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# British trade policy in the 19th century: a review article[1]

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## 1. Introduction

Students of international economic history have long been aware of the many strong parallels between the century just ending and its immediate predecessor. In both cases, a prolonged period of warfare and autarky (the Napoleonic Wars, and the period between 1914 and 1945) was succeeded by a lengthy boom, and a move towards greater globalization. While late 19th century globalization was driven more by transport cost declines than trade liberalization, in contrast to the late 20th century experience (O'Rourke and Williamson, 1999), reductions in tariff barriers were an important part of both experiences, and the hegemons of the day (the United Kingdom in the 19th century, and the United States in the 20th) were active in promoting free trade. However, in both countries initial unqualified enthusiasm for free trade gave way to alarm regarding its consequences, as foreign competitors gained market share and converged on the economic leaders (Bhagwati and Irwin, 1987).

Cheryl Schonhardt-Bailey's excellent *The Rise of Free Trade* (RFT) gathers together speeches, contemporary writing and extracts from parliamentary debates relating to British trade policy between 1815 and 1906 (the year in which free

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[1] This paper is a review article based on Schonhardt-Bailey (1997). It draws in part on a recent collaboration with Jeff Williamson (O'Rourke and Williamson, 1999), especially Chapters 3 and 5, and I am grateful to Williamson for allowing me to do this. I also thank Peter Solar for helpful comments.


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trade was consolidated by a decisive General Election victory for the Liberal Party). In addition, the fourth volume in the series contains a valuable selection from the recent secondary literature on 19th century British trade policy. The collection focusses on two debates. The first concerns the British Corn Laws, established in 1815 in an attempt by landlords to retain the high agricultural prices they had enjoyed during the war. The decision by Sir Robert Peel's government to abolish them in 1846 symbolizes Britain's decision to move unilaterally to free trade, and was the precursor to a period of Europe-wide trade liberalization which lasted from roughly 1860 to the late 1870s. Volume 1 covers the period from 1815 to 1837, while Volume 2 deals with 1838–1846. The second debate, covered in Volume 3, is the 'Tariff Reform' debate, sparked by Joseph Chamberlain in 1903 when he called for a preferential trade area to be established within the British Empire, a policy which would, of necessity, have involved the United Kingdom levying some tariffs on non-Empire production.

The 19th century debate has many striking resonances for contemporary readers. Perhaps the most obvious is the complete disarray of the British Tories during the 1903–1906 period, as their leader, Prime Minister Arthur Balfour, struggled to maintain party unity on trade policy despite severe internal tensions: Joseph Chamberlain was forthright in his advocacy of limited protection, but other Tories were committed free traders. Balfour limited himself to seeking the 'freedom to negotiate' on tariffs, which was enough to cause several Cabinet Ministers to resign; while in an echo of today's Conservatives kicking the EMU issue to touch by ruling it out within the lifetime of the next Parliament, Balfour argued that no party position on Chamberlain's proposals would be required 'till the general election after next' (RFT 3, 457).[2] Similarly, there is something quite familiar to modern European ears about Balfour's argument that political integration among the peoples of the British Empire could be fostered by economic integration, just as the Zollverein had led to the creation of the German Empire (RFT 3, 383).

But there are deeper reasons why late 19th century British (and European) trade policy retains a fascination for political scientists and economists. First, the Repeal of the Corn Laws is an ideal test case for various theories of what determines trade policy, precisely because it took place within the context of a split in the Tory party; this breakdown in party discipline has enabled researchers to explore the determinants of individual MPs' voting behaviour, in a manner reminiscent of US scholars' work on American Congressional voting. Second, the late 19th century push for trade liberalization associated with Repeal, and more particularly with the Cobden–Chevalier treaty of 1860 and its aftermath, is an example of widespread tariff reductions agreed in the absence of international institutions such as the

[2] Citations to *The Rise of Free Trade* are given as RFT volume number, page number.

GATT or WTO, and in the context of bilateral rather than multilateral negotiations. It can thus implicitly provide useful insights into precisely what the role of these international institutions has been since 1945.

In this paper, I briefly review some of the main issues which this collection deals with, and suggest directions for future research. Section 2 looks at the age-old question of why Britain repealed the Corn Laws in 1846, and maintained a free-trading stance for the rest of the century, while Section 3 deals with the consequences of Britain's free trade commitment. Section 4 concludes.

