enacted on 20 November 1931 which gave the Board of Trade, with the agreement of HM Treasury, the power to impose or raise duties up to 100% *ad valorem* on specific imported goods which were imported in "abnormal quantities." Each order under this power would be put before the House of Commons immediately and would expire in 28 days unless the Commons extended it by resolution. It had a lifespan of six months and was not extended. The first three orders imposed duties of fifty percent.

years.[907] According to Capie, passing it as "emergency protection" was crucial to enabling the permanent protection that would come in February 1932.[908]

Time magazine featured Runciman on its cover on 30 November 1931 with the headline **"**Great Britain. Empire Runcimanned." "*We should be foolish to copy the United States*". Runciman's exact quote read: "I think we would be very foolish to copy exactly the fiscal policy of the USA as a creditor country."[909] The article acknowledged Runciman's "real moderation" in applying 50% (instead of the Board of Trade's entitlement of 100%) duties, which escaped some observers. It also assumed that temporary protection's objective was to force US and other tariffs down from 50% and 80%, leading to an international tariffs truce, "which of course would be Free Trade."[910]

In anticipation of retaliation by foreign countries to the pound's depreciation and prohibitive tariffs, MacDonald urged Runciman "to get immediately in communication with either the finance or commercial departments of foreign countries like France" to secure permanent trade agreements. According to MacDonald, "if it would lead to a lowering of tariff walls against us all around, that in itself would be a tremendous advantage we ought to exploit."[911] He argued that whatever the UK's position "under normal circumstances may be to conduct a tariff war, we are deplorably weak at this moment for anything of that kind…. The general political international situation …uncertain…[must be] kept in mind as we proceed with our economic policy."[912]

Permanent Protection: The Making of Import Duties Act 1932 (IDA)

MacDonald's initial "scheme for the examination of the tariff question" – which involved convening a Cabinet committee to discuss policy and a second Cabinet committee comprising the four party leaders to discuss the political difficulties that would arise – "horrified" Chamberlain. The procedure was clearly designed to defend the free traders against Conservative pressure. The composition of the second Cabinet committee "implied that the four parties would bargain as equals," while it was believed that a group of economists would be unlikely to produce a clear or unanimous verdict. The Conservatives' tariff policy "would

[907] W R Garside, "Party Politics, Political Economy and British Protectionism, 1919-1932," 1998, 49. According to Garside, "Free trade was compromised to a limited extent by the adoption of the McKenna duties in 1915 (on imported luxury items), the implementation of imperial preference in 1919, the restriction by licence of imports of dyestuffs in 1920, and the introduction in 1921 of the Safeguarding of Industries Act, designed to shelter key industries from foreign competition and to protect other trades from the effects of dumping and exchange depreciation abroad. Each intervention was a legacy of the war and had a recognizably clear and limited purpose."
[908] Forrest Capie, "The Sources and Origins of Britain's Return to Protection, 1931-2," in *Free Trade and Its Reception 1815-1960. Freedom and Trade: Volume I*, ed. Andrew Marrison (Routledge London and New York, 1998), 257.
[909] WR in HoC address on 15 November 1931, 17.
[910] WR 243-244, *Time*, 30 November 1931, 17.
[911] 245-2, MacDonald to Runciman, 14 November 1931.
[912] Ibid.

obviously be in jeopardy, and Chamberlain moved quickly to defend it," prevailing upon the Prime Minister to go ahead with "a simplified method."[913]

MacDonald appointed the Cabinet Balance of Trade Committee, chaired by Chamberlain, in December and tasked it with advising "what remedies were available and what would be the consequences in each case of their adoption" in the event of "an adverse balance of trade being disclosed."[914] The Committee met only five times, the Board of Trade supplied the evidence, and economists were not formally consulted.[915] However, the meetings of the Committee were less important than the private discussions that took place between Chamberlain and Runciman.[916] After succeeding at making Chamberlain accept his approach to Abnormal Importations tariffs, Runciman felt at ease bargaining with Chamberlain. Chamberlain, however, found Runciman less flexible when discussions over permanent protection were held. Runciman was fine with revenue tariff, but consistent with his electoral campaign pledge, he opposed food (wheat, meat, or bacon) and steel duties.[917] On 21 December, Runciman informed MacDonald that he had "examined the grave industrial problems" which the Committee was engaged to solve, and he did not reach the conclusion that the Conservative's three-decker tariff was "the means to our end": "I could not agree with it. I told him [N. Chamberlain] that I was sure that this was your view and Snowden's as well as mine…. On the next day I told him that so far as I was concerned… The compromise lies in him adopting and our agreeing to a ten per cent Revenue Tariff."[918]

According to Howson and Winch, Runciman suggested to Chamberlain "that he should use Keynes's idea of a 10 per cent revenue tariff as the basis of legislation."[919] Runciman knew about Keynes's tariff proposal pre-suspension, as he had been a guest at the April 1930 Tuesday

[913] Letter to Ida, 12 December 1931, Neville Chamberlain Papers 18/1/765 in Wrench, "'Very Peculiar Circumstances': Walter Runciman and the National Government, 1931-3," 150.
[914] TNA, CAB 23/69/17, 11 December 1931. Cabinet Committee, composed as follows: The Chancellor of the Exchequer, (In the Chair- Neville Chamberlain), The Home Secretary (H. Samuel), The Secretary of State for Foreign Affairs (J. Simon), The Secretary of State for Dominion Affairs (J. H. Thomas), The Secretary of State for the Colonies (Sir Philip Cunliffe-Lister), The Minister of Health (Sir Edward Hilton Young), The President of the Board of Trade (Walter Runciman), The Lord Privy Seal (Philip Snowden), The Minister of Agriculture and Fisheries (Sir John Gilmour).
[915] Wallace 1995, 345; Howson and Winch 1977, 97. N. Chamberlain "refused to allow to hear evidence from Keynes." H. Samuel consulted with Keynes, presenting his advice in his Minority report.
[916] Chamberlain was a tough negotiator and with high stakes in getting protection through, thus, Runciman's success was not easily gained. Letter to Ida, 12 December 1931, Neville Chamberlain Papers 18/1/765: Chamberlain was "horrified" by the suggested procedure. In Wrench, ""Cashing in": The Parties and the National Government, August 1931-September 1932," 150. MacDonald "drew up a scheme for the examination of the tariff question. It involved a committee of experts, a Cabinet committee to discuss policy, and a second Cabinet committee, comprising the four party leaders, to discuss the political difficulties that would arise. This time-consuming procedure was clearly designed to defend the free traders against Con-servative pressure. A group of economists would be unlikely to produce a clear or unanimous verdict; the composition of the second Cabinet com- mittee implied that the four parties would bargain as equals. The Conservatives'' tariff policy would obviously be in jeopardy, and Chamberlain moved quickly to defend it. The Prime Minister was prevailed upon to accept a simplified method."
[917] Self, *Tories and Tariffs: The Conservative Party and the Politics of Tariff Reform, 1922-1932*, 675–77.
[918] Runciman to MacDonald, 21 December 1931, Runciman Papers 3/37 cited in David J Wrench, 151.
[919] Howson and Winch, *The Economic Advisory Council 1930-1939. A Study in Economic Advice During Depression and Recovery*, 97–98.

Club meeting, when Keynes attacked the case for free trade.[920] Runciman's proposal prevailed over the Conservative Research Department's three-decker tariff structure, developed by the previous President of the Board of Trade Philip Cunliffe-Lister, because of the need "to make concessions to free traders on the committee."[921] The Conservative Research Department was on standby with a comprehensive and detailed policy it had prepared under N. Chamberlain's supervision: "an emergency tariff to be followed by a 'scientific tariff' settled by a non-political Tariff Commission, a wheat quota and a 'free hand' to arrange imperial preferences."[922] A three-decker system of tariffs included "a low rate for the Dominions, med[ium] rate for low tariff countries, and a high rate of for high tariff countries. A figure of less than 25 per cent would tend to telescope the range within which such a tariff could be constructed." [923] After accepting Runciman's conditions, Chamberlain encountered much criticism from Conservatives, especially from his half-brother Austen who invoked the National Government's "free hand" election pledge to push back on Neville's compromise with Runciman.[924] As Rooth put it, "[T]he price Chamberlain had to accept for securing protection was that it was more modest in the first place than he and the protectionists would have liked."[925]

Preserving free trade was essential to Runciman, and he made his case for 10 % tariffs, arguing that "Holland has a 10 per cent. flat duty for revenue purposes…they know that a 10 per cent. flat duty keeps them, in Continental opinion, within the range of Free Trade countries."[926][927] Because after the emergency budget of September 1931, fiscal consolidation was "biased towards additional taxation (53 per cent),"[928] the revenue from tariff could help reduce the income tax. Runciman's argument that "this plan might be accepted by the Protectionist members of the Balance of Trade Committee, and thus we should avoid more extreme tariff proposals"[929] failed to convince Snowden, who remained the key obstacle within the Government to the introduction of permanent protection.[930]

At this time, MacDonald consulted with Runciman about having "a clear tariff objective before us":

[920] Howson and Winch, 391–92. See See Drummond, Imperial Economic Policy 1917-1939, p. 177 (Minutes Book of Tuesday Club).
[921] Howson and Winch, 97.
[922] Williamson, *National Crisis and National Government: British Politics, the Economy and Empire, 1926-1932*, 504.
[923] TNA, CAB 23/70/10, "Cabinet Conclusions," 29 January 1932, 5.
[924] Sir Austen to Neville Chamberlain, 21 December 1931, Neville Chamberlain Papers NC 1/27/102. cited in Wrench, "'Very Peculiar Circumstances': Walter Runciman and the National Government, 1931-3," 70–71.
[925] Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s*, 65.
[926] WR 250, "Import Duties: House of Commons speech," 9 February 1932, 6.
[927] Snowden, *An Autobiography: Volume Two 1919-1934*, 1007.
[928] Middleton, "British Monetary and Fiscal Policy in the 1930s," 431.
[929] Snowden, *An Autobiography: Volume Two 1919-1934*, 1007.
[930] Levkovych, "Staving off the Protectionist Slide: Snowden and the Struggle to Keep Britain Open," 350–53; Williamson, *National Crisis and National Government: British Politics, the Economy and Empire, 1926-1932*, 393"and Lloyd George close by."

> Are we going to devise tariffs which will be the walls for our own protection primarily, or are we to study and offer to the world an economic policy whose real purpose is to induce other nations to reduce their tariff walls so as to increase the volume of world trade and deepen and multiply the channels down which that trade runs.[931]

A settlement of these questions was "fundamental to policy" and MacDonald being "in favour of the latter…would welcome without delay, [indeed I urge it], tariff negotiations."[932]

The Balance of Trade Committee majority report presented to the Cabinet on January 21, 1932, predicted the adverse balance of trade to be £286 million in 1932 (due to the fall in invisible exports earnings and not to capital movements).[933] It proposed a 10 per cent duty and the Import Duties Advisory Committee as "the machinery for imposing higher selective duties."[934] The report recommended: "(i) Negotiations with foreign countries and the Dominions to secure a lowering of their tariffs on British manufactures. (ii) The reduction of our manufacturing costs by the acceleration of reorganisation in the production and marketing of our staple industries."[935] Obtaining the reduction of imports (£52 million) by prohibitory tariffs was "impracticable" as it would lead to "the undue disturbance of trade and would create embarrassing disputes with foreign countries"[936]. Instead, it could be achieved by revenue tariff of 10% excluding Empire countries enjoying preferences, and by selective surtaxes.

Thanks to Runciman's efforts, the proposal was designed "as a Liberal alternative to Conservative party policy, an instrument to help Sterling, relieve the direct taxpayer, stimulate industrial efficiency, and bargain for freer trade."[937] It was more modest in the first place than Chamberlain and the protectionists "would have liked."[938] Snowden and the Liberal Free Traders,[939] however, rejected the proposal and threatened to resign.[940] Snowden argued that the adverse balance of trade was exaggerated; tariffs would not redress the balance of trade, would make the recovery of export trade more difficult, increase the costs of living and production, and discourage enterprise and efficiency. Moreover, they could be useful to induce a lowering

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[931] WR 245-2 MacDonald to Runciman, 28 Dec 1931.
[932] Ibid.
[933] CAB 24/227/25, "Cabinet. Committee on the Balance of Trade Report," 19 January 1932, 289–300.
[934] Howson and Winch, *The Economic Advisory Council 1930-1939. A Study in Economic Advice During Depression and Recovery*, 97; Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s*.
[935] CAB 24/227/25, "Cabinet. Committee on the Balance of Trade Report," 19 January 1932, 294.
[936] Ibid.
[937] Williamson, *National Crisis and National Government: British Politics, the Economy and Empire, 1926-1932*, 506; Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s*, 64–65. TNA, CAB 23/70/5, "Cabinet Minutes: The Balance of Trade," 21 January 1932, 88. "If America could be induced to lower tariffs, that would have an effect on the world," 93. WR 245-2 MacDonald to Runciman, 28 Dec 1931.
[938] Rooth 64-65, Williamson 506.
[939] Lowe, *The British Tariff Movement*, 129–30 They were Lord Snowden, Lord Privy Seal (National Labour); Sir Donald Maclean, President of the Board of Education; Sir Archibald Sinclair, Scottish Secretary; and Sir Herbert Samuel, Home Secretary (all Liberals).See Jennings, Cabinet government, 3rd ed, 1965, 279-81.
[940] "The Cabinet Experiment," *The Times*, 26 January 1932, 13. *The Times* Digital Archive. "The Agreement to Differ," *The Times*, 30 January 1932, 10. *The Times* Digital Archive. "The Temper of Parliament," *The Times*, 4 February 1932, 13. *The Times* Digital Archive.

of foreign tariffs.[941] In view of Keynes's advice, Herbert Samuel, the Home Secretary, rejected protection as currency depreciation would correct trade balance better than tariffs.[942] The Cabinet's decision "involved a choice of risks: a possible break-up of the National Cabinet, or doing nothing at all on these lines."[943] To save the National Government, MacDonald persuaded them not to quit by offering them "agreement to differ" publicly on the tariff policy.[944] According to Wallace, Runciman "could at least claim some success in diluting the more extreme proposals of the Conservatives."[945] However, as his wife Hilda recorded, there was "no recognition of the triumph of getting rid of the full-fledged tariff proposals of the Conservatives, no consideration of any part of the difficult practical problem just praise for Erb[946] & faith in Free Trade."[947] From now on, Runciman had to face open opposition from the Protectionists as well as Free Traders.

