

## INTRODUCTION

The year 1996 marks the 150th anniversary of the repeal of the protectionist Corn Laws, which is ample justification for Corn Law enthusiasts such as myself to immerse themselves once again in nineteenth century British trade policy. But not all readers of these volumes will, I suspect, possess as keen an interest as myself in the arguments surrounding the rise of free trade in Britain. Historians will no doubt find the collection of primary source documents in volumes I - III of historical value, and political economists will likely be drawn to the new theories and methodologies adopted in volume IV. For the historian, the first three volumes, which span from 1815 to 1906, offer samples of the key contemporary arguments on the theory and practice of trade. The final volume captures the more recent debates among political economists and economic historians as to the “real” significance of Britain’s policy choice. Yet it is when the four volumes are taken together that one can begin to appreciate the advances (and, in some cases, the lack of advances) made in understanding why policymakers endorse or fail to endorse the “ideal” of free trade. The British case is highly instructive because it brings to the fore two particularly intriguing questions: (1) why did Britain unilaterally adopt free trade?; and (2) why, in the face of fierce economic competition and declining relative economic power, did it continue to adhere to free trade?

First, why *did* Britain unilaterally open its domestic market to free trade--and particularly free trade in agriculture? Posing the question narrowly, why on 16 May 1846, did the British House of Commons vote 327 to 229 to abolish tariff protection for agriculture.<sup>1</sup> Economists, political scientists, historians and sociologists have spilled much ink attempting to explain this historic decision. That the repeal of the protectionist Corn Laws was a crucially significant event in British history is undisputed, but exactly *why* repeal was significant is a question that produces a variety of responses. Britain’s unilateral move to free trade is said to have--signified the triumph of Manchester School liberal thinking<sup>2</sup> ; marked the birth of its international economic hegemony<sup>3</sup>; launched a new form of British imperialism<sup>4</sup>; paved the way for the disintegration of the Conservative party for a

generation<sup>5</sup>; been the catalyst for class conflict between the rising industrial middle class and the politically dominant landed aristocracy<sup>6</sup>; given testimony to the organisation, political astuteness and tenacity of the pro-repeal lobby, the Anti-Corn Law League<sup>7</sup>; been an inevitable outcome of changes in the financial system and industrial structure<sup>8</sup>; and illustrated the dramatic and abrupt change of mind of one absolutely pivotal individual-- Prime Minister Sir Robert Peel<sup>9</sup>. Researchers will undoubtedly continue to debate the significance of repeal, as well as its causes and consequences. Indeed, Volume IV illustrates the new methods and new theories that researchers have adopted to explain Britain's move to free trade.

The second puzzle--namely, its stubborn adherence to free trade in the midst of "unfair" protectionist policies of competitor states (in particular, the United States and Germany)--is certainly echoed in contemporary debates about US trade policy. Phrases like "free trade versus fair trade", "retaliation and reciprocal trade", and "dumping" are just as relevant to current American trade policy as they were to late nineteenth century tariff reformers. Without the benefit of advanced economic indicators, or the rigor of strategic trade theory, British political economists sought to understand the implications of absolute versus relative economic gains from trade. Also, a comparison of Volume I with Volume III illustrates a new challenge that tariff reformers raised against the tenets of classical trade theory--namely, the role of the State in maintaining (and possibly creating) "competitive advantage". Certainly German and American governments protected their infant (and, in some cases, adult) industries from foreign (and, in the view of British protectionists, particularly British) competition. By adopting high tariffs and "dumping" excess production on the open British market, German cartels and American trusts were able to exploit economies of scale and thereby gain "competitive advantage" over British firms. Fair traders and tariff reformers maintained that without State intervention, British industry could not compete on an equal footing with rival industrial powers. While the concepts of beneficial externalities and learning curve effects were not yet formulated, protectionists certainly

grasped the importance of large markets, scale economies, and terms of trade improvement through imposition of a tariff. Why, then, were these arguments for protection against “unfair” competition dismissed by the British electorate in 1906? Was it because voters could not make sense of the “esoteric calculations” upon which the terms of trade arguments of the protectionists were based, understanding only that tariff reform meant higher taxes and dearer food, as Aaron Friedberg argues<sup>10</sup>? Was it because interests had been created during the period of liberalisation that favoured the continuation and expansion of free trade, as Arthur Stein argues<sup>11</sup>? Was it the free trade interests of the City of London that dictated the course of British trade policy, as P.J. Cain and A.G. Hopkins maintain<sup>12</sup>? Or was it the appeal of free trade as an ideology that eventually ensured its longevity, as others argue<sup>13</sup>?

The puzzles of unilateral free trade and the resistance to subsequent arguments for protection continue to intrigue us because the answers to these questions touch on core issues in the political economy of trade, such as the importance of absolute gains in national welfare as opposed to relative gains from trade (which is encapsulated within the broader clash between liberalism and mercantilism--or more recently, between neo-classical trade theory and strategic trade theory); the costs and benefits from hegemonic power; why major policy shifts occur; why policies are sustained when the interests that gave rise to them change; what explains the success (and failure) of interest group lobbies; the importance of individual political leadership vis a vis economic and political “structures”; the role of ideology versus economic interests; and the significance of the “state” as a distinct actor in economic policymaking. It is because the British case has provided insight into all these (and more) issues in political economy that its relevance cannot be overstated.

It is not the purpose of this essay to provide definitive answers as to why Britain adopted and remained committed to a policy of free trade. Rather, my aim is to illustrate the key issues surrounding free trade and protection, as argued by the contemporary economists, statesmen and political activists of the pre-repeal, repeal, and tariff reform time periods.

Volumes I, II, and III provide but a sample of the voluminous primary source literature on

trade theory and policy. As in any compilation, some selection criteria are required to insure a reasonable standard of representativeness. By no means can the sample of materials in Volumes I - III be said to be “random”, not least because not all components of the sampling frame are known (at least to this author), while many that are known are not readily accessible. Other limitations have included the visual quality of the text (since, in some cases, pages were simply not readable), its length, and clarity of argument.

For each time period, I have also sought to provide the reader an array of authors, balancing heavyweight political economists like Ricardo, Mill, Torrens, Marshall and Pigou, with lesser-knowns like Longfield, Porter, Fawcett and Bastable. The luxury of verbosity has been denied to all the authors--hence, in some cases the editing has been particularly ruthless. While some purists may fault this shortening of key historical texts, space constraints and the ambitious coverage of these volumes made such cuts unavoidable. Most important--indeed, what makes the selection contained in volumes I - III unique--is that I have endeavoured to balance arguments of the political economists with those of the politicians. The selection is therefore not meant to provide a history of economic thought; rather, the focus of the volumes is on the *political* economy of trade. As an economist friend of mine once lamented, “Unfortunately, the reality is that it is politicians, not economists, who run the world.” (This may be said to hold for British trade policy, although it is often forgotten that many political economists were also Members of Parliament--e.g., David Ricardo, J.S. Mill and others<sup>14</sup>.) Hence, while each volume contains a rough balance of political economists and politicians, this balance is obtained by adhering to the particular “hat” that the author was wearing when writing or speaking. My underlying premise in adopting this structure is that the debates on trade were based not solely on principles of aggregate economic welfare, but also on who stood to gain (and lose) economically and politically from free trade. Thus, while the economic rationale of the political economists is informative, its *political relevance* becomes manifest in the arguments of the policy-makers (and, in Vol. II, the political activists).<sup>15</sup>

These limitations and selection criteria noted, the final strict rule of thumb was “if it bores me, it will surely bore the vast majority of readers of these volumes.”

The selection of new secondary literature (Volume IV) omits far less than the first three volumes. The one significant restriction to inclusion in Volume IV is the length of several recent books that examine, in part, British trade in the past century.<sup>16</sup> The articles in this volume are, as a whole, interdisciplinary and employ a variety of methodologies. Within the last twenty years, a number of historians, political scientists and economists have applied new theories and/or new methodologies in an attempt to reinterpret nineteenth century British trade policy (and in particular, the shift to free trade). For the political scientists, hegemonic stability theory and public choice (or endogenous trade theory) have inspired a re-examination of the timing and operation of British “hegemony”. For some, advanced data analysis has produced insights into the economic structure underlying the policy shift. Historians appear to have been motivated by the proposed link between imperialism and free trade, or by questions of ideology, political leadership and economic interests, thus extending earlier debates in the historical literature. For the economists, more advanced statistical modelling has allowed further insights into whether and to what extent Britain (or groups within it) gained from free trade.

Below I provide a short history of nineteenth century British trade policy. The next two sections extract from the primary source literature the fundamental arguments that free traders and protectionists wielded against one another over the course of approximately ninety years. Additionally, section III integrates the contributions of the new secondary literature into the debates over tariff reform. The aim of section III is not only to examine how economists and politicians of the late nineteenth century interpreted Britain’s absolute and relative gains from free trade, but also to evaluate these arguments from the perspective of modern political economy and economic history.

## I. A BRIEF SYNOPSIS OF BRITISH TRADE POLICY

### *(1) 1815 and the Sliding Scale*

Government regulation of exports and imports of corn was well-established long before the nineteenth-century.<sup>17</sup> The Corn Laws of the seventeenth- and eighteenth-centuries had a dual purpose--they sought to prevent “grain from being at any time, either so dear that the poor cannot subsist, or so cheap that the farmer cannot live by growing of it.”<sup>18</sup> The Napoleonic Wars brought a fundamental change in the history of the Corn Laws. During the war years, agriculturists had enjoyed high grain prices, but with the peace prices fell dramatically.<sup>19</sup> In response, Parliament enacted the Corn Law of 1815, which allowed free entry when the price of corn was above 80 s. per quarter, and prohibited entry when the price fell below 80 s. Some argue that this new legislation, unlike that of the earlier Corn Laws, was “defiantly protective”. “It sought to fasten on a country at peace the protection furnished by a generation of war.”<sup>20</sup> Others maintain, however, that fear of scarcity drove government policy. Rapid population growth and a dependence upon foreign corn are said to have justified a policy of self-sufficiency based on concerns for national security.<sup>21</sup> A third rationale for the move to protection is that the Government hurriedly passed the legislation in order to gain the support of landowners as it scrambled to pay its war debt.<sup>22</sup>

The 1815 law suffered from two basic flaws--it generated no government revenue from protection and it was too rigid. Public petitions of distress which resulted from the 1815 law were directed to a Select Committee of the House of Commons, whose report was drafted by William Huskisson. In the report, Huskisson called for a return to the “practically free” trade that existed before 1815.<sup>23</sup> The Act of 1822 allowed wheat to be imported when the domestic price reached 80s. per quarter, but when the price fell to 70s., imports were again prohibited. Between 1822 and 1828, the price never reached 80s., and thus the Act never came into effect. In 1822, David Ricardo proposed that protection should be

withdrawn gradually, beginning with a fixed duty of 20s. and lowered by annual reductions of 1s., until it reached 10s., at which it would then remain (Vol. I: 6).<sup>24</sup> By 1827, discussion was not of free trade in corn, but rather of the choice between a fixed duty (as Ricardo suggested) or a sliding scale (as Huskisson, President of the Board of Trade, proposed). The fixed duty avoided the problem of averaging prices which any sliding scale would face. George Canning (Foreign Secretary)<sup>25</sup> and others stressed that a fixed duty would not allow flexibility in times of scarcity, posing the likelihood that the Government would be forced to suspend the duty during such times (Vol. I: 23). Other politicians favoured the sliding scale because it, unlike the fixed duty that was favoured by the “cold-blooded political economists”, was based on “experience” not “theory” (Vol.: I: 24). Huskisson’s justification for the sliding scale was that it remedied the worst feature of 1815--rigidity. The agriculturists rejected Huskisson’s 1827 bill, however, on the grounds that his pivot point of 60s. (from which the duty of 20s. would gradually descend) would afford them inadequate protection. In drafting the 1827 bill, Huskisson and the Duke of Wellington (to become Prime Minister in 1828) became embroiled in a fundamental disagreement: the former sought to move towards freer trade in corn, while the latter sought to consolidate protection for agriculture (see Vol. I: 25).<sup>26</sup> In 1828, Huskisson and Wellington agreed upon a sliding scale tariff for corn, so that as the price rose the duty would fall. Fay described the 1828 sliding scale as “Huskisson’s sliding scale spoiled.”<sup>27</sup> While Huskisson suggested a pivot point of 60s. or 62s., the 1828 Act legislated 66s. According to the 1828 Act, when the price of British wheat was 52 s. per quarter or below, the duty would be 34 s. 8 d.; as the price rose, the duty would fall to 1 s. when the price hit 73 s. The 1828 scale also differed from Huskisson’s in that it introduced large jumps in the scale (a 13s. 8d. duty at 69s., and 1s. at 73s.). Speculators took advantage of the rapid descent of the scale when prices were high, withholding sales until the price rose one or two shillings to avoid the payment of duties. In spite of this defect, the 1828 act continued to operate until Peel introduced a modified sliding scale in 1842. Peel’s sliding scale differed from both the 1827 bill and the 1828 Act in that it

abolished the pivot point. Peel also lessened the incentive for speculation by smoothing out the scale at the lower end and reducing the maximum duty to 20 s. when the price hit 51 s. or below.

In brief, 1815, 1828 and 1842 were the years of significant changes in the Corn Laws. Paralleling the history of Corn Law legislation were major demographic and economic changes that cut against the fabric of protection for food. From 1811 to 1841 the population of Great Britain increased from 12.6 million to 18 million and British farmers were becoming less able to provide sufficient supplies for the home market. This said, while Britain had not been self-sufficient in corn since the early 1760s, British agriculturists “still managed to feed every year on the average all except about 700,000 and as late as 1831-40, all except about 1,050,000 of the population.”<sup>28</sup> A second factor proved more fatal to the Corn Laws--the growth of British manufacturing industry and export trade, especially in textiles. More particularly, as the industrial prosperity and export boom of the early 1830s began to crack, industrialists became increasingly vocal about “unfair” protection enjoyed by the agriculturists. Beginning in 1836, an economic downturn together with a series of poor harvests sparked the industrialists into action. High food prices and unemployment gave impetus both to the middle and working classes, the former organised as the Anti-Corn Law League and the latter as the Chartist movement.

## *(2) The League Machine*

The Anti-Corn Law League was the first modern and national-level political pressure group to emerge in Britain. It began in London in 1836 as the Anti-Corn Law Association, but by 1838 had found its natural base in Manchester. The leaders of the League were manufacturers and professionals engaged in export trade, most of whom were concentrated in the county of Lancashire. Foremost among its leaders were two cotton textile manufacturers-



-Richard Cobden and John Bright. In the course of the struggle against the Corn Laws, both were to become Members of Parliament, Cobden for Stockport and Bright for Rochdale. Another key MP in the Corn Law struggle was Charles Villiers, Member for Wolverhampton. It was Villiers who became famous for his annual motions for repeal of the Corn Laws, which began in 1838 and continued through 1846.