## 2. Explaining free trade

The British Corn Law of 1815 allowed grains to be imported and warehoused at any time, but imported wheat could not be sold domestically unless the domestic price rose above 80 shillings (s.) per quarter (Williamson, 1990). In 1814, wheat prices were 74s. 6d., but they were only 52s. 10d. in January 1816. The act effectively closed the UK market to imported grain for most of the next 7 years. As would be expected, landowners favoured the measure, while political economists such as David Ricardo were adamantly opposed to it. In 1822, the port-closing wheat price was reduced to 70s.; a more important step towards liberalization came in 1828, when the Duke of Wellington's government replaced import prohibitions with a sliding scale tariff — that is, a tariff which was higher when domestic grain prices were lower. The Corn Laws remained the subject of considerable debate, with the growing manufacturing classes vociferously opposed to them; they were ably represented by the Anti-Corn Law League, led by Richard Cobden and John Bright, both cotton textile manufacturers. As the representative of the landed classes, the Tory Party traditionally favoured agricultural protection, while the Whigs supported free trade; it is the paradox of Peel, a Tory, repealing the Corn Laws which gives Repeal much of its intellectual fascination.

Does Peel's betrayal of the landed classes' interests imply that ideas rather than interests explain this shift in policy? In Kindleberger's words, '(i)n the implicit debate between Thurman Arnold who regarded economic theorists ... as high priests who rationalize and sprinkle holy water on contemporary practice, and Keynes who thought of practical men as responding unconsciously to the preaching of dead theorists, the British movement to free trade is a vote ... for the view of Keynes' (RFT 4, 204). Douglas Irwin's classic article (RFT, 4, Chapter 11) focusses on Peel's personal conversion away from his prior protectionist views, and argues that he was motivated by ideas, but not in the sense that Kindleberger implies. Rather than being persuaded by Ricardo's many followers of free trade's efficiency, he became convinced that political economists were wrong to assume that real wages were fixed in the long run, as Malthusian (and Ricardian) theory assumed. Such an assumption might have seemed sensible when Malthus was formulating his theories, but was becoming impossible to reconcile with the facts by the 1840s: a recent British real wage index stands at 41 in 1750–1755, 34 in 1790–1795, 35 in 1810–1815, but 66 in 1840–1845 (Crafts and Mills, 1994, Table 1). But if real wages were not fixed, then cheap food might boost workers' living standards, even in the long run, a prospect which would have appealed to a paternalist Tory such as Peel. And since Tory votes were needed to pass Repeal, Peel's ability to persuade one third of his followers was decisive for the outcome (RFT 4, 289).

In some ways, the power of ideas emerges even more clearly in the early 20th century Tariff Reform debate. To be accused of being a protectionist seems to have been as damning then as being called a Liberal has become in America today: a supporter of Balfour complained that 'there seems to be something like an organised conspiracy to represent the issue before the country as an issue between free trade and protection. I absolutely deny that ... The old proverb "give a dog a bad name and hang him" has no doubt a good deal in it' (RFT 3, 431). Arthur Balfour himself argued that 'the evil of food taxation ... has been exaggerated' but could not be ignored, '(f)or it is due to historic causes, and is born of sentiments which have their root in far-off social conflicts'; the link between working class poverty and grain tariffs 'has eaten into the historic imagination of our people' (RFT 3, 384). Indeed, many of the readings in Volume 3 give the impression that tariffs in Britain after 1846 were simply viewed as taboo, in much the same manner as inflation in Germany after the 1920s, or a misaligned exchange rate in Britain after 1931.

A lot of recent work, however, has strengthened the view that interests were important too, precisely by swaying many of those MPs who chose to follow Peel. In her own contributions to this collection, Cheryl Schonhardt-Bailey argues that many landowners were diversifying into non-agricultural activities, which weakened their advocacy of tariffs (RFT 4, Chapter 5), and that the Anti-Corn Law League was so effective because its core supporters in the cotton textiles industry were geographically concentrated, enabling them to organize, while the organization could call on a larger constituency of export-oriented industries for political support (RFT 4, Chapter 4). In another paper, Timothy McKeown shows that constituency attributes, and MPs' own economic circumstances, all help explain individual politicians' voting behaviour (RFT 3, Chapter 3).