The Import Duties Act 1932: "a system of moderate Protection"[948]

Runciman approached the introduction of permanent protection under the Import Duties Bill as "a free trader who had reluctantly accepted tariffs as unavoidable under the circumstances, and as a means to work for the reduction of international tariff levels."[949] Wallace argues that Runciman set out to install a policy approach that would be the "middle way" between Protection and Free Trade as he continued to identify his approach to foreign trade with Richard Cobden's of the nineteenth century.[950] However, to his critics, like orthodox Liberals Snowden and Samuel, his actions marked a distinct switch in position from free trade, given that he and Chamberlain prepared the Import Duties Bill. Williamson argues that Runciman's changed position originated in a reconstructed economic analysis: "the world recession, the intensification of economic nationalism, and the sterling crisis temporarily destroyed the conditions that had made free trade valid."[951] It followed that practical free-traders had to

[941] CAB 24/227/31, "Committee on the Balance of Trade. Memorandum of Dissent from the Committee's Report by the Lord Privy Seal [Snowden]," 18 January 1932, 341.
[942] CAB 24/227/32, "Committee on the Balance of Trade. Memorandum by the Home Secretary [Samuel]," 19 January 1932, 343.
[943] CAB 23/70/5, "Cabinet Minutes: The Balance of Trade," 21 January 1932, 88. "If America could be induced to lower tariffs, that would have an effect on the world," 93.
[944] Ivor Jennings, *Cabinet Government*, 3rd editio (Cambridge University Press, 1965), 279–81 According to Jennings, agreement to differ devised by Hailsham. The dissenters' demands that they "be free to speak and vote against any tariff proposals, that MPs have the same freedom and that the whips not exert any influence to persuade Members to support the Government line" were fulfilled. See also "The Experiment and the Policy," The Times, 27 January 1932, 11. The Times Digital Archive. (. According to Wallace (1995, 348-349), Runciman was annoyed with Dissenters "enjoying the luxury of opposition while retaining privileges of government" as he had to accommodate the new circumstances.
[945] Hilda Runciman Diary (hereafter HR Diary) 1/02/32 WR add 7 and HR Diary 12/02/32 WR add 7 cited in Wallace 1995, 349-50.
[946] Must be Herbert Samuel who attacked Tariffs on 4 February 1932 in the House of Commons exercising "agreement to differ."
[947] WR Add A7, HR Diary, 12 February 1932.
[948] HC Debate 4 February 1932, Vol. 261 cc286-288.
[949] Wrench, "'Very Peculiar Circumstances': Walter Runciman and the National Government, 1931-3," 81.
[950] Wallace 1995, 361
[951] Williamson 1992, 505.

adjust[952] and find devices that would provide immediate economic and financial self-defence, yet also compel other nations to help restore international free trade.[953]

In his own words, Runciman approached policy "not as an expert, but as a practical businessman," asking "what condition of trade and what incidence of taxation…[were] the best for British finance, industry and commerce in these strange times."[954] Under his consideration, the Import Duties Bill tackled the key problem of the absence of the automatic adjustment of the balance of trade after the exit from gold, with sterling being anchored on trade and confidence.[955] It addressed the need to reduce expenditure and increase revenue, relieving taxpayers while also "aiding the confidence of the world in our capacity and our determination to maintain our currency on a sound basis."[956] Whereas the Abnormal Importations Act was "a kind of surgical operation," according to Runciman, the Import Duties was "a slimming process" and "a Measure of gentle protection" ("It is very gentle")."[957]

He also believed that it could be used "as the basis for negotiation": "one of the ways in which we can do something towards increasing our export trade is undoubtedly by persuasive power, if you like, or by other influences to induce those who have built up tariff barriers to lower them."[958] But he admitted that it was "a very difficult and slow process, and we have had little encouragement in our attempts to pursue it in the past."[959] Runciman explained that in the absence of

> an automatic desire on the part of these foreign countries to lower their tariffs … we shall be able to use the means which the House is conferring upon the Government to this good end. The 10 per cent. will not prevent negotiation. The 10 per cent. can be reduced if we get a *quid pro quo*. … How are you going to negotiate if you do not negotiate with duties which are already imposed? [960]

He preferred, "as a negotiator of some experience," to say: "Here is a schedule of duties which means business. Lower your tariffs, and we will lower ours."[961] Under Runciman's influence,

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[952] National Government, September 1931: 58 Liberals may be divided into three classes: John Simon and supporters – "have driven to conclusion that some abandonment of rigid Free Trade policy is necessary to restore Balance of Trade and assist national reconstruction; emergency tariffs (2) have open minds about tariffs, depending on their effect clarity; (3) Liberals who whatever happens, will never abandon Free Trade. "The position in favour of tariff is changing daily" "A National Appeal." *The Times*, 17 September 1931,12. *The Times* Digital Archive.
[953] Williamson 1992, 505.
[954] WR 250, 9 February 1932, 9. Runciman's reply to Samuel's (4 February speech) in the House of Commons. He admitted that as "[P]ractical tests and considerations" made him "a Free Trader" before the War, "[T]he same tests applied during the present emergency" made him "a supporter of these proposals."
[955] Eichengreen, *Sterling and the Tariff, 1929-32*; Barry Eichengreen and Douglas A. Irwin, "Trade Blocs, Currency Blocs and the Reorientation of World Trade in the 1930s," *Journal of International Economics* 38, no. 1–2 (1995): 1–24, https://doi.org/10.1016/0022-1996(95)92754-P.
[956] WR 250, Runciman's speech at the House of Commons, 9 February 1932, 5 in reply to Herbert Samuel's speech on 4 February 1932.
[957] WR 250, 9 February 1932, 5-6.
[958] Ibid, 6.
[959] Ibid.
[960] Ibid.
[961] WR 250, 9 February 1932, 7.

the Import Duties Bill introduced a clause against the UK to "have a defensive weapon in reserve… as part of our general fiscal policy."[962] The Clause would only apply where there was not a Most Favoured Nation treaty, and at the time, it was directed mainly against France, who had imposed quotas and a 15% surtax on British imports, such as coal. Although he was "the last person to advocate any launching out on our part into tariff wars," Runciman was convinced that "the surest method of preventing any other country starting them to our detriment" was to be able "to point to specific legislation which gives us means of retaliation."[963] The Act thus gave the Board of Trade power to take special action against goods of any foreign country that exercised "discrimination against our goods whether by way of the imposition of duties or by the prohibition or restriction of importation or otherwise."[964]

Runciman confirmed to MacDonald that he "adhered firmly to the exclusion of wheat and meat, including bacon from import duties, either the 10 percent or additional duties."[965] He ensured a considerable expansion of the free list and that "nearly all the important raw materials will be exempt from the 10 percent duties."[966] As for the Advisory Committee recommending the application of additional duties or the removal of items from the free list, "the final decisions will, of course, rest with the Government."[967] As Runciman explained, "it was most important that we should put no one on the Comte who has any embarrassing industrial connections, or a political past."[968] He was convinced that "the new body ought to be able to do its work well"[969] while "we shall keep in close touch with all that is going on from the Board of Trade, and no Order can be issued without our concurrence, so that the control and responsibility of the Government remain intact."[970]

Chamberlain left no doubt about Government's "full determination of promoting arrangements which will lead to a great increase of inter-Imperial trade". [971] The Imperial Conferences of 1923, 1926, and 1930 had achieved no imperial economic resolutions without reorientation of Britain's fiscal policy. The Import Duties Act ended this deadlock providing for bargaining position from which British policymakers could negotiate reciprocal arrangements[972]. Imperial preference was a projection of protective policy beyond the national borders, a means of doing for export industries what the protective tariff was intended to do for home industries subject

[962] CAB 24/227/50, "Discrimination against United Kingdom Exports. Memorandum by the President of the Board of Trade, Walter Runciman," 27 January 1932. Supported by Neville Chamberlain and John Simon.
[963] Ibid.
[964] Ibid.
[965] WR 254, Runciman to MacDonald, 29 February 1932.
[966] Ibid.
[967] Ibid. Runciman: "We shall keep in close touch with all that is going on from the Board of Trade, and no Order can be issued without our concurrence, so that the control and responsibility of the Government remain intact."
[968] Ibid.
[969] Ibid.
[970] Ibid. George May's two assistants will be Powell who is at present Chairman of the Food Council, from which he resigns, and Sir Sidney chapman, who resigns from the public service in order to take up this appointment. We are transferring Percy Ashley from the Board of Trade to the Comte as its Secretary and are appointing with him an excellent organiser for office purposes in the person of Hutchinson.
[971] Chamberlain, HC Deb 04 February 1932 vol 261 cc 291-292.
[972] Robert C. Self, *Tories and Tariffs: The Conservative Party and the Politics of Tariff Reform, 1922-1932*, 1986, 701.

to foreign competition.[973] After the Import Duties Bill passed into law on 1 March by an overwhelming majority vote, less than three weeks after its first reading,[974] no one could deny that the 10 per cent general tariff was quite different to Conservative three-decker protectionism[975] and was very much Runciman's own personal contribution.[976]

The debate about the Import Duties legislation being used as a "bargaining weapon" led some Liberals to assert publicly that there was "nothing wrong or contrary to Free Trade tradition in bargaining for the reduction of tariffs. Cobden bargained, and Mr. William Graham was bargaining up to the eve of the election."[977] Because the necessity for a reduction in foreign tariffs was so great, "Free Traders in these absolutely unparalleled days ought to welcome any kind of attempt that may be made in this direction. They may believe that it will not succeed, but it is unscientific not to try."[978] They also condemned calls for the Liberal members "to come out of the National Government"[979] praising Runciman acting "as a conscience to and a brake upon extreme protectionist folly" and having a real effect on policy.[980]

For Runciman, the fact that the "National Government [after six months] made this country secure [against the repetition of 1931 crisis]"[981] justified the departure from Free Trade at the time. He held that if Britain were "to succeed in the near future in grappling with every one of the national and Continental tasks which imburden our shoulders, we must overcome the short-sighted follies of a distorted economic nationalism."[982] These objectives were set to be addressed at the series of forthcoming conferences in Lausanne (War Reparations), Geneva (Disarmament), Imperial Economic Conference in Ottawa (Imperial Preference), and World Economic Conference in 1933 (Tariff Truce) through a strategy in which Britain's tariffs would be used to negotiate the reduction of trade protection.

[973] H. V. Hodson, "Imperial Economic Policy," *International Affairs (Royal Institute of International Affairs 1931-1939)* 14, no. 4 (1935): 534.
[974] Lowe, *The British Tariff Movement*, 132.
[975] A three-decker system of tariffs included "a low rate for the Dominions, med[ium] rate for low tariff countries, and a high rate of for high tariff countries. A figure of less than 25 per cent would tend to telescope the range within which such a tariff could be constructed." TNA, CAB 23/70/10, "Cabinet Conclusions," 29 January 1932, 5.
[976] Wrench, "'Very Peculiar Circumstances': Walter Runciman and the National Government, 1931-3," 73.
[977] "Liberals and Cobden," The Scotsman, 9 April 1932. "The Duty of Liberals" by J. Y. Simpson, the Chairman of the Edinburgh Liberal Association. Addressing the Liberal split of assumed "breach" by RM and NG re protection pledge.
[978] Ibid.
[979] Ibid.
[980] Ibid.
[981] WR 254, "The Scotsman," 30 April 1932. Runciman in Newcastle on Thyne.
[982] Ibid.

Ottawa: Liberals' Rubicon[983]

When the Imperial Economic Conference met in Ottawa from 20 July until 20 August 1932, "it was widely viewed as the culmination of British political and fiscal developments" originating from 1902 and before, and "as a long-delayed vindication of Joseph Chamberlain's work for tariff reform."[984] The justification of the protection and preferences was enhanced as "Britain's predominance as the world importer was being reasserted."[985] Crucially, as market forces alone no longer determined the international flow of trade, the National Government had the power to regulate access to its market and negotiate better trade deals for its exports within and outside the Commonwealth ("home producers first, empire producers second, and foreign producers last.")[986] The UK Government's objective in Ottawa was that "whatever agreement was reached ought not to prejudice the possibility of arrangements with foreign countries for tariff reductions."[987] The Statute of Westminster Act 1931 strengthened the expectation of the Imperial Preference as "a co-operation between the countries of the Empire for their mutual advantage, and not for the advantage of England alone."[988]

In his opening conference addresses, Canada's Prime Minister R. B. Bennett welcomed Imperial Preference as the basis for closer economic association.[989] The head of the UK delegation, Stanley Baldwin, delivered an essentially liberal message underlining Britain's commitment to free trade and principle of reciprocity: "Reverting now to Empire trade, we hope that as a result of this Conference we may … find ways of increasing them [preferences] … by lowering barriers among ourselves" and not "by raising them against others."[990] Although N. Chamberlain and Hailsham were appointed key negotiators, the American press focused on Runciman "whose aims and ideals strike the balance between those of internationalists and the Imperialists."[991] The commentary underlined: "He above all represents the men whose conversion to a new idea made the British fiscal revolution possible. Baldwin and Chamberlain were Protectionists before. … Runciman all his life was an unbending Free

[983] WR 253, Geoffrey Shakespeare to John Simon (copy to Runciman), 23 September 1932, quoted in Wrench 2000, 79: "[A]ssuming we continue our support of the Government, our lines of communication with the Liberal Party will be cut for ever. Ottawa will be our Rubicon. There can be no re-crossing. Those who refuse to accept the Ottawa Agreement and wear sheets of repentance will be permitted to sit with Samuel and Mander in the seats of the mighty. Those Liberals who accept the Ottawa Agreement to preserve the National Unity will be cut off root and branch from the Liberal Party."
[984] Drummond, *Imperial Economic Policy 1917-1939: Studies in Expansion and Protection*, 170.
[985] Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s*, 73.
[986] Ethel B . Dietrich, "The New Model Trade Agreements Published by : The University of Chicago Press Stable URL : https://www.Jstor.Org/Stable/1824455," *Journal of Political Economy* 42, no. 5 (1934): 595.
[987] TNA, CAB/23/72, "Cabinet Minutes," 12 July 1932, 84-86 (available at http://source.history-lab.org/cabinet/source/CAB/23/72/0/0004.pdf, accessed 12 May 2018).
[988] E. B. McGuire, *The British Tariff System* (Methuen & Co. Ltd, London, 1939), 257.
[989] J. M. Macaonnell, "After the Ottawa Conference," *Foreign Affairs* 11, no. 2 (1933): 171.
[990] Ibid. According to Drummond (1974, 217, 219) reducing tariffs within the empire and not raising them against foreign goods, however, posed a fiscal problem: most empire countries could only reduce tariffs if they raised some, as they could not forgo customs revenue. See Wrench (2000) about Baldwin and "liberal Conservativism," note affinity with Runciman's principles and approach to protectionism.
[991] WR 254, "England's Key Men in Ottawa," *New York Herald Tribune,* n.d.