Historians refer to the League as “the most impressive of nineteenth-century pressure groups, which exercised a distinct influence on the repeal of the Corn Laws in 1846.”<sup>29</sup> It was called the *league machine*, whose organisation “presents one of the first examples of a recurring feature of modern political life, the highly organised political pressure group with its centralised administration and its formidable propaganda apparatus.”<sup>30</sup> The *Times* even led with an article announcing the League as “a great fact” (Vol. II: 17).<sup>31</sup> The two key features of the League’s operational strategy were its nation-wide propaganda and electoral registration campaigns. The League raised substantial subscriptions to finance its propaganda campaign. It maintained a small army of workers and speakers, who toured the country distributing numerous tracts (most notably, the famous *Anti-Corn Law Circular*<sup>32</sup>) and giving thousands of speeches on the virtues of free trade and the evils of protection. The registration campaign was the League’s tool for replacing protectionist landowners in Parliament with free trade supporters. After electoral losses in 1841-2, the League focused its energy and resources on returning a free trade majority in the anticipated general election of 1848. In order to achieve this, its leaders adopted a tactical strategy which included manipulating the voter registers and employing propaganda devices on existing voters. Looking toward the 1848 election, the League sought to add as many free traders and delete as many protectionists from these registers as possible. The latter they accomplished by making objections against thousands of protectionists at the annual revisions of the registers. The former required a different tactic--exploiting a loophole in the 1832 Electoral Reform Act (which effectively enfranchised the middle class). This loophole was the forty-shilling county property qualification, which Bright referred to as “the great constitutional weapon

which we intend to wield” (Vol. II: 19). While the 40s. qualification had been a feature of the system since 1430, the increase in county seats from 188 to 253 (an increase from roughly 29% to 38% of the total seats) magnified the importance of this overlooked loophole in the 1832 Reform Act.<sup>33</sup> The League used the 40s. qualification to create several thousand new free trade voters in county constituencies with large urban electorates, constituencies whose representation was increased by the Reform Act. Leaguers went so far as to urge parents, wanting to create a nest-egg for a son, to make him a freeholder: in Cobden’s words, “it is an act of duty, for you make him thereby an independent freeman, and put it in his power to defend himself and his children from political oppression” (Vol. II: 18). In spite of an Appeal Court ruling in February 1845 and January 1846 that votes created by the 40s. freehold qualification were valid, protectionists continued to challenge the constitutionality of the League’s registration campaign (Vol. II: 7, 10, 11), and Leaguers continued to defend their activities (Vol. II: 9, 10).

The propaganda and registration campaigns, moreover, were brought together to further the political success of the League. As its agents distributed propaganda tracts to every elector in 24 county divisions and 187 boroughs, they submitted to the League headquarters consistent and complete reports on the electorate in their districts. These reports provided the League with a comprehensive picture of the electoral scene throughout England, thereby allowing it much greater knowledge of, and control over, electoral districts than either the Conservatives or Liberals possessed “with their more limited and local organisation.”<sup>34</sup> The earlier distribution of propaganda tracts thus provided the League with an extensive data base from which they could inflict political pressure on Members of Parliament, who were concerned with their bids for re-election in the anticipated 1848 election.

In 1844, as the League’s success--particularly that of its registration campaign in the counties--became more conspicuous, a defensive Anti-League (or, Agricultural Protection Society) emerged (Vol. II: 21 and 22). This group of protectionist landowners and farmers

did not, however, obtain the momentum or backing of the League. According to W.H. Chaloner, the Anti-League “failed to make an impression on British agricultural policy because Conservative politicians were reluctant to speak or vote against Sir Robert Peel until 1846, and it cannot be said that its literary contribution was as solid or as logical as that of the Free Traders.”<sup>35</sup> In financial terms, while the League grew from a £5000 annual fund in 1839 to one of £250,000 in 1845, the latter year saw the core of the Anti-League (the Essex Agricultural Protection Society) scraping together the paltry sum of £2000 to fund its campaign.<sup>36</sup>

A second challenge to the League was the Chartist movement. The Chartists were an organised working class movement that sought Parliamentary reform, arguing that reform must encompass the entire social and political horizon. In contrast, the League chose a single-issue strategy--to gain repeal. Clashes between the Chartists and the League often erupted in open hostility and violence, as Chartists viewed Leaguers as traitors to the reform movement, and conversely, Leaguers criticised Chartists for pushing unrealistic reforms and thereby threatening to sabotage their focused strategy (Vol. II: 14, 23)

### *(3) Repeal of the Corn Laws*

Peel’s first reading of the repeal legislation (Vol. II: 5) reflects the competing arguments for repeal in the 1846 debates (discussed below, in section II). Peel argued that the principle of free trade was welfare-enhancing because it would: (1) allow Britain to retain its pre-eminence in world trade (thereby staving off foreign competition); (2) be a winning strategy, regardless of whether or not other countries reciprocated with lower duties; and (3) not result in a loss to public revenue, as the trade and industrial prosperity combined with the

new income tax would offset the lost income from duties. Quoting League sources, Peel explained why he believed that the prosperity following the 1842 reduction of duties could not continue without further liberalisation.

At the heart of Peel's speech was a plea to the opposing manufacturing and agricultural interests to accept a policy of mutual concessions. He urged manufacturers to forfeit their remaining protective duties on woollens, linen, silks, and other manufactured goods, in order to adhere to the general rule that no duty should exceed 10% (15% for silks). He introduced a further simplification of the tariff code and reduced tariffs on a number of other items (shoes, spirits, sugar).<sup>37</sup> His greatest hurdle, however, was to gain the support of the agriculturists. Duties on certain foods (butter, cheese, hops and fish) would be reduced while those on others (meat, beef, port, potatoes, vegetables, bacon, and other non-grains) would be abolished.<sup>38</sup> And, of course, grain protection would be abolished as of 1849. After discounting the link between bread prices and wages, Peel sought to address two issues associated with the clash of interests. First, in regard to class conflict, Peel argued that agitation had grown to such an extent that the government had no option but to act to appease the industrial and working classes. Second, the "heavy" financial burden of the landowning classes was lessened by a number of incentives to agriculturists--a consolidation of the highways system, relief to rural districts from pauperism, a number of expenses shifted from the counties to the Consolidated Fund, and finally loans for agricultural improvements at moderate interest rates.<sup>39</sup>

#### *(4) Tariff Reform*

No one disputes that from the late 1840s through the end of the nineteenth century, Britain continued to experience tremendous growth in trade and industry.<sup>40</sup> While British absolute economic growth is unquestioned, its relative economic growth remains a subject of some dispute. British national product is estimated to have almost quadrupled between 1851

and 1901, increasing from £494 million to £1.95 billion.<sup>41</sup> Industrialisation continued to reshape the structure of the British economy: whereas in 1851, agriculture comprised 20.3% of the British national product, by 1901, its share had dropped to 6.1%.<sup>42</sup> The value of British trade under free trade increased even more dramatically than its national product until 1873. Between the 1840s and 1870s, the average annual rate of increase in trade volume was 13%, twice the rate of the preceding forty years.<sup>43</sup> Two aspects of British trade were not as conspicuously impressive, however, and were used by some to argue that Britain was declining as an economic power. First, the *negative* balance of visible trade (which was a continuous feature of the British economy from 1822 onwards, and is depicted on the covers of these volumes) grew from £26 million in the late 1840s to £177 million in the early 1900s. A source of some confusion, however, was that the *positive* balance of invisible trade grew from £30 million to £226 million during this same period. The result was that Britain ran a substantial, and rising, current account surplus throughout the second half of the nineteenth century (peaking at around £75 million in the 1880s<sup>44</sup>), which was used to finance foreign investment. Second, Britain's dominance in international trade was seen to be challenged by the tremendous growth in American and German exports. Viewed through the eyes of a respected statistician of the period, UK exports grew from £165 million in 1860 to £274 million in 1894, while German exports grew from £65 million to £148 million, and US exports from £70 million to £186 million.<sup>45</sup> Thus, while British exports still dominated world markets, its competitors had overtaken it in terms of the *rate* of export growth.

When examining the backdrop to the tariff reform campaign of the early 1900s, it is therefore useful to group the era of free trade into three stages: (1) phenomenal growth in exports and foreign investments from mid-century through 1873; (2) much slower growth from 1873 to 1898 coinciding with the "Great Depression"; and (3) a resumption of rapid growth in trade volumes and trade values from 1898 to 1913.<sup>46</sup> The second period of slower growth witnessed a revival and extension of protectionism by Britain's industrial rivals--most notably, Germany and the United States.<sup>47</sup> While trade volumes continued to

increase, trade values were curtailed by a general fall in prices from the depression. In 1879, Germany responded to price deflation by imposing new tariffs on agriculture and industry. This, along with a shift towards neo-mercantilist policies by other European countries and the US, sparked demands in Britain for “reciprocal” free trade. The 1870s and 1880s were marked by the first serious challenge to a policy of free trade (Vol. III: 1, 2, 3). Fair traders argued that foreign industrialists were gaining unfair advantage through high tariffs against British exports, while the British home market remained open to their manufactured goods. This, they argued, resulted in the loss not only of British export markets, but also unequal competition in the British home market. Their chief evidence of harm was the negative balance of trade in visibles. In 1881 the National Fair Trade League called for tariffs on foreign manufactured goods. A report of the Royal Commission on the Depression of Trade and Industry recommended improvements in British technical and foreign language education, the gathering of trade information by British overseas officials, and the compilation of further trade statistics at home. Yet, the Commission remained uncertain as to the extent of British relative economic decline.<sup>48</sup> While the Board of Trade continued to monitor foreign trade, calls for protection against “unfair” trade were not given serious consideration until Joseph Chamberlain launched his tariff reform campaign.

After an inopportune first beginning in the late 1890s<sup>49</sup> (Vol. III: 5), Chamberlain’s “second” tariff campaign in 1903 marked the start of the great challenge to British free trade. In that year, Chamberlain resigned his ministerial position as Colonial Secretary to have a free hand to convert the British electorate to the need for tariff reform (and particularly, food taxes) through a series of public speeches (Vol. III: 17, 18). Before leaving the Cabinet, Chamberlain had convinced Prime Minister Arthur Balfour of the need for reform, but not necessarily Chamberlain’s three-pronged package. For Chamberlain, tariff reform meant: (1) consolidating the British empire by taxing food for the purpose of giving preference to the colonies, which in turn would give preference to British manufactured exports; (2) pressuring protectionist countries to lower their tariffs on British goods by imposing retaliatory

measures; and (3) countering “dumping” with “measures of commercial war against those Governments”.<sup>50</sup> In brief, tariff reform meant countering the large American and German markets with a vast Imperial market, while also imposing retaliatory tariffs and anti-dumping measures. Balfour, on the other hand, saw the food tax in colonial preference as electorally unacceptable. He was persuaded that retaliatory measures were required, but remained vague on exactly how the Government intended to implement a policy of retaliation (Vol. III: 19, 21). Balfour maintained that he simply sought a mandate to negotiate with other countries to lower their tariffs. Thus, while Chamberlain stomped the country with his message of tariff reform, ministers, backbenchers and other observers were frustrated by Balfour’s ambiguous intentions and his lack of firm acceptance or rejection of Chamberlain’s package (Vol. III: 20, 23, 25, 26, 27). In addition to Chamberlain, Balfour lost a number of other talented and experienced cabinet ministers--Charles Thompson Ritchie (Chancellor of the Exchequer), Lord Balfour of Burleigh (Secretary of State for Scotland), Duke of Devonshire (President of Council), and Lord George Hamilton (Secretary for India). Ultimately, Chamberlain was not successful in converting the British public to protectionism. Historian Robert Blake summarises the effect of tariff reform as having

. . . alienated the economists--only four of any standing were in favour of it. Far more important it frightened a great section of the working class to whom cheap food had been a much cherished boon for the last quarter of a century and it annoyed the middle class *rentiers* who saw the prospect of a reduction in the purchasing power of their fixed incomes. It split the Conservative party from top to bottom, creating a disastrous appearance of vacillation and dissension. Finally, it united the Liberals who had been hitherto hopelessly divided on all the main political issues. This is quite an achievement for any campaign.<sup>51</sup>

In the general election of 1906 the Conservatives suffered a humiliating defeat, in large measure because of the fear that tariff reform would raise food prices, and because of divisions within the party on fiscal policy<sup>52</sup>.

## II. THE ISSUES AT STAKE ON THE ROAD TO REPEAL (Volumes I and II)

From today's perspective, the high drama and intense conflict that surrounded the question of protection for grain seems a bit exaggerated. One must bear in mind, however, that during the early nineteenth century the working and middle classes spent a large percentage of their income on food, and central to their food consumption was bread. The price of bread was therefore key to the cost of living. Yet, the importance of the price of bread alone does not reveal why the Corn Laws created such fury in British political life. Underlying the cry for a "cheap loaf" was the economic tension between a rising manufacturing and export industry and a declining agricultural sector, which translated into a struggle for political power between the industrial middle class and the landed aristocracy.<sup>53</sup> The debates focused predominantly on the economic issues and the "interests" who gained or lost from protection--although, ample evidence exists of middle class resentment towards the landed aristocracy for their "political oppression".<sup>54</sup> To the industrialists, the Corn Laws were a form of pilfering by the landed aristocracy. They argued that high food prices, the direct consequence of restrictions on food imports, resulted in near-famine conditions among the poor. Manufacturing districts were particularly hard hit since foreigners, limited in their capacity to export grain to Britain, were unable to import British manufactured goods. Free (and freer) traders provided widely varying estimates of the cost of protection for agriculture--in 1826, J.R. McCulloch estimated the annual cost at £19.7 million (Vol. I: 9), In 1838, Villiers' estimated cost was £15.6 million (Vol. II: 1), and in 1839, James Deacon Hume (Secretary to the Board of Trade) estimated the annual cost at £36 million (Vol. II: 2). G. R. Porter's estimate for 1840 (including duties for silk)<sup>55</sup> was £53.6 million (Vol. II: 27), while



an Anti-Corn Law League circular calculated the total cost of the Corn Laws from 1815 to 1841 as £1,365 million (Vol. II: 13). It was argued that landowners, as rentiers, were the primary if not sole beneficiaries of this legislated protection. Defenders of the Corn Laws retorted that cheap bread (the effect of repeal) would result in lower wages for workers, thus revealing that the “true” motive of the industrialists was to obtain cheaper labour.

Additionally, they argued that agriculture was a unique and ultimately essential industry and therefore deserved to be protected from destruction. Overlaying this clash of interests were arguments concerning aggregate national welfare, such as the effect of repeal on government revenue and the nation’s security.

One way to lend order to the arguments for and against repeal is to group them into two broad categories--those relating to aggregate national welfare, and those associated with the interests of groups or classes.

### *(1) The Corn Laws and National Welfare*

The debate over the nation’s welfare highlighted four main issues: (a) self-sufficiency as a national security concern; (b) the effect of free trade on government revenue; (c) the threat of foreign competition in manufactures; and (d) unilateralism versus reciprocity.

