

The British Trade Policy Plan during the First World War: a Modified “Imperialism of Free Trade”?

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The First World War, which broke out after years of free trade regime, gave tariff reformers a great opportunity to inspire Britons to accept the principle of an economic bloc. The purpose of this article is to trace the British government's trade policy during the First World War, and to ascertain whether the government surrendered to the tariff reformers or not. In this context, three aspects will be considered: first, the relationship with the Allies; second, the relationship with countries of the Empire; third, the governmental decision. The article concludes that tariff reformers did not succeed in convincing the British government to change Britain's traditional commercial policy. In fact, whenever the government was involved in an Allied or imperial conference, it objected to the principle of an economic bloc, while admitting a tariff policy for essential industries.

1. Introduction

About half a century ago, John Gallagher and Ronald Robinson advocated the “Imperialism of Free Trade”.¹ Their theory's power of influence on history thereafter² need not be mentioned in detail here. For example, their metaphor for the formal empire, “icebergs solely from the parts above the water-line” sheds light upon the existence of “the informal empire”.³ From that moment onwards, there was global

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¹ John Gallagher and Ronald Robinson, “The Imperialism of Free Trade”, *Economic History Review*, 2nd ser. vol. VI, 1953, pp. 1-15.

² E.g. W. R. Louis (ed.), *Imperialism: The Robinson and Gallagher Controversy*, (New York 1976).

³ Gallagher and Robinson, *op. cit.*, p. 1.

understanding of both the formal and the informal empire. We do not have to distinguish, for example, Australia from Argentina, and India from China.⁴ “By informal means if possible or by formal annexations when necessary”, Britain tried to meet the needs of an expanding domestic society and open up undeveloped areas, which could be called “satellite economies”, for her own foreign trade during the nineteenth century.⁵ Although gradually forced to retreat into Asia, Africa and South America as the result of “the second industrial revolution” in Europe and the United States,⁶ Britain held, or at least intended to hold, a metropolitan position in the world trade system throughout the nineteenth century. Refusing the establishment of exclusive trade relationships within the formal empire, Britain adopted the free-trade policy and behaved like a central, isolated trading nation towards the underdeveloped world, irrespective of the formal and informal empire.

A full-scale challenge to this strategy eventually materialised at the time of the First World War. Signs of it had already appeared before, in the form of the “Fair Trade Movement” or the “Chamberlain Campaign”,⁸ but this time circumstances were totally different from those in the past. Britain rushed into total war and normality was completely abandoned. People demonstrated their unprecedented hatred for Germany and felt as if they lived in a besieged city.⁹ Most trade was banned, licensed or firmly controlled. In these circumstances the so-called “Tariff Reformers” made themselves heard, aiming to influence public opinion. They said that an undefeated Germany was now planning to flood the British market with German goods after the war and action was called for in order to thwart this ambition. That meant Britain was to cooperate closely with the Empire and the Allies to form an economic union, above all a customs union. An economic advisor to Joseph Chamberlain, W.A.S.

⁴ P. J. Cain, *Economic Foundation of British Overseas Expansion 1815-1914*, (London 1980), chaps. 4-6.

⁵ Gallagher and Robinson, *op. cit.*, pp. 3-7.

⁶ E. J. Hobsbawm, *Industry and Empire*, (London 1968), chap. 9.

⁷ Benjamin H. Brown, *The Tariff Reform Movement in Great Britain 1881-1895*, (New York 1943), chap. I.

⁸ Andrew Marrison, *British Business and Protection, 1903-1932*, (Oxford 1996), chaps. 1-7.

⁹ W. K. Hancock, *Survey of British Commonwealth Affairs, Vol. II, Problems of Economic Policy 1918-1939, Part I*, (London 1940), p. 94.

