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The Echoes of Imperial Preference

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It's the turn of the century and an economic unease is gripping British politics. Led by a man described as a "fanatical charlatan", the political debate is dominated by trade and tariffs, creating splinter groups in parties and forcing the prime minister to respond with fudges to hold the governing party together.¹ The issue has risen in part as a nationalistic plea to British workers, but more profoundly it is a question of Britain's place in the world: how to react to the forces of globalisation, and how Britain's economy can compete as powers around it rise.

Political turmoil can profoundly shift the direction of policy, and the pursuit of foolhardy ideas can upset the balance of relationships across the world. At a crucial time for Britain's future, the country's economic history offers an instructive lesson in why policymakers must not fall back on delusion.

The political debate in the United Kingdom (UK) in the early 20th century had a long and profound impact on British politics and the direction the nation took. The culmination was the 1932 Ottawa Agreements, which abandoned openness and free trade and instead

¹ As Frank Trentmann set out in *Free Trade Nation: Commerce, Consumption, and Civil Society in Modern Britain* (Oxford: Oxford University Press, 2009), economist John Maynard Keynes described Chamberlain as such having been "baptized into public politics during the fiscal controversy as secretary of the Cambridge Free Trade Association".

put “the home producer first, Empire producers second, and foreign producers last”, in the words of economic historian J.H. Richardson.²

The “fanatic” who was in many ways the genesis of this shift was Joseph Chamberlain, the political hero of Prime Minister Theresa May’s former joint chief of staff, Nick Timothy, whose career the former permanent secretary to the treasury, Nicholas MacPherson, labelled “a study in destruction and failure”.³ Not long into the 21st century, with questions about Britain’s future direction again coming to the fore, the echoes are clear.

² J.H. Richardson, *British Economic Foreign Policy* (London: G. Allen and Unwin, 1936).

³ Nicholas Macpherson, “Joseph Chamberlain sets the Tories a bad example”, *Financial Times*, 24 May 2017, <https://www.ft.com/content/00a5c60c-3f0a-11e7-82b6-896b95f30f58>.

THE RISE OF IMPERIAL PREFERENCE

As the world's great superpower on whose territories the sun never set, Britain had been a champion of free trade since the mid-19th century. In 1846 Conservative Prime Minister Sir Robert Peel rejected protectionism by repealing the Corn Laws, a set of tariffs and other trade restrictions on imported food and grain. This was soon followed by the repeal of the mercantilist Navigation Acts, designed to benefit the British shipping industry.⁴ A new open economic ideal became an “indispensable hallmark of England’s world ‘mission’”, according to historian Anthony Howe.⁵

The country was attempting to use its eminence to re-orientate the international order in a liberal direction. In doing so, Peel would sacrifice himself as an early victim of an ‘open vs. closed’ debate that continues in different manifestations in British politics today. “Little Englander” later entered the lexicon as part of this political battle, just as Britain’s belief in free trade and a “cosmopolitical economy”, as the German protectionist economist Friedrich List put it, was treated with suspicion abroad.⁶

Accusations stirred of Britain as “perfidious Albion”, a phrase unceremoniously referenced in April 2019 by Brexiteer Conservative Member of Parliament (MP) Mark Francois.⁷ Peel had provoked disquiet, however, because by pushing the country in a radical new direction, he abolished a system of policies that had offered economic advantages to Britain’s colonies since the 17th century. But imperial preference, as it was known, would not die easily.

In the mid-1880s, Joseph Chamberlain, at the time a Liberal and president of the Board of Trade, had begun to talk of an imperial

4 “The Navigation Laws”, Parliament.uk, accessed 17 April 2019, <https://www.parliament.uk/about/living-heritage/transformingsociety/tradeindustry/importexport/overview/navigationlaws/>.

5 .Anthony Howe, *Free Trade and Liberal England, 1846–1946* (Oxford: Oxford University Press, 1998).

6 Iain McCalman, *An Oxford Companion to the Romantic Age: British Culture 1776–1832* (Oxford: Oxford University Press, 2001).