Trader."[992] However, when he took charge of the Board of Trade, "every one knew whatever happens in the future about tariffs, free trade in the old manner is dead." [993]

Incidentally, in matters of imperial economic policy, Runciman and N. Chamberlain seemed to align to a higher degree than expected, given that one was a Free Trader and the other was an Imperial Protectionist. After acquiescing to Runciman's tariff design, the Runcimans labelled Chamberlain as a "Low" and not "High" protectionist.[994] Chamberlain had long planned "to make tariffs or custom duties only a part of larger Imperial trade policy."[995] However, he recognised that the policy of generous gesture had failed to produce any significant results in the past and that multilateral agreement on Imperial Preference was hard to achieve. In the "prevailing climate of slump and economic nationalism, Dominion politicians would find specifically negotiated *quid pro quo* agreements easier to defend to their electorate."[996] Chamberlain thus planned to pursue bilateral agreements in Ottawa that could be bargained in the form of "an agreement over a series of years with progressive decreases in the duties against British goods."[997]

Runciman had readily admitted in the past that free trade within the Empire would be "an unmixed blessing to every part of the Empire."[998] However, he also recognised that this was not attainable. While foreign countries lowered tariffs, Dominions increased them."[999] Taking council with MacDonald on 21 December, Runciman "laid great stress on the essential condition of any preferential tariff here being a real and effective reduction in Dominion tariffs, not a mere impassable barrier to us, to be compared with still more impassable barrier for foreigners."[1000] He believed that "the necessity for genuine concessions by the Dominions" was "an essential side of the bargain."[1001] The initial plan had been for IDA to apply a general 10% tariff to imperial products too, so that the British negotiators had a bargaining tool to "lower" the Dominions' tariffs. But Canada's PM Bennett threatened "there would be no point in Conference," and British placed 0% on Empire imports under IDA until 15 November 1932. This was an expression of goodwill, and Runciman expected exchange of benefits in true spirit of "free co-operation," also considering the advantages which the Dominions had had due to the ranking of certain Dominion and Colonial stocks as trustee securities.[1002] However, his position was that the practical test of the trade agreements in the UK would be the generation

[992] Ibid.
[993] Ibid.
[994] Wallace, "The Political Career of Walter Runciman, 1st Viscount Runciman of Doxford (1870-1949)," 1995, 355.
[995] N. Chamberlain, Diary, 26 July 1929, cited in Feiling, 1946, 172.
[996] Ottawa Conference (31) 1st Meeting, paras. 8-11 cited in Self, *Tories and Tariffs: The Conservative Party and the Politics of Tariff Reform, 1922-1932*, 703.
[997] Neville to Hilda Chamberlain. 27 July 1932. Self, *The Neville Chamberlain Diary Letters. Volume Three. The Heir Apparent, 1928-1933*, 337.
[998] Walter Runciman, "Imperial Preference: An Address Delivered at The Trocadero, London, W.1, on 28 October 1926, by The Right Hon. Walter Runciman, M.P.," 1926, 8.
[999] Runciman, 8.
[1000] WR245, Runciman to Macdonald, 21 December 1931, cited in Wallace, "The Political Career of Walter Runciman, 1st Viscount Runciman of Doxford (1870-1949)," 1995, 346.
[1001] Ibid.
[1002] WR 309, Runciman's notes and speeches 1925-1935, 1930s, n.d. (accessed 7 November 2018).

of employment "at a time when we had 2,750,000 on the unemployed register,"[1003] with the extra cost of food and raw materials to be counterbalanced by an increase in exported manufactures. He believed, that if Britain could not "prosper without a revival in our export trade, equally the recovery of the Dominions depend upon a revival in the consuming power of this country."[1004]

According to Wallace, Runciman's pragmatic "acceptance of the introduction of imperial preference was balanced by a determination that the whole process should lead to the *overall* lowering of tariffs. The British tariff would be a useful weapon in achieving this goal."[1005] It had been clear to him that a single conference would not solve the economic problems of the Empire. He considered "how continuity between successive conferences," underpinned by a strategy in which Britain's tariffs would be used to negotiate the reduction of trade protection bilaterally, "can be attained."[1006]

> It is necessary to regard each Conference in which the British Government is taking part, not on its own merits alone but as link in the chain of Conferences by which it is hoped such widely diverse problems as those affecting international and imperial trade, disarmament, war debts and reparations, and currency and exchange might be reviewed, and agreements reached whereby some of the existing impediments to economic progress might be surmounted. A true estimate of the value of the Ottawa Agreements … cannot be properly made without taking into account their relation to the Reparations Conference in Lausanne in June this year, the Disarmament Conf at Geneva which is still ongoing and the coming World Economic Conference.[1007]

The crucial point often missed in analyses is that Britain's strategy in Ottawa was to re-open international trade and that Imperial Preference had broader objectives than for Britain, the Dominions (Australia, Canada, New Zealand and South Africa) and colonies with tariff autonomy (India) to establish tariff preferences to encourage trade amongst themselves and creating a self-sufficient economic bloc.[1008] With each Empire unit pleading its case, a

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[1003] WR 257, Runciman and Bennet decisive talk as recorded by Runciman, 5 August 1932. Runciman explained that "[N]one but a National Government in England could carry the policy, and if this one failed the course of Imperial unity would either be ruined at once or set back for 30 years. He [Bennett] expressed agreement volubly, saying he was glad to feel free to talk to me, and that he trusted Hailsham, Chamberlain and me."

[1004] WR 309, Runciman's notes and speeches 1925-1935, 1930s, n.d.

[1005] Wallace 1995, 346.

[1006] WR 309, Runciman's notes and speeches 1925-1935, 1930s, n.d. Chamberlain "forced" Runciman to resign in the middle of the Board of Trade's organisation of the Imperial Conference in 1937 under Runciman's lead. What would happen if Runciman stayed? I discuss this conjecture later in this chapter.

[1007] WR 257, Runciman's trade strategy through Conferences. Response to Ottawa criticism by National Liberal Federation Executive delivered to constituents of St. Ives 1932 n.d.

[1008] Irwin 2011, 176-177. Empirical evidence challenges systemic explanations of Ottawa or narrowing the Imperial Preference goals to self-sufficiency and to divert international trade into intra-imperial channels, as Irwin argues. I believe that such blind spots in the analyses can be explained by the exclusion of the pragmatic Liberal Free traders, such as Runciman, Baldwin, MacDonald, from the IPE analyses. Yet, as this thesis demonstrates, they were at the heart of the trade policy strategy and have been ignored for the lack of empirical research focused on the pivotal actors at the local policy level. Once such approach and findings are taken into account, they present Britain as leading the way to restore the liberal international trade regime through a pragmatic and crucially, Liberal approach to trade policy.

"common vision and some common beliefs" were conceived as the "Economic Creed of Empire" to be used as a blueprint "for the Conferences that would follow and which would set an example to the world."[1009]

> The key aspects of this shared vision were: (a) increase in Empire prosperity possible if trade provides more employment; (b) Imperial trade with foreign countries should result in aggregated gain above trade diversion; (c) because present world depression resulted from the tariffs and trade restrictions, the "conscious objective" was to liberalise the trade inside the Empire; d) revision of existing tariff policies and practices, keeping costs of production reasonable; (e) removing tariff barriers and restrictions that stand in the way of meeting financial obligations by supplying goods and services; (f) [I]n so far as creditor countries outside the Empire through high tariffs and other restrictions render it impossible for Empire countries to meet their obligations to them by supply of goods and services within their power, the Empire countries have no alternative but to divert their purchases from these creditor countries[1010]; (g) Empire countries will be guided by a deliberate policy of diverting their purchases from non-Empire countries which sell irresponsibly [dump goods and services].[1011]

Drawing from these points, the legitimate case for Great Britain's negotiations lied in the centrality of its policy as a creditor country to Empire and the world: "with investments both inside and outside the Empire … to be as free in trading as the Empire and the rest of the world will permit her to be."[1012] Intra-Empire trade extension involved readjusting existing Empire tariffs "on a downward scale." [1013] Ineffective preferences (because applied to prohibitive tariff) "should cease to be referred to as preferences, used only for enhancement of competitiveness of efficient Empire producers; domestic standard of living protection should not go "beyond the competitive fighting chance line." [1014] Infant industries' protection should be measured against performance, reviewed and gradually tapered down by stages as the industry assumes its economic position.[1015] Building on these principles, Runciman put forward a twelve-point plan for Ottawa which stated that,

> c. Great Britain's central policy is to be as free in trading as the rest of the world will and as any really great creditor country must be in any conceivably prosperous world.
> 11. The line of action which can most usefully be taken is roughly as follows:-
> a. Readjust tariffs and inter-Empire preference policies in the downward direction as a definite and conscious policy.[1016]

[1009] WR 257, "An Ottawa Creed of Empire" Statement to UK Delegation and Industrial Advisers - General Principles by Lord Weir," 27 July 1932. Runciman had noted in handwriting: "[T]he Considerations to be kept clearly in mind in all negotiations."
[1010] WR 257, 27 July 1932.
[1011] Ibid.
[1012] Ibid.
[1013] Ibid.
[1014] Ibid.
[1015] Ibid. See WR 257 for Runciman's 12 points on 25 July 1932 (as framed by Weir) with pencil comments "The Considerations to be kept clearly in mind in all negotiations." This provides for a different interpretation of Britain's strategy against conventional IPE accounts, emphasising the shift to protection as an end goal in response to decline (Krasner, Kindleberger; Drummond, Rooth) or as a response to the immediate macroeconomic shocks (Eichengreen).
[1016] WR 257, Runciman's 12 points for Ottawa, 25 July 1932.

Although Runciman seemed to have assumed a diminished role compared to Chamberlain and Hailsham and developed strong dislike for the conference over its duration, he managed to wield considerable influence on negotiations and prevent the clash between Chamberlain and Bennet that threatened to jeopardise the Conference.[1017] When they met on 5 August 1932,[1018] Runciman warned Bennet of "heading straight into failure" of the Conference and of the eventual breakup of the National Government "if we [UK] committed the error of accepting their [Canada's] proposals…so devised as to give our unemployed in exchange for increased duties on food, etc. nothing but derisory help."[1019] Runciman urged Bennet to adhere to Chamberlain's plan for long term (ten years) bilateral agreements "with a progressive decrease in tariff barriers between us each year." [1020] The long-term policy was "the only justification" Runciman could offer to himself or his public "for agreeing to duties" which otherwise he "could never accept."[1021] In Runciman's own words: "I had to make clear to him [Bennett] that I was pursuing a large and long course, of which Lausanne, Ottawa and the World Economic Conference were the sequence. I begged him to take the long view."[1022]

According to Wallace:

> Ottawa negotiations were long, difficult and sometimes bitter. The British policy that there should be overall reductions in tariffs was lost on the battlefield of competing national interests, which were growing out of increasingly self-interested attitudes of the Dominion governments. The imperial sentiment was notably absent.[1023]

In the incident involving Runciman's outright opposition, to the point of resignation, Australian PM Stanley Bruce and New Zealand PM Gordon Coates pressed the UK delegation for meat restriction, but withdrew their ultimatum in the end, "making crisis overcome and enabling Runciman to return home with his clear conscience and unbroken [election] pledges."[1024]

[1017] Neville to Anne Chamberlain, 16 August 1932, NCI/26/474 cited in Wrench, "'Very Peculiar Circumstances': Walter Runciman and the National Government, 1931-3," 76. Runciman impressed Chamberlain by his treatment of Bennet with whose behaviour Chamberlain had to put up for fear of jeopardizing the Conference: "W was so annoyed by B's bullying manner that he bearded him in his den, told him he resented his behaviour, warned him that the Conference was heading straight for failure, declared that whatever he B. might say the world would put the failure down to him."

[1018] WR 257, Runciman and Bennet decisive talk, 5 August 1932.

[1019] WR 257, 5 August 1932. It would secure "employment for 25,000 men at the time when we had 2,750.000 on the unemployed register." Ethel B . Dietrich, "The New Model Trade Agreements Published by : The University of Chicago Press Stable URL : Https://Www.Jstor.Org/Stable/1824455," *Journal of Political Economy* 42, no. 5 (1934): 596. The extension of the export markets has been stated frankly as the purpose of the agreements.

[1020] Ibid.

[1021] Ibid. Runciman told Bennet: "There are two ways of dealing with our problem – one the small and meaner method of bargaining like a horse-dealer, the other the statesmen-like outlook on both the present and the future. He would surely wish to go down to history as a statesman. The time for decision and action was very short."

[1022] Ibid.

[1023] Wallace, "The Political Career of Walter Runciman, 1st Viscount Runciman of Doxford (1870-1949)," 1995, 353; According to Drummond, if the conference worked on exchange rates and not on tariffs "it could have done more to raise empire employment and reintegrate empire commerce than tariff could do." Drummond, *Imperial Economic Policy 1917-1939: Studies in Expansion and Protection*, 282–83.

[1024] Wrench, "'Very Peculiar Circumstances': Walter Runciman and the National Government, 1931-3," 78. As Wrench recounts, Runciman forcefully objected not to duties but to production restriction that would hamper his

Although the Ottawa conference failed to achieve the desired goals of liberalisation of intra- and extra-imperial trade, the trend of the UK trade policy aiming at freer and fairer trade was established. British negotiators regarded the relatively few bilateral agreements (at least fewer than expected) as a good start of a "long-term shift towards the imperial trade" under the preference system.[1025] According to Hilda Runciman, "the one great gain from our point of view is that our Protectionists have really abandoned High Protection + actually committed themselves to a policy of lower tariffs as essential for the recovery of the world."[1026] The Ottawa resolutions stated

> That by the lowering or removal of barriers among themselves provided for in those agreements the flow of trade between the various countries of the Empire will be facilitated, and that by the consequent increase of purchasing power of their peoples the trade of the world will also be stimulated and increased.[1027]

Runciman in particular "could regard the Ottawa agreements as a business-like compromise in which he had quietly minimized the long-term damage to the free trade cause."[1028]

For Runciman, Ottawa was significant in three ways. Firstly, British negotiators took practical steps "to turn the world and Empire movements into the direction of the freer trade rather than towards greater trade barriers"[1029] setting an example for the upcoming World Economic Conference. Secondly, they "sought and obtained in return for reciprocal arrangements a reduction of Dominion tariffs on a large number of articles and the allocation of many items to the [tariff-] free list." [1030] Thirdly, they were able to negotiate "the trade agreement which for the first time gave Britain preferential terms in India."[1031]

His "main anxiety" was about the revival of Britain's foreign trade "and in so devising the relation between Dominion preferences and foreign bargains that we get full value out of the latter."[1032] Concluding that "[I]t is bound to be a difficult task," he regretted "the loss of some opportunities" at Ottawa and was "rather apprehensive about our foreign negotiations."[1033]

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negotiations with Argentina. Chamberlain had failed to convince him and on 12 August Runciman in conversation with Baldwin he refused outright to be responsible for restriction scheme.