The rhetoric of the time also suggests that class interests were uppermost in the minds of participants in the debate. Certainly Cobden's and Bright's speeches were heavily larded with anti-landlord sentiment, and expressed the view that free trade would raise workers' living standards. Some politicians might worry about the League treating 'the question rather too much as a class question than as a general question' (RFT 2, 82), but in introducing his 1846 bill, Peel explicitly expressed the hope that it would 'remove the causes of jealousy and dissension between different classes of Her Majesty's subjects' (RFT 2, 63). Peel's bill attempted to mollify landlords by also removing the protection which manufacturers enjoyed, by introducing free trade gradually, and by introducing a number of unrelated measures such as low-interest loans for agricultural improvements (RFT 1, 9).[3]

Gaps remain in this conventional account. One of the most glaring is Ireland, which was then a part of the United Kingdom, but which is usually ignored by what is too often a highly Anglo-centric literature. McKeown's paper excludes Irish MPs from its analysis of voting behaviour 'due to the lack of economic data for Ireland' (RFT 4, 71), a lack of which Irish economic historians are, it must be said, unaware; similarly, Schonhardt-Bailey limits herself to studying English MPs in another paper on voting patterns (RFT 4, Chapter 6). This neglect is particularly unfortunate since, as McKeown points out, the Irish were a key swing group in the parliamentary arithmetic of Repeal (RFT 4, 77); to a large extent, those papers which even mention Ireland seem to assume that the Irish voted for reasons of their own, which are never spelled out. Did the laws of politics and economics stop at Hollyhead, or were the Irish only concerned with the 'Irish Question' of the moment? Ireland was a supplier of grain to the British market and might be expected to lose from Repeal; yet contemporary newspaper reports suggest that at least some Irish farmers were in favour of Repeal, which makes Irish voting patterns seem less surprising.[4] A thorough interest-based explanation of Repeal should be able to encompass Irish voting behaviour.

The spectacle of farmers voting for free trade, which would be unthinkable in today's Europe, would not have surprised 19th century political economists. The key to understanding this is that British and Irish farmers were tenant farmers, who applied capital to farms rented from great landowners. From Ricardo onwards, economists argued that farmers, as capitalists, earned profits which, like all profits, would rise as agricultural prices (and land rents) fell (RFT 1, 140, 167–168, 271; RFT 2, 18, 173). However, the argument is at variance with the empirical observation that many agricultural leases — including leases in Ireland — were entered into for several decades, which would imply that farmers, as the residual income-earners in agriculture, would gain rather than lose from agricultural protection. The impact of different lease lengths on farmers' attitudes to Repeal is another curiously neglected topic in the secondary literature, given the amount of contemporary theoretical comment on the matter; Van Vugt is one of the only authors in this collection who mentions the issue, and even he treats it in a fairly cursory fashion (RFT 4, 409).

State-centred theories of trade policy formation are also represented in the collection, notably those in the 'hegemonic stability' tradition. In this view (to over-simplify), dominant economic powers have both the incentive and the ability

[3] Similarly, Chamberlain's Tariff Reform proposal would have compensated workers for the rise in bread prices by lowering fiscal duties on tobacco, tea and other items.

[4] Even without considering the impact of the Famine on Irish attitudes.

to maintain an open world trading system; protection during the 20th century interwar period can be explained in part by the absence of a single hegemon; as we move from a US-centred to a multi-polar world, the implications of the theory for the next century are both obvious and alarming. An obvious omission from Volume 4 is another paper by McKeown (1983), which debunks the theory, at least in the 19th century context. Britain did not use gun-boat diplomacy to open markets in Continental Europe, nor did it use economic force (since its commitment to free trade was absolute and unconditional). The moves by France and the Zollverein were not due to British pressure; the latter decision, for instance, was due to the Prussian desire to keep protectionist Austria out of the German Customs Union, thus consolidating Prussian influence within the trade bloc. Another major problem for the thesis is one of timing: Britain was as dominant in 1815 as in 1846 or 1860, so why did it and Europe not move towards free trade sooner?

A more subtle view of how the hegemon constructs an open trading regime is presented in the paper by David Lake and Scott James (RFT 4, Chapter 17). They argue that by adopting free trade, the hegemon increases prices of export goods in their trading partners, thus pulling resources in to those countries' export sectors, and increasing the demand for free trade policies. Whether such a process qualifies as the exercise of power, or merely the workings of impersonal economic and political markets, is a moot point; but several early free traders did in fact argue that British agricultural protection led to other countries producing more manufactured goods, which then provided extra competition for British manufacturers (e.g., RFT 2, 25–26), and that British free trade would induce such economies to maintain free trade, ensuring a mutually beneficial, complementary trade, especially between Britain and North America, in which the former would export manufactures and the latter food and raw materials (RFT 1, 180–181).