7 Chris York, “A Brief Guide To Mark Francois, The Brexit Hero Nobody Knew They Needed”, *Huffington Post*, 9 April 2019, https://www.huffingtonpost.co.uk/entry/mark-francos-spartan-phalanx_uk_5cacac1ee4b02e7a705da9ff.

parliament and closer union between the mother country and its adopted children. But as historian Sydney Zebel has noted, Chamberlain's passion for empire was a product of political and economic nationalism.⁸ Far from being a way to strengthen Britain's influence in the world, it was essentially an anti-globalisation project born out of fear of growing powers around it. Chamberlain had become fearful of social upheaval and saw in "expanding colonial markets a feasible remedy for the growing class-consciousness and militancy of British workers".⁹

Some of these same contextual factors are present today. China, India and many emerging markets are ascending. And while Brexit may not be born of militancy, social and economic anxieties and a rhetoric of betrayal have been the exclamations of people restless with the current political settlement.

The question now, as then, is how to solve this agitation. Seemingly simple remedies such as imperial preference or Brexit are presented as cure-alls, but the reality is that when the internal machinations of a political party are inflicted on the public, further toxins can enter the system. These can then take a long time to flush out.

In the later Victorian era, when new imperialism began and Western European powers started their scramble for Africa, two pressure groups were created: the National Fair-Trade League and the Imperial Federation League. The former was a group of Conservative MPs and businessmen who wanted duties on imports of food and manufactured goods. The latter was founded by a former Liberal Cabinet member, William Edward Forster, who as under-secretary of state for the colonies had been swayed by imperial ideas. For the Imperial Federation League, a preferential system of tariffs, which had come out of the decision by self-governing colonies to abandon free trade, was the path to unity.¹⁰ By spreading its ideas through lectures and publications, the

8 Sydney H. Zebel, "Joseph Chamberlain and the Genesis of Tariff Reform", *Journal of British Studies* 7, no. 1 (November 1967): 131-157, <https://www.cambridge.org/core/journals/journal-of-british-studies/article/joseph-chamberlain-and-the-genesis-of-tariff-reform/571AD46CC16051FCB6CE73456E30F2BA>.

9 Ibid.

league gained high-profile supporters from both Liberals and Conservatives.

The National Fair-Trade League was dismissed by the free-trader Liberal Leader and four-time Prime Minister William Gladstone. But the Imperial Federation League attained more traction with the Conservative Leader Lord Salisbury, who had been an advocate of “splendid isolation” and succeeded Gladstone as prime minister over the issue of Irish Home Rule in 1885.¹¹ This question also caused the Liberal Party to split, which would have further ramifications for both major parties. But for now, the Imperial Federation League had succeeded in getting Salisbury to agree to the first colonial conference in 1887. While ultimately disappointing, the conference at least raised the issue of preference.

During Gladstone’s fourth term, both the National Fair-Trade League and the Imperial Federation League fizzled out—little more than ten years after their inception. But by this time, imperialism had become a central theme of many of Chamberlain’s speeches. After the collapse of the Liberal government in 1885, Salisbury was invited to form a third government. By joining forces with the Liberal Unionists, Chamberlain had the opportunity to take a job he had long coveted: colonial secretary. Writing to a friend, he explained his two objectives: “to see whether something cannot be done to bring the self-governing Colonies and ourselves into closer relations, and to attempt the development of the Crown Colonies, especially to increase our trade with these Colonies”.¹²

The debate, which had yet to truly dent Britain’s orthodoxy of trade openness, spilled over a few years later, in 1903. In May that year, Chamberlain’s first public appearance since returning from South Africa, where as colonial secretary he had overseen the 1899–1902 Boer War, was a speech in Birmingham Town Hall.¹³ A

10 Canada had enacted a tariff in 1859, as had Victoria in Australia a year later, followed by other parts of the country.

11 Marie-Christine Veldeman, “Britain and Europe: From ‘Splendid Isolation’ to ‘Semi-Detachment’”, *Équivalences* 39, no. 1–2 (2012): 39–58, https://www.persee.fr/doc/equiv_0751-9532_2012_num_39_1_1368.