Hewins, took the initiative in Parliament.¹⁰ He moved a resolution for united Imperial and Allied economic cooperation in the form of a Western treaty system,¹¹ and led the Unionist Business Committee, consisting of Conservative backbenchers who had connections with business and tariff reform organisations. Since the British government itself had also introduced "McKenna Duties" on imports of certain luxury goods, the 'Tariff Reformers' victory seemed certain.¹²

The purpose of this essay is to trace the British government's trade policy during the First World War and to ascertain whether the government surrendered to the tariff reformers or not. In the face of mounting "anti-German economics" and phobia about Germany,¹³ did the government actually plan the post-war trade policy which was based on a customs union with the Empire and the Allied members? Was it really possible that Britain, accustomed to a free-trade system, changed her traditional policy and suddenly agreed to the economic bloc plan? Three aspects of these issues will be considered. Firstly, the relationship with the Allies: the international "Economic Conference of the Allies" will be examined. Secondly, the relationship with countries of the Empire: the Balfour Committee will be studied, followed by the Imperial War Cabinet and Conference which were held at an imperial level after a resolution of the committee was adopted in Britain. Lastly, the governmental decision: we shall examine the comprehensive government decision with reference to the discussion and ultimate recommendation of the Balfour Committee, which was made in Britain as the result of "external pressure" implicit in the Allies' Economic Conference and in the Imperial War Cabinet and Conference.

2. The relationship with the Allies

The Economic Conference of the Allies (hereafter cited as ECA) took place from 14 to 17 June 1916 under the presidency of the French

¹⁰ Robert F. Bunselmeyer, *The Cost of the War 1914-1919*, (Hamden 1975), pp. 22-23.

¹¹ *Parliamentary Debates*, 5th ser. vol. LXXIV, 10 January 1916, cols. 1299-1311.

¹² Bunselmeyer, *op. cit.*, pp. 26-28.

¹³ *Ibid.*, chap. 2.

Minister of Commerce, Etienne Clémentel. The countries which took part were Britain, France, Russia, Italy, Belgium, Serbia, Portugal and Japan. Britain was represented by A. Bonar Law (Secretary of State for the Colonies), Lord Crewe (Lord President of Council, an agent of the President of the Board of Trade, Walter Runciman, who was ill at the time), W.M. Hughes (Prime Minister of Australia), George Foster (Minister of Trade and Commerce of Canada) with officials from the Board of Trade and others.¹⁴ This conference was originally planned in France but, in preparing the conference programme with Britain, France was gradually forced to compromise and Britain eventually succeeded in incorporating her own proposals in the preliminary proposal, which would later be adopted with little alteration as the actual resolution in the conference. So we shall study the preliminary negotiations between Britain and France more than the conference itself.

The first diplomatic proposal for Allied economic cooperation came from the French Director-General of Customs, Jean Branet, to the Counsellor of the British Embassy in Paris, Lord Granville, in September 1915. Branet wanted "to supplement the declaration of 5 September, 1914, by which the Allies engaged not to make peace separately but, by an economic agreement, to concert together at the end of the war". He also wanted "to prevent Germany, who would still be a most dangerous economic enemy, from flooding our (the Allied) markets with her exports". He did not propose "any definite measures", unlike the Honorary President of the British Chamber of Commerce in Paris, John Pilter, who indicated "a threefold tariff": an Allied nation tariff, a general tariff to be applied to enemy and neutral countries, and a British Empire tariff. Though Branet's remarks were unofficial and support from the French government was still to be enlisted, the British government came to recognise the existence in France of a plan of Allied economic cooperation against Germany.¹⁵

¹⁴ Board of Trade, Memorandum on the Paris Economic Conference, 30 June 1916, pp. 227, 246, WR143-2, Runciman Papers, University of Newcastle upon Tyne, Robinson Library (hereafter cited as RL).

¹⁵ Memorandum by Lord Granville, 14 September 1915, CAB37/141/15, Public Record Office (hereafter cited as PRO); John Pilter, An "After the War" Scheme for a Customs Union, n. d., CAB37/141/15, PRO.