#### **(a.) Food Self-Sufficiency**

While some of the issues that framed the free trade / protection debates are specific to Britain at that time, food self-sufficiency is not one of these. National security remains to this day one of the more compelling arguments for protection for agriculture, since many countries (island nations perhaps more than most) strongly resist forfeiting food self-sufficiency.<sup>56</sup> In the post-war environment of 1815, food security was a particularly sensitive issue. Thomas Malthus argued that to insure steady supplies and price stability, free trade in grain required Britain’s trading partners (and particularly its principal supplier, France) to reciprocate--which did not appear likely (Vol. I: 1). Malthus doubted that sufficient supplies

could be found elsewhere if France ever withheld supplies to Britain. Indeed, he maintained that near independence of foreign supplies would lead Britain to greater prosperity than would free trade in grain. David Buchanan's summary conveys the appeal of the national security argument:

Holding its subsistence at the mercy of those who may either be its enemies, or whose fears for their own support may incline them to impose restraints on exportation, its prosperity stands evidently on a most precarious foundation; since its supply of food may at all times be stopped at the discretion of a foreign power. Against so fatal a catastrophe no country can be adequately secured, except by raising for itself an independent supply of subsistence . . . . (Vol. I: 2)

Even Huskisson wrote in 1814 that, "even in peace, the habitual dependence on foreign supply [of corn] is dangerous" (Vol. I: 19). Free traders such as Ricardo and Mill countered these fears by arguing that (a) free trade in grain would create mutual dependency, with agricultural exporters (especially the United States) becoming equally dependent on British manufactures (Vol. I: 2, 3, 8); (b) no system of restrictions can insure complete food security--indeed, dependence on one's own country's produce can be even more ruinous than dependence on "the annual produce of the whole world" (Vol. I: 8--see also, Vol. I: 2); and (c) opening the British corn market on a regular, rather than an erratic, basis would create an incentive for foreigners to expand their production, which would both alleviate severe price rises in times of scarcity and would diversify Britain's food supply (Vol. I: 3).

In the late 1830s, when the debate had shifted from the form of protection to the existence of any protection, Anti-Leaguers argued that international specialisation of production--with Britain producing manufactures and other countries producing food--was too risky (Vol. II: 22), again using the fear of withheld supplies in time of war. Free traders labelled this a bogus argument for protection, since "(i)n 1810, when we were engaged in war

with almost every European power, we imported 1,491,000 quarters of wheat, nearly half a million of which were obtained from France alone” (Vol. II: 15). Porter wrote that “(t)he dread of dependence upon foreigners for food is, indeed, a childish dread; and we act like children in our choice of a remedy for the evil” (Vol. II: 27). In nineteenth century Britain, as in many countries in the late twentieth century, the dangers adduced to food security as justification for protection are, in Ricardo’s words, “matters of opinion” that cannot “be reduced to accurate calculation” (Vol. I: 3).

**(b.) Free Trade and Government Revenue**

In the immediate post-war period, political economists differed on how free trade might affect the Government’s heavy debt burden. Malthus argued that free trade in grain would exacerbate price deflation which would force up the real interest rate, thereby raising the real value of the Government’s interest payments on the national debt. At the same time that the Government would be forced to pay higher real interest, it would receive less revenue because of price deflation, and thus taxes would rise to a point which Malthus considered to be “absolutely intolerable” (Vol. I: 1). Ricardo responded:

That the stockholder would receive more in real value than what he contracted for, in the loans of the late years, is . . . true; but, as the stockholders themselves contribute very largely to the public burthens, and therefore to the payment of the interest which they receive, no inconsiderable proportion of the taxes would fall on them; and, if we estimate at its true value the additional profits made by the commercial class, they would still be great gainers, notwithstanding their really augmented contributions. . . . The landlord would be the only sufferer by paying really more, not only without any adequate compensation, but with lowered rents. (Vol. I: 3)

This dispute illustrates a number of the critical issues in the debate on the Corn Laws in the post-1815 period. First, there was agreement that the purchasing power of money was

affected by tariff policy, and, specifically (as Marshall noted about a century later -- Vol. III: 8) that tariffs on certain imports into a country raise their value in that country relative to commodities which are not taxed, one of which is gold. Second, and of more significance in the long run to the political debate, was the distributional consequence of deflation. Again, there was no real dispute about the mechanism; deflation benefited holders of fixed interest assets at the expense of landowners. The issue was whether such a redistribution mattered (and this issue remains with us today). For Malthus, it was clear that “(w)e must not imagine that the interests of a body of men, so circumstanced as the landlords, can materially suffer without affecting the interests of the state” (Vol. I: 1). For Ricardo (who unlike Malthus adhered to Say’s Law) the consequence of a redistribution was justified by the greater profits of the commercial class.

In the 1840s, the question of the effect of free trade on the public purse was raised again. Although Peel instituted the first peace-time income tax in 1842, the government still relied on customs duties for 38% of its revenue in 1846.<sup>57</sup> Some protectionists pointed to the £800 million national debt, claiming that free trade would put Britain at risk of failing to meet the interest payments on its debt (Vol. II: 11). J. R. McCulloch and Nassau Senior, both defenders of freer trade, were sensitive to the reliance of the government on customs revenue (Vol. II: 28, 30). Senior advocated levying duties only for the purposes of revenue, while McCulloch reasserted his argument for a moderate, fixed duty to replace the sliding scale. A fixed duty would remedy the problem of speculation and would protect agriculture as a “business”, while also bolstering the government’s revenue. Villiers, a strong advocate of repeal, argued that the Corn Laws actually operated to reduce revenue from customs by increasing the cost of production (presumably by increasing wage costs) and thereby limiting foreign trade. The Corn Laws therefore reduced excise duties by limiting consumption through higher prices. Insofar as customs and excise provided 75% of government revenue, Villiers maintained that savings would be had by repeal. Free traders also tended to link the

revenue issue to the importance of expanding British exports, and thereby ensuring the future prosperity of the country--a topic to be discussed below.

### **(c.) Foreign Competition**

Some historians have imputed a more sinister motive to Britain's move to free trade--that of staving off the competition in manufactures from other countries. Statements from contemporaries lend some weight to this hypothesis. For instance, Senior wrote that free trade would "increase the productiveness of our labour" and "diminish, or perhaps destroy, the rivalry of many of our competitors in third markets" (Vol. II: 30), and James Hume noted that "(a)ltogether, I conceive that the reduction in the price of food, and particularly the admission of it from abroad, must tend to prevent other countries from being able to surpass us in manufactures" (Vol. II: 2). Even as early as 1828, Joseph Hume recognised the American challenge to Britain's industrial dominance: "by opening our ports to [American] grain, we might in a great degree, discourage the disposition to manufacture which they had manifested, and induce them to return to the natural labour of an agricultural country--the production of grain" (Vol. I: 26; see also, Vol. I: 11). Yet free traders viewed trade with the US not in a sinister vein, but rather in terms of simple comparative advantage, as Robert Torrens explained:

In the agricultural regions of America, prosperity is less rapid than it otherwise might be, because the value of raw produce is low, in relation to wrought goods; while, in the manufacturing districts of England distress prevails, because the value of wrought goods is low in relation to food and material. Were the manufactures of England admitted duty free into America, prosperity would be then accelerated; and were the agricultural produce of America admitted duty free into England, the cause of the misery of our people would be removed, and the demand for labour might become as intense as it is in North America. . . . Never before, in the history of the world, did any two countries

possess, in so extraordinary a degree, the power of promoting the prosperity of each other . . . (Vol. I: 15).

Clearly, the extent to which Britain's move to free trade can be said to have been motivated by relative as opposed to absolute gain is, as it was at the time, sensitive to the ideological lens through which one views trade relations.

#### **(d.) Unilateralism versus Reciprocity**

The theory of free trade in the early to mid-nineteenth century was just that--*theory*. No hard evidence existed as to its effects, particularly on its trading partners. While Britain had, after Peel's 1842 tariff reforms, liberalised most of its trade in manufactures, it had not endorsed a policy of universal free trade. One critical question of repeal, then, was--would other countries follow Britain's lead by opening their home markets to British manufacturing exports? That is, what would be the effect of unilateral free trade, with no demands for reciprocal tariff reductions? Free traders maintained that others would indeed follow Britain's lead. James Hume asserted: "I feel the strongest confidence that if we were to give up our protective system altogether, it would be impossible for other countries to retain theirs much longer" (Vol. II: 2). Richard Cobden's ill-proven prediction became fodder for the fair traders of the late nineteenth century: "I believe that if you abolish the Corn-laws honestly, and adopt Free-trade in its simplicity, there will not be a tariff in Europe that will not be changed in less than five years to follow your example."<sup>58</sup> Anti-repealers challenged this claim, arguing that because foreign countries saw infant industry protection as the road to industrialisation, reciprocal free trade would never emerge (Vol. II: 22, 35). Open trade would only materialise through bilateral treaties, according to Archibald Alison (Vol. II: 35). Robert Torrens offered a middle road accepting repeal as inevitable but arguing for retaliatory tariffs for those countries that maintained tariffs against Britain's exports (Vol. I: 15; Vol. II: 32, 33, 34).

*(2) In Whose Interests?*

Both the industrialists and the landowners claimed to be defending the interests of the workers and farmers. Both sought to present their case in terms of the common man and concern for public welfare. Morality and ethics were often woven into their economic arguments in an effort to pitch the battle in terms of good versus evil. Free traders were particularly adept at this form of argumentation, while the protectionists found the morality of protection a difficult case to defend, except by treating agriculture as a “unique” industry (see below). Some free traders argued that free trade constituted (a) a “civil liberty”, as it ensured the right to buy in the cheapest market and sell in the dearest, (b) “political justice”, or a justice which shows no favouritism or partisanship, (c) “peace” in bringing peace between nations and peace between classes, and (d) “civilisation”, or the bringing of man near man, for mutual help and solace (Vol. II: 31). The League, moreover, sought and obtained the backing of the religious community, in spite of Chartists’ efforts to persuade ministers and clergy to endorse a more sweeping campaign for Parliamentary reform (Vol. II: 23).<sup>59</sup> In an effort to regain the moral high ground, protectionists lamely argued that the League denied “the liberty. . . of expressing publicly a difference of opinion”, endangered the peace of society, and failed to tell the “truth” (Vol. II: 22).

Yet, however persuaded the common man may have been by these appeals to a higher order, economic interests lay at the heart of the arguments for and against repeal. These arguments centred on six distinct issues: (a) the relationship between bread prices and wages; (b) class conflict; (c) the taxation of landowners relative to other groups; (d) the extent to which farmers, as opposed to landowners, benefited from protection; (e) agriculture as a “unique” industry deserving of protection; and (f) the effect of the Corn Laws on the export trade.

**(a.) Bread and Wages**

If one topic could be labelled as central to the debates between free traders and protectionists, it was the relationship between bread prices and wages. In the immediate post-war period, political economists clashed repeatedly on whether free trade led to higher or lower wages. Malthus and Spence maintained that lower food prices, resulting from free trade, would lower wages for agricultural labour. Displaced agricultural labourers would then seek employment in industry, thus raising unemployment in industrial areas (Vol. I: 1, 4). In a head-on confrontation, Buchanan found that Malthus arrived at some “rather strange conclusions; for if his reasonings be just, an abundance and low price of provisions would in all cases be a disadvantage to the labourer, --while a scarcity, with its necessary attendant a high price, would be an advantage” (Vol. I: 2). Malthus is said to have pushed Adam Smith’s principle “that the average price of corn regulates the rate of wages” further to argue “that a high money price of corn gives the labourer the same command over the necessaries, *and a greater command* over the luxuries of life”:

Now we have always understood, that when corn rose in price, it was only that part of the labourer’s wages which was converted into corn, that was supposed to be affected by the circumstance. A rise in the price of corn was always said to be followed by a *corresponding* rise of wages, --in other words, by such a rise as enabled the labourer to consume the same quantity of corn as before: But it was never understood, though Mr Malthus now seems to maintain this doctrine, that this rise of wages added to his power of purchasing *other* articles; nor are we aware, indeed, of any principle on which so startling a theory can be supported (Vol. I: 2).

Freer traders (Ricardo, Torrens) maintained that protection resulted in lower, not higher wages, since it lowered profits for manufacturers and farmers and thereby forced them to cut production costs by reducing wages (Vol. I: 6, 14). In the late 1830s, Torrens stressed that free trade would raise wages by allowing workers to be paid according to their higher



productivity relative to foreign labour (Vol. II: 25). Porter agreed with Torrens that high food prices did not yield high wages, but just the reverse (Vol. II: 27). High prices for food were said to have lessened the demand for labour and therefore lessened wages (which rests on the argument that demand for food is price inelastic, and that the demand for other goods-- notably manufactured goods--is more elastic with respect to food prices). James Pennington rejected the hoopla associated with this issue, arguing that free traders and protectionists alike exaggerated the effects of repeal on corn prices (and on domestic agriculture more generally) (Vol. II: 26). He doubted that the quantity of foreign grain available to Britain would be great enough to bring about any significant fall in prices. In defence of the protectionist case, Alison argued that repeal would only temporarily lower prices. Once foreigners became monopoly suppliers of grain to Britain, they would use this opportunity to raise prices (Vol. II: 35).<sup>60</sup>

Chartists were drawn to the Malthusian argument, suspecting that the true motive of the industrialists was to obtain lower wages through repeal<sup>61</sup>. Anti-repealers were happy to feed this suspicion. League circulars and Anti-League pamphlets were filled with claims and counter-claims about the effect of bread prices on workers wages (Vol. II: 14, 15, 20, 24). Villiers, in a House of Commons speech in 1845, remarked that he had looked “over all the publications of the Protection Society, and he found that the leading topic, from beginning to end, was that if you made food cheap you would reduce the wages of the people, and that if you made it dear you would increase their wages. Was he to understand, then, that there were still some persons in that house who maintained this doctrine?”<sup>62</sup>

### **(b.) Class Conflict**

A second issue--indeed, for some historians, the *key* issue--was class conflict between the industrial middle class and the landed aristocracy. While Chartism raised the pitch of class conflict (Vol. II: 8, 14, 23), further Parliamentary reform was so remote at this time as to place working class conflict in the shadow of the main struggle. Perhaps one of the clearest statements of the class conflict between the industrialists and the aristocracy was in a

speech by Bright in Covent Garden (Vol. II: 19). According to the *Times*, the theatre was filled to overflowing and the popular speaker was received “with deafening cheers”.<sup>63</sup> Bright’s incendiary speech spoke of the free trade struggle as “a struggle between the numbers, wealth, comforts, the all in fact, of the middle and industrious classes, and the wealth, the union, and the sordidness of a large section of the aristocracy of this empire”. The League presented itself as a defender not only of the middle class but also the working class, and even tenant farmers, against the landed interest. Landowners, in turn, maintained that the manufacturing class constituted only a small percentage of the population, and it was only by enjoying an innate skill at organisation that this class had acquired influence beyond their share. Free traders vehemently rejected that the battle for repeal was for the sole benefit of industry, as T.P. Thompson’s lengthy reply to Sir John Sinclair demonstrates (Vol. II: 24 - No. 307). A more sophisticated variant of the landowners’ counter-attack is seen in E.S. Cayley’s address in 1844 (Vol. II: 22). Cayley called upon Adam Smith to argue that because land is (internationally) immobile and capital is (internationally) mobile, landowners had an “abiding interest in the country in which they live” since they could not pack up their land and move it to another country.<sup>64</sup> Thus, the landowners were able to turn on its head the industrialists’ implicit threat of capital flight to the continent if repeal was not forthcoming (Vol. II: 2).