12 Zebel, “Joseph Chamberlain”.

13 Julian Amery, “The Birmingham Speech (May 1903)”, in *Joseph Chamberlain and the Tariff Reform Campaign*, ed. Julian Amery (Basingstoke: Palgrave Macmillan UK, 1969), 184–195, https://link.springer.com/chapter/10.1007/978-1-349-00545-1_9.

registration duty on corn imports, introduced to finance that campaign, had reignited the fair-trade debate of years earlier. Free-traders such as the chancellor of the exchequer, Charles Thomson Ritchie, were pitted against the protectionist Chamberlain, who was challenging the settlement that had been in place since the 1840s.

Underpinning this debate was a nervousness about Britain's economic pre-eminence, which had continued since the 1880s. Factors such as cheap grain in Russia and the United States, alongside America's and Germany's industrialisation (and protectionism), had put stress on Britain's position in the late 19th century. Manufacturing—not least of iron and steel—was facing stiff competition, and imports of manufactured goods had increased significantly over the preceding decades, causing consternation among Chamberlain and his bedfellows.

As historians John Bew and Andrew Ehrhardt have written, the “debate about how to approach this changing world cut across familiar divisions between Left and Right”. It divided Liberals between those who “demanded a radical new departure and argued that it was time to give up on high military spending and imperial pretensions” and others who “remained attached to a more traditional approach, convinced that the nation remained indispensable as a benign hegemon in international affairs.” The debate also created splits in the Conservatives between those happy with “splendid isolation” and those who “thought that the nation needed new friends and allies, and so should adopt a more business-like approach in its foreign policy”.¹⁴

Ritchie had set the political stage for Chamberlain's speech and these ruptures in April 1903. In his first budget, the former president of the Board of Trade and home secretary—and a recanted former fair-trader—repealed the registration duty on corn imports. As economic historian A.W. Coats has written, he did so in a determination “to prevent the duty being used as the thin end of the a protectionist wedge, not because he objected to the duty as such”.¹⁵

¹⁴ John Bew and Andrew Ehrhardt, “The Last Conservative Statesman”, *American Interest*, 10 April 2017, <https://www.the-american-interest.com/2017/04/10/the-last-conservative-statesman/>.

¹⁵ A.W. Coats, “Political Economy and the Tariff Reform Campaign of 1903”, *The Journal of Law & Economics* 11, no. 1 (April 1968): 181–229,

It was a clear challenge from the free-traders to the imperialists. In Birmingham, Chamberlain duly responded, declaring his faith in imperial preference, a system of reciprocal tariffs or free-trade agreements between the dominions (then Canada and Australia, the former of which Chamberlain had suggested as a preferential-trade partner at the 1897 colonial conference) and colonies of the British Empire. He also called for tariff reform, in which protective duties would be placed on imported goods including food and grain.

Chamberlain's proposal was an attempt to promote the empire's unity. But it was also a response to the pace of technological change brought by the Industrial Revolution, a misguided effort to protect British industry against the threat of foreign competition and a nationalistic pitch to workers. Its injection into the system set the course for a long political slugfest, which upended and re-ordered politics and shaped policy many times over.

A FIRM GRIP ON BRITISH POLITICS

The Tariff Reform League, which Chamberlain founded in 1903, was a group of agitators in the mould of the National Fair-Trade League and the Imperial Federation League—and of the Conservative Brexiteer European Research Group and others today—albeit with more coherence in its objectives and with different ends. For the Tariff Reform League, global Britain was about transforming the empire into a trading bloc, in an attempt to reinforce existing industry, rather than continuing to expand and modernise by opening up to developing technologies such as electricity (see figure 1).