Clémentel assumed the post of Minister of Commerce in France in October 1915.¹⁶ In December, he officially invited Britain, through the French Ambassador in London, Paul Cambon, to "a conference in Paris between Allies to discuss economic questions arising out of the war". The following issues would be discussed: "(1) Legislation regarding the prohibition of trading with the enemy. (2) The regulation of export prohibition in such a way that the Allies should afford reciprocal assistance to one another. (3) The measures to be taken by the Allies to reconstitute the necessary machinery for the resumption of normal trade. (4) The study of measures for the complete liberation of the Allied countries from any economic dependence on the German States".¹⁷ During the war, Clémentel had been a leader of the economic reformists in the French Ministry of Commerce. In order to prepare for "an economic war after the war" with Germany, he took advantage of wartime feelings of comradeship and solidarity among the Allies and planned the creation of an Allied economic bloc, which on a practical level meant, for example, the control of raw materials and the granting of preferential tariffs. He aimed at transforming the anarchy of the free market, based on competition, into an ordered economy, based on cooperation, and expected that the ECA would offer an opportunity for the "organisation" of world trade.¹⁸ During that period, the Central Powers had held economic conferences several times and had called for an "economic rapprochement" in the form of "economic and customs preference".¹⁹ Clémentel's plan was just a countervailing measure against them.

However Clémentel's proposal could not obtain a favourable response from Britain, because his counterpart, the President of the British Board of Trade, Runciman, was a convinced liberal free trader. Finally, both Runciman and Clémentel met in Runciman's hometown, Chat Hill, in February 1916 to discuss the conference programme, but

¹⁶ John F. Godfrey, *Capitalism at War*, (Leamington Spa 1987), p. 86.

¹⁷ Foreign Office to Cabinet, 10 February 1916, CAB37/142/29, PRO.

¹⁸ Marc Trachtenberg, "A New Economic Order": Etienne Clémentel and French Economic Diplomacy during the First World War", *French Historical Studies*, vol. X, no. 2, 1977, pp. 317-320.

¹⁹ Marvin E. Lowe, *The British Tariff Movement*, (Washington 1942), pp. 31-32.

the result of the meeting was very disappointing for the Frenchman.²⁰ For one thing, Runciman openly required the following subjects to be removed in advance from the conference agenda: "(1) Our relations with our Dominions and Colonies. (2) Our old fiscal controversies, the revival of which in their old form would divide British opinion. (3) The dependence of the United Kingdom on America and other countries for food supplies and the raw materials for our industries". Not only that, he also strongly urged that the following guidelines be borne in mind: (1) The Allies should conserve their own natural resources for their own use and for the use of neutral countries in the first place after the war, without Britain embarking on a controversial tariff. (2) The Allies should endeavour to purchase the supplies from themselves and from neutral countries on the same footing after the war. (3) The Allies should develop all the supplies for which they were previously dependent on the enemy, and which were expected to be needed after the war, as far as possible within their own countries. Unlike Clémentel, Runciman was afraid that Clémentel's ECA plan would alienate neutral countries from the Allies and encourage them to unite economically with Germany. So he referred to "economic independence from Germany" which everyone had supported implicitly, and strongly proposed "the application of the same trade (i. e. import) terms for both the Allies and neutral countries".²¹ In response to this, Clémentel acquiesced to his proposals and promised him that the programme to be drawn up in France would be limited to questions of economic defence against Germany and to such measures of rapprochement between the Allies as were in accord with views shared by Britain and France.²² However, it was utterly improbable that Clémentel, who had already embarked on the ECA plan with "the control of raw materials", would abandon his own conviction easily and unhesitatingly. Until just before the conference in June, the French government had close contact with Hewins

²⁰ D. Stevenson, *French War Aims against Germany 1914-1919*, (Oxford 1982), p. 34.

²¹ Runciman to Clémentel, 12 February 1916, pp. 63-64, WR149, RL.

²² Clémentel to Runciman, 27 February 1916, pp. 92-95, WR149, RL; Clémentel to Runciman, 16 March 1916, p. 104, WR149, RL.

through the French Foreign Ministry official, Millet, and tried to influence the British government from within.²³

The final political battle between the ministers took place in Paris in May 1916. The conference programme submitted as a final draft by Clémentel was made up of three sections involving periods, each of which corresponded to "(A) Measures to take effect in the War period, (B) Transitional measures to be carried out after the cessation of hostilities during the period of the reconstruction and of the commercial, industrial and maritime restoration of the Allied countries and (C) Permanent measures for mutual assistance and co-operation between the Allies".²⁴ On the other hand, Runciman had also prepared a unique draft in advance with help from the Board of Trade officials and aimed at inserting it in the French programme.²⁵