[1025] Williamson 1992, 509.

[1026] HR diary 25/08/32 WR add 7 cited in Wallace, p. 355 "(The Conservatives) drove a bad bargain, gave away more than was necessary…the one great gain from our point of view is that our Protectionists have really abandoned High Protection + actually committed themselves to a policy of lower tariffs as essential for the recovery of the world. Whether this is worth the trouble + expense + disillusionment of the conference I don't know… I don't think W really knows if we gained much…But perhaps he was right in leaving the negotiations to the Tories… It has been a great eye opener to Chamberlain + I hope had knocked off a good deal of sentimentality with which he clothes his imperial views."

[1027] Macaonnell 1933, 336.

[1028] Wrench 2000, 78.

[1029] WR 254, Letter from Runciman to Toking, 29 September 1932. Regarding the Ottawa Conference outcomes.

[1030] WR 254, 29 September 1932.

[1031] Ibid.

[1032] WR 254, Runciman to MacDonald, 2 September 1932.

[1033] WR 254, 2 September 1932.

Nevertheless, his Ottawa objective of "keeping of the field of manufactures clear so that we could carry on negotiations on our return to Europe" was achieved.[1034] Runciman argued:

> Failure at Ottawa would be disastrous…by the measure of success obtained at that conference we must expect countries outside the Commonwealth to estimate our capacity to put our own house in order, and by the same measure will foreigners estimate our capacity to co-operate with them in efforts to improve world economic conditions.[1035]

According to Rooth, Britain chose the sophisticated course "to hold on to preferences in the Empire, and to maintain the still very tangible benefits of unconditional m.f.n. rights in other countries."[1036] Despite weakening Board of Trade's hand in the negotiations, this decision resulted in "the overall benefits to Britain's trade."[1037]

After the dramatic resignation of the Free Traders (Snowden, Samuel, Sinclair and eight junior Liberal ministers) from the National Government in public opposition to the adoption of the Ottawa Agreements,[1038] Runciman was left presiding over trade with less pressure and less support at the same time. The elder Liberal statesmen like Lord Shuttleworth acknowledged the sincerity of Runciman's compromise: "There has been gross misrepresentation of your work, but I feel sure that you took the right line in very peculiar circumstances to which the obstinate extreme Free Traders [Samuelites, Snowden] could not adapt themselves."[1039] For Runciman, the Tariff agreements with foreign countries which resulted in mutual reductions "vindicated his view that Britain could only work for freer trade by tariff bargaining."[1040]

[1034] HC Debate 27 October 1932, Vol. 269 c1250, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0269p0-0008?accountid=963, accessed 9 January 2021).
[1035] WR 257, Runciman Notes and Speeches- Trade strategy through Conferences - Response to Ottawa criticism by the National Liberal Federation Executive, delivered to constituents of St. Ives, 1932 n.d.
[1036] T J T Rooth, "Limits of Leverage: The Anglo-Danish Trade Agreement of 1933," *The Economic History Review*, Vol. 37, 1984, 215.
[1037] Rooth, 215.
[1038] Jennings, *Cabinet Government*, 281. See WR 257, "Note on the Conclusions of the Executive of the National Liberal Federation on the Ottawa Agreements," n.d. for Runciman's response to criticism of Ottawa Agreements. These views were expressed through public allegations against the Government by the National Liberal Federation Executive, 22 September 1932. Resigned ministers led by Samuel attacked Ottawa Agreements for 1) rising prices, 2) breaking trade cooperation, 3) creating Empire disunity, 4) hampering new trade negotiations, 5) increasing trade restriction barriers, and: 6) surrendering of the rights of the British Parliament." "The executive therefore earnestly urge[d] upon Government, upon Parliament, and upon all electors that they should seriously consider the dangers and the vicious principles inherent in the Ottawa agreements and oppose them by every means in their power."
[1039] WR 264, Shuttleworth to Runciman to, 18 November 1933, cited in Wrench, 80.
[1040] Wrench, 79.

Liberalising Trade

Between 1931 and 1937, the Board of Trade had been "the most active" and "the most strenuous" of the Government Departments in charge of introducing "the new duties, the policy of reciprocal trade agreements, and other work."[1041] By the time of the World Monetary and Economic Conference (WEC) taking place in London in June 1933, Runciman and his team had delivered the first batch of Trade Agreements with Norway and Sweden, Germany, the Argentine and Denmark. They pursued three main goals with Scandinavian trade negotiations: (l) arrangements for increased use of British coal, (2) security for the maintenance of low rates of duty for other British exports, and (3) in a limited number of cases, actual reductions of duties which were above the general tariff and which discriminated against "important lines of British trade."[1042] These agreements were planned to serve as practical demonstrations of the UK's new trade liberalisation push at the WEC and to be proposed as a model for the other countries to follow.[1043] As the Tariff Truce (1929-1931) failure demonstrated,[1044] multilateral cooperation on trade was not possible due to the high number of divisive issues (such as repayments and reparations, breakdown of the financial cooperation) and the diversity of national political and economic demands resulting from an uneven post-WWI economic development.

Runciman believed that "[F]reedom from restraint is calculated to give the utmost extension to foreign trade, and the best direction to capital and industry. Import what other countries are best able to supply – Export (in payment) those articles which from our own situation we are best adapted to produce."[1045] The number of countries with whom bilateral arrangements were possible was restricted mainly to primary producers, and the UK's vital priority was the protection of domestic industries. Britain was an essential buyer of beef, lamb, bacon, butter, wheat and timber. Its large imports market was its most significant asset in negotiations: foreign countries agreed to accept UK exports for access to its vast and growing market.[1046] Britain's leverage was "further enhanced by the trade deficit it ran with most of these suppliers."[1047] Trade agreements were able to halt, neutralise and partially offset the adverse effects of protection and the Gold Standard abandonment as other countries retaliated or depreciated their currencies. "And this they did surprisingly well," argues Rooth, "Britain's exports began to revive as early as 1932. The timing was crucial, for at this stage the only sources of GNP growth came from the external account."[1048] Notably, Britain became the centre of a currency group largely coterminous with trade agreement countries (excl. Canada).

[1041] WR 285, Runciman's account of leaving Presidency of the Board of Trade, 21 June 1937.
[1042] TNA, CAB 24/235/3, "Cabinet Memorandum: Commercial Negotiations with Foreign Countries. Position of the Fishing Industry, by Walter Runciman," 21 November 1932.
[1043] CAB 24/235/3, 21 November 1932.
[1044] As discussed in Chapter 4 of the thesis.
[1045] WR 311, Runciman notes and speeches, 1936 (accessed 8 November 2018).
[1046] Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s*, 309–10.
[1047] Rooth, 310.
[1048] Rooth, 317.

It also had to accept some trade losses so member states could build reserves[1049] (e.g. Sweden turned from Germany to the UK.)[1050]

According to Edward Grey (the arch-Liberal Free Trader),[1051] who had been a Foreign Secretary from 1905-1916 when Britain joined WWI and later formed the Liberal Council (with Runciman's participation), "Free Trade allround being an impossible ideal, agreements on low tariff bases are the things to be aimed at." [1052] He argued that

> if as a result of the World Economic Conference important countries such as Germany, France and the U.S. could be got to accept a low tariff basis, a really great step would be made to breaking down the high tariff system…a really great thing will have been achieved of immense benefit to Britain and world trade.[1053]

Endorsed by the League of Nations, Britain's approach to international lowering of tariffs via bilateral negotiations was based on a low tariff scheme in four points, as presented by Runciman:

> First, it must be likely to be effective in securing really tangible reductions of excessive tariffs; second, it must command a sufficiently general measure of support, it must cover a wide enough area; third, it must not impose upon this country sacrifices disproportionate to those demanded of other countries; fourth, it must not have injurious repercussions or lead to tariff wars or other economic hostilities.[1054]

He added that negotiations could not be "one-sided"; both sides had to make concessions Subject to these, the UK Government would consider all proposals. The most favoured nation (MFN) clause would be withheld from non-participants in tariff reductions.[1055]

Runciman, who during the Conference assumed the leading role as a rapporteur of the Economic Committee,[1056] was confident that bilateral agreements were the best way of dealing with the "situation as we find it" – namely, the stagnation of international trade.[1057] He argued:

[1049] Rooth, 318.
[1050] Rooth, 319.
[1051] Lord Grey was Runciman's closest Liberal associate and friend. In 1931-32, they nearly broke up over WR's shift into formal protectionist camp. Grey was a Foreign Sec: 7 December 1905 - December 1916 when Britain joined WWI. In 1926 Grey had formed the Liberal Council with Runciman's participation. Both were the face of the public campaign in defence of free trade, against the Hambro Bankers' manifesto for imperial trade in 1930 (discussed in Chapter 4).
[1052] WR 300, Earl Grey to Runciman, 19 April 1933.
[1053] WR 300, 19 April 1933.
[1054] HC Debate 15 March 1933, Vol. 275 c2024, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0275p0-0013?accountid=9630, accessed 30 November 2018).
[1055] HC Debate 15 March 1933, Vol. 275 cc2024-2025.
[1056] Patricia Clavin, "The World Economic Conference 1933: The Failure of British Internationalism.," *Journal of European Economic History* 20, no. 3 (1991): 493.
[1057] James Foreman-Peck, Andrew Hughes, and Yue Ma, "The End of Free Trade: Protection and the Exchange Rate Regime between the World Wars," in *Free Trade and Its Reception 1815-1960. Freedom and Trade: Volume I*, ed. Andrew Marrison (Routledge London and New York, 1998), 270.

> With the British tradition behind… We have aimed at reducing rather than increasing tariffs. We have found by bilateral arrangements we have succeeded in reducing the tariff barriers to some extent. I agree it is not heroic, but it is going in the right direction, and what we have done in smaller area [Empire], we are willing to do over a wide area.[1058]

According to Clavin, the Lausanne conference (July 1932) had given the WEC "a challenging brief" in attempting to tackle world's economic problems by political co-operation, which was notoriously absent.[1059] Multilateralism was ruled out, and bilateral bargaining championed by Runciman provided the roadmap for future international trade integration, spearheaded by the United States after World War Two. The Heads of the Dominions' delegations (N. Chamberlain, R. B. Bennett, S.M. Bruce, Geo. W. Forbes, J. C. Smuts, H. Strakosch) re-affirmed their commitment to the Ottawa Agreements *and* global trade recovery: "that the lowering or removal of barriers be-tween the countries of the Empire provided for in the Ottawa Agreements will not only facilitate the flow of goods between them, but will stimulate and increase the trade of the world."[1060]

Already in December of 1933, Runciman was cautiously confident to claim success "in pulling down tariffs in every country with which, during the last twelve months, we have made trade agreements."[1061] For him, knowing that he was "the only British minister who has succeeded in bringing about a reduction in foreign tariffs since the time of Cobden's French Treaty" was "a matter of pride."[1062] He hoped that the trade policy of the National Government could be "judged by results" and only "justified" if it brought about "the employment of more and more of our people."[1063]

Considering that escalating unemployment was implicit in the policies that had brought the Labour Government down in August of 1931, the stakes for the National Government were high. The UK was able to recover relatively quickly compared to many other developed economies, registering a significant fall in the unemployment rate from 15% in 1932 to 8% in 1936, although the recovery was uneven across geographical areas and industries.[1064]

[1058] "U.S. and the Conference," *The Times,* 20 June 1933, n.p. in WR 316 Vol. 10. Contains the transcribed Runciman's speech.
[1059] Clavin, "The World Economic Conference 1933: The Failure of British Internationalism.," 493, 506, 509–12.
[1060] "Monetary and Economic Conference: Declaration by Delegations of the British Commonwealth," 27 July 1933, 2 (available at https://parlipapers.proquest.com/parlipapers/result/pqpdocumentview?accountid=9630&groupid=107925&pgId=a08a779c-fd1d-4507-b02b-546801fd5655, accessed 30 November 2018).
[1061] WR 264, Runciman to Shuttleworth, 1 December 1933. There are a few studies about Runciman; they seem to support this claim. See Wallace 1995, Wrench 2000, Dutton 2014.
[1062] Ibid.
[1063] Ibid.
[1064] Tejvan Pettinger, "The UK Economy in the 1930s," Economics Help, 2017, (available at https://www.economicshelp.org/blog/7483/economics/the-uk-economy-in-the-1930s/., accessed 30 January 2021)

Leaving the Gold Standard enabled the National Government to pursue a more expansionary monetary policy. The devaluation of the pound against the dollar (28% between 1930 and 1932) helped UK exports and boosted domestic demand, providing an economic stimulus.[1065] Criticism of Runciman for attributing trade results to the negotiations and tariff bargaining and excluding devalued pound as one of the key drivers of trade improvement provide a narrow assessment of his policy and may not be entirely fair.