Figure 1: A Tariff Reform League Poster



Source: LSE Digital Library (<https://digital.library.lse.ac.uk/objects/lse:pin752vas>)

But much like the European Research Group, the Tariff Reform League was composed of radical Conservatives whose economic escapism as a response to changing dynamics around them was incredibly popular with the party's grass roots. A decade after Chamberlain's speech, the league had over 600 branches and up to 250,000 members.¹⁶

Designed to be a “mass-supported propaganda organisation”, the Tariff Reform League inspired other pressure groups to form around other parties to promote their interests.¹⁷ The Liberals, then led by Sir Henry Campbell-Bannerman, formed the Free Trade Union, while the Liberal Unionists, headed by Spencer Cavendish, Duke of Devonshire, and in government with the Conservatives since the 1895 general election, established the Unionist Free Trade League.

In an effort to preserve harmony in the government, Prime Minister Arthur Balfour—like May today—was forced to tackle an issue that had not been his concern and tried to strike a compromise through fiscal reform. But after his provisional backing for preferential tariffs and taxation was revealed to the cabinet, there was a backlash from Ritchie and others, who believed that he had capitulated to Chamberlain.¹⁸

At this point, politics was trumping the economic thinking of the time. The treasury, which had long had an aggressive free-trade stance, unshaken even during the 1845–1849 Irish potato famine, opposed Chamberlain’s ideas. Along with others who supported free trade, the treasury argued that imposing taxes on food, which Baldwin and other Conservatives labelled “stomach taxes”, would increase the cost of living. Chamberlain believed it would solve unemployment and that workers could be compensated by social reform to pensions and wages—although that came at considerable cost, showing his somewhat erratic and muddled economic thinking.

Nevertheless, his passionate proclamations were proving powerful. In a letter to Cavendish, Chamberlain specified that he preferred “a little common sense” to economics.¹⁹ It was a challenge to orthodoxy that bears similarities to some of the debate today. It was also an attempt to adopt a radical alternative version of political economy.

16 Andrew S. Thompson, “Tariff reform: an imperial strategy, 1903–1913”, *The Historical Journal* 40, no. 04 (1997): 1033–1054, <http://eprints.whiterose.ac.uk/1197/1/thompsonS1.pdf>; David A. Thackeray, “The Crisis of the Tariff Reform League and the Division of ‘Radical Conservatism’, c.1913–1922”, *History* 91, no. 301 (January 2006): 45–61.

17 *Ibid.*

18 Coats, “Political Economy”.

19 *Ibid.*

Balfour was fudging to preserve unity. On the one hand, he was in contact with Chamberlain about the policy of preference; on the other he was trying to keep Cavendish, whom he believed to be more moderate than other free-traders, on side. But the terms were being set for the position Balfour would take in a speech in Sheffield in October 1903.²⁰ Chamberlain would resign if preference were not adopted; Ritchie and others would quit if it were.

For Balfour, this presented an opportunity to neuter the extremes, rather than continue to indulge them. After indicating that fiscal reform was necessary but that he would not adopt preference, Chamberlain resigned, while Ritchie was dismissed and replaced as chancellor by Joseph's son Austen. Cavendish stayed on, but only until the Sheffield speech had been delivered a few weeks later. Rather than be equivocal, as expected, Balfour did not fully dissociate himself from Chamberlain.

The realignment and fallout had begun. Obscurity, which was meant to save the coalition, only confused things. Chamberlain led the Liberal Unionists out of the coalition in 1904, splitting the alliance. That, in turn, played a part in the decision by free-trader Winston Churchill to cross the floor, defecting from the Conservatives to the Liberal Party. And Balfour's pledge to run in the 1906 general election on a promise of some form of tariff reform and a colonial conference—alongside a series of defeats in the House of Commons, including an attempt to introduce 'fiscal retaliation' against countries that raised tariffs against Britain—was his downfall. Balfour resigned as prime minister in December 1905, to be replaced by Campbell-Bannerman.

The following month, parliament was dissolved and a general election called. The Unionists, now gripped by Chamberlain, would make his programme the leading issue. The public did not buy it. Campbell-Bannerman made attacking the Conservatives' record and trade—on the virtue of lowering the cost of food—the key Liberal issues. One famous slogan, as David Butterfield wrote in a history of the Spectator's stance on the issue, was "Free Trade – The Big Loaf; Tariff Reform – The Small Loaf".²¹

20 Arthur Balfour, "Leader's speech, Sheffield 1903", British Political Speech, accessed 17 April 2019, <http://www.britishpoliticalspeech.org/speech-archive.htm?speech=71>.