### **(c.) Taxation of Landowners**

A third issue is closely related to class conflict--namely, the supposed heavy tax burden incurred by the landowners. Defenders of the Corn Laws suggested that because landowners paid disproportionately high taxes, they were entitled to protection as compensation for their tax burden (Vol. I: 4, Vol. II: 22). Even Ricardo conceded that a tax such as the tithe, which fell on producers of one commodity, did raise the relative price of that commodity and therefore justified compensatory protection--namely a countervailing (fixed) duty and a drawback on exports (Vol. I: 6). Initially, Mill conceded that agriculturists may be taxed more heavily than manufacturers, and thus allowed for the possibility of a

countervailing duty (Vol. I: 8). At the same time, however, he noted the economic waste associated with a tariff as a means of transferring wealth:

If . . . there were nothing in the whole process but a transfer; if whatever is lost by the consumer and by the capitalist were gained by the landlord; there might be robbery, but there would not be waste; there might be a worse distribution of the national wealth, but there would be no positive diminution of its aggregate amount. The evil of the Corn Laws admits not even of this alleviation; they occasion in all cases an absolute loss, greatly exceeding the gain which can be derived from them by the receivers of rent; and for every pound which finds its way into the pockets of the landlords, in consequence of the Corn Laws, the community is robbed of several position.

Indeed, Mill estimated the Corn Laws to be three, four or five times as costly as would be a direct transfer to landlords. His preferred option, therefore, was to repeal the Corn Laws but provide direct compensation to landlords. A year later, Mill revised his position, arguing that landlords actually received a far greater share of the transfer than he (and others) had originally thought (Vol. I: 10). Rather than receiving just one-fourth of the protection “tax”, landlords were said to receive “ten elevenths” of the bread-tax. He thus argued that the key issue was not economic waste, but rather rent-seeking<sup>65</sup> by landowners. Mill critically surveyed the taxes that were said to weigh more heavily upon agriculturists and found virtually no case for the payment of a countervailing duty (which he earlier had accepted as a second-best alternative). The goal, he argued, ought to be to equalise domestic taxes (although the degree of inequality was much smaller than agriculturists argued), not try to remedy unequal taxes through a countervailing duty that would have the effect of increasing the consumers’ tax burden and lower profits<sup>66</sup>.

Anti-Corn Law Leaguers hammered away at the “heavy tax burden” argument of the agriculturists with evidence that the land tax had not increased since 1692, while land values (and therefore, rents) had increased seven-fold (Vol. II: 13, 15, 27).

**(d.) Farmers versus Landowners**

While complaints of a “heavy tax burden” emphasised the common interest of *all* agriculturists in protection, economists argued that the interests of landowners and farmers were, at their very core, diametrically opposed. The theory of rent developed by Malthus, Torrens, Ricardo, Mill and others, though not necessarily intended to drive a wedge between landowners and farmers, did just that. From Ricardo’s perspective, the theory of rent explained why the amount of rent varied according to the productivity of the land. Phyllis Deane provides a succinct summary of Ricardian rent theory:

It started from the assumption that land is specialised and in fixed supply but that it is not all in use. As population grows and capital accumulates new land is taken up. The cost of production of corn will vary with the fertility of the soil and its situation in relation to the market, but price must of course be high enough to cover the cost of production on the least productive piece of land in use--on the marginal land as we would now say. On this marginal land production will just cover costs and there will be no rent payable in the Ricardo model. On better land a surplus will be obtainable which will accrue directly to the owner of the land if he cultivates it himself or will be paid by tenants competing for the better pieces of land. In this model therefore rent is price-determined rather than price-determining and is a surplus over and above the basic cost of production determined by capital and labour inputs required by the marginal land.<sup>67</sup>

While Ricardo denied that “he was the enemy of the landlords” (as he was a substantial landowner himself)<sup>68</sup>, the theory of rent proved essential to the anti-landowner arguments of

his followers. It allowed economists and politicians alike to erect a divide between the interests of the landowners and the interests of tenant farmers. The argument put to tenant farmers was that it was the landlord, not the farmer, who benefited from high food prices. As food prices rose, so too would the value of land. Thus, while in the short term farmers may enjoy the benefits of higher prices for their produce, in the longer term, as they renewed their leases, these benefits would evaporate with higher rental charges (Vol. I: 15 [Letter 8], 26; Vol. II: 13, 16, 25, 34)<sup>69</sup>. Only when tenant farmers possessed long leases would their interests resemble those of landowners. Mill, moreover, criticised landowners for attempting to disguise their narrow protectionist interests by presenting themselves more broadly as the “agricultural interest”:

Instead of proving (what their language implies) that rich landlords are more conducive to the happiness of the community than cheap corn, they talk vaguely about the necessity of protecting agriculture: thus endeavouring to make the public forget that this idol called agriculture, when narrowly inspected, proves to be no other than themselves. . . . The artifice, however, is not without its use: “Protect agriculture,” has a better sound than, “Give me your purse;” and many a man will readily do for the “protection of agriculture,” that which he would have hesitated to do for the mere purpose of enriching the landlords (Vol. I: 8).

Politicians hotly debated the landowner’s--as opposed to the farmer’s--stake in protection. During the 1815 Parliamentary debates, free traders argued repeatedly that the proposed bill would serve only the interests of landowners, not of farmers, labourers, and certainly not of capitalists (Vol. I: 20). Yet it was not until League campaigners actively targeted farmers, attempting to persuade them that their interests lay in free trade not protection, that the issue became full-blown. Because the League endeavoured to present itself as a movement that included the interests not only of industrialists but also of farmers

and farm labourers, driving a wedge between landowners and farmers was central to their strategy. To this end, Cobden shifted the focus of the League away from the theme of urban distress to an attack on the rental income of landowners (compare Cobden's speeches in the Commons, Vol. II: 3 and 4). Cobden asserted that "if the corn law operates to cause a profit at all, it also operates to put that profit into the pockets of the landlord".

Lacking a strong theoretical foundation upon which to construct a rebuttal, protectionists were left with weak arguments that did little more than challenge the numbers used by Leaguers. For instance, one protectionist attempted to use the League's own data (presented to manufacturers to illustrate the high prices they were forced to pay because of the Corn Laws) to demonstrate the inconsistency in its argument. Ignoring the question of rents, George Game Day argued that the League could not, on the one hand, tell manufacturers about the high prices they paid as a result of food tariffs, and on the other hand persuade farmers that they did not benefit from the high prices associated with the Corn Laws (Vol. II: 21). Other landowners challenged the rent argument directly, claiming that landowners received only three-percent return (rent) while capitalists received from 20% to 50% interest on their investments (Vol. II: 22; for earlier protectionist responses to the rent argument, see Vol. I: 4, 12).

**(e.) Agriculture as "Unique"**

Unable to draw upon the rich theory of the political economists, agriculturists often resorted to non-economic reasons for protection. Similar to farmers in present day Japan, Europe and the United States, British farmers and landowners wholly believed that agriculture was a unique industry, and thereby entitled to special privileges. For Malthus, the landowning class was central to the wealth and prosperity of the state: "there is no class in society whose interests are more nearly and intimately connected with the prosperity of the state. . . . (W)e must not imagine that the interest of a body of men, so circumstanced as the landlords, can materially suffer without affecting the interests of the state" (Vol. I: 1). Anti-Leaguers echoed this sentiment, often by quoting Adam Smith: "The land is the greatest,

most important, and most durable part of the wealth of every extensive country,” whereas “capital . . . is . . . a very precarious and uncertain possession, till some part of it has been secured and realised in the cultivation . . . of its lands” (Vol. II: 22). Protectionists argued that agriculture’s status as producer of the nation’s food supply meant that it could not be allowed to decline, since this would create a dangerous reliance on untrustworthy foreigners for food (thus relating back to the earlier national security argument). They further asserted that agriculture, unlike industry, provided employment for the vast majority of British labour.

Free traders decried the basis of agriculture’s claim to “uniqueness”, maintaining that agriculture was no better or worse than any other business, which, if unprofitable, closed up shop and reallocated its resources elsewhere (Vol. II: 24, 31). During the Parliamentary debates on the sliding scale, Joseph Hume argued that agriculture should be treated just like any other industry in reference to protection--namely, “that we should buy every thing at the cheapest price at which the raw material or the manufactured . . . could be obtained, in order that we might command for the least sum the greatest quantity . . .” (Vol. I: 26). Eleven years later, James Deacon Hume bluntly stated before the House of Commons Committee on Import Duties, “I conceive myself, if I were compelled to choose [between protection for food or for manufactures], that food is the last thing upon which I would attempt to place any protection” (Vol. II: 2). Anti-protectionists also tended to dismiss the fear that lay at the heart of this issue--namely, that free (or freer) trade would bankrupt all of British agriculture. McCulloch offered extensive evidence to suggest that free trade in corn would affect only the marginal producers, and certainly would not seriously threaten the future of British agriculture (Vol. I: 9). Whatever the shortcomings of his statistical analysis (as criticised by Robinson--Vol. I: 12), the aftermath of repeal generally supported McCulloch’s claim (see also, Vol. IV: 15).

#### **(f.) The Export Trade**

A final issue of interests touches on the core feature of industrialisation--a rising industrial sector and a declining agricultural sector. The middle classes, and eventually many

MPs, recognised that the present and future of the country's wealth depended on industry, and not on agriculture. When asked, "Do you consider the wealth of England to be caused and maintained by her commercial and manufacturing industry?" James Hume replied, "Certainly: if meant as in contradistinction from the produce of the soil. . . . [H]aving always had the land, but not the trade, I must conceive that the increase of our riches arises from the trade and not from the land" (Vol. II: 2).

Prior to the export growth of the early to mid-1830s, protectionists' dismissal of the export market in favour of the home market made some sense. In 1815, Malthus wrote that "(t)he quantity of a country's exports is a very uncertain criterion of its wealth. The quantity of produce permanently consumed at home is, perhaps, the most certain criterion of wealth to which we can refer" (Vol. I: 1). Others similarly favoured the home market over the export market (Vol. I: 4, 5). Cayley offered a particularly interesting slant to the home market bias, arguing that because Britain possessed no unique (or "natural") comparative advantage, other countries would eventually catch up and overtake it in manufacturing. To rely on the export market as the means to ensuring the wealth of the country was therefore illusory. On the other hand, if Britain focused on its home market, it could ensure its "well-being", as measured in terms of *full employment*:<sup>70</sup>

But the truth is, and it cannot be concealed, our machinery cannot remain a secret; it will fly abroad in spite of us . . . . This proves machinery no *natural* advantage, and exhibits England in a light so far unfavourable to free trade; for no nation can profitably form part of a free trade convention, unless it can furnish from its own internal resources some commodity or commodities peculiar to itself, which it can exchange with other countries, for commodities peculiar to them. . . . [England's] advantages are all artificial, and acquired at the cost either of experience, or a long course which liberty has allowed to her ingenuity; for which she has no patent for the exclusive use; while the advantages of many other countries are natural, immovable,



and at small comparative cost. Coal, iron, canals, machinery, mechanical genius, capital: --all these America, a flourishing scion from the same stock of liberty, has in abundance, but the last, which however will soon come either from internal or external sources. England has plenty to dispose of at a low rate to the highest bidder (Vol. I: 13).

Cayley's attack on free trade was also unusual in that it included a criticism of classical trade theory's emphasis on specialisation of production according to the principle of comparative advantage. Specialisation, Cayley argued, would undercut a well-diversified economy, the value of which was that it allowed flexibility and resilience in overcoming economic downturns. Contemporary authors have credited Cayley as recognising economic fluctuation as a cyclical feature of a *laissez-faire* economy:

For Ricardo and his followers the commercial crisis is a random and quite temporary aberration from the normal state of full employment. They do not countenance the idea that boom and depression might be connected in a repetitive pattern. Yet Cayley, and later Marx, argue that cycles in the sense of alternating periods of construction and destruction of capital values, are self-perpetuating.<sup>71</sup>

While Cayley's form of political economy was certainly outside the mainstream, it is one of the clearest and most persuasive arguments against free trade during this period.

### III. FROM ABSOLUTE TO RELATIVE GAINS (Volumes III and IV)

In many ways the parallel between late nineteenth century Britain and late twentieth century US is illuminating. Both countries had strongly supported (Britain more than the US)<sup>72</sup> a policy of free trade. Both countries then found themselves facing new trade rivals

that were seen to be gaining unfairly at Britain's or America's expense. In both cases, at core was (and for the US, remains) how to interpret "relative economic decline". Were they declining relatively, and if so, did this matter if they continued to exhibit absolute economic gain? In Britain, the neo-mercantilist challenge to free trade was particularly stark, coming as it did in the wake of a popularised acceptance of the "wisdom" of free trade. Until exports slumped during the Great Depression, free trade was singularly credited (unrealistically) with having brought about British prosperity. Because classical political economy had become popularised (in part, from the efforts of the Anti-Corn Law League), free trade acquired an almost sacrosanct policy status. Free trade had evolved from theory to dominant *ideology*. It is therefore not surprising that the debate over Britain's absolute versus relative gains from trade was couched more in terms of ideology than economic interests. Antagonists were far less concerned with the effect of free trade or protection on specific classes of individuals and far more concerned with the effect on the nation as a whole. Protectionists generally accepted that free trade was correct for Britain when it enjoyed undisputed industrial dominance, but challenged the continuance of this policy in a new world of fierce competition by industrial rivals. At heart was an ideological challenge to the role of the state in managing trade policy. Could Britain remain a passive state in a world of state activism in trade policy?

The articles in Volume III reflect the multiplicity of issues that characterise the free trade - fair trade debates and the tariff reform campaign. This overview addresses just a few of the many issues raised during these debates (however, interested readers may wish to explore several others<sup>73</sup>): (a) Was Britain experiencing relative economic decline, and if so, with what effect?; (b) What was the significance of Britain's growing trade imbalance?; (c) Could the cost of protection be shifted to foreign countries?; (d) Was free trade welfare-enhancing when other countries protected?; (e) Could the British state remain passive in a world of state activism?; (f) Could retaliation actually bring about free trade, or was it a fig leaf for permanent protection?; and (g) Could commercial union of the British Empire

(through imperial preference) allow Britain to retain its economic dominance?. Several of these issues have been taken up in the recent secondary literature (Volume IV) and where relevant, I note this. By way of conclusion, I examine one further issue that was of marginal interest to tariff reformers but has formed the core of the recent literature on nineteenth century British trade--that is, what was the actual purpose of repeal? A comparison between the perspectives of fifty years and one hundred and fifty years demonstrates one overarching theme: interpretations of Britain's unilateral decision to adopt free trade show no sign of converging.

**(a. & b.) Relative Economic Decline and the Trade Imbalance**

How does one define "relative economic decline"? How would we know it when we saw it? Just as economists and political scientists of the late twentieth century debate the meaning of America's "relative economic decline" so too did their nineteenth century counterparts grapple with this concept. Some chose to rely on export data to demonstrate Britain's imminent demise (Vol. III: 9, 19), while others criticised such evidence as inherently misleading (Vol. III: 12). Other critics of the relative economic decline argument maintained that direct comparisons of economic growth between industrialised and industrialising countries were unjustified (Vol. III: 3, 4). These critics envisaged industrialisation in stages (e.g., in the Rostovian sense), so that to compare countries at different stages was like comparing the growth rate of adults with that of children.