As it turned out, the trade which ensued was as much competitive as complementary: that is, Britain's trade partners exported manufactured goods as well as primary products. America, Germany and others did not adopt free trade in response to Britain's lead, as Peel had predicted they would; rather, they developed manufacturing industries behind tariff barriers which eroded Britain's market share in many key industries. It was this unexpected turn of events, linked to Britain's changing role in the international division of labour, which motivated many of those who eventually called for an abandonment of Britain's unilateral commitment to free trade. Contrary to the expectations of 1846, it seemed to some in 1870 that 'whilst the agricultural classes are more healthy and prosperous than they have ever been before, the manufacturers and operatives are calling out that they are ruined' (RFT 3, 8). While in 1846 it had seemed as though Britain would have a virtual monopoly in many industries, now it faced competition, and free trade was no longer desirable: 'the classical economists belonged to the pre-Darwinian age' (RFT 3, 252; see also RFT 3, 208, 264).

The fact that growing competition weakened the political support for free trade is interesting, since the links between the extent of the hegemon's monopoly power in industrial commodity markets, and its interests regarding free trade, are not theoretically obvious. Late 19th century British protectionists would presumably have agreed whole-heartedly with Arthur Stein that '(h)aving the world's most efficient economy, the hegemon has the most to gain from free trade' (RFT 4, 420); standard static trade theory, by contrast, argues that the more monopoly power a country has in individual commodity markets (due for example to an overwhelming technological superiority in the production of those commodities), the more it can gain from protection, an argument developed in the course of the Corn Laws debate by Torrens (RFT 1, Chapter 15) and others. Indeed, Deirdre McCloskey and Douglas Irwin have argued that free trade may have hurt Britain by worsening its terms of trade (McCloskey, 1980; RFT 4, Chapter 13), as will be discussed in Section 3. Such a stark contrast between the assumptions of political scientists and the implications of standard trade theory surely warrants more discussion than is evident in this collection.

## 3. The impact of free trade

Just three articles in Volume 4 of this collection address the issue of whether free trade had the impact expected of it, or whether the hundreds of pages of debate surrounding the issue in the rest of the collection were 'pointless' and 'much ado about nothing' (Fairlie, 1965, p. 562). As an economist I regret this, since this is clearly the area in which economists have the greatest contribution to make; it probably reflects the current state of affairs in quantitative economic history, however.

The benefits of a training in economics can be most clearly seen in the debate which raged at the time about whether or not tariffs actually raised grain prices: many felt that the effect would be minimal, and indeed grain prices did not collapse after 1846, as contemporaries had either hoped or feared. James Pennington's arguments were typical (RFT 2, 185–186): under free trade, he stated, not enough grain would be imported to have any appreciable effect on prices. Others felt that since Britain was not currently importing grain, it was self-sufficient, while still others argued that there were no grain surpluses in Europe waiting to be exported to the British market.

None of these arguments stand up to theoretical or empirical scrutiny. If international markets were well integrated, then British prices equalled world prices (Prussian, say) plus transport costs and the tariff; a decline in tariffs would lower British prices and raise Prussian prices, producing British excess demand (and imports), even if none had existed before, and producing Prussian excess supply (and exports), even if none had existed before. Moreover, it is perfectly clear from the available price data that British and Continental grain markets were well-integrated even before 1846 (Williamson, 1990, reprinted as RFT 4, Chapter 14; O'Rourke, 1994); thus, Repeal must have lowered British prices below what they would otherwise have been. This counterfactual caveat is important: if prices did not collapse in the wake of Repeal, it was because of a variety of factors keeping world prices high after 1846, such as the Crimean and American Civil Wars.

How much higher would British grain prices have been in the absence of Repeal? They would have been higher by the amount of the tariff, unless they were so high that they would have excluded imports altogether, in which case they would have been determined by British supply and demand. O'Rourke (1994) calculated domestic agricultural supply elasticities, and used these, as well as assumptions about demand elasticities, to compute a counterfactual no-Repeal wheat price series from 1846 to 1876, assuming that tariffs were given by the 1828 sliding scale. Fig. 1 extends the exercise through to 1913. Even before 1876, when European grain prices were maintained at reasonably high levels, Repeal had a major effect: in all but 8 of the 30 years, wheat prices would have been over 20% higher than they actually were. The impact of Repeal was even greater in the years following 1876, when European grain prices plummeted in response to the large-scale importation of cheap New World and Ukrainian grain (O'Rourke, 1997): between 1880 and 1913, British grain prices would have been on average 90% higher had the Corn Laws not been repealed.