The election result was a historic landslide. The Liberals took 399 seats to the Unionists' 156. However, Chamberlain was not completely done: his number of supporters had fallen from 172 to 102, but that was still enough to let the issue rumble on.²²

21 David Butterfield, "Trade, Tory splits and electoral defeat – is history about to repeat itself?", *Spectator*, 8 January 2019, <https://blogs.spectator.co.uk/2019/01/trade-tory-splits-and-electoral-defeat-is-history-about-to-repeat-itself/>.

22 Douglas A. Irwin, "The Political Economy of Free Trade: Voting in the British General Election of 1906", *The Journal of Law & Economics* 37, no. 1 (April 1994): 75–108, https://www.jstor.org/stable/725605?seq=1#page_scan_tab_contents.

DECLINING FORTUNES . . .

Chamberlain's stroke in 1906 and ailing health sucked some of the momentum out of the campaign, but the Tariff Reform League continued to promote a policy of imperial preference. The division the issue had created cost the Conservatives dearly, kicking off further debate on the direction of radical conservatism. But it also played a part in the development of new liberalism, which sought to combine free trade with a programme of income and wealth distribution.

Campbell-Bannerman made the first in a series of reforms, including on pensions, workers' rights and the introduction of free school meals, before his resignation in 1908. This was not quite the radical new offering some had anticipated. But the changing composition of the economy as a result of industrialisation and openness—as well as the need to raise tax revenues beyond narrowly based customs and excise duties—laid the ground for Chancellor David Lloyd George's 1909 budget and a more transformative period of policymaking.²³ In that sense, questioning free trade became part of a 'state of the nation' debate that fed into action on welfare reform. It helped nudge the new liberals into an entirely new offering.

However, it also set in motion the first constitutional crisis of the 20th century. The Unionist free-traders were the only group in favour of the 1909 budget; the tariff reformers were firmly against it on the grounds that it destroyed the revenue basis for tariffs. As former Chancellor Austen Chamberlain put it in the House of Commons, "We are told that [the Budget] is the final triumph of Free Trade and the death blow to the policy of fiscal reform."²⁴ Ultimately the Unionists rejected the budget, believing tariff reform was the only alternative.

That laid the ground for the first of two general elections in 1910. The first saw the Liberals lose 100 seats, but the Unionists still came up short of a majority. Ahead of the second, Balfour, who for years had led a broadside against key tariff-reform figures, announced a

²³ Bruce K. Murray, *The People's Budget 1909/10: Lloyd George and Liberal Politics* (Oxford: Oxford University Press, 1980).

²⁴ "David Dutton, *Austen Chamberlain: Gentleman in Politics* (Piscataway, New Jersey: Transaction Publishers, 1985).

referendum on the issue—to the dismay of the league. Having again failed to convince the public on the matter, Balfour was now attempting to relegate its prominence. But his efforts did little to break the deadlock, and after December’s election, Herbert Henry Asquith, Campbell-Bannerman’s successor as Liberal leader, formed a minority government with the Irish Nationalists.

After Bonar Law replaced Balfour as Conservative leader in 1911, he abandoned the referendum pledge. Law had been a proponent of tariff reform, but had seemingly gone cold on imperial preference. He said food duties “would only be introduced if requested by the dominions at an imperial conference”, and a corn tax would be subject to the outcome of another general election.²⁵ The issue caused ruptures in the party, which were ultimately resolved in January 1913.²⁶ But it was the beginning of the end of the tariff-reform movement for now. There had been some pressure against food duties, but the Irish question and Home Rule were rising in prominence, taking away already-declining energy from tariff reform.