According to Root, absent protection and trade bargaining, a balance of payments deficit could have been addressed through the depreciation of the sterling; however, lower revenues caused by reduced economic activity and smaller customs receipts would have led to a bigger fiscal contraction to achieve balanced budgets than what occurred.[1066] By 1935, Runciman and his team at the Board of Trade obtained "major advantages" from the trade and payment agreements. The decrease in Britain's share in foreign markets until 1937 was compensated for by the expansion of world trade at the same time, while the need to rearm ensured that Government pursued "an expansionary budget."[1067] The excess and continued rise of imports over exports was not a problem for the balance of payments and was celebrated as Britain's contribution to the global trade revival.[1068]

In October 1935, Runciman's view regarding the Ottawa Agreements was that "except in so far as was necessary to ensure the continuance and development of Empire production, Ottawa did little to erect barriers against the trade of countries outside the Empire." [1069] He could claim that since Ottawa, the UK had concluded many trade agreements with foreign countries "under which very numerous benefits were obtained for the trade of this country. Bilateral negotiations have succeeded where multilateral negotiations showed no possibilities of success."[1070] According to Runciman,

> The increased bargaining power the UK has been put to its full use during the last three years, as a means of maintaining and increasing our export trade and the results of the policy are its justification" [1071]. "The principal benefits secured by this policy are reductions of foreign tariffs, undertakings for the purchase of United Kingdom, fair quotas for UK exports (France, Holland, Italy), the payment of old debts due to UK traders (Germany), and the provision of exchange to pay for current trade. Tariff concessions and guarantees for increased purchases of coal and other goods figure[d] in most of the agreements made with European countries.[1072]

[1065] Ibid.
[1066] Rooth 1992, 317.
[1067] Rooth, 317.
[1068] "Another Year of Marked Progress," *The Times of India*, 17 July 1936.
[1069] WR 257, "Runciman Notes and Speeches: Ottawa and International Cooperation in Economic Matters," October 1935.
[1070] Ibid.
[1071] WR 257, "Commercial Negotiations with Foreign Countries," October 1935.
[1072] WR 257, October 1935.

Speaking of trade agreements in February 1937, Runciman reflected on his trade policy results:[1073] "Since the Ottawa Conference bilateral agreements for the purpose of maintaining and developing UK export have been concluded with some 22 foreign countries" [1074] including Germany, Soviet Russia, Italy and France "under which very numerous benefits were obtained for the trade of this country.[1075] Bilateral negotiations have succeeded where multilateral negotiations showed no possibilities of success."[1076] This view has been validated, according to Rooth:

> as late as I938 a government committee stated that bilateralism had worked as a method of trade liberalization whilst multilateralism had not[1077]…[I]n general they [trade treaties] were productive…. by the late I930s the Board of Trade and Foreign Office wanted their continuation with the minimum of modification.[1078]

Britain's contribution to the general effort to liberalise trade was "limited to currency cooperation with other countries and refraining from introducing new protectionist barriers[1079]… British protection stood virtually intact at the end of 1938."[1080]

Runciman achieved these results by taking Cobden's approach to trade in the 1930s. Older Liberal statesmen, like Shuttleworth, who was "old enough to remember" Cobden's negotiation of the French Commercial Treaty in 1860, suggested "pretty strongly" that Runciman inform the public "of the use that Cobden made of tariffs in successful negotiation of that Treaty." [1081] He argued "that Cobden could not possibly have approved of the line" which "hysterical Free Traders" [in this thesis classified as "orthodox" Liberal free traders – for example Snowden and Samuel] have taken about Ottawa and the use of tariffs for your trade agreements."[1082] He believed that the doubts of "believers in the principle of Free Trade and in Cobden" could be shaken "by the obviously good consequences" of Runciman's policy.[1083]

To Runciman, the extent to which he was free to carry out a policy that was, in his view, adequate to the challenge of rising economic nationalism and yet consistent with Liberalism, was important. He held against the tide for all the Liberals who lost their political power, but

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[1073] WR 257, "Trade Agreements [1932-37]," 10 February 1937.
[1074] WR 257, 10 February 1937.
[1075] WR 257, "Commercial Negotiations with Foreign Countries," October 1935. "The principal benefits secured by this policy are reductions of foreign tariffs, undertakings for the purchase of United Kingdom, fair quotas for UK exports (France, Holland, Italy), the payment of old debts due to UK traders (Germany), and the provision of exchange to pay for current trade. Tariff concessions and guarantees for increased purchases of coal and other goods figure[d] in most of the agreements made with European countries."
[1076] WR 257, "Ottawa and International Cooperation in Economic Matters," October 1935. Runciman received criticism [*The Economist*] for attributing trade results to negotiations and tariff bargaining and excluding devalued pound as one of the key drivers of trade improvement.
[1077] Rooth, "Limits of Leverage: The Anglo-Danish Trade Agreement of 1933," 227.
[1078] Rooth, 228.
[1079] Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s*, 305.
[1080] Rooth, 306.
[1081] WR 272, Shuttleworth to Runciman, 3 May 1934.
[1082] WR 272, 3 May 1934.
[1083] WR 272, 3 May 1934.

not their beliefs. He also demonstrated how those beliefs could be practically applied to temper and attenuate protectionism. In his last speech as President of the Board of Trade on 25 May 1937, Runciman drew a line under his work:

> What is meant by "Liberalising the tariff system?" I have been engaged on work of that description for the last five years. I have been "Liberalising" the tariff system by securing a reduction of tariffs in foreign countries in which we wish to import British goods. Our trade agreements have carried that out.[1084]

As for the need to "lead the nations to economic appeasement," Runciman was "quite prepared to make any contribution to appeasement, whether by tariffs or any other means" as he believed in the predominant concern that "the peace should be secured."[1085] Sending the UK trade delegation to Germany after the annexation of Austria into Nazi Germany on 12 March 1938 (the Anschluss) weakened prospects of the UK exports in Europe, Runciman (now a House of Lord's peer) would brief them: "Gentlemen, the peace of Europe is in your hands."[1086]

By the time Runciman visited Roosevelt in 1937,[1087] it became plain to him that "if England and America could be induced to work more closely together much would be achieved not only for the improvement of world trade, but also to promote world peace."[1088] According to Harrison, "[I]n his four meetings with Runciman (between 23 and 26 January 1937), therefore, Roosevelt had taken a significant step toward a common Anglo-American position with which to control future international violence."[1089] Runciman characterised his conversations with Roosevelt as an "extraordinarily helpful…exchange of ideas without record."[1090] However, some hurdles could undermine Anglo-American cooperation. Americans enjoyed a large favourable balance of trade without guaranteeing American neutrality and commercial cooperation in case of war. At the same time, Runciman did not see an indication that the United States intended to reduce its tariff rates substantially in the trade agreement negotiated with the UK.

Moreover, as Schatz recounts, his long-held view remained: "[I]f the Americans really wanted economic cooperation, they should begin with a settlement of the war debt question and a

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[1084] HC Debate 25 May 1937, Vol. 324 c159, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0324p0-0002?accountid=9630, accessed 30 November 2018).
[1085] HC Debate 25 May 1937, Vol. 324 c159.
[1086] "Anglo-German Industrial Conversations," FBI/S/Walker/110 in R. F. Holland, "The Federation of British Industries and the International Economy , 1929-39," *The Economic History Review* 34, no. 2 (1981): 298.
[1087] F. D. Roosevelt had wanted to meet Runciman since 1933, however WR avoided the meeting due to pronounced critical position he had taken towards Britain's war debts payment to the US. WR was the second British Minister to visit the US President since Ramsay MacDonald, the Prime Minister, in [May of 1933]. He went to Washington in January 1937 where he had talks with Cordell Hull, and he and his wife spent the weekend with the Roosevelts in the White House.
[1088] WR 285, "Runciman's account of leaving office," 21 June 1937.
[1089] Richard A Harrison, "The Runciman Visit to Washington in January 1937," *Canadian Journal of History/Annales Canadiennes d'Histoire* 19, no. 2 (1984): 234.
[1090] WR 284 in Harrison, 235.

change in financial policy that would release some of the gold held in American vaults."[1091] As for the imperial preferences, the US Secretary of State Cordell Hull pushed for abandoning Ottawa Agreements (to be renewed in 1937),[1092] although he later conceded to Runciman that the United States would not demand their abolition but only their modification "to insure that they would not be used to divert international trade into unnatural channels."[1093] Overall, Roosevelt was more sympathetic and favourable to Britain's position on trade than Hull.[1094] Runciman returned to England "confident that foundations had been laid on which could be built something tangible which could bind together America and the British Commonwealth."[1095]

Neville Chamberlain rejected outright any actual or potential compromise of Commonwealth trade relations. Replacing Baldwin as Prime Minister, he pursued appeasement with Hitler and Mussolini rather than closer links with the United States, which could not be relied upon in the European crisis due to isolationism. Runciman insisted on an approach that Great Britain must use its economic power to increase its foreign trade and promised that he would achieve this objective by whatever means necessary.[1096] In the Cabinet reshuffle, Chamberlain demoted Runciman, which came as an unpleasant shock.[1097] Runciman conveyed the message to Roosevelt in a letter through a mutual friend, Arthur Murray:

> it is with the deepest regret that he [Runciman] is severing his associations with the particular work upon which he has been engaged since, and as a result of visit to you. Runciman hopes very much that you will feel that any 'good' which arose out of his visit to you is in no way checked or marred by the circumstances that have arisen. Undoubtedly had he become Chancellor, there would have still been in existence in the Government the personal and intimate contact between yourself and him – about which he has treasured the warmest feelings - and a greater certainty that all would progress as you and he visualised and desired." [Having accepted Viscountcy], "…he will still have in Parliament a political platform from which he can speak with authority.[1098]

Runciman's peace-through-trade efforts gained recognition among his political opponents who described him, along with the American Secretary of State, Cordell Hull, as "the only true

[1091] Arthur W. Schatz, "The Anglo-American Trade Agreement and Cordell Hull's Search for Peace 1936-1938," *The Journal of American History* 57, no. 1 (1970): 93.
[1092] Harrison, "The Runciman Visit to Washington in January 1937," 224.
[1093] Schatz, "The Anglo-American Trade Agreement and Cordell Hull's Search for Peace 1936-1938," 97.
[1094] Harrison, "The Runciman Visit to Washington in January 1937," 230–31.
[1095] Ibid.
[1096] Schatz, "The Anglo-American Trade Agreement and Cordell Hull's Search for Peace 1936-1938," 93.
[1097] WR 285, Runciman to N. Chamberlain, 7 May 1937. Runciman wrote that Chamberlain's offer of Lord Privy Seal, "the poorest in Cabinet, with no department responsibility," intending someone else to deal with the Imperial Conference [1937] economic matters" replacing Runciman "on the threshold or in the middle" of it, and having "no word of appreciation or regret on the termination" of their "associated labours" after they have been together for so long" - realization "by this combination of circumstances how little value you attach to my services" - "was a painful surprise." Exchequer was given to National Liberal John Simon – Board of Trade had to go to the Protectionist]. Oliver Stanley, who openly favoured an agreement with the United States, succeeded Runciman as president of the Board of Trade.
[1098] WR 285, Arthur Murray to Franklin D. Roosevelt (copy to Runciman), 28 May 1937.

begotten Cobdenites left on earth."[1099] For the member of the Manchester Chambers of Commerce, who realised "what a very strenuous time" Runciman had had, his presidency of the Board of Trade would stand out in history "as a very remarkable and sustained piece of statesmanship" [1100] because "the task of taking charge of the whole shift-over to a different economic system so far as tariffs are concerned, and of negotiating all these difficult trade agreements, involved a responsibility which would have overwhelmed any ordinary man."[1101] The way that Runciman "discharged that heavy task" became sincerely admired "because it was a Liberal … who did it."[1102]

Conclusion

This Chapter attempts to elucidate Britain's embrace of protection in the 1930s by analysing Walter Runciman, a pragmatic Liberal, and how his decisions at the local level shaped international trade policy. A fresh look at the empirical archival data strongly suggests that without the analysis of Walter Runciman's personal contribution, the explanation of Britain's shocking departure from free trade is incomplete. By placing the analytical focus on Runciman's agency, this thesis seeks to explain how the lag between the onset of the hegemonic decline and the instalment of protection was also shaped by this pivotal actor's response to systemic pressure, which resulted in an attenuated form of protectionism.[1103] The result could be different had the protectionists in the highest ranks of the political establishment had their way unopposed. Encouraged by the internationalist MacDonald, supported by "mild" and pragmatic protectionists Chamberlain and Baldwin, and despite the opposition of the Socialist and orthodox Liberal free trader Snowden to his policy, he had a decisive influence on Britain's and international trade policy. By assiduously re-enforcing his political autonomy, he became "one of the authors of the fiscal policies which were a move away from a purely protectionist approach favoured by many Conservatives. Bilateral trade agreements allowed Runciman to intervene in specific areas and to help specific industries."[1104] Runciman's approach to policy prevailed over that of his critics' as he worked diligently "in order to move towards all-round reductions and, ultimately, the restoration of a free-trade system."[1105]

[1099] Dutton, "Walter Runciman and the Decline of the Liberal Party," 34. In 1937, the Tory backbencher, Brendan Bracken.
[1100] WR 285, Shaw to Runciman, 26 May 1937.
[1101] Ibid.
[1102] Ibid.
[1103] According to Gowa, lags between power and regime change strongly suggest that other variables are necessary to any adequate explanation of regime continuity and change'. Gowa, "Hegemons , IOs, and Markets : The Case of the Substitution Account," 682–83.
[1104] Wallace 1995, 368.
[1105] Dutton, 34.

Chapter 6

Liberals and Protection: In the Name of Freer and Fairer Trade

"…is it not worth our while occasionally to divert the course of trade *in* our interest rather than to allow it to be diverted by others *against* our interest?"[1106]
--- R. C. Seaton, 1912.

"Liberalism is a state of mind, not a rigid body of doctrine; and its immediate aims must always be determined by the circumstances of the time."[1107]
---Ramsay Muir, 1933.

"There is an agonistic side to liberalism, a pragmatic side, and a problem-solving side that have been there all along and that once recovered can be used for a reimagined liberal internationalism for the future."[1108]
--- John Ikenberry, 2021

The IPE studies of the inter-war collapse of the international trade regime fail to explicitly acknowledge that Britain's move to protectionism was a conscious attempt to pursue imperial and international trade liberalisation, nor explain why it mattered. Inspired by the Cobden-Chevallier Treaty, it was based on reciprocal bargaining, responding to specific conditions, namely that commercial rivals had been closing Britain's liberal international trade system for a long time. By the beginning of the twentieth century, Britain started showing a relative decline in its hitherto undisputed area of dominance – world trade. Britain's share of international commerce fell from 25 per cent in 1880 to 21 per cent in 1900 (-4 %), while its protectionist rivals Germany and the United States both increased their share from 9 to 12 per cent (+3 %) and 10 to 11 per cent (+1 %), respectively.[1109] Systemic and structural interpretations also neglect the reactionary protectionism to the hegemonic decline of the British Empire as one of the determining factors behind the Tariff Reform and Imperial Preference implemented in 1932. This failure can be explained, in part, by the absence from the analysis of new mercantilism and imperial protectionism advocated for by German and English historical economists of the late nineteenth and early twentieth centuries, who redeployed tariffs as means of lowering protection through retaliation and reciprocity in pursuit of freer and fairer trade.