Tariffs and their abolition thus had an enormous impact on grain prices: the debate documented in these volumes was not 'much ado about nothing', even if the major impact of Repeal was not felt until the 1880s. What were the effects of Repeal on income distribution, national income, and economic growth, the topics of greatest concern to participants in that debate? Jeffrey Williamson's article (RFT 4, Chapter 14) tackles the distributional question, imposing grain price shocks on a computable general equilibrium (CGE) model of the British economy

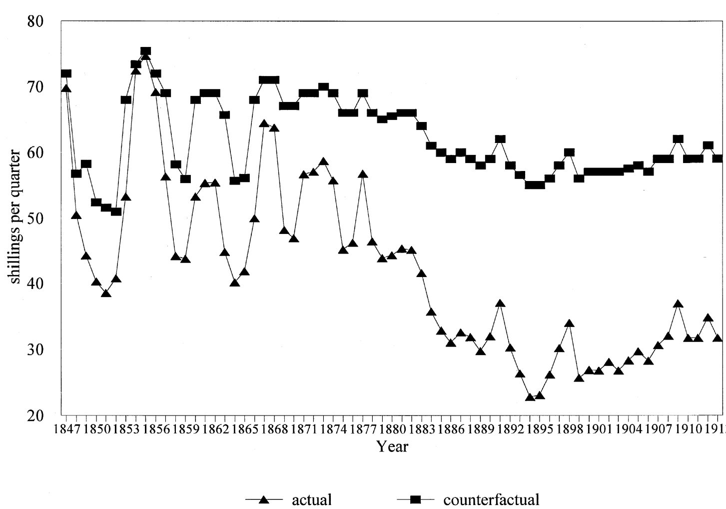


Fig. 1. Actual and counterfactual wheat prices, England/Wales, 1847–1913.

in 1841. The results vindicate the claims of anti-corn law leaguers such as John Bright (RFT 2, Chapter 19) that grain tariffs were simply a way of enriching landlords at the expense of workers: early repeal would have lowered (nominal) rents in grain-producing areas by more than 40%, and average rents by almost 20%, while it would have raised unskilled workers' real wages by between 12% and 23% (RFT 4, 382). Nor were these short run effects of Repeal the end of the story for British landlords. O'Rourke (1997) estimates that between the early 1870s and the Great War, real British grain prices fell by 29%, and that this price shock lowered *real* British grain rents by 38% (and average rents by 9%), while raising the rents which landlords in non-grain producing areas enjoyed (since Repeal led to cheaper cattle feed). As Fig. 1 indicates, if the Corn Laws had been maintained neither grain prices nor land rents would have declined by nearly as much as they actually did: for example, between 1870–1874 and 1909–1913, real wheat prices would have only declined by 7%, whereas in fact they declined by 35%.[5]

All of these results on the distributional impact of Repeal are consistent with McKeown's statistical analysis of voting behaviour, which shows that MPs from grain producing areas opposed Repeal, but that cattle areas tended to support it (RFT 4, 72–73). Less consistent with the voting record are economists' findings on the impact of Repeal on manufacturing profits: surprisingly, Williamson finds that manufacturing profits could actually have declined in response to Repeal (although they may also have risen). The result hinges on the extent to which Britain enjoyed monopoly power in international markets for manufactured goods and raw materials. If its market power was sufficiently strong, then by stimulating extra British manufactured exports, Repeal may have led to world manufactured goods prices falling (and world raw materials prices rising) to such an extent that profits fell rather than rising, as all contemporary observers predicted they would. If Irwin's estimates of trade elasticities for the period (RFT 4, Chapter 13) are correct, and Britain was a sufficiently large share of the world economy for its trade policy to have a significant impact on world manufactured goods prices, then this poses a significant puzzle: why did those British manufacturers who were so supportive of the Anti-Corn Law league advocate policies which were detrimental to their own welfare?