The issue did not remain under the surface, however. Each July, Chamberlain Day became the go-to event on the social calendar for tariff-reform supporters, the Tariff Reform League continued to publish a journal and regular demonstrations brought supporters to the streets.²⁷ And World War I would reshape domestic and international policy, including with the introduction of import duties on goods such as cars and clocks by the Liberal Chancellor Reginald McKenna in 1915.

By 1916–1917 the league was presenting an empire-focused agenda, yet the splits that had been developing over the years would break open in 1917.²⁸ The protest movement, born out of incoherent visions of the future, could not agree on its level of loyalty to the Conservative Party in its pursuit of its policy, and two factions had been growing: the imperial activists and the gradualist unionists. The former included Henry Page Croft, who had been elected to the Conservative Party in 1906 and was a well-regarded

25 Thompson, “Tariff Reform”.

26 “News of the Week”, 18 January 1913, Spectator Archive, <http://archive.spectator.co.uk/article/18th-january-1913/1/news-of-the-week>.

27 Thackeray, “The Crisis”.

28 Ibid.

league organiser and activist. The latter included Austen Chamberlain and William Hewins, an economist and Conservative who had worked on Chamberlain's tariff-reform campaign years before.

In 1917, this fault line became a fissure when Croft founded the National Party, whose roots lay in Chamberlain's earlier agitations.²⁹ This far-right party did not gain huge electoral success—just seven MPs at its height. But just as the Social Democratic Party and the UK Independence Party (UKIP) did later, such movements create ripple effects. The National Party drew working-class support away from Labour and was a cheerleader for punitive action against Germany at the end of the war, dragging down the debate.

But as the Conservative Party was now locked in a struggle to define itself—as it is again today—and develop imperial aspirations, few real inroads were made on tariff reform. This was despite a belief in some quarters that with the fractures in international relations, the era of free trade was definitively over and Britain's position, based on globalisation, was fraught.

²⁹ Ibid.

... WHICH THEN ROSE AGAIN

The protectionist urge received a boon with the introduction of the 1921 Safeguarding of Industries Act.³⁰ This sought to protect industries such as chemicals and glass, which had been central to war efforts, with a 33.3 per cent import duty. A year later, the US passed the Fordney-McCumber Tariff to protect farms and factories; the impact of that measure hit European trade and the ability of nations to repay war debts.

Despite this, in the 1922 UK general election, which had been precipitated by the break-up of the Liberal-Conservative coalition, Law was careful not to mention tariffs in his manifesto, stating,

*We propose, therefore, immediately to consult the Governments of the self-governing Dominions and, if they approve, to summon, as early as possible, an Economic Conference with the view of finding in what way by mutual co-operation we can best develop the vast trade of which, in my opinion, the resources of the Empire admit.*³¹

The election result gave the Conservatives a majority, but Law's cancer diagnosis the following year meant his premiership lasted only 209 days. Stanley Baldwin, who had been instrumental in the break with Lloyd George's Liberals the year before, replaced him as prime minister and Conservative leader. At the time, unemployment, which had risen as high as 10 per cent, was the key concern.³² It was not aided by deflation and an economy still weak from the war.

Keen to mend years of division on tariffs, Law pledged not to revisit the issue unless there was a general election on it. Seeking a clear mandate on the matter and in an effort to unite the party—in a similar vein to May's gamble in 2017—Baldwin called an unnecessary

30 "New industry and strategy", The National Archives, accessed 17 April 2019, <http://www.nationalarchives.gov.uk/cabinetpapers/themes/new-industry-strategy.htm>.

31 "1929 Conservative Party General Election Manifesto", ConservativeManifesto.com, 2001, <http://www.conservativemanifesto.com/1922/1922-conservative-manifesto.shtml>

32 Ed Butchart, "Unemployment and Non-Employment in Interwar Britain", University of Oxford, discussion papers in economic and social history, no. 16, May 1997, <https://www.economics.ox.ac.uk/materials/papers/2252/16www.pdf>.

election in December 1923 and made tariff reform the central point of debate. As with May, the calculation backfired: Baldwin lost 86 seats and his majority. After clinging on, he lost a vote of confidence in January 1924, and Ramsay MacDonald formed Britain's first Labour government.