As far as section (A) was concerned, there was little difference of opinion between Clémentel and Runciman. Both ministers confirmed that there was a difference between the Allies concerning the regulations of trading with the enemy and Clémentel reminded Runciman that rubber exports from Britain to France suffered discrimination. Section (B), however, was completely different. Clémentel's proposals were strongly opposed by Runciman and then, conversely, Runciman forced Clémentel to compromise or submitted single proposals on his own initiative. They disagreed fundamentally on the way Allied trade would be conducted. Clémentel, as an advocate of an organised economy, proposed that the export of important natural resources, such as bauxite, to neutral countries be prohibited or licensed, and that export duties be imposed on the lesser natural resources going to neutral countries. To Runciman as a liberal free trader, these measures meant a post-war continuation of the wartime rationing system of prohibitions and licensing, which would inevitably provoke resistance from neutral countries. Eventually they agreed that, instead of laying down a general

²³ W. A. S. Hewins, *The Apologia of an Imperialist*, Vol. II, (London 1929), pp. 64-70; Marrison, *op. cit.*, pp. 236-240.

²⁴ Percy Ashley, Notes of a Conference at Paris on 6 May between the President of the Board of Trade and the French Minister of Commerce on the programme for the Economic Conference of the Allies, 10 May 1916, pp. 1-16, WR143-2, RL.

²⁵ Harcourt to Asquith, 5 June 1916, pp. 107-112, WR143-2, RL.

method, "special circumstances affecting each important commodity would have to be specially considered and a special method adopted in each case". Runciman's belief in indiscriminate trade like this was obvious in another case too. When Clémentel proposed the preferential treatment between the Allies regarding port, harbour and pilotage dues, Runciman expressed concern about the possibility of a violation of the commercial treaties and the possible reaction to British shipping interests all over the world. He even warned that the French shipping subsidies would attract increasing attention and might be criticised by British shipowners if the question of dues were raised. Eventually Clémentel consented to recognise the prime importance of merchant-shipping questions for Britain, and was forced to support Runciman's views completely.²⁶

In contrast with these episodes, the proposals submitted by Runciman on his own initiative were not about preferential treatments between the Allies which would inevitably discriminate against neutral countries, but about temporary discriminative measures against Germany which would indirectly help the primary economic reconstruction after the Allies' war. When he showed Clémentel a draft about "dumping", it appeared to be acceptable to Clémentel. The draft expressed concern over an economic attack by means of German dumping on the Allies immediately after the war. So it made provision that no enemy ships should be admitted to any ports within the Allied territories, and goods originating in these latter should be subjected to special customs treatment or prohibition for no less than one year after the war.²⁷ Basically Runciman had been sceptical about the German ability to dump after the war and thought that the first thing to be done was to collect evidence of the possibility of this happening. But this time he at least recognised the signs of dumping in the case of the textile and chemical industry, and consented to show that draft. Another proposal which Runciman submitted on his own initiative was about the "most favoured nation treatment". It provided that the Allies should not confer the right to a most favoured nation treatment on the enemy in any

²⁶ Ashley, *op. cit.*, pp. 3-8, WR143-2, RL.

²⁷ *Ibid.*, pp. 10-11.

treaty or agreement concluded within five years from the termination of the war, so that the Allies could secure the freedom of their own trade and industry. Clémentel expressed general agreement to the proposal and said that the French treaty position would be reviewed.²⁸

Though Clémentel did not object openly to Runciman's proposals, it is right to think that he never supported them favourably. For one thing, Clémentel had assumed that section (B) would last for twenty five years when he had drafted the French plan with some officials.²⁹ Their conflicting views appeared at the beginning of the meeting in Paris. While Runciman pointed out that section (B) should not apply for long because it was desirable to abolish governmental interference in industries and in shipping as soon as possible, Clémentel implied that it would apply longer after the war if Germany continued to wage the present war and to damage industry and commerce seriously.³⁰ In the end, Runciman succeeded not only in spurning Clémentel's proposals which mainly consisted in "preferential treatment between the Allies", but also in virtually compelling the recognition of proposals which were targeted directly against Germany and which were mainly "dumping" and "most favoured nation treatment". His true goal was that the Allies, *inter alia* Britain, would be able to get a head start without obstructing neutral countries, while they excluded Germany only temporarily.