Recent work in economic history contributes a clearer understanding to the importance of relative versus absolute economic growth. This has been characterised by Donald McCloskey under the title, "Did Victorian Britain Fail?".<sup>74</sup> Trade is at the heart of this debate (just as it was at the time) because, as Knick Harley has suggested:

The rate of growth of industrial production and of income in Britain declined about the same time as the growth of exports declined; Britain's growth on all scores was slower than that of her "rivals" (as Germany and the United States came increasingly

to be called). These two observations have led many to suggest that the one decline in exports caused the other decline in income and industry. In the 1890s especially the editorial pages and parliamentary debates spoke of “defeat” in a German commercial “invasion”, or of the “conquest” by Americans of another “outpost” of British exports.<sup>75</sup>

The debate among economic historians has several strands, but at one level it has been a clash between Keynesian orthodoxy and the older Marshallian tradition cloaked in its newer Chicago robes. In the Keynesian analysis, with the British economy operating at less than the full employment level, an increase in export demand would feed through directly into national income. But, as Alfred Marshall noted,

England’s export trade, though still very much larger in proportion to population than that of Germany and America, is not increasing as fast as theirs. But this fact is not wholly due to causes which indicate relative weakness. The chief cause of it is that the improvements in manufacture and in transport, aided by Free Trade, enabled England to supply her own requirements as regards food, clothing, &c., at the cost of a continually diminishing percentage of her whole exports. Her people spend a constantly diminishing percentage of their income on material commodities; they spend even more and more on house-room and its attendant expenses, on education and on amusement, holiday travel, &c. Present censuses show a progressive increase in the percentage of Englishmen who earn their living by providing for these growing requirements. That is to say, the number of Englishmen who devote themselves to producing things which might be exported in return for foreign products; and therefore England’s foreign trade, measured in money, increases but slowly. Of course, if her foreign trade be measured by the quantity of things exported and

imported, it is increasing very fast; but still it is not increasing as fast as that of Germany and America. How far is this really an evil? (Vol. III: 8)

In the language of neo-classical economics (and as McCloskey has argued), because the Victorian economy contained no substantial pool of unemployed resources, Britain's failure to keep up with Germany and the US in export markets was not a principal cause of slower growth. Rather, the economy faced supply-side limits. The argument about relative failure is, however, more complicated than this rather simple analysis suggests because of the influence of hindsight. Britain's problems caught up with her in the inter-war period, and prompted the abandonment of free trade in 1931 and the steep decline of the old staple industries of the nineteenth century. While the origins of this failure were evident in the post-1870 period (e.g., over-dependence on old staple industries and inadequate technical education), it is important to remember that for the policymakers of the time relative decline did not connote absolute decline for an economy that was operating at or near to full employment and exploiting comparative advantage through its pattern of trade.

The relationship between visible exports and economic growth is one aspect of the dispute over Britain's relative decline. Mirroring the relative decline in the rate of its visible exports was the rise in its invisible exports which, as discussed earlier, resulted in a substantial current account surplus. Capital exports were an alarming development in the eyes of fair traders and tariff reformers (although less so for the latter since Chamberlain's imperial preference scheme was designed to focus British foreign investment on her colonies so as to harness the benefits of investment). Critics lamented that Britain was becoming less an industrial country and more a creditor country, with much of its capital directed towards its industrialising competitors where returns were higher behind high tariffs (Vol. III: 1, 5, 19). As a consequence of both capital and machinery exports, Britain's foreign competition was said to be its "own Frankenstein's creation" (Vol. III: 9). Free traders, in turn, discounted criticism that Britain was "living on its capital" and that as a consequence, its

industrial workforce would face increasing unemployment (Vol. III: 2, 7, 20). In a letter to Balfour, Percy Ashley argued that if Britain was “living on its capital”, then:

(S)urely the wealth of the country would be declining, --you can't both spread your capital and have it; yet, taking such indices as we have, the capital of the nation is not declining. The income tax returns (which represent return on capital to a large extent) are steadily rising; the deposits in the Joint Stock Banks, and the Savings Banks are rising persistently. . . . [Moreover, ] though we are becoming more banking and less industrial (relatively though not absolutely) I cannot see that any such suffering to the working class (beyond that amount which inevitably accompanied all economic change, and against which economic history shows conclusively that no legislation can guard) - I cannot see that any serious suffering is likely to befall the workers” (Vol. III: 7).

That free trade and capital exports went hand in hand is without question among modern economic historians. Yet some disagreement remains on how to interpret the politics of capital exports. For some, free trade and capital exports were “twin supports” of Britain’s “free trade imperialism”. As manufacturing exports declined in relative terms, so too did Manchester’s centrality to British imperialism. The City of London eclipsed Manchester as the engine of imperialism as capital exports continued to expand. According to P.J. Cain and A.G. Hopkins,

From 1875, while Britain’s dominance of international finance increased, her industrial sector began to decline relative to her major competitors. Free trade and invisible exports, the twin supports of financial supremacy, played their part in emphasising and underwriting the decline of industry. . . . Success in international finance depended upon free trade; but free trade harmed industry by exposing it to

competition from protected industries abroad. Foreign investment could still generate export orders but, given declining competitiveness, an increasing percentage of foreign loans went to encourage the export industries of rival powers. (Vol. IV: 1)

Cain and Hopkins argue that capital exports allowed Britain to coerce debtor countries “into adopting internal financial strategies which fitted in with Britain’s international economic role” (Vol. IV: 1). For others, such as Anthony Howe, capital exports did not bestow upon the City of London the control of British foreign economic policy (Vol. IV: 7). Howe faults Cain and Hopkins for wrongly assuming that (a) the City had a major influence on decision-making; (b) what influence the City may have had could have been detrimental to British industry; and (c) the City could even have articulated a single policy preference, given its internal divisions according to interests, functions and ideology.

To be fair, the relationship between free trade and capital exports is complicated. In neither the nineteenth century nor at present has a clear picture emerged to explain how capital exports affected domestic political alignments or Britain’s external relations. The picture is complicated further by Chamberlain’s strategy to consolidate British foreign investment within the Empire, and thereby capture more fully both the political and economic benefits from foreign investment. I will return to this point below.

### **(c., d. & e.) Shifting the Cost of Protection, and a Free Trade State Among Protectionists States**

Modern textbooks on trade theory allow for the possibility that a country can improve its terms of trade by imposing a tariff, but only if the country is large and foreign countries do not retaliate.<sup>76</sup> As the tariff reduces the demand for imports (at given world terms of trade), it also reduces the quantity of exports supplied, and therefore forces up the relative price of its exports on world markets. A higher relative price of exports means a lower world relative price of imports, in other words, an improvement in its terms of trade.

In order to assess whether Britain gained from free trade, it is useful first to examine her situation at the time of repeal, and then move on to the later period. From section II, we know that political economists differed on the expected gains from unilateral free trade. Ricardians and Cobdenites believed that unilateral free trade was optimal, even if other countries continued to protect. Torrens, on the other hand, argued for reciprocal free trade. The difference between these positions is that Ricardo assumed that Britain was a small country (a price-taker) while Torrens assumed that Britain was a large country (a price-setter). That is, Ricardo thought that Britain's domestic terms of trade was exogenous, while Torrens thought that more British exports would lower the price of manufactured goods. Recent economic historians have continued this debate in an attempt to gauge the payoff from unilateral free trade. Douglas Irwin (Vol. IV: 13) follows Torrens' model, concluding that Britain's welfare probably did decline from unilateral free trade; however, he maintains that a more definitive estimate would have to include foreign tariff reductions in the model. Jeffrey Williamson (Vol. IV: 14) rejects Irwin's concern with aggregate national welfare, arguing that at the core of the repeal debates were distributional issues (or, what I have characterised here as the debate over interests). Williamson constructs a general equilibrium model to gauge the welfare effect of repeal. Applying his general model, he pits Ricardo's small country assumptions against Torrens' large country assumptions, and finds that the welfare effect of unilateral free trade differs markedly with different elasticities of demand. With Ricardo's assumptions in the model, he finds that the clear winners were manufacturers and the clear losers were landlords and tenant farmers.<sup>77</sup> At the same time, urban labour's cost of living would have fallen by a quarter, with wages falling by just one percent. Using Torrens' large country assumptions in the model, Williamson finds that "profits in manufacturing would have *declined* (and by almost 22%), a result which would have surprised Ricardo and the Anti-Corn Law League who saw the British economy more in small country terms." Under Torrens' model, the Corn Law tax would in part have been paid by foreigners facing worsened terms of trade. Williamson concludes that "(t)he moral of the story is this: the



lower were elasticities in overseas markets for British manufacturers, the more would the Corn Laws have served to improve Britain's terms of trade, the more would foreigners have paid the subsidy to grain producers and their landlords, and the smaller would have been the burden on capitalists in manufacturing." Hence, Williamson notes that the question of whether free trade was welfare-enhancing depends "on the trade elasticities one thinks best characterised the British economy at this time, elasticities on which we have only recent and limited evidence."

Debates among the political economists of the late nineteenth century reflected some understanding of trade elasticities and the underlying large versus small country assumptions. However, because their thinking obviously did not benefit from theoretical developments in neo-classical trade theory and cliometrics, their arguments were not as clearly articulated or as consistent as modern economists would demand. The effect of protection on Britain's terms of trade centred mostly on a discussion of whether the foreigner could be made to pay at least part of the cost of the duty. Chamberlain set the tone of the debate, claiming that Britons would pay only a fraction of the duties that were central to imperial preference (Vol. III: 22). Most of the cost, he asserted, would be born by foreigners. In support of Chamberlain, J. L. Garvin wrote, "(w)here the tariff is well adjusted it is certain that either the foreigner will pay the tax or we shall take the trade" (Vol. III: 11). Supporters of free trade disputed Chamberlain's logic (Vol. III: 6, 8, 10, 13). Bastable argued that only if British import demand were weak (elastic), and Britain enjoyed a monopoly of consumption could it shift the cost of a tariff to foreigners. Because these conditions rarely held, however, he argued that it would be extremely difficult to shift the cost of the duty to foreigners, unless Britain acted in concert with other consuming countries. (And even then, the best strategy would be to free ride--i.e., not impose a duty--while the consortium of consuming countries forced down the world price of the dutied item. The free trade country would then enjoy the lower price of the import, although it would necessarily forego the tariff revenue.) Marshall noted that while Britain may have enjoyed a monopoly of manufacturing exports in the early

nineteenth century (and thus may have been able to transfer the burden of her import duties to foreigners), it had long since lost its monopoly position. Her ability to transfer the burden of import duties had been undermined both by the growth in foreign industrialisation and by the growth of the British population (which had increased her demand for foreign imports). He concluded, therefore, that the burden of new import duties would be born by British consumers. Finally, John Robertson noted the inherent incompatibility of providing relief to home producers (through protective duties) and forcing the foreigner to pay the duty. If the foreigner was forced to cut his prices in the British market, the British producer would not be relieved from foreign competition. If the foreigner did not cut his price, it was the British consumer, not the foreigner, who paid the duty. Britain could not have it both ways.

Shifting the tax burden was just one aspect of the wider discussion of the welfare gains from free trade. The broader issue was whether or not the absolute gains from free trade outweighed the relative costs. While the theory of free trade made sense while Britain was strong, was it equally applicable as her position declined (relatively)? Had Ricardian classical political economy become a liability in a world that appeared less as a positive sum and more as a zero sum game? Arthur Stein has recently pointed to the dilemma faced by dominant states (hegemons) in the international arena:

To maximise one's own returns requires a commitment to openness regardless of what others do. To maximise one's relative position, on the other hand, calls for a policy of continued closure irrespective of others' policies. . . . The policies the hegemons adopted actually insured that they would experience a relative economic decline and in time, therefore a decline in their hegemonic position. (Vol. IV: 16)

In this view, Britain's absolute gains from free trade were purchased at the expense of its relative position. What, then, were the absolute gains from free trade, as perceived by contemporaries of the period? According to G. Armitage-Smith (Vol. III: 4), free trade had

increased the wealth of the UK from £155 per person in 1840 to £295 in the late 1890. Savings had increased and housing property had risen fourfold. A labourer's average weekly taxation had fallen from 43s. to about 12s., and the average consumption of food items had increased substantially. Crime rates had fallen, leisure time had increased, and Britons enjoyed better health and education. Percy Ashley and others noted that free trade gave Britain a cost advantage against protective countries in securing access to a third country's market (Vol. III: 6, 7). He accepted that some industries would invariably decline as they faced lower-priced imports from new competitors, but balanced this against the new industries that would emerge to replace the old ones. Protectionists called into question this faith in the inevitable growth of new industries:

Mr. Chamberlain's opponents cannot argue upon their own principles that the British iron and steel industry will not be destroyed. They must argue upon their principles no less in this case than in the case of agriculture, that it probably will be destroyed. The professors can only tell us in this case, as in the former, that we shall get another trade. What other trade? They certainly cannot tell us. (Vol. III: 9)

Because protectionists doubted the promise of new products and new industries, it seemed logical to preserve the country's existing "leading" industries--particularly if it was clear that those industries exhibited extra benefits that could not be had from other industries.

Foreshadowing strategic trade theory, many protectionists argued that scale economies meant that the form of specialisation mattered (Vol. III: 9, 11).<sup>78</sup> Firms that produced iron, steel and machinery were unique in that producers could obtain economies of scale in production. At this point, the absolute gains from unilateral free trade began to pale in the face of relative gains from strategic trade.

For protectionists, large markets were the key to relative gains from trade. The *cost of production*, which free traders held to be the linchpin of absolute gains from trade, was far

less relevant than the *demand* for British manufactured goods (Vol. III: 6, 9). In response to the historic 1820 petition of the City of London, which asserted that ““buying in the cheapest and selling in the dearest market”” was ““the best rule”” for Britain, Garvin wrote: “(t)hat celebrated form of words has simply no application to the conditions of British business. It is more and more a question to-day of buying in the cheapest market and selling in the biggest, upon the principle of small profits and largest transactions” (Vol. III: 11). Germany and the United States, both of which enjoyed a larger domestic market than Britain, further enlarged their own markets by having free access to the British market. Britain was denied a similar strategy because it faced high German and American tariffs. The benefit of comparatively larger markets was, of course, that German and US firms could exploit economies of scale production, thereby underpricing British firms both in third markets, and even more grating, in its own home market. As Arthur Balfour argued, foreign producers were able to exploit economies of scale in production by securing larger markets, which in turn allowed their producers constant demand and constant employment for labour and capital (Vol. III: 19). British free trade was said to have reduced its “productive energy, while the American and the German systems sustain at the maximum the productive energy of those nations” (Vol. III: 9).