Tariff reform had now been rejected on multiple occasions and caused division and splintering, yet the idea still would not die. The notion that protectionism was the remedy for an ailing economy would need to be tested before it could be killed off.

More political turmoil spelled the end of MacDonald's government and the Conservatives' return to power under Baldwin in 1924. Protectionism had not been the ticket to success this time around, but it still had its cheerleaders, and its presentation was slightly changing into appeals to empire. "Buy British" became "Buy Empire" after Colonial and Dominions Secretary Leo Amery established the Empire Marketing Board in 1926.

The *Daily Mail* and the *Daily Express*, which more recently have been mouthpieces for Brexit, also campaigned for empire free trade. Their support was more discreet in the earlier days. In 1908, the *Daily Express* had not fully backed the higher bounds of tariff reform, stating, "we are entirely opposed to a 'high tariff' of 70 or 80 per cent [but] we are emphatically in favour of a tariff of 10 or maybe 20 per cent. But we are Protectionists none the less. We stand for the Protection of our own people."³³ The paper's headline on 12 June 2018 evoked populism, warning "our elected representatives" that they "IGNORE THE WILL OF PEOPLE AT YOUR PERIL"; its campaigning in the years after 1908 encompassed a daily series of "tariff reform means".³⁴

But after Lord Beaverbrook, a friend of Law's took a controlling stake in the *Daily Express*, this campaign ratcheted up. In 1918, a leader threatened to withdraw support for Lloyd George's government over the issue of tariff reform. And by the late 1920s,

33 William E. Dowding, *The Tariff Reform Mirage* (London: Methuen & Co., 1913).

34 "As MPs vote on Brexit TODAY, we say ignore the will of the people at your PERIL", *Daily Express*, 12 June 2018, <https://www.express.co.uk/comment/expresscomment/972842/brexit-news-ignore-will-of-the-people-at-your-peril-daily-express>.

Lord Beaverbrook was spelling out the vision in the House of Lords—although by this point, potentially recognising its so far limited appeal, he tried to create some distance from Chamberlain’s crusade of two decades before. “I may be permitted at once to say that our plan is not the plan put forward by Mr. Chamberlain in 1904,” he said. That plan had “proposed a tariff wall around Great Britain. It was insular Protection. That insular Protection was subject to reciprocity in favour of the Dominions and of the Colonies,” he went on, explaining that his plan would instead be a “tariff wall around the whole Empire” and would “not propose any duty at all on Empire foodstuffs”.³⁵

By this time, the rise in tariffs that had begun in the early 1920s was slowing, and in 1927, the League of Nations conference in Geneva stated that it was the time to end tariffs. However, a drop in agricultural prices in 1928–1929 led to France, Germany and Italy placing tariffs on their industries’ goods.

Come the UK general election in 1929, Baldwin was not deterred in his long-fought battle: empire and imperial preference were at the forefront of the Conservatives’ manifesto. With difficult questions about the nation’s future, he lazily retreated to the simplicity of a long-made offer. Somewhat optimistically, he said the Conservatives had “demonstrated [the] great possibilities [of imperial preference], and subject to my pledge not to impose any protective taxation on food, we shall continue to promote it as an essential part of our policy of Imperial development”.³⁶ Once more, the public disagreed. MacDonald and Labour returned to power.

The international backdrop soon changed further with the Wall Street Crash in the US and the Great Depression. The US Smoot-Hawley Tariff Act, which increased nearly 900 import duties, came into play in 1930, sparking retaliatory action in Canada and policy changes in France, Britain and Germany. As Thomas Lamont, then a partner at investment bank J.P. Morgan, said, “I almost went down on my knees to beg [US President] Herbert Hoover to veto the asinine Hawley-Smoot Tariff. That Act intensified nationalism all over the world.”³⁷

³⁵ “Empire Free Trade”, Parliament.uk, 19 November 1929, <https://api.parliament.uk/historic-hansard/lords/1929/nov/19/empire-free-trade>.