[1106] Seaton, *Power v. Plenty: Some Thoughts on the Tariff Question*, 133.
[1107] Ramsay Muir, "The Prospect for British Liberalism," *Foreign Affairs* 11, no. 2 (1933): 291.
[1108] Herrero and Ikenberry, "Liberal Internationalism for Hard Times: An Interview with G. John Ikenberry"; Ikenberry, *A World Safe for Democracy: Liberal Internationalism and the Crises of Global Order*.
[1109] Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895 - 1905*, 24–25.

In other words, the existing accounts over-emphasise systemic and structural factors and neglect the individuals behind key policy shifts. The individual-level analysis opens possibilities to fill the gaps in the existing explanations, provide a firmer empirical foundation to our interpretation of this puzzle and improve our understanding of this crucial trade policy shift in the context of the past hegemonic decline through the individual agency. By focusing on pivotal actors, we see the rationales for protection used to justify the Import Duties Act 1932 as a continuity of Joseph Chamberlain's tariff reform and the Imperial Preferences project. In the 1930s, the introduction of protection was delayed, and its levels moderated due to Snowden and Runciman. Snowden's principled orthodox Liberal approach to trade contrasts with Runciman's pragmatic Liberal approach to using protection to decrease the level of tariffs. Focus on these critical individuals helps us explain why, despite the structure and, it seems, the major arguments for protection being in place since 1906, it took a quarter-century for policy to change.

Considering that as an imperial protectionist and a liberal free trader, they would appear to be on opposing sides of the question, there is a surprising overlap between J. Chamberlain's and Runciman's strategies to address systemic protectionism abroad and unemployment at home through tariff bargaining. The thesis also argues that by having misunderstood people like J. Chamberlain, Baldwin, MacDonald and Runciman, who were not protectionists but free traders looking for leverage to re-liberalise trade (i.e. pragmatic liberals), we misinterpreted Britain's "exit" from the liberal international order, which it helped create, and misunderstood the hegemonic transition during the inter-war period. To get this crucial puzzle right, we must take into account the actors who shaped (J. Chamberlain), resisted (Snowden) and steered (Runciman) Britain's embrace of protectionism in the inter-war period.

In this chapter, I first discuss what we know about trade policy strategies in response to hegemonic decline. I then compare rationales, arguments and justifications of each actor for and against protection, placed in the context of the seven objectives of the Import Duties Act 1932. I explore how the overlap between J. Chamberlain and Runciman helps us to understand better the trade liberalisation strategy based on reciprocity and retaliation. I also analyse the difference between Snowden's principled and Runciman's pragmatic liberal approaches to a commercial policy. I then discuss how these actors may help us understand better how individual agency and trade policy interact and apply some lessons in the context of the hegemonic decline of the United States, which came to undermine the liberal international order built after World War II. The thesis concludes with a discussion of the role of individual agency in systemic policy shifts and opportunities for future research.

Trade Policy Response (to Hegemonic Decline)

Scholars have empirically demonstrated "how Britain often squandered the structural power it possessed through policy choices that undermined rather than strengthened its hegemonic position."[1110] Stein calls this situation "the hegemon's dilemma," where maximising economic returns requires a commitment to openness, and strengthening relative power position calls for a policy of closure without regard to other players in the system. According to this view, hegemons unwittingly adopted policies that would result in a relative economic decline and reduction of their relative power.[1111] As Strange argues, "[T]he conflict has been between the realism necessary to any great power, which leads to unilateralist power politics, and the liberalism necessary to a great economy dependent on world markets, which leads to internationalism (whenever realism and domestic politics permit)."[1112] How can the hegemon adapt trade policy in response to these competing structural demands and reverse the decline (reduce the scope for closure)?

Undoubtedly, Britain's shift to trade protectionism in 1932 was a strategy of adjustment to a new structural equilibrium resulting from the gradual accumulation of internal causes (empire disintegration and industrial decline) and external shocks (World War One and the Great Depression). As Drezner (2010) puts it, "[G]reat powers in perceived decline have also been receptive to the idea [of mercantilism] as a possible means to reverse their fall".[1113] Under the circumstances which provided the setting for the inter-war policy shift – one in which the protectionist rivals had been closing the international trade system – protectionist tariffs were revived as tools which could be used for negotiation purposes to re-liberalise international trade in Britain's and its Empire's favour.[1114]As Stein observes, "[A] nation unilaterally committed to free trade could not, after all, extract negotiated concessions" from its foreign rivals and even imperial allies until it finally "saw its reconstitution of tariffs and its reluctance to extend concessions without reciprocity as strengthening its hand in commercial negotiations."[1115]

Comparing the British hegemony of the second half of the nineteenth century and the American hegemony during the twenty years following WWII, it is clear that "Britain's relative ineffectiveness in maintaining a free trade regime" was because "it had never made extensive use of the principle of reciprocity in trade"[1116] and "had sacrificed potential leverage" over "its major military and political rivals," which were its principal trade partners but retained their

[1110] O'Brien and Allen Pigman, "Free Trade, British Hegemony and the International Economic Order in the Nineteenth Century," 92.
[1111] Stein, *The Hegemon's Dilemma: Great Britain, the United States, and the International Economic Order*, 38:384.
[1112] Susan Strange, "The Persistent Myth of Lost Hegemony," *International Organization* 41, no. 4 (1987): 574.
[1113] Daniel W. Drezner, "Mercantilist and Realist Perspectives on the Global Political Economy," *The International Studies Encyclopedia*, 2010, 5038–39.
[1114] Coats, "Political Economy and the Tariff Reform Campaign of 1903," 224–25; W. J. Ashley, "The Argument for Preference," *The Economic Journal* 14, no. 53 (1904): 9.
[1115] Stein, *The Hegemon's Dilemma: Great Britain, the United States, and the International Economic Order*, 38:375–76.
[1116] Keohane, "After Hegemony: Cooperation and Discord in the World Political Economy," 1984, 32–39; McKeown, "Hegemonic Stability Theory and 19th Century Tariff Levels in Europe."

own restrictions on trade.[1117] As Keohane argues, "[T]he policies of these states might well have been altered had they been confronted with a choice between a closed British market for their exports on the one hand and mutual lowering of barriers on the other."[1118]

Mercantilists were first to recognise that managing trade with tariffs can help with outflanking the fundamental macroeconomic policy trilemma known as the "inconsistent trinity" of (a) unrestricted cross-border capital movements, (b) a fixed exchange rate, and (c) an independent monetary policy serving domestic objectives.[1119] By reducing imports, tariffs alleviate pressure on the balance of payments and avert deflation; by bringing in revenue, they avert austerity and mitigate the risk of capital flight. Tariffs are easier to regulate as they yield more influence with less intervention. [1120]

To rethink the interwar "slide" to protectionism, we should stop thinking about protection and mercantilism as strategies leading towards more "closure": mercantilists wanted trade liberalisation if they expected to be dominant and liberals wanted protection to incentivise liberalisation abroad. As this thesis explores, mercantilists and liberals alike (historical economists, Keynes) advocated that reciprocal trade liberalisation was more appropriate than a unilateral approach. If Britain was faced with other countries raising tariffs (as the Smoot-Hawley Act 1930 did in the US), then pragmatic liberals would have to "retaliate" to punish the closure and incentivise the re-opening. This is precisely what J. Chamberlain advocated and what we see Runciman and others (Baldwin, MacDonald) doing in 1932.

Mercantilist and liberal economic policy are related, although not in an obvious way: "[O]nce full employment is taken as the objective of mercantilist policy, that policy's difference from liberal policy narrows considerably." [1121] As Grampp explains, for mercantilists, "[N]one of the considerations occupied as important a place in the doctrine as full employment did."[1122] Their objective "was not, as often supposed, the accumulation of bullion, a favorable balance of trade, the advancement of private interests, the subordination of the working class, low interest rates, the elevation of trade at the expense of other industries. Some of these considerations were a means to the end of full employment." [1123] Chamberlain, and then

[1117] Keohane, 1984, 32–39; Marcello De Cecco, *Money and Empire: The International Gold Standard, 1890-1914*, 1975; E. J. Hobsbawm, *Industry and Empire*, 1968; Charles P. Kindleberger, *Economic Response: Comparative Studies in Trade, Finance and Growth* (Cambridge: Harvard University Press, 1978); Arthur W. Lewis, *Growth and Fluctuation, 1870-1913* (London: George Allen & Unwin, 1978).
[1118] Keohane, 32–39.
[1119] Obstfeld and Taylor, *The Great Depression as a Watershed* (1998) in Morrison, slide 61, folder "Tariffs Trilemma."
[1120] C. P. Kindleberger, "The Rise of Free Trade in Western Europe, 1820-1875," *The Journal of Economic History* 37, no. 1 (1975): 20. Tariffs are the first-hand tool of commercial policy that are used to adjust the balance of payments over other options, such as adjustment of reserves, internal prices and incomes, and exchange rate movement or exchange controls. According to Kindleberger, "a tariff may be said to have ten effects: on price, trade, production (the protective effect), consumption, revenue, terms of trade, internal income distribution, monopoly, employment and the balance of payments."
[1121] William D. Grampp, "The Liberal Elements in English Mercantilism," *The Quarterly Journal of Economics* 66, no. 4 (1952): 467.
[1122] Ibid., 472.
[1123] Ibid., 472.

Runciman, redefined their relationship with free trade during Britain's hegemonic decline revealing that for both mercantilists and liberals, full employment as a guarantor of domestic political stability was a central goal, and showed how protection could be used as leverage to make trade freer and fairer (as a responsible hegemon would do).

J. Chamberlain, Snowden and Runciman Compared

Based on empirical analysis, all three actors – J. Chamberlain, Snowden and Runciman sought to address the same structural problem as Cobden: they wanted to break down the tariff walls and open up and expand international commerce. However, they adopted different strategies to achieve their goals. J. Chamberlain developed a protectionist policy to replace the dominant policy of unilateral free trade introduced by Richard Cobden while retaining Cobden's use of tariffs for trade liberalisation. Runciman revealed himself as a flexible, adaptable pragmatist who applied Cobden's tariff-bargaining approach to foreign trade negotiations. Snowden, on the other hand, showed rigidity and inflexibility while maintaining Cobden's ideas of free trade as anti-imperialism and peace-through-trade as the basis of his fiscal policy.

To recapitulate each of these pivotal policymakers' approaches to trade policy in response to the UK's hegemonic decline, I compare and contrast their arguments about protection under the seven objectives of the Import Duties Act 1932 in the table and discussion that follows. All three actors have explicit links to this historic legislation: it was based on "the direct and legitimate descendants" of Chamberlain's "own conception"; Runciman, together with N. Chamberlain designed it as a "system of moderate Protection"; and Snowden articulated a major formal opposition to this change inside the Government. The practical objective of this comparison is to provide one roadmap for analysing the three actors' approaches to policy change and to inform the theoretical analysis of which trade strategies are available to hegemons in decline.

Table 3: Comparison of Rationales, Arguments and Justifications for Protection

IDA1932 objectives	Joseph Chamberlain (JC)	Philip Snowden (PS)	Walter Runciman (WR)	Compared
Balance of payments	Constitution of balance of trade is a problem as shortfall in manufactured exports is compensated by invisible exports	Adverse balance of trade is exaggerated and temporary Unrestricted imports are vital to maintain the cost of living low	Adverse balance of trade needs urgent addressing through protection tariffs to support confidence in sterling after Gold Standard suspension	PS-WR difference
Revenue	Revenue from tariff will alleviate the burden of direct taxation	Tariff for revenue is protection in disguise	Revenue from tariff will alleviate the burden of direct taxation	WR-JC overlap

IDA1932 objectives	Joseph Chamberlain (JC)	Philip Snowden (PS)	Walter Runciman (WR)	Compared
Currency	Objects to cheapness as justification of unrestricted imports and to foreign loans being used to industrialise protectionist rivals to Britain's detriment	Currency will stabilise and will not depreciate too much, invalidating argument for needing protectionist tariff to rebalance trade	Emergency and general tariffs both needed to address adverse balance of trade and guarantee stability of and confidence in sterling	PS-WR difference
Employment	Tariff as a tool for retaliation and preference to create employment (ultimate goal) in diverse sectors, in step with population growth	Protection is a problem strangulating international trade Will not help address mass unemployment	Use tariff as a tool for retaliation and preference in negotiations to re-create employment (ultimate goal) in specific sectors	WR-JC overlap
Rationalisation	Diversification vs specialisation of production; prevention of moving down the value chain	Inefficient organisation in industry and in agriculture will not be helped by protection Risk of capture by special interests Free competition is best	Strong association with special interests' capture Free competition is best	PS-WR overlap
Retaliation	Use tariff as a weapon to keep foreign markets open for British exports with the objective to create more employment	Will lead to trade wars Has never worked	Use tariff as a weapon to keep foreign markets open for British exports with the objective to create more employment To liberalise international trade through bilateral negotiations	WR-JC overlap
Reciprocity Imperial Preference	Use tariff to reciprocate imperial preferences, grow intra-imperial market for British exports with the objective to create more employment Empire countries treated better than foreign ones	Preference fosters unjustified fiscal system change and increases international protection	Use tariff as a reciprocity tool to keep imperial markets open for British exports with the objective to create more employment To liberalise inter-imperial trade through bilateral negotiations Empire and foreigncountries treated equally	WR-JC overlap & difference
State vs Market	Active state involvement in driving bilateral trade bargaining and supporting business initiatives	Active state involvement in spearheading international cooperation on trade	Active state involvement in driving bilateral trade bargaining supporting business initiatives	WR-JC overlap

Analysing these actors' approaches aims to elucidate our existing understanding of trade policy in a declining hegemon and helps us conceptualise Britain's inter-war policy transition from free trade to protection as a move towards systemic openness through international and imperial trade liberalisation for domestic and imperial welfare creation.