What about the impact of Repeal on national income and aggregate economic growth? It is here that the economics literature is least satisfactory. The classical economists who advocated free trade did so largely on the grounds that free trade would raise profits, and thereby boost investment, capital accumulation, and growth. Surprisingly few economists have explored the extent to which this classical growth model was valid during the period it was formulated, Mokyr's (1976) book on economic growth in the Low Countries being one obvious

[5] Based on the data given in O'Rourke (1997).

exception. By the end of the 19th century, an alternative growth model was being invoked by protectionists, one involving infant industries in key industries (RFT 3, 406); but this has not received sustained empirical scrutiny in the British context either. Indeed, in assessing the welfare implications of 19th century trade policy, and the Repeal of the Corn Laws in particular, economists have tended to eschew dynamic analysis altogether, and concentrate on the static effects identified by traditional trade theory. Those effects are well known: in a standard neoclassical world, trade will boost welfare, although not by much, unless the country in question is large enough to influence world prices, in which case the optimal tariff will boost welfare by improving the terms of trade — but again, not by much. As mentioned earlier, Irwin's paper (RFT 4, Chapter 13) concludes that unilaterally adopting free trade may have cost Britain up to 2% of national income; however, if Repeal led to other countries also switching to free trade, then it may on balance have beneficial for Britain. If one believes that Britain was a smaller player in world markets in the 1870s and later than it had been in the 1840s, then there is further reason to believe that Repeal eventually raised British national income.

It is difficult to know how seriously to take these static terms of trade arguments: the dynamic implications of liberalization may have mattered much more, and of course to evaluate these a more complex model of the British economy would be needed. Indeed, a more complex model might well be needed even in order to evaluate the terms of trade impact of Repeal. In contrast to what standard theory might have suggested, the UK terms of trade did not deteriorate in the late 19th century, but rather improved (Imlah, 1958, cited in Edelstein, 1994, p. 193). Transport and infrastructural investments overseas were an important reason for this, making food and raw materials cheaper at home (O'Rourke and Williamson, 1999, Chapter 3). Since these investments — funded largely by British capital — were intimately linked with booming trade in wheat and raw materials, it is unlikely that they would have been made with the same enthusiasm had Britain been protecting agriculture. Any attempt to model even the static welfare effects of Britain's move to free trade should therefore accommodate the international mobility of both labor and capital, as well as the presence of an endogenous land frontier in the New World (O'Rourke and Williamson, 1999, Chapter 13).

What were the dynamic implications of Repeal? As stated, the literature on this issue is as yet underdeveloped, and the issue is not even addressed in the papers collected in Volume 4 of RFT. The available evidence suggests, however, that the free traders who successfully opposed the Tariff Reform campaign of the early 20th century were unduly sanguine about the long run effects of Britain's commitment to free trade in a protectionist world. One strand of the cliometric literature has explored the impact of industrial protection in the United States, the country which Cobden and others had argued would be Britain's key partner in the complementary trading regime which they hoped Repeal would bring about. To what extent did tariffs help the US catch up with and eventually out-compete

Britain in such industries as iron and steel, by allowing initially uncompetitive infant industries to survive and become more efficient?

The classic answer to this question is that tariffs were irrelevant to American success. In his *Tariff History of the United States*, Frank Taussig explored the infant industry argument by examining the progress of the cotton textile, woolen textile, and iron product industries. His conclusion was that, while early tariffs and the artificial protection afforded by the war years may have been necessary to get these industries started, they were on a secure footing by the 1820s or 1830s. Subsequent tariff protection was therefore unnecessary. Modern economists have not been able to offer much support for Taussig's conclusion. Head (1994) found econometric evidence that learning depended on cumulative output in the late 19th century US steel rail industry, and that protection did speed learning. Although consumers were hurt by steel rail duties, net welfare effects were positive, although small. Bils (1984) and Harley (1992a) argued that the US cotton textile industry could not have competed without protection; even as late as the 1840s and 1850s, British textile firms enjoyed major cost advantages over their American rivals (Harley, 1992a). Similarly, American costs were much higher than British costs in the iron and steel industry as late as the 1880s (Allen, 1979), again suggesting that tariff protection was important for American companies. Harley (1992b) used a CGE model to simulate the impact of a US tariff abolition in 1859 on US manufacturing output. The impact depended, of course, on the ease with which foreign imports could be substituted for domestic production, but reasonable assumptions led to the conclusion that Taussig was spectacularly wrong: '(t)ariff removal would have reduced the American cotton textile industry by half and probably considerably more. The effect of the tariff on other manufacturing is harder to decide; it was less, probably about half the effect on cotton textiles' (Harley, 1992b, pp. 398–399).