The practice of dumping goods went hand-in-hand with large markets and economies of scale production. German and American firms sustained high levels of production by dumping surpluses on the British market while, with no outlet for their surplus, British firms were restricted to underproduction (Vol. III: 9). Balfour argued that dumping not only threatened domestic producers but it also disorganised domestic industry and misallocated capital and labour. Moreover, dumping limited Britain’s exports to third markets which also received dumped goods (Vol. III: 19). The response of free traders was multifaceted. Pigou suggested that the evidence of dumping by German iron and steel makers did not appear to have caused any decline in the output of domestic industry in Britain (Vol. III: 12). Moreover, he asserted that economies of scale production (and in particular German cartels)

did not promote stability--indeed, the evidence suggested that cartels produced frequent disruption, not stability. Pigou also noted that German cartels did not seek to destroy domestic industry and then exploit the subsequent monopoly (i.e., “destructive dumping”), but rather simply offloaded surplus produce (Vol. III: 10). Such dumping (which often meant price discounts of 50% to 75%) could even, in Ritchie’s view, aid British producers of intermediate goods, who often relied on cheap imports for manufactured final products (Vol. III: 16). On the whole, free traders found dumping to be a fairly harmless and even rather peculiar practice which could not be sustained for any length of time:

(T)hat the mass of traders of any nation should habitually sell goods to foreigners at a low price, and should recoup themselves by selling them to their own countrymen at a comparatively high price, is a practice which, so far as I know, is unprecedented. And that any Government should enable and encourage them to pursue this practice by protecting them in the monopoly of the home market, and should think that by so doing they were increasing the wealth and productive power of the country, would be incredible of any men out of Bedlam, if it did not seem to be the policy of the present rulers of Germany. To induce manufactures to sell dear at home and cheap abroad; to make your countrymen pay for dear goods, and to give them away to the foreigner, is a policy of which our own Protectionists and Fair Traders, however great their absurdities, would be heartily ashamed. . . . [Britons] may be annoyed that such a nation as Germany should add to the general depression by fostering unnaturally cheap exports at the expense of her own people . . . but we need not be alarmed. Such a course cannot last. Nor can it make Germany richer or more powerful, for purposes of competition or otherwise. And in the meantime we get cheap goods at her expense. (Vol. III: 3)

There are few clearer statements than this in conveying the trade-off between relative and absolute gains. For free traders such as Farrer, that a Government could actually encourage a policy that harmed its own consumers in order to gain relative to other states was beyond comprehension. And yet, a shift in thinking about the role of the State was precisely what underpinned the ideological challenge to free trade. Protectionists attacked “Cobdenite political economy” for having assumed that the natural relation of peoples was “harmonious co-operation which the State should do everything to promote, and national prejudice was regarded as the most vicious and artificial of passions, instead of being, what it essentially is, the vulgar form of the instinct of self-preservation” (Vol. III: 9). In short, Cobdenite political economy *ignored the role of the State* in trade relations. And because Cobden “left out the interests of the State altogether”, he failed to appreciate “the value of the national idea”—that is, the ambition of other states to match and exceed Britain’s industrial wealth. The *National Review* further criticised Cobden’s doctrine for resting

. . . upon a theory of ‘natural aptitude’ fitting every country for some particular industry. If a home trade was beaten by foreign competition that was a proof that the country had no ‘natural aptitude’ for that trade, and would do better to let it go and find another. That was the cardinal fallacy of Cobdenism. We now know that there is no such thing as ‘natural aptitude’ in this absolute sense. *Everything* in manufacture flourishes in America under the inducements provided by the McKinley and Dingley tariffs to national enterprise. (Vol. III: 9)

The protectionist challenge to classical political economy was a challenge to the passive conception of the State—a conflict, as Garvin phrased it, “between the static and the dynamic ideas of public policy”:

The issue . . . is above all one between the doctrine of drift and the doctrine of development. . . . All political economy must involve a theory of the State in relation to trade. For more than sixty years the most dogmatic and least exact of the sciences has been dominated in this country by a futile conception of the State. *Laissez faire* assumes that the State has no function, or only a negative one in relation to trade . . . . The leading principle of constructive economics is that the State, above all others the British State, has a positive and vital function in connection with the commerce upon which dominion depends. (Vol. III: 11)

Protectionists argued that a country could not only create but also improve its “competitive power” by protection—even to the extent of securing superiority. Balfour echoed the rising challenge to the passive State, writing that “the state is something more than the individuals composing it at any one time” and that State intervention in trade was therefore warranted in the national interest (Vol. III: 19). Balfour’s request to be given the power to negotiate freely with other trading countries was, in John Morley’s view, an attempt to gain greater autonomy of the cabinet vis a vis the Houses of Parliament: “It is extravagant and absurd, the notion of any Minister having the power with his two Chambers both opposed to him, by decree to set up a tariff” (Vol. III: 23).

The role of the British State lay at the heart of the ideological confrontation between free traders and protectionists. For the free traders, the abundance of absolute gains from fifty years of free trade were blindingly obvious. Competition could best be met by a firm adherence to open markets, since this would allow British producers access to low-priced inputs. So-called unfair trade practices were either of marginal significance to British producers, or in some cases, actually benefited them. Protectionists, on the other hand, called for a new approach to trade relations, one based on an active, interventionist British State. Without protection from the State, British producers would increasingly fall behind their protected counterparts in foreign countries. As Bismarck noted, free trade is “the weapon of

the strongest, and . . . England could never have adopted it if she had not first developed through several centuries of ruthless protection an irresistible power” (Vol. III: 9). Thus, as her strength declined, so too should her commitment to free trade.

**(f. & g. ) Retaliation and Imperial Preference**

As outlined in Section I, two issues were central to tariff reform--retaliation and imperial preference. Protectionists described the purpose of a retaliatory policy--inconsistently--as promoting “true” (reciprocal) free trade, and as punishing foreigners for imposing tariffs on British manufactures. While the former goal meant that retaliation was a temporary measure, applied only as bargaining tool to lower tariffs, the latter goal, when married with imperial preference, implied a more permanent policy shift to protection (Vol. III: 26). For Gerald Balfour, retaliation would promote free trade: “. . . it will contribute to the establishment, not, indeed of universal or complete free trade, but at least of a freer exchange of commodities than now between the nations of the entire civilised world” (Vol. III: 24). Yet the Prime Minister (Arthur Balfour) appeared to contradict this rosy statement by pointing out that because the protective policies of foreign countries were meant to protect infant industries, the likelihood of them abandoning their tariffs in the face of British retaliation was slim (Vol. III: 19).<sup>79</sup> As John Robertson noted of Arthur Balfour, as he “actually gives reasons why protectionist countries should not be expected to lower their tariffs in the event of our setting up one against them, he and his followers are alike committed to the pretence that a tariff *is* a means of bringing down other tariffs.” British tariffs would simply add to the existing level of protection, they would not lower it. Robertson continued that protectionists “tell us in one breath that all the world has seen good reason to turn protectionist, and in the next that another tariff will tend to make them turn to free trade. If ninety-nine mutually opposing tariffs have no reciprocally repressive effect, why should a hundredth alter the situation?” (Vol. III: 13).

Chamberlain, in contrast, stressed the punishment aspect of retaliation:



There may be something wrong in my constitution, but I never like being hit without striking back again. But there are some people who like to be trampled upon . I admire them, but I will not follow their example. I am an advocate of peace, no man more so. I wish to live quietly, comfortably, and in harmony with all my fellow-creatures, but I am not in favour of peace 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. (Vol. III: 22)

Chamberlain further dismissed the likelihood of foreigners retaliating with even higher duties, arguing that the British market was too important to Germany, the US and France, for them to engage in a tariff war against it.

Arguments against retaliation were many. Free traders feared the vested interests that protection would create (Vol. III: 3, 20), as well as the tendency for protectionist demands to spread: “(i)t has always been found impossible to introduce just a little protection . . .” (Vol. III: 27). Once protective duties were in place, new businesses would emerge that depended on the existence of duties, and would block their removal (Vol. III: 10). Marshall and others accepted that other countries’ tariffs harmed British industry, but argued that her power to negotiate lower tariffs (which was Balfour’s intent) had been reduced by her declining industrial leadership (suggesting that, because Britain was no longer a large country, she could not employ a tariff to improve her terms of trade) (Vol. III: 8). Others argued that since Britain did not import sufficient quantities of manufactured goods, a tariff solely on manufactures would impose no real harm on foreign countries. Rather, for retaliation to inflict harm, Britain would have to impose duties on raw material imports, which would only make her own final manufactures less competitive (Vol. III: 2) : “We are *par excellence* the manufacturing country, and for us to play the game of who can best destroy manufacturing industry is simple suicide” (Vol. III: 3). In any case, to protect

manufactures and allow raw materials free entry would be impossible since, in practice, the distinction between the two was ambiguous (Vol. III: 3, 14, 15).

While a policy of retaliation promised to place British firms on equal footing with German and American firms, imperial preference sought a much wider objective--to create an extensive market for British exports and favourable access to raw material imports. For Chamberlain, economic and political union of the empire would allow Britain to preserve and even expand its dominant position: “our Imperial trade is absolutely essential to our prosperity at the present time. If that trade declines, or if it does not increase in proportion to our population and to the loss of trade with foreign countries, then we sink at once into a fifth-rate nation” (Vol. III: 22) Chamberlain likened commercial *cum* political union of the empire with that of the German Zollverein, but with a more deliberate division of labour. He envisaged that in a self-sufficient empire, the colonies would specialise in agricultural production and the mother country (Britain) would specialise in manufactures. Chamberlain believed that the colonies would forego their own aspirations to industrialise out of patriotism and affection for the mother country. Britain, in turn, would enhance its national security by “internalising” the production of agriculture:

For us [agricultural production] cannot be internal to the nation. But all the more is it essential that it should be internal to the Empire. . . . Our food-supply must be raised upon British soil, and carried from British ports abroad to British ports at home in British ships. Politically, preferential trade is as important for our security as is the existence of the Navy, and more so than the existence of the Army. (Vol. III: 9)

Critics inside and outside the cabinet faulted Chamberlain’s plan for sacrificing economic objectives for political ones. E. W. Hamilton, a treasury official, juxtaposed Chamberlain’s “political and sentimental considerations” with the Exchequer’s “economic

and practical considerations”, concluding that colonial preference could only harm the empire:

It may imperil its trade, hamper its finance, lead to strained relations with foreign countries, drag Colonial questions into Party politics, and increase the difficulty of the struggle for life with the poorest classes of the community, as well as hinder the prosperity of the mother-country as a whole. (Vol. III: 14)

Marshall doubted that the colonies would give a permanent effective preference to British goods over those of the US, unless they received an indirect subsidy so vast as to drain the British treasury (Vol. III: 8). He and many others also disputed that the colonies would be driven more by patriotism than by their own self-interest in pursuing industrialisation.

Marshall and Charles Ritchie (Chancellor of the Exchequer) argued that imperial preference would prove very expensive for the British taxpayer (requiring £5.5 million more in taxes), and would soon foster an anti-Imperial sentiment among the British public as their taxes were siphoned off to distant foreigners (Vol. III: 16).<sup>80</sup> If the goal was political union, Marshall argued that this should precede, not follow, commercial union. Pigou had even less patience for Chamberlain’s plan (Vol. III: 10; see also, Vol. III: 25). He rejected the analogy to the German Zollverein, noting that a politically contiguous entity could not be compared with a disparate British empire. Moreover, the Zollverein succeeded in abolishing duties between states, but imperial preference would require many loosely allied states imposing new duties on foreign imports. There was no comparison.

In the end, while Chamberlain accepted that the proposed tax on food made imperial preference politically unacceptable, he hoped that his lecture campaign would persuade the British public otherwise (Vol. III: 17). In this objective, he clearly failed.

#### IV. CONCLUSION

In this final section, I return to the question that intrigues today's authors even more than it did those of one hundred years ago--why did Britain unilaterally adopt free trade? With fifty years of free trade experience, late nineteenth century authors questioned Cobden's and Peel's expectations of repeal. Was free trade intended as a unilateral policy that would prove optimal to Britain, regardless of the policies adopted by other states? Or, did Cobden and Peel believe that, given Britain's lead, other states would follow suit? Was the policy change motivated more by the struggle between economic interests (particularly, between industrialists and landowners), or by the persuasiveness of the new theory of political economy, as propagated by Ricardo and his followers? Further, if, as it seems, repealers accepted Ricardo's understanding of Britain as a small country (a price-taker in world markets), did this restrict Britain to a policy that sacrificed relative gains for absolute gains from trade? These are only a few of the many questions that continue to puzzle us about Britain's remarkable unilateral decision.

To tariff reformers, Peel and Cobden were short-sighted in their assessment of gains from trade. True, free trade was appropriate as long as Britain enjoyed an industrial monopoly, but such a monopoly was inevitably short-lived. Balfour criticised the Cobdenites for having failed to see that other countries would not follow Britain's free trade lead, but rather would seek to protect their own infant industries, and for failing to recognise the benefits that an Imperial free trade region would have afforded Britain, allowing her to expand her "internal" market far beyond the size of the American or German markets (Vol. III: 19). Chamberlain noted that other countries were "better strategists than we have been." The McKinley Tariff and Bismarck's protectionist policies allowed the U.S. and Germany "to fortify the home industry, to make it impregnable; then, having left the fort behind, so protected that no enemy could attack it with possible success, to move forward and invade other countries, and attack especially [Britain] . . . , which we have left totally unguarded because we think we are wiser than all the rest of the world" (Vol. III: 22). Free traders

defended the unilateral free trade policy, arguing that Cobden fully anticipated the growth of foreigners' manufactures--and even their infant industry protectionism--and the competition that Britain would face as a result (Vol. III: 3, 20, 23).

Modern authors tend to focus either on the absolute versus relative gains from trade issue, or on the ideological appeal of Ricardian political economy versus raw economic interests. Gary Anderson and Robert Tollison, for example, argue that the Anti-Corn Law League served as an agent for the cotton textile industry. In their view, the League sought primarily to retard the passage of factory legislation and repeal was only secondary to that goal. My work clashes with this interpretation. I argue that free trade interests had actually spread throughout the country (both from export sector deconcentration and geographic deconcentration) (Vol. IV: 4). At the same time the leading export industry (cotton textiles) had become both industrially and geographically more concentrated. Thus, the organisation of the League benefited from the best of both worlds--a deconcentrated export sector and a concentrated leading export industry. I also argue that because landowners' portfolios had become increasingly diversified, with income from rent invested in railway and industry shares, their resistance to agricultural free trade had lessened (Vol. IV: 5). Finally, I note that as the Conservative party became divided on the question of repeal, this allowed the economic interests of English constituencies (which reflected the growth of export-oriented industries) to be represented directly in Parliamentary voting rather than being disciplined by a party objective (Vol. IV: 6).