As for section (C), there was nothing left for Clémentel to obtain. On his own initiative again, Runciman submitted his proposals which aimed at independence from Germany after the war in respect of all essential commodities and materials by means of import duties, prohibition and other measures. A few months previously, Runciman had debated the British post-war tariff policy with the Board of Trade officials. While the officials had already tolerated the transformation of traditional fiscal policy in the face of German economic superiority and had devised the *ex novo* tariff policy in the "essential industries" where Germany excelled domestically and internationally, Runciman

²⁸ *Parliamentary Debates*, 5th ser. vol. LXXIV, 10 January 1916, col. 1367; Ashley, *op. cit.*, pp. 8-13, WR143-2, RL.

²⁹ Stevenson, *op. cit.*, p. 34.

³⁰ Ashley, *op. cit.*, pp. 2-3, WR143-2, RL.

expressed concern over the brunt of German exports to third countries and strongly objected to the decision. Later, they ended up compromising and agreed to recognise the tariff policy as merely one, and not the only, economic measure to safeguard the essential industries; this was now reflected in the British draft.³¹ What Britain proposed here was virtually just the same as their former request at the Chat Hill meeting, with the exception of tariff treatment.

When the ECA was finally held in June 1916, Clémentel's defeat proved to be decisive. The proposal concerning the conservation of natural resources by the Allies during the transitional period, which was probably regarded by France as the most important proposal, did not produce any concrete consequences. In the discussion, the necessity of preventing Germany from controlling Australian base metals was taken as an example, but Britain remained unmoved by the French proposal and pointed out that it might lead to the undesirable violation of commercial treaties with neutral countries. The proposals of British origin were distorted by Russia and Italy, which must have been disappointing to France. Both countries, being agrarian, had had a close economic relationship with Germany before the war and could not tolerate the long-term post-war application of the "dumping" and "most favoured nation treatment" provisions. Eventually, in both provisions, a section concerning the number of years the provision was to be applied was left to be fixed later by agreement among the Allies. Furthermore, in the discussion, the possibility of special duties or surtaxes on German goods and of differential port and harbour dues, and the exclusion of German shipping from Allied ports were taken as examples, but the concrete plans concerning these measures (i.e. the concrete plans of prevention measures concerning "dumping") were left to each of the Allies, which might defy even the British situation because Britain had already privately admitted trade blockades against Germany after the

³¹ Ashley, Note on Post-Bellum Commercial Policy, with special reference to the penalization of German Trade, n.d., but probably March or April 1916, pp. 45-58, WR143, RL; Runciman to Ashley, 8 April 1916, p. 59, WR143, RL; Ashley to Llewellyn Smith, 13 April 1916, pp.60-61, WR143, RL; Runciman to Ashley, 16 April 1916, p. 62, WR143, RL; Memorandum by Ashley, 26th April 1916, pp. 63-64, WR143, RL.

war. It was obvious that such a treatment stemmed from consideration to both agrarian countries. As for the British proposal concerning "essential industries" in the permanent period, there was hardly anything for Britain to dare to append. Britain appeared to be satisfied with the final provision, which treated the tariff policy as only one of several economic measures and delegated the decision regarding concrete measures to each of the Allies.³² As a whole, "the Paris Resolution", which passed as the result of the ECA,³³ disappointed Clémentel because it did not hammer out the long-term Allied economic bloc plan once and for all. On the other hand, the Paris resolution rather pleased Runciman because it did not stipulate any "Inter-Allied preference in respect of Customs Duties".³⁴

3. The relationship with the countries of the Empire

A few weeks after the British government approved the Paris resolution,³⁵ the Reconstruction Committee composed of ministers, which had already been established in March 1916,³⁶ announced that a governmental committee had been set up to plan the trade policy after the war, which ended up being called the Balfour Committee after the Chairman of Unionist Free Trade, Lord Balfour of Burleigh. That committee's assignment was to examine which industry and imperial resources should be encouraged and developed, and how the home and foreign trade lost during the war would be recovered and new markets would be secured after the war "with special reference to the conclusions reached at the Economic Conference of the Allies".³⁷ In the words of the Prime Minister, Asquith, it was "a strong Committee which

³² Board of Trade, *op. cit.*, pp. 231-242, WR143-2, RL.