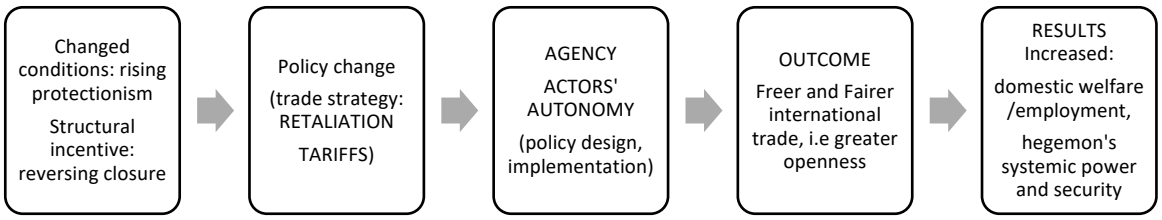
Runciman and Chamberlain: Reciprocity and Retaliation

Evidence points to a surprising overlap between Runciman and Chamberlain as they both came to define the structural imperatives in remarkably similar terms. Crucially, they proposed rather similar responses to hegemonic decline by suggesting retaliation as a means to create something with which to bargain for freer and fairer trade. The reciprocal lowering of tariffs barriers was precisely Cobden's strategy for trade liberalisation and was shared by both J. Chamberlain and Runciman.

Chamberlain had developed rationales for protection - reciprocity, retaliation, employment, revenue, and a more significant role of the state in trade policy – which Runciman shared and deployed under the Import Duties Act in 1932. They were both Free traders, but not at all costs; both wanted fairer trade for the UK and freer international trade for everyone. They proposed using a general low tariff (10%) for bargaining and retaliation to liberalise the international trade system and alleviate direct taxation. Their objective was to create employment in specific industries through tariffs and preferences, with the extra cost of food and raw materials to be counterbalanced by the gain in exported manufactures. Both called for the Government's intervention in direct foreign trade policy by supporting private business efforts to strike export deals.

Based on this comparison, we can see the overlap between J. Chamberlain's and Runciman's views on the use of tariffs for retaliation and reciprocity. Below, Figure 2 illustrates the role which J. Chamberlain's and Runciman's agency played in shaping systemic change: how they got motivated by similar structural dictates and developed the same policy rationales and strategies for policy change, and what the intended outcomes of their policy choices were.

***Figure 2**: Actors' Influence on Policy*



Besides aiding international confidence in Britain's capacity and determination to maintain currency on a sound basis, the Import Duties Act was a protectionist legislation which could be used as the basis for negotiation to increase export trade and lower tariff barriers. For

Runciman (like for J. Chamberlain before), the end goal was to create more immediate employment for British workers in sectors particularly affected by prohibitive foreign protection. Runciman introduced the discrimination clause to the Import Duties Bill, which legislated retaliation to prevent other countries from starting trade wars to Britain's detriment. He also used Britain's MFN policy as leverage in bilateral bargaining and as a retaliation tool by making it conditional:

> I want to make it clear that if any nation sits back in the hope that we will enter into successful negotiations with another Power and that they will be able to achieve most-favoured-nation treatment without consideration coming from them, they will come to a deadlock. If they gain any advantage from us, they must be reciprocal in their action. They must be ready to make concessions similar to ours and to those of other countries. Unless they do that, we cannot agree to most-favoured-nation treatment being retained as a permanent element in the conditions which control their traffic and ours. If it is used against us in any instance we will drop it at once, and we will be ready to take individual measures without regard to most-favoured-nation treatment in such cases as I have in mind.[1124]

By doing this, he was able to pursue re-lowering of foreign trade protection (tariffs and other non-tariff measures, such as quotas) in the UK's favour while protecting Imperial Preference agreements.

The Import Duty Act 1932 gave the Treasury, on the advice of the Board of Trade, the power to reduce or remove an *ad valorem* duty and to discuss and withdraw from the MFN clause. Runciman refused to be limited in negotiations and argued for retaining a "considerable latitude in the conduct of trade negotiations."[1125] Against his critics, his reply was that the Board of Trade must retain the power to vary the recommendations of the Tariff Advisory Comte and, representing the Government, it was its duty to take the broadest possible view of the UK's trade relations and interests. Government "should be left with full powers to make the best bargains we can on behalf of the whole of the interests of this country."[1126] The Government had all the power, and Runciman was able to leverage international negotiations to strengthen his position within the Government. The accomplished negotiations benefited trade as a whole.

Speaking of trade agreements in February 1937, Runciman reflected on his trade policy results:[1127] "Since the Ottawa Conference bilateral agreements for the purpose of maintaining and developing UK export have been concluded with some 22 foreign countries" [1128] including Germany, Soviet Russia, Italy and France. This view has been validated, according to Rooth:

[1124] HC Debate 15 March 1933, Vol. 275 c2024.
[1125] HC Debate 25 May 1937, Vol. 278 c1403, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0278p0-0009?accountid=9630, accessed 20 May 2018).
[1126]HC Debate 25 May 1937, Vol. 278 c1406.
[1127] WR 257, "Trade Agreements [1932-37]," 10 February 1937.
[1128] WR 257, 10 February 1937.

"as late as I938 a government committee stated that bilateralism had worked as a method of trade liberalization whilst multilateralism had not[1129]…[I]n general they [trade treaties] were productive…. by the late I930s the Board of Trade and Foreign Office wanted their continuation with the minimum of modification."[1130] Britain's contribution to the general effort to liberalise trade was "limited to currency cooperation with other countries and refraining from introducing new protectionist barriers[1131]… British protection stood virtually intact at the end of 1938."[1132]

Snowden and Runciman: Principled and Pragmatic Liberalism

Thanks to Runciman and Snowden, the introduction of protection was forestalled, and attenuated after it could no longer be averted. The differences in their strategies and policy outcomes can be explained by comparing their principled and pragmatic liberal approaches to protection. The fundamental divergence between them is showcased by their use of Cobden's trade theory: Runciman used protection as a tool to liberalise international trade through reciprocity and retaliation. Snowden, a free trade purist, repudiated protection because he believed that protection would not maintain nor expand foreign trade, but rather provoke retaliation by foreign countries, erasing any potential gains from protection and eventually leading to war. He believed that protection was one of the central causes of the global economic depression. Snowden argued that British exports were mostly things that other countries did not need and bought because it was advantageous. Hence, protection as a retaliation weapon would not work. Because it reduced people's purchasing power, it would make international trade decline even worse.[1133]As for reciprocity, Snowden repudiated Imperial Preference because of two principles: (1) "the taxation of food, raw material, or a general Protectionist policy,"[1134] which he would not support, and (2) the protectionist duties against foreign countries, which Britain would have to raise from scratch and the Dominions increase in order to grant very narrow preference margins to Britain. The worst of Snowden's fears – that the protectionist policy pursued in 1932 would be disastrous to the welfare of Britain and would lead to the disruption of the Empire – did not materialise right away, and when they did, it was due to forces which had little to do with Britain's protectionist trade policy.

Both Runciman and Snowden believed in "sound finance," when trade and fiscal policies support the functioning of the monetary policy, considering the UK's creditor role (confidence in sterling rests on balanced payments and trade). Snowden, also, maintained throughout his Chancellorship that sound finance and free market exchange would take care of employment. Faced with unprecedented unemployment, he failed to acknowledge that despite improving aggregate social welfare, deep integration in the international economy resulting from free

[1129] Rooth, "Limits of Leverage: The Anglo-Danish Trade Agreement of 1933," 227.
[1130] Rooth, 228.
[1131] Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s*, 305.
[1132] Rooth, 306.
[1133] Snowden, *The Menace of Protection. Speech Delivered at Free Trade Hall, Manchester, October 20, 1930*, 9.
[1134] Ibid., 13.

trade was creating winners and losers.[1135] Active responses to foreign protection by a policy of reciprocity could be required to prevent a loss of domestic welfare.[1136] Snowden squandered this opportunity by rejecting a tariff as a fiscal policy tool that could bring revenue, grow export trade and generate employment. Had the policy shift of 1931-1932 happened earlier, the share of Empire imports in the UK before 1930 would have been a lot higher: between 34 and 35% in 1928, as opposed to the actual figure of 28.5%.[1137] According to Foreman-Peck, Hughes and Ma, "had Britain adopted protection eighteen months earlier it might have saved the gold standard…Moderate and temporary British trade restrictions could have enhanced world trade and welfare" by avoiding retaliation to sterling depreciation and "as bargaining counters, they could have reduced foreign tariffs."[1138]

Runciman argued that the commercial and financial freedom and economic activity that the UK promoted with investments both inside and outside the Empire was limited by the policy of the rest of the world and the Dominions. These limits could and ought to be the subject of negotiations, beginning with the Empire countries and followed by the major foreign trade partners. Hence, there was a need to have legislated tools (tariff for retaliation, non-discrimination clause) to induce foreign and Empire countries to liberalise trade. Adopting a pragmatic liberal approach, Runciman, Baldwin, N. Chamberlain, and MacDonald agreed that devaluation of sterling did not invalidate the adoption of tariff as a tool to bargain for freer trade and could be used for revenue to alleviate taxation (the contradiction between cutting imports to increase revenue and using tariffs for negotiation to increase exports was to be resolved through a balancing of priorities).

The question we are bound to ask is whether their pragmatic liberal approach paid off. Did trade policy matter in reversing decline? De Bromhead, et al. find that more than half of the increase in the Empire's share of UK imports (an area of Britain's strategic trade focus) can be attributed to trade policy, which accounted for almost 70% of the increase between 1930 and 1933.[1139] Specifically, tariffs mattered a lot for the evolution of the Empire's share of British imports. For example, between 1930 and 1935, this share rose from 27% to 39%.[1140] If Britain had pursued strictly free trade policies, the Empire's share of UK imports would have been substantially lower (25% in 1935, or as low as 13%). By the end of the 1930s, other factors contributed to increasing that share further, but the impact of British protectionism, and the discriminatory trade policies agreed in Ottawa, remained significant: in 1938, those policies

[1135] Jeffry Frieden, "The Political Economy of the Globalization Backlash: Sources and Implications," in *Meeting Globalization's Challenges: Policies to Make Trade Work for All*, ed. Luís Catão, Christine Lagarde, and Maurice Obstfeld (Princeton: Princeton University Press, 2019), 181.
[1136] Douglas A. Irwin, "Retrospectives: Challenges to Free Trade," *Journal of Economic Perspectives* 5, no. 2 (1991): 201, https://doi.org/10.1257/jep.5.2.201.
[1137] Alan De Bromhead et al., "When Britain Turned Inward: Protection And The Shift Towards Empire In Interwar Britain," *NBER Working Paper Series*, no. February (2017): 32–33.
[1138] Foreman-Peck, Hughes, and Ma, "The End of Free Trade: Protection and the Exchange Rate Regime between the World Wars," 262.
[1139] Bromhead et al., "When Britain Turned Inward: Protection And The Shift Towards Empire In Interwar Britain," 34. These results are a vindication of traditional historical accounts, which argue that the increasingly bilateral nature of interwar trade was largely due to the policies pursued by governments.
[1140] Bromhead et al., 30.

could still account for around 50% of the shift towards Empire imports experienced since 1930.[1141]

During this time, unemployment fell from a monthly average of 2,756,000 in 1932 to 1,684,000 people in 1936, reflecting a dramatic rise in the employment rate of the ensured population. In September 1937, 1,300,000 unemployed were registered, mainly because they were over the suitable age, unskilled, unfit, or transitioning between jobs and professions replaced by mechanisation and technology.[1142] Britain's imports in manufactures, semi-manufactures and foodstuffs had been steadily rising, paid for by exports.[1143] These results partly vindicated that Joseph Chamberlain's and Runciman's policy strategies paid off.

Pragmatic Liberalism: In the Name of Freer and Fairer Trade

Conventionally, the inter-war period has been seen as a case study of mercantilism. But it also can be seen as a case study of a collapsing liberal system. As Buzan argues, liberal systems are unstable. Whatever their merits, when they are functioning successfully, liberal systems pose periodic threats of a considerable stimulus to the use of force.[1144] When free traders reject mercantilism on security as well as on economic grounds, they are left with nowhere to turn when the liberal system collapses, as Snowden's case would suggest. [1145] Runciman's case demonstrates that constructing and defending a liberal international order is a pragmatic effort. As his contemporary Muir argues, "Liberalism is a state of mind, not a rigid body of doctrine; and its immediate aims must always be determined by the circumstances of the time."[1146]

According to Ikenberry, there is "an agonistic side to liberalism, a pragmatic side, and a problem-solving side that have been there all along and that once recovered can be used for a reimagined liberal internationalism for the future."[1147] Pragmatic liberals accept "the imperfections of the free-market Smithian Invisible Hand and the inefficient economic and unjust political outcomes it produces."[1148] They develop strategies to tackle them using the very same protectionism these outcomes unleash. As Rodrik argues, presently the world's trade regime is "driven by a peculiarly mercantilist logic: you lower your barriers in return of me lowering mine. This logic of "exchange of market access" has little economic justification but

[1141] Ibid., 34.
[1142] D. Graham Hutton, "The Economic Progress of Britain," *Foreign Affairs* 16, no. 1 (1937): 281, 285.
[1143] Hutton, 286.
[1144] Barry Buzan, "Economic Structure and International Security: The Limits of the Liberal Case," *International Organization* 38, no. 4 (1984): 620–21, https://doi.org/10.2307/2706625.
[1145] Buzan, 623–24.
[1146] Muir, "The Prospect for British Liberalism," 291.
[1147] Gómez Herrero and Ikenberry, "Liberal Internationalism for Hard Times: An Interview with G. John Ikenberry," toynbeeprize.org, 2021, https://toynbeeprize.org/posts/world-safe-for-democracy/; John G. Ikenberry, *A World Safe for Democracy: Liberal Internationalism and the Crises of Global Order* (Yale University Press, 2020).
[1148] Gordon Bannerman, "The Free Trade Idea," in *The Oxford Handbook of the Political Economy of International Trade*, ed. Lisa M. Martin (Oxford University Press, 2015), 53.

has been remarkably successful in promoting trade expansion."[1149] This is true of Runciman and of J. Chamberlain, who exemplified such a pragmatic liberal approach to Britain's shift from free trade to protection. It is through such individual-centric level, local empirical analysis that this thesis contributes to understanding hegemonic transitions and elaborating a pragmatic liberal approach to trade policy in response to relative decline. By analysing liberal attitudes to the trade shift at the individual level, this thesis deepens our understanding of the practical policy aspect of liberal internationalism, which it shares with mercantilism, contributing to the "ideas, theories, agendas, and orientations that seek to explain basic patterns and characteristics of how nations interact."[1150]

As much as the liberal internationalists believe that it is "a pragmatic, opportunistic, and reform-oriented approach aimed at 'making safe' liberal democracy in a world that is riven by tyranny, brutality, and intolerance,"[1151] they also recognise that unfettered globalisation has broken its bond with its domestic counterpart – welfare liberalism (in the West) – having undermined living standards and social safety-nets. The ongoing backlash to globalisation emanates from political discontent due to the failure of compensation.[1152] This, combined with the concern of the unfolding US-China hegemonic transition, has compelled the American government, as one example, to redefine the relationship with free trade.