Other recent authors are more concerned with Britain's relative gains (or losses) from free trade. As described earlier, Stein poses a stark dilemma between absolute gains and relative gains from trade (Vol. IV: 16). Britain did indeed enjoy absolute gains free trade, but these were purchased (in Stein's view) at the expense of foregoing relative gains that a protectionist policy would have delivered. Cain and Hopkins (also discussed earlier) extend Gallagher and Robinson's theory of "free trade imperialism"<sup>81</sup>, arguing that Britain's ultimate goal in repeal was to "persuade her competitors in Europe and the United States to shift

factors back into agriculture by offering them the attractive bait of an open British market” (Vol. IV: 1). For them, as for David Lake and Scott James, repeal was *not* intended as unilateral policy, but rather as a way to preserve her industrial monopoly.<sup>82</sup> For Lake and James, Britain exercised its hegemonic leadership by inducing other countries--and particularly the United States--to follow its lead (Vol. IV: 17). They argue that repeal constituted a subtle and indirect form of coercive hegemonic leadership: it allowed Britain to alter the incentives of American producers so as to facilitate the emergence of the free trade coalition. Britain is said to have used its “international market power . . . to alter the incentives and political influence of societal actors in foreign countries”:

By repealing the Corn Laws and by allowing unfettered access to its markets, Britain effectively restructured the distribution of economic incentives facing producers of raw materials and foodstuffs. Over the long term, by altering factor and sector profit rates, and hence investment patterns, Britain augmented and mobilized the political influence of the interests within nonhegemonic countries most amenable to an international division of labour premised on complementary production and the free exchange of primary goods for British manufactured goods.

In contrast, Robert Pahre downplays the significance of repeal, arguing that British free trade began in the 1820s, not the 1840s. For Pahre, relative gains from free trade are closely tied to a hegemon’s external security arrangements--namely, whether or not it leads a large military coalition. Because Britain lacked allies after the Napoleonic wars (when the Quadruple Alliance fell apart), it ascertained that a large military establishment would only provoke other’s to enhance their own military security. It therefore chose a policy of military restraint and economic openness. For all the authors who focus on relative gains and losses, domestic interests and politics are shaped by Britain’s concern with its relative position in the

international arena. For the “economic interests” group of authors, on the other hand, Britain’s shift in policy was the product of domestic pressures.

Authors who focus on economic interests are generally dismissive of ideological explanations of repeal. Individuals are assumed to be rational, utility maximising actors who as voters, consumers and producers pursue economic gain, and as politicians, pursue reelection to office. These authors then attempt to sort out whose interests matter when and under what conditions. Ideology is seen as some form of nonrationality, or as merely the residual component to decision making. Yet ideology need not be a residual factor--it may even be an important causal factor, but the difficulty lies in modelling and measuring its influence. Quite recently, political scientists have begun to take ideology more seriously.<sup>83</sup> For some, ideology is understood as a sort of “road map” for both voters and policy makers. For others, ideological images provide voters, politicians and parties with the means to distinguish a particular party or candidate from another. Elsewhere I examine how interests and ideology can be modelled together<sup>84</sup>, but here the focus is on ideology as distinct from economic interests.

One group of authors suggest that free trade ideology became relevant as Peel succumbed to its appeal, while a second group interpret ideology causing a larger, more cultural shift in attitudes. In the first camp, Douglas Irwin argues that Peel’s change of mind was not a matter of shifting from protection to free trade, but rather from believing that agriculture was an exception to the general rule of free trade to free trade *including* agriculture. In his view, both ideology and the experience of the 1842 reforms helped to persuade Peel: “(e)conomic ideas, and not the pressure of interests, were central to Peel’s conversion to favour repeal of the Corn Laws” (Vol. IV: 11). Boyd Hilton lends a moral tone to Peel’s conversion, arguing that Peel came to believe that repeal was *morally* imperative for the British state (Vol. IV: 9). In the second camp, Paul Rohrlich asserts that it was not so much liberalism per se that led to repeal, but rather the emergence of market liberalism within a uniquely British “economic culture” (Vol. IV: 10). Just as political culture varies

across countries, so too does economic culture, so that “(e)conomic culture adapted to the cultural value system becomes economic culture”. For Rohrlich, repeal occurred as British society as a whole rapidly shifted its beliefs about political economy. Charles Kindleberger credits Ricardo, Cobden and others with bringing about repeal (Vol. IV: 8). Repeal constituted “the intellectual triumph of political economists . . . [who] represented a rapidly rising ideology of freedom for industry to buy in the cheapest and sell in the dearest market.” Moreover, the other European countries formed “a single entity which moved to free trade for ideological or perhaps doctrinal reasons. Manchester and the English political economists persuaded Britain which persuaded Europe, by precept and example.” Similarly, Howe credits the permanence of free trade with its ideological appeal to common British voter:

Britain’s loyalty to free trade in the long run is . . . primarily to be explained by the early appeal of free trade to her politicians as an ideology and practice of state autonomy, and the subsequent centrality of free trade to the values and opinions of the electorate. Free trade in the 1840s may have been an essential component of the evangelical world-view, but after 1846 it was also propagated as a value to which all Victorians . . . subscribed, and whose longest adherents were Liberal and Labour working-class voters. (Vol. IV: 7)

A few of the recent writers on repeal have rejected ideology, interests and external opportunities in favour of a more political interpretation of the policy change. Timothy McKeown argues that economic structures may constrain how Members of Parliament voted, but such a model leaves ample room for discretion by politicians: “The economic structure made a winning coalition feasible in 1846, but that is not the same as arguing that changes in economic structure led directly to changes in public policy. Acceptance of the latter contention would require a demonstration that in a given set of economic circumstances, one



and only one winning political coalition could emerge” (Vol. IV: 3). While changes in economic structure may have been necessary, the sufficient condition, according to McKeown, was an eleventh-hour shift in support by Irish MPs and Peelites. Daniel Verdier rejects entirely that repeal was an economic struggle. He contends that repeal was an institutional struggle over the relative power of Parliament and Cabinet:

(T)he repeal of the Corn Laws took place amidst a long-standing dispute between the frontbench and the backbench of the Conservative party on the nature of the party as a policymaking organisation. The backbench saw the party as an electoral organisation with little policymaking extension and thus limited rights to invoke voting discipline. The party for them was a convenient way of stabilising logrolling among particular, locally-entrenched interests. In contrast, the frontbench viewed the party as a full-fledged policymaking institution, requiring voting discipline from its members for the passage of measures of a general character . . . . (Vol. IV: 12)

This intrapartisan political struggle is said to have represented a choice between two different regime-types: “the centralised, rigid, dogmatic system of party government which eventually jelled in late-Victorian Britain, or the decentralised, penetrated, clientelistic, graft-ridden system which thrived in the US”

As the above, largely descriptive, account of contemporary explanations of repeal demonstrates, there is a positive smorgasbord of possible theories on offer, some more sensible than others. Several arguments stand out, however, as powerful pointers towards explaining the pattern of British trade policy over the nineteenth century. First, as I have suggested in other works (Vol. IV: 4, 6), it is hard to ignore the growth of a large export-oriented manufacturing interest, and the evidence that this interest changed the map of British politics at the constituency level. It was then only a matter of time before the effects of this

change were felt at the Parliamentary level. Second, and as Volumes I and II illustrate, the first forty years of the century were a period of remarkable activity among political economists, which contributed to an upsurge in the ideological argument for free trade. Third, however rational it was for Britain to adopt free trade in 1846, Cobden's prophesy that other countries would naturally follow her lead was not well-grounded in economic logic. A free trade economist like Marshall had to concede the case for infant industry protection in countries like the US and Germany. Fourth, Britain's relative economic decline was an inevitable fact, as McCloskey and others have argued. Indeed, as McCloskey has noted more recently, part of the problem with the "relative decline" and the "Victorian Britain failed" arguments is that they misconstrue national economies as engaged in a game, like football, where the winner takes all.<sup>85</sup> Fifth, while the pure tariff element of Chamberlain's campaign sought to excite popular sentiment against supposedly unfair foreign trade practices, it ran into a free trade argument which was based not so much on nostalgic ideology, but perhaps more on the argument that Britain could no longer impose the cost of its own protection on foreign countries. Finally, the Imperial Preference campaign ran aground on the old arguments against taxing food and the lack of any realistic prospect that Imperial economic union could be achieved in any way that would restore British hegemony.

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<sup>1</sup> Repeal was not, however, effective immediately. Small duties remained on grain until 1 February 1849, after which a uniform registration duty of 1 shilling per quarter was instituted. This registration duty was repealed in 1869.

<sup>2</sup> Francis W. Hirst, ed., *Free Trade and Other Fundamental Doctrines of the Manchester School* (London and New York: Harper & Brothers, 1903); C.P. Kindleberger (Vol. IV: 8).

<sup>3</sup> Arthur Stein (Vol. IV: 16); David A. Lake and Scott C. James (Vol. IV: 17).

<sup>4</sup> Bernard Semmel, *The Rise of Free Trade Imperialism* (Cambridge: Cambridge University Press, 1970); P.J. Cain and A. G. Hopkins (Vol. IV: 1), and *British Imperialism: Innovation and Expansion, 1688-1914* (London: Longman, 1993).

<sup>5</sup> W.O. Aydelotte, 'The Disintegration of the Conservative Party in the 1840s: A Study of Political Attitudes,' in W.O. Aydelotte, A.G. Bogue and R. Fogel, eds., *The Dimension of Quantitative Research in History* (Princeton: Princeton University Press, 1972).

<sup>6</sup> G.R. Searle, *Entrepreneurial Politics in Mid-Victorian Britain* (Oxford: Clarendon Press, 1993).

<sup>7</sup> Archibald Prentice, *History of the Anti-Corn Law League*, vols. I & II (London: Frank Cass & Co. [[1853], 1968); Norman McCord, *The Anti-Corn Law League 1838-1846* (London: George Allan & Unwin, 1958); Cheryl Schonhardt-Bailey (Vol. IV: 4).

<sup>8</sup> Schonhardt-Bailey (Vol. IV: 5 and 6).

<sup>9</sup> Douglas A. Irwin (Vol. IV: 11)

<sup>10</sup> Aaron L. Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895-1905* (Princeton: Princeton University Press, 1988)

<sup>11</sup> Arthur Stein, Volume IV: 16.

<sup>12</sup> P.J. Cain and A.G. Hopkins, Volume IV: 1.

<sup>13</sup> C.P. Kindleberger (Vol. IV: 8); Paul E. Rohrlach (Vol. IV: 10); and to some extent, A.C. Howe (Vol. IV: 7).

<sup>14</sup> David Ricardo was MP for 1819-1823, and J.S. Mill was MP for 1865-1868. Some other economists who served as Members of Parliament include E.S. Cayley (1833-1862), Robert Wilmot-Horton (1818-1830), R. Torrens (1826-1835), Alexander Baring (1806-1848), G. Poulett Scrope (1833-1867), William Huskisson (1796-1830), Joseph Hume (1812-1855), and T.P Thompson (1835-1859). (Dates

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indicate service during these years, although not always consecutive.) See Frank Whitson Fetter, *The Economist in Parliament: 1780-1868* (Durham: Duke University Press, 1980).

<sup>15</sup> Volume II differs from Volumes I and III in that a third section--the political activists--is added. The prolific Anti-Corn Law League is thus given much deserved attention as the first major political lobby in British history.

<sup>16</sup> For example, Friedberg; Cain and Hopkins, *British Imperialism*; and Lance E. Davis and Robert A. Huttenback, *Mammon and the Pursuit of Empire: The Economics of British Imperialism* (Cambridge: Cambridge University Press, 1988).

<sup>17</sup> Donald Grove Barnes, *A History of The English Corn Laws from 1660-1846* (London: George Routledge & Sons, Ltd., 1930)

<sup>18</sup> C. Smith, *Tracts on the Corn Trade and Corn Laws*, II.72, as quoted in C.R. Fay, *The Corn Laws and Social England* (Cambridge: Cambridge University Press, 1932), p. 34.

<sup>19</sup> In 1814, the average price of wheat was 74 s. 4 d. per quarter, but following the war and with a good harvest in 1815, the price dropped to 52 s. 10 d. William Spence (Vol. I: 4) noted in 1815 that "thousands of farmers, who but twelve months ago were living in prosperity, are utterly unable to raise money for their taxes merely, and tens of thousands to discharge them are force to sell their produce at less than one half its prime-cost . . . ."

<sup>20</sup> Fay, p. 35. See also, Vol. 1: 21.

<sup>21</sup> Boyd Hilton, *Corn, Cash, Commerce: The Economic Policies of the Tory Governments 1815-1830* (Oxford: Oxford University Press, 1977), pp. 20-26. See also, Vol. I: 1, 4, 19.

<sup>22</sup> Vol: 1, 20, 22.

<sup>23</sup> Fay, p. 80.

<sup>24</sup> J.R. McCulloch, J.S. Mill and Joseph Hume also supported a fixed duty, although Mill and Hume suggested a lower starting duty (Vol. I: 7, 8, 10, 26).

<sup>25</sup> Canning was Foreign Secretary from 1822 to April 1827, whereupon he became Prime Minister.

<sup>26</sup> Hilton (pp. 284-286) describes the misunderstanding *cum* disagreement emerged in an ambiguous rider that Huskisson proposed to Wellington's warehousing amendment to the 1827 bill. In Vol. I: 25, Huskisson reads the correspondence between himself and Wellington to the House of Commons,

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exposing the source of their disagreement. The keyword in this passage is “thenceforward” which Wellington read as meaning permanent, whereas Huskisson had meant it as a temporary measure.

<sup>27</sup> Fay, p. 84.

<sup>28</sup> W.H. Chaloner, ‘Introduction to the Second Edition,’ in Prentice, pp. x.

<sup>29</sup> Anthony Howe, *The Cotton Masters, 1830-1860* (Oxford: Oxford University Press, 1984).

<sup>30</sup> McCord, p. 187.

<sup>31</sup> According to Prentice, the *Times* ‘had an influence, for good, beyond that of any other journal’ and its leader article gave ‘fresh impulse to the agitation against the then existing Corn Laws’ (Prentice, vol. 1, p. 136).

<sup>32</sup> The *Circular* was published under three titles: (1) *The Anti-Corn Law Circular*, numbering from 1 to 57, Vol. II (16 April 1839 to 8 April 1841) and published in Manchester; (2) *The Anti-Bread Tax Circular*, numbering from 58, Vol. III to 140, Vol. IV (21 April 1841 to 26 September 1843) also published in Manchester in a larger size; and (3) *The League*, numbering 1 to end (30 September 1843 to 1846), published in London, at the League’s Fleet Street office (Fay, p. 91 fn.).

<sup>33</sup> Norman Gash (*Politics in the Age of Peel* (London: Longman, 1977) explains that ‘until the Reform Act an elector claiming a vote for the county under the property qualification had to be assessed to the land tax. This necessity was abolished by the act and the way was thus thrown open for a flood of 40s. freeholders from the urban and industrial areas to join the county electorate’ (91). Upon realising this loophole’, the League encouraged and actively helped arrange purchases of 40s. freehold voting qualifications for free trade supporters.

<sup>34</sup> McCord, pp. 147-150.

<sup>35</sup> W.H. Chaloner, ‘The Agitation Against the Corn Laws,’ in J.T. Ward, *Popular Movements c. 1830-1850* (London: Macmillan & Co., Ltd., 1970).

<sup>36</sup> McCord; Travis L. Crosby, *Sir Robert Peel’s Administration 1841-1846* (Devon: David & Charles Ltd., 1976).

<sup>37</sup> Itemisation of these reductions has been deleted from the present text.