It seems clear that protection was important for the growth of US manufacturing in the first half of the 19th century; but this does not necessarily imply that the tariff was beneficial for GDP growth. Protectionists have often pointed to German and American industrialization during this period as evidence in favour of their position, but economic growth is influenced by many factors other than trade policy, and it is important to control for these when assessing the links between tariffs and growth. In principle, it would be possible to calibrate a dynamic CGE model in the new growth theory tradition, and thus to calculate the dynamic effects of protection. A more common approach, however, is to estimate the relationship between trade policies and economic growth econometrically by using cross-country data and controlling for other determinants of growth. This is the approach adopted by O'Rourke (2000), who finds that tariffs and growth were positively correlated in a sample of 10 advanced economies in the late 19th century. In 1903, Joseph Chamberlain attacked the view that 'these foolish Americans, these ridiculous Germans, these antiquated Frenchmen, have been ruining themselves all this time' (RFT 3, 405) by adopting protection; his demand that free traders 'account for the fact that all these great nations, without exception, which have adopted the system which you say is bad, have prospered more than you have done?' (RFT 3, 405–406) remains more persuasive than is commonly acknowledged today.

## 4. Conclusions

The readings in Volume 3 of this collection make it clear that British policy makers in the late 19th century were heavily focussed on the implications of tariffs for workers' living standards; their working assumption, inherited from the earlier debate on the Repeal of the Corn Laws, was that food taxes would lower real wages, and this was for many *the* key argument for free trade. This view was shared by the Chartists, and later the British Labour Party, which in 1904 adopted a free trade position to which it adhered for 30 years. Economists have shown that this view was correct: the move to free trade, and the globalization of the late 19th century economy, all benefited British labour greatly. Indeed, O'Rourke and Williamson (1994) show that almost one half of the total real wage gains recorded in Britain in the late 19th century can be attributed to the impact of international transport cost declines, and the cheap food which they gave rise to.

But what was true for Britain was not true for the world as a whole, as the Heckscher–Ohlin model of trade suggests (O'Rourke and Williamson, 1999, Chapter 4). Joseph Chamberlain may well have been right in stating that '(t)he vast majority of the working men in all the colonies are Protectionists, and I am not inclined to accept the easy explanation that they are all fools' (RFT 3, 391); but theory suggests that trade should have had very different effects on real wages in high-wage economies such as Australia, and a relatively low-wage economy such as Britain. Indeed, even within Europe the impact of cheap grain on real wages could vary, since cheap grain meant not only cheap food but declining agricultural employment. In Britain, there was not that much agricultural labour to displace, and cheap grain raised real wages; in France and other Continental economies, cheap grain lowered real wages (O'Rourke, 1997). In an increasingly democratic world, the impact of tariffs on workers' living standards seems to have explained at least some of the variance in trade policies across countries.

Interest-based explanations of tariff formation hold up relatively well for this period, but the readings make it clear that other factors mattered to, including some which matter scarcely or not at all in today's world. Religion is one such factor, which according to Boyd Hilton (RFT 4, Chapter 9) was important in Robert Peel's thinking (and presumably in that of some of his followers). National security is another: food security may have been a motivating factor in the setting-up of Europe's Common Agricultural Policy, but the argument that agricultural production was necessary 'on account of the hardy race of men which springs from the healthiness of agricultural labour — the sturdiest defenders of their country in time of need' (RFT 2, 146) has a distinctly 19th century ring to it. And while sectoral lobbying may often have been the key in determining late 20th century trade policies (Magee, 1978), the readings in this volume seem to provide broad support for Rogowski's (1989) view that class-based politics involving the representatives of land, labour and capital was at the heart of the 19th century debate.

One of the most important functions of economic history is to alert economists to the (obvious) fact that the 'correct' model may vary over time, whether the issue is the relationship between tariffs and growth, or the determination of the level and structure of protection. There are some areas where this collection leaves unexplored gaps in the record — there is nothing on how former protectionists reacted to economic developments between 1846 and 1870, and one wonders how the colonies themselves responded to Chamberlain's views on Imperial Preference — but it succeeds magnificently in suggesting both the complexity of the 19th century British trade policy debate, and the changing nature of that debate over time.

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