³⁶ “1929 Conservative Manifesto”, ConservativeManifesto.com.

Economist Douglas Irwin has estimated that of the 40 per cent fall in US imports over the next two years, nearly a quarter can be “attributed to the rise in the effective tariff”.³⁸ Unable to use monetary policy to stimulate their economies, countries that were part of the gold standard were more likely to restrict trade. But such restrictions contributed to financial panic and bank failures, with the UK leaving the gold standard in 1931, followed by the US two years later. The introduction of the Import Duties Act in 1932 in the UK then placed tariffs on manufactured imports, signalling the end of the era of free trade.

This paved the way for imperial preference, which was duly delivered in the Ottawa Agreements concluded by Britain and its autonomous dominions at that year’s British Empire Economic Conference. A long-standing idea, often rejected, had been accomplished. The economic fallout was swift, while the damage to multilateral cooperation was severe.

As the Oxford University economist Alan de Bromhead and others have set out, the Ottawa Agreements led to a series of bilateral trade deals between the UK and the dominions of Australia, Canada, India, Newfoundland, New Zealand, South Africa and Southern Rhodesia. These included agreements to “raise or maintain tariffs imposed on foreign imports” and to “introduce or enhance Imperial Preference on a wide range of agricultural commodities and raw materials of special interest to the Dominions”. This massively shifted trade to the empire, and after World War II, “policy-makers looking back at the period saw this tendency toward decreasing multilateralism as having been one of the most harmful features of the interwar economy, both economically and politically”.³⁹

37 “The battle of Smoot-Hawley”, *Economist*, 18 December 2008, <https://www.economist.com/christmas-specials/2008/12/18/the-battle-of-smoot-hawley>.

38 Douglas A. Irwin, “The Smoot-Hawley Tariff: A Quantitative Assessment”, *Review of Economics and Statistics* 80, no. 2 (May 1998): 326–334, <https://www.mitpressjournals.org/doi/abs/10.1162/003465398557410>.

39 Alan de Bromhead, Alan Fernihough, Markus Lampe and Kevin Hjortshøj O’Rourke, “When Britain Turned Inward: Protection and the Shift Towards Empire in Interwar Britain”, University of Oxford, discussion papers in economic and social history, no. 152, February 2017, https://www.economics.ox.ac.uk/materials/working_papers/2834/152-final.pdf.

After so many years and such upheaval to Conservative Party politics and beyond, the policy had the repercussions that those who opposed it said it would. Imperial preference was not a remedy, but rather an ailment whose symptoms periodically reveal themselves again and again through the years.

CONCLUSION

The impact of these decisions can be traced further to the General Agreement on Tariffs and Trade, which came into effect in 1948 and became the World Trade Organisation in 1995, and whose rules some Brexiteers want to fall back on today. The point is that once ideas are unlocked, they can have long gestation periods and far-reaching consequences, many of which are almost impossible to predict. The turning circle of a country can be quite wide, and correcting ill-fated decisions can take a generation or more. Historians have raised questions about how deep Joseph Chamberlain's faith was on this issue, or whether it was a ploy for political power.

The read across to today is clear. Political agitations can profoundly alter the direction of policy, and the pursuit of ideas that most analysis predicts to be folly is a remarkable gamble to play with a country. The impact is not only economic but can also shift the balance of relationships across the world. At another crucial point for Britain's future direction, policymakers cannot fall back on delusion. Hard thinking about how to reorient the British economy is more than a question about the country's relationship with Europe.

A version of this piece appeared on Prospect
([https://www.prospectmagazine.co.uk/economics-and-finance/
brexit-and-echoes-of-imperial-preference](https://www.prospectmagazine.co.uk/economics-and-finance/brexit-and-echoes-of-imperial-preference)) on 22 May 2019.

Political turmoil can profoundly shift the direction of policy, and the pursuit of foolhardy ideas can upset the balance of relationships across the world. At a crucial time for Britain's future, the country's economic history offers an instructive lesson in why policymakers must not fall back on delusion.

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