It has been suggested that in thinking about a way forward, the US administration must first recognise that trade creates winners and losers just like any other form of economic change.[1153] Second, it should "defend the institutions and practices of international co-operation built up since 1945,"[1154] which had been based on an "embedded liberalism" formula to keep in check free market distortions and state abuses of power.[1155] In Ruggie's conception, multilateralism combines structure and purpose, with the latter embodying a notable willingness to cede authority to allies and institutions in the pursuit of long-term stability and economic gains. The Most Favoured Nation clause in the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) exemplifies such principles.[1156]

According to Rhodes, reciprocity as the equivalence of value is "determined by the perceptions of the actors involved" at a given point in time: [1157] "An exchange of equivalent trade concessions, for example, may be made in mutual good faith[1158], even though the impact of

[1149] Rodrik, *Straight Talk on Trade: Ideas for a Sane World Economy*, 235.
[1150] Ikenberry, *A World Safe for Democracy: Liberal Internationalism and the Crises of Global Order*, 12.
[1151] Ikenberry, xii–xiii.
[1152] Frieden, "The Political Economy of the Globalization Backlash: Sources and Implications," 181.
[1153] "The Case for Liberal Trade Remains as Robust as Ever," *FT.Com*, 2020.
[1154] Ash, "The Future of Liberalism."
[1155] John Gerard Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization* 36, no. 02 (1982): 379–415,
[1156] David A. Lake, Lisa L. Martin, and Thomas Risse, "Challenges to the Liberal Order: Reflections on International Organization," *International Organisation* 75, no. Special Issue 2 (2021): 232,
[1157] Carolyn Rhodes, "Reciprocity in Trade: The Utility of a Bargaining Strategy," *International Organization* 43, no. 2 (1989): 276, https://doi.org/10.1017/S0020818300032914.
[1158] HC Debate 15 March 1933, Vol. 275 c2024, UK Parliamentary Papers (available at https://parlipapers.proquest.com/parlipapers/docview/t71.d76.cds5cv0275p0-0013?accountid=9630, accessed 30 November 2018).

those concessions may vary and from time to time be highly unbalanced."[1159] Keohane argues that reciprocity is "often invoked as an appropriate standard of behavior which can produce cooperation among sovereign states. This is true in international trade, where reciprocity is a central norm of the General Agreement on Tariffs and Trade (GATT).[1160] This rendering of reciprocity, however, as associated specifically with liberalism[1161] and not implied in protectionism, is not correct. Protectionism can be applied to induce reciprocity. Rhodes explains that,

GATT itself was founded on two distinct and contradictory principles inherited from U.S. trade: the principle of unconditional most-favored-nation (MFN) treatment and the principle of balanced treatment. The first principle guarantees equally to all contracting parties benefits granted any contracting party. Although the second ensures mutual and roughly equivalent concessions as the basis for tariff bargaining, it also gives members the right to retaliate when those concessions are withdrawn or when unfair acts are committed. This retaliation may take many forms, ranging from antidumping duties to market closure, depending upon the action disputed and the perceptions of the actors involved.[1162]

Arguing that there have been "few examples of 'embedded liberalism' in US policy,"[1163] Goldstein and Gulotty blame the backlash on the lack of institutional support for redistribution of trade gains between winners (exporters) and losers (wholly domestic producers and their employees). Assuming "that over time labor and capital would adjust and be happily redeployed in the now larger and more productive market," as proponents of early trade liberalisation in both Britain and the US had done, proved wrong.[1164] Chamberlain recognised that economic trends have an impact on localised communities, as well as individuals hit hard by import competition, producing cascading effects long-term. Some of the direct economic effects include higher unemployment and lower wages, and in time, more underemployment and out-migration. The resulting erosion of a community's economic base in the long term also has social effects, like a rise in alcoholism, opioid abuse, and suicide.[1165] "If adjustment policies had been part and parcel of the liberalization 'program' there would have been far less of a backlash."[1166] A renewed support for the liberal international order may require "a rejuvenation of distressed communities and a reduction of stark regional inequalities."[1167] Hence, one of the lessons of the interwar collapse of international economic cooperation from analysing actors

[1159] Rhodes, "Reciprocity in Trade: The Utility of a Bargaining Strategy," 276–77.
[1160] Robert O Keohane, "Reciprocity in International Relations," *International Organization* 40, no. 01 (1986): 1, https://doi.org/10.1017/S0020818300004458.
[1161] John Gerard Ruggie, "International Regimes, Transactions and Change: Embedded Liberalism in the Postwar Economic Order," in Stephen D. Krasner, ed., *International Regimes* (Ithaca, N.Y.: Cornell University Press, 1983). John Ruggie developed the concept of "embedded liberalism" to explain American trade policy and GATT.
[1162] Rhodes, 277.
[1163] Judith Goldstein and Robert Gulotty, "America and the Trade Regime: What Went Wrong?," *International Organization* 75, no. 2 (2021): 524–57
[1164] Ibid., 554.
[1165] Frieden, "The Political Economy of the Globalization Backlash: Sources and Implications," 184–85.
[1166] Goldstein, 554.
[1167] Broz, Frieden, and Weymouth, "Populism in Place: The Economic Geography of the Globalization Backlash," *International Organization* 75, no. 2 (2021): 464.

like Runciman is that "liberalism should never be a closed system but rather an open method, a combination of evidence-based realism and moral aspiration, always ready to learn from others' and our own mistakes." [1168]

Individuals Matter: Who Decides?

As Morrison reminds us, "[F]rom Brexit to the rise of Trumpism, even the most surprising shifts in global political economy of the recent past are subject to the timeless debate over the relative weight of structure and agency, inevitability and contingency."[1169] Specifically, we see the critical role that individual policymakers play in defining the terms, timing, and trajectory of such shifts.[1170] Crucially, "policymakers are not passive recipients of these pressures; they can create incentives, and disincentives, for groups to organize making it the role of the Government to manage social pressures."[1171] These actors define the nature and direction of the hegemonic leadership from local-level decision-making. The research shows, empirically, how J. Chamberlain, Snowden and Runciman mattered in directing substantive policies despite facing formidable structural constraints.

We can see how their personal positions and preferences as a political entrepreneur, a veto player and a pragmatist (Free Trader in charge of protection) defined the scope/degree of agency and to what effect on policy, relative to other factors.[1172] Chamberlain's lack of technical expertise in fiscal policy reduced his scope for agency (he was accused by Liberals of being economically illiterate), which he tried to address by relying on the expertise of the historical economists (Hewins, Ashley, Cunningham, Mackinder), challenging the neoclassical economists (Alfred Marshall and others). He failed to reverse the policy, as other factors proved more decisive: Free Trade ideology, vested interests (trade unions, City, Manchester) and institutions (party organisation, elections). His example demonstrates that individual agency counts the most when there is a widely held view on the part of many interests (economic and political) that a critical juncture of the economic depression has been reached.

Snowden's conviction in his own beliefs and dedication to a norm removed consideration of viable policy alternatives and proved a decisive factor in the failure to introduce protection in 1929-1931. If Britain had followed Keynes's suggestion and adopted a temporary revenue tariff in the early 1930, the eventual concerns about adverse trade balance and depreciation of the foreign exchange rate would have been alleviated. That would have removed at least one source of international trade contraction, enabling Britain to remain on the gold standard. Domestic output and employment would have been boosted ahead of the worst of the depression.[1173]

[1168] Ash, "The Future of Liberalism."
[1169] Morrison, "Historical International Political Economy."
[1170] Levkovych, "Staving off the Protectionist Slide: Snowden and the Struggle to Keep Britain Open."
[1171] Ibid., 551.
[1172] As I discuss in Chapter 2 actors' summaries and analyse at length in the empirical chapters 3, 4 and 5.
[1173] James Foreman-Peck, Andrew Hughes, and Yue Ma, 'The End of Free Trade: Protection and the Exchange Rate Regime between the World Wars', in *Free Trade and Its Reception 1815-1960. Freedom and Trade: Volume I*, ed. by Andrew Marrison (Routledge London and New York, 1998), pp. 262–77 (p. 277).

As discussed in this chapter, the pragmatic Liberals' attempt to translate mercantilism into commercial policies aligns with liberalism's objective to keep the international system open. This is precisely what Walter Runciman was doing at the Board of Trade throughout 1931-37. Runciman's ability to leverage international negotiations in domestic decision-making and vice-versa increased the effect of his agency over policy. By assiduously re-enforcing his political autonomy, he became "one of the authors of the fiscal policies which were a move away from a purely protectionist approach favoured by many Conservatives. Bilateral trade agreements allowed Runciman to intervene in specific areas and to help specific industries."[1174] As the die-hard protectionist Leo Amery put it (after Runciman started signing foreign trade deals that limited the protectionist effects of the Ottawa agreements), Runciman was "tiresomely tenacious in trying to mitigate or undo the policy of his protectionist colleagues"[1175] and "will have to be got rid of somehow."[1176] This shows that he clearly mattered.

The comparison between Snowden and Runciman reveals important differences in liberal responses to hegemonic decline. Snowden's disillusionment with Runciman for deserting free trade seemed misplaced.[1177] Runciman effectively "captured" protection to "save" ["return to"] free trade (back to openness), whereas Snowden believed the opposite: that protection would result in more closure. They had a different degree of autonomy over trade policy at their respective critical junctures (Runciman less than Snowden) and used it to different results. Without Snowden, the shift to protection would have been sooner. Without Runciman, it would have been steeper. However, it also can be argued that Snowden merely delayed the day of reckoning, while Runciman made that day count.

Runciman's bilateral trade agreements approach paved the way for the US-led reconstruction of the post-WWII international liberal order through GATT, yet he is not mentioned in the liberal internationalism debates, perhaps because of his being mis-labelled as protectionist, in the same way as the National Government's policy has been.[1178] But the direct link with Cobden's trade liberalisation and peace-through-trade (the cornerstones of the liberal internationalist order) makes him crucial to understanding hegemonic decline. Both, Runciman and Hull, used Cobden's liberalism of peace, mutual disarmament and free commercial intercourse as a template for their pragmatic trade policy strategy. In contrast to Hull's policy of hegemonic ascent, however, Runciman's commercial strategy underpinned the forestalment and reversal of hegemonic *decline*.

[1174] Wallace 1995, 368.
[1175] Amery, *The Unforgiving Years*, 72.
[1176] Barnes, Nicholson, and Amery, *The Empire At Bay: The Leo Amery Diaries, 1929-1945*, 295.
[1177] Snowden, *An Autobiography: Volume Two 1919-1934*, 999. "I had suggested Mr. Runciman for this position because of his pronounced of Free Trade. He had been regarded as one of the strongest free traders in the country, holding his views with unshakeable tenacity. How tragically mistaken I was later events proved"!
[1178] Simmons, *Who Adjusts? Domestic Sources of Foreign Economic Policy During the Interwar Years*.

The thesis hopefully changes the way we think about Britain's interwar shift to protection as a trend towards more closure during the hegemonic decline. It raises questions about our long-held assumptions in IPE about the US as a prime mover in its lead back towards liberalism after 1945. Trade policy response spearheaded by Runciman (and J. Chamberlain earlier) may help us reflect on the lessons in the context of the current hegemonic decline. Cordell Hull only led the US and the world on the path of post-war trade liberalisation *after* Congress passed the Reciprocal Trade Agreements Act in 1934. Walter Runciman had opened that path earlier in 1931, against the protectionist slide at its steepest, despite the structural constraints of a protectionist Government, the increasingly protectionist Empire, Europe and the world. With this in mind, Runciman's contribution to the long-term survival of free trade as Britain's flagship international policy should not be underestimated.[1179]

Future Research

The thesis aims to help us make sense of hegemonic transitions, past and present, through human agency. Then and now, key policymakers influence structural changes. Chamberlain's, Snowden's, and Runciman's examples underline the crucial importance of the agency and the ability of individuals to create space for and shape policy outcomes on the local and international levels. This analysis has important implications for how we understand the role of individual policymakers in steering and shaping trade policy when the trend is for closure. In the international system, such influence, which critical individuals may have from the local level of policymaking (exercising autonomy against material constraints – interests and institutions), affects international trade regimes (systemic), especially when multilateral cooperation is weakened and fragmented.

There is more to be gained from studying, historically, another liberal hegemon's trade policy trajectory, the United States: from its international lead in trade liberalisation following WWII till its recent turn to protection while in decline, through individuals in charge. Krasner was right in 1976 that the US would turn more protectionist in response to the decline, even if it took forty years. This makes his parsimonious systemic-level explanation of hegemonic decline a useful paradigm from where to start the research. Evolving structural dictates continue to support and defy systemic theories. Trump contradicted Gowa's free trade within alliances theory (if one assumes bipolarity in the US-China transition) by challenging and readjusting "reciprocity" terms, pushing the allies to give the US freer and fairer access to their markets and to pay for their own security. International war and conflicts show how difficult it is to achieve security through trade, especially in the energy sector, and to co-opt divergent political regimes on the opposite sides of trade agreements into a homogenous liberal international order without simultaneously putting it at risk. What these examples make clear is that we would benefit from an understanding of the effects of the individual agency on these processes. There are challenges of archival research and analysis that take contingency into account in this regard.

[1179] Wrench, "'Very Peculiar Circumstances': Walter Runciman and the National Government, 1931-3," 63.

We need to be aware of the limitations of policy implications between different contexts and across time as these transitions occur in different structural conditions: e.g. flexible versus fixed monetary regimes, empires versus states, tariffs and simpler forms of protection versus the variety and complexity of present-day non-tariff barriers to trade involving the environment, intellectual and labour rights, security and war. As we approach new cases, we need to think about trade policy linkages with other IPE domains, such as international security, environment, and labour protection. The reciprocal opening is possible when we have tariffs, but when there are systemic differences, and there is no clear metric of whether a market is open or closed, how or who decides what is 'fair'? The analytical framework for analysing individual actors' effect on trade policy developed in this thesis lends itself to formulating a future research agenda that takes these considerations more explicitly into account.

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