<sup>38</sup> Itemisation of these has been deleted.

<sup>39</sup> The lengthy details of these incentives have been omitted from the text of Vol. II: 5.

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<sup>40</sup> As far as trade is concerned, Donald McCloskey has noted that: “Commodity imports as a proportion of national income rose from around 0.12 in the early 1830s to . . . 0.28 in the early 1880s. In other words, to look at the other side of the account, down to the last quarter of the century exports were growing much faster than national income. . . . (R)eal exports of commodities per head grew 4.4 percent per year from 1821 to 1873 (almost three times faster than the rate of growth in income per head of 1.53 percent per year over the same period) and 0.93 percent per year from 1873 to 1913 (twelve percent *slower* than the rate of growth of income per head of 1.06 percent. Little wonder, then, that foreign trade has been cast in the role of a ‘leading sector’ in British growth: as exports accelerated or decelerated, so also did income” (“From Dependence to Autonomy: Judgments on Trade as an Engine of Growth,” in McCloskey, ed., *Enterprise and Trade in Victorian Britain: Essays in Historical Economics* (London: George Allen & Unwin, Ltd., 1981), p. 145.

<sup>41</sup> Phyllis Deane and W. A. Cole, *British Economic Growth, 1688-1959* 2nd edition (Cambridge: Cambridge University Press, 1962), p. 282. National product is estimated in constant prices.

<sup>42</sup> Deane and Cole, p. 291.

<sup>43</sup> Albert H. Imlah, *Economic Elements in the Pax Britannica: Studies in British Foreign Trade in the Nineteenth Century* (Cambridge: Harvard University Press, 1958), p. 189.

<sup>44</sup> Elise S. Brezis, “Foreign Capital Flows in the Century of Britain’s Industrial Revolution: New Estimates, Controlled Conjectures,” *Economic History Review* XLVIII, 1 (February 1995): 46-67.

<sup>45</sup> Michael G. Mulhall, *Industries and Wealth of Nations* (London: Longmans, Green and Co., 1896), p. 388

<sup>46</sup> Imlah, p. 163.

<sup>47</sup> The US returned to protection during the Civil War; from 1873 to 1898, duties continued to rise, with the exception of the 1894 tariff.

<sup>48</sup> Friedberg, pp. 39-41.

<sup>49</sup> In the late 1890s, British duties were sufficiently negligible that any remission from these--in the form of colonial preference--would be meaningless. However, in 1902, the reimposition of a temporary and moderate corn duty (for revenue purposes after the Boer War), along with a suggestion of a preference to Canada, gave Chamberlain the opportunity he sought.

<sup>50</sup> A nice summary of tariff reform is given by Charles Thompson Ritchie (Vol. III: 15). See also, Chamberlain’s speeches (Vol. III: 21).

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<sup>51</sup> Robert Blake, *The Conservative Party from Peel to Churchill* (London: Fontana/Collins, 1974), p. 180-181.

<sup>52</sup> For an insightful recent analysis of the 1906 election, see Douglas A. Irwin, "The Political Economy of Free Trade: Voting in the British General Election of 1906," *Journal of Law and Economics*, vol. XXXVII (April 1994): 75-108.

<sup>53</sup> While the Reform Act of 1832 effectively enfranchised the middle class, Parliament nonetheless remained in the hands of the landowners: in the Parliament of 1841-47, 80% of MPs were landowners.

<sup>54</sup> J.S. Mill argued that landowners did not deserve any compensation for losses incurred from repeal, since "the mode in which the landlords acquired their advantage is alone sufficient to utterly disqualify them for claiming any compensation for its loss. . . . Possessed of absolute control over the government, unchecked by any thing except fear of the people, they employed the legislative and executive powers in taxing the community, whom the proper business of government is to protect, for their own private advantage. During several years, they have reaped gains to which they were in no way entitled; and therefore have surely no just ground of complaint at being simply reduced, for the future, to the state in which they would always have been, but for their undue influence in the legislature" (Vol. I: 10).

<sup>55</sup> Porter combines the duties for silk manufactures together with duties for agricultural goods, giving a total sum of duties which benefit the 'landed interest'. By doing so, he seems to be illustrating the contempt of the free traders towards the silk manufacturers, who continued to receive heavy protection against French silk manufacturers--see, Hume's testimony regarding protection for silk manufactures, and also, G.R. Porter, *The Progress of the Nation, in its Various Social and Economical Relations, From the Beginning of the Nineteenth Century* (London: John Murray, 1847), pp. 218-227.

<sup>56</sup> Fred J. Ruppel and Earl D. Kellogg, *National and Regional Self-Sufficiency Goals: Implications for International Agriculture* (Boulder: Lynne Rienner Publishers, 1991)

<sup>57</sup> Brian R. Mitchell and Phyllis Deane, *Abstract of British Historical Statistics* (Cambridge: Cambridge University Press, 1971).

<sup>58</sup> House of Commons speech on 15 January 1846. (Quoted by G. Armitage-Smith in Vol. III: 4.)

<sup>59</sup> The convention to which the Chartist letter is addressed was an important conference of ministers, deputies and laymen. Prentice reported that of the 670 circulars that the League sent to the churches

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represented at this conference, 459 ministers expressed support for immediate repeal of the Corn Laws.

‘With regard to the opinions of the people, 431 of the ministers stated that their congregations were nearly unanimous in approving of the total abolition of the Corn and Provision Laws, and Free Trade . . . ‘ (Prentice, vol.1, p. 290).

<sup>60</sup> In making this claim, Alison adopts the thinking for which he criticised his opponents--that all foreigners may be treated as one entity!

<sup>61</sup> This argument was also taken up in the free trade - fair trade debates of the late nineteenth century (e.g., Vol. III: 1).

<sup>62</sup> Quoted in Prentice, vol. 2, p. 362.

<sup>63</sup> Hirst, p. 208.

<sup>64</sup> Interestingly, current debates over factor mobility (e.g., Cheryl Schonhardt-Bailey and Andrew Bailey, “The Buck in Your Bank is not a Vote for Free Trade: Financial Intermediation and Trade Preferences in the United States and Germany,” in Keith Dowding and Desmond King, eds., *Preferences, Institutions, and Rational Choice* (Oxford: Clarendon Press, 1995)) are hardly new. The extent to which factors may be said to be mobile was debated by a number of political economists in the early nineteenth century (on mobility, see Vol. I: 7, and on immobility, see Vol. I: 5, 17).

<sup>65</sup> Mill did not, however, use the term “rent-seeking”. Anne O. Krueger (“The Political Economy of the Rent-Seeking Society,” *American Economic Review* LXIV (3): 291-303) is usually credited with coining this phrase.

<sup>66</sup> Mill seriously doubted that “the landholders, who are the real rulers of our nominally mixed, but really aristocratical, government” would allow themselves to be harmed by surrendering a protective tariff, and thus reluctantly endorsed a fixed duty (over both an *ad valorem* duty and a sliding scale, since these would still require the continuance of the much despised system of averaging prices (Vol. I: 10)).

<sup>67</sup> Phyllis Deane, *The Evolution of Economic Ideas* (Cambridge: Cambridge University Press, 1978), p. 62.

<sup>68</sup> Deane, p. 63.

<sup>69</sup> Torrens, in 1839, recognised a clear division in interests between landowners (who gained from higher food prices) and farmers (who did not gain, because of shifting rents). Later (in 1844) he



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explored the effect of immediate repeal on corn rents as opposed to money rents. He argued that repeal would reduce both types of rent, and neither reduction would save farmers from wide-spread insolvency and destitution. The League, he argued, was wrong to suggest that farmers would not suffer from repeal, unless repeal was accompanied by a corresponding reduction in money wages and the prices of manufactured goods (Vol. II: 25, 34).

<sup>70</sup> For Cayley, laborers cared less about the price of food than the certainty of employment, which protection would insure.

<sup>71</sup> Barry J. Gordon, *Non-Ricardian Political Economy: Five Neglected Contributions* (Boston: Harvard Graduate School of Business Administration, 1967), p. 16.

<sup>72</sup> One could debate this point. However, in that Britain adopted free trade in agriculture *unilaterally* while the U.S. has only recently negotiated--via *multilateral* agreement--partial agricultural trade liberalization (not to mention other restrictive U.S. trade practices, like the COCOM), one could bring into question America's commitment to free trade. One recent author has persuasively portrayed American agricultural trade policy as quintessential neo-mercantilism.\*\*\*cite Libby (Critics might, however, point to the American lead in institutionalizing a liberal international order--e.g., American support for the GATT (and now the WTO), the IMF and the World Bank.)

<sup>73</sup> Issues that some authors (all from Vol. III) perceived as important to the tariff reform debate include: the effect of free trade on unemployment (1, 4, 10, 12, 13); balancing the interests of producers against consumers (1, 5); the effect of high taxes, high wages and social legislation on British trade competitiveness (1, 22); diversification of the British economy (1, 19); the net benefit from the Cobden-Chevalier Treaty (1, 2, 21); the theoretical and practical differences between revenue and protective duties (2, 14, 25); the overstated harm of foreign protection (3, 14, 15); the effect of other countries' unfair trade practices (aside from dumping) on Britain (3); food protection as an entirely unacceptable political option (10, 17, 21); the mobility of factors of production (12, 19, 22); and party politics (17, 25, 26, 27).

<sup>74</sup> Donald N. McCloskey, "Did Victorian Britain Fail?", in Donald N. McCloskey, ed., *Enterprise and Trade in Victorian Britain: Essays in Historical Economics* (London: George Allen & Unwin, Ltd., 1981), pp. 94-110.

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<sup>75</sup> Knick Harley, "Foreign Trade: Comparative Advantage and Performance," in Roderick Floud and Donald McCloskey, eds., *The Economic History of Britain since 1700 2nd edit., Vol. I: 1700 - 1860* (Cambridge: Cambridge University Press, 1994), pp. 300-331. For more on the "failure" of Victorian Britain, see, R.J.S. Hoffman, *Great Britain and the German Trade Rivalry, 1875-1914* (Philadelphia: University of Pennsylvania Press, 1933); W.W. Rostow, *British Economy of the Nineteenth Century; Essays* (Oxford: Oxford University Press, 1948); Donald N. McCloskey, "From Dependence to Autonomy: Judgments on Trade as an Engine of British Growth," in Donald N. McCloskey, ed., *Enterprise and Trade in Victorian Britain: Essays in Historical Economics* (London: George Allen & Unwin, Ltd., 1981), pp. 139-154.

<sup>76</sup> Richard E. Caves, Jeffrey A. Frankel, Ronald W. Jones, *World Trade and Payments: An Introduction* 6th ed. (New York: HarperCollins College Publishers, 1993), chapter 11.

<sup>77</sup> Williamson does not appear to consider Ricardo's theory of rent, whereby free trade was said to affect landowners and tenant farmers very differently.

<sup>78</sup> The *National Review* (Vol. III: 9) argued: "The whole structure of Cobdenism is founded upon the assumption that *division of employments* with the consequent necessity and advantage of the freest possible exchange, would continue to be a more decisive factor in economic policy than *identity of employments* involving the destruction of interests upon one side by the competitive success of similar interests upon another side. . . . In 1846, when England was still the chief and almost the sole workshop of the world, and when foreign nations were both our providers of raw materials and food and our customers for finished goods, the actual characteristic of international commerce was a broad division of employments as between an industrial island and an agricultural world. This is why free imports were adopted with confidence in 1846, and were for a long time successful. But . . . the dominating characteristic of modern commerce now is the identity of employments among the principal industrial nations. . . . The co-operative principle of divided employments in international commerce formed the basis of Cobdenism. The competitive principle of identical employments destroys it."

<sup>79</sup> A cabinet paper noted that *protective* tariffs were not easily negotiated away, since "(t)he protection of the home market is a settled policy with most foreign nations, and we shall not induce them to abandon it by duties on their products which will damage us more than they damage them." In order to get other countries to lower their tariffs, Britain would require something to negotiate with, but since it

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already granted equal access to the British market (through MFN), it would have to embark upon a protectionist policy itself to retaliate effectively--a policy which Britain could adopt, if it wanted, if it was willing to pay the price: "We grant the foreigner complete equality in our markets; he grants us as favourable treatment, as he is prepared to grant to any one. Each might, of course, withdraw a portion of these favours and then make a solemn parade of regranting them as mutual concessions; or we might even at the end of the process get all we at present get by granting only a part of what we already grant. In the former alternative we should be left in the end precisely where we were in the beginning but permanently impaired by the struggle; in the latter we should have embodied certain elements of 'Protection' in our fiscal system--a step which we are perfectly at liberty to take if we choose without the fuss of fighting." (Vol. III: 15)

<sup>80</sup>Ritchie wrote: "The fact is that preferential taxes of the kind proposed must take far more out of the pockets of the taxpayers than they bring into the Exchequer, and consequently the problem of so arranging them as to provide the necessary revenue without increasing the burden on the taxpayer is in its very nature insoluble" (Vol. III: 16).

<sup>81</sup> John Gallagher and Ronald Robinson, "The Imperialism of Free Trade," *Economic History Review* 2nd ser. VI (1): 1-13; see also, Bernard Semmel, *The Rise of Free Trade Imperialism* (Cambridge: Cambridge University Press, 1970).

<sup>82</sup>In correspondence (Jan. 23, 1996) David Lake maintains that the Lake and James argument is not one of relative gains. He writes that, "(b)oth Britain and the US were absolutely better off by specialization and exchange. [The] crux of [the Lake and James] argument is that [the] US could not specialise effectively, however, without British openness." Of course, this cuts at the heart of classical and neo-classical trade theory versus strategic trade theory. Clearly, one could argue that it did not matter that Britain specialised in manufactures and the US in agriculture. Both would gain absolutely. I characterise their article as one of relative gains because it was clear that the *form* of specialisation did seem to matter to many Britons. That is, Britain's specialisation in manufactures was seen to indicate its advanced society, while other countries were not seen to be advanced. That Britain would have such a keen interest in persuading Americans to endorse free trade could be interpreted along the lines of standard comparative advantage, but it could also be interpreted as an attempt to safeguard its industrial monopoly. It seems to me that by restructuring the incentives of domestic interests in the US, Britain

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was demonstrating an intense interest in American free trade. It seems reasonable to suggest that this intense interest went well beyond a pursuit of absolute gains. It suggests that Britain wanted to guarantee its industrial monopoly by persuading the US to provide it with raw materials.

<sup>83</sup> Melvin J. Hinich and Michael C. Munger, *Ideology and the Theory of Political Choice* (Ann Arbor: University of Michigan Press, 1994); Judith Goldstein, *Ideas, Interests, and American Trade Policy* (Ithaca: Cornell University Press, 1993); and Cheryl Schonhardt-Bailey, "Interests, Ideology and Politics: Agricultural Trade Policy in 19th-Century Britain and Germany," presented at the American Political Science Association annual meeting, August, 31 - September 3, 1995.

<sup>84</sup> Schonhardt-Bailey, "Interests".

<sup>85</sup> Donald N. McCloskey, *If You're So Smart: The Narrative of Economic Expertise* (Chicago: University of Chicago Press, 1990).