³³ Recommendation of the Economic Conference of the Allies, H.M.S.O., Cd. 8271, 1916.

³⁴ Board of Trade, Memorandum on the Resolution of the Paris Economic Conference, 12 April 1917, p. 3, CAB24/10, G. T. 425, PRO.

³⁵ Memorandum by Asquith about Cabinet Meeting on 12 July 1916, 14 July 1916, fols. 184-185, MSS. Asquith8, Asquith Papers, Oxford University, Bodleian Library.

³⁶ Memorandum by Asquith, 18 March 1916, CAB37/144/44, PRO.

³⁷ Committee on Commercial and Industrial Policy (hereafter cited as CCIP), Final Report of the Committee on Commercial and Industrial Policy after the War, H.M.S.O., Cd. 9035, 1918, p. 4.

was collected from the point of view of representing not so much the interests or opinions of one particular section, but of representing every point of view that could reasonably demand recognition".³⁸ He had also regarded the Committee as the one "with a view of discovering how far agreement among ourselves might be possible under the changed conditions brought about by the War" and prior to "a Conference representative of the United Kingdom, the Dominions and India to consider the commercial policy to be adopted after the War".³⁹ The committee members were specialists, including an entrepreneur, a labourer, a lawyer, an academic and so on, some of whom were the chairmen of the Board of Trade Committees whom had been set up with respect to each of the "staple industries" such as coal, iron and steel, engineering, textile, electrical, shipping and shipbuilding. Furthermore, the Chairman of the Financial Facilities Committee and, later, the Chairman of the Non-ferrous Metal Committee were also members of the Balfour Committee.⁴⁰ Asquith had already expressed the desire to form "a mixed Committee", consisting of "Free Traders and Tariff Reformers to discuss freely the perspective situation".⁴¹ That selection of members, which included even Hewins, lived up to his expectations.

The Balfour Committee began its discussions in July 1916. During the first few months, it discussed the issues arising from section (B) of the Paris resolution, which resulted in the publication of the interim reports in the autumn of that year.⁴² It was not until an agreement on these issues was well on the way to being found that tariff and empire trade problems on a permanent basis were examined. The man who broke

³⁸ *Parliamentary Debates, 5th ser.* vol. LXXXV, 2 August 1916, col. 339.

³⁹ *Parliamentary Debates, 5th ser.* vol. LXXXIV, 24 July 1916, col. 1320.

⁴⁰ Peter Cline, "Winding down the War Economy: British Plans for Peacetime Recovery, 1916-19" in Kathleen Burk (ed.), *War and the State*, (London 1982), p. 164.

⁴¹ Report by Asquith about Cabinet Meeting on 23 February 1916, 24 February 1916, fol. 143, MSS. Asquith 8, Bodleian Library.

⁴² CCIP, Interim Report on the Importation of Goods from the Present Enemy Countries after the War, H.M.S.O., Cd. 9033, 1918; CCIP, Interim Report on the Treatment of Export from the United Kingdom and British Overseas Possessions and the Conservation of the Resources of the Empire during the Transitional Period after the War, H.M.S.O. Cd. 9034, 1918.

the ice was Hewins. He was irritated at the slow proceedings of the Committee which seemed to deliberately avoid discussions on tariffs and the empire, and so he submitted the resolution which recommended that the government collect some information about tariffs. For Hewins, "the decision of the Allied Conference and the terms of reference to this Committee" seemed to call for the following measures: "security for industry, greater self-sufficiency of the Empire, economic alliance with our present Allies, and differentiation against enemy countries". However, it was too obvious that his real intention was not just to collect tariff information, but to direct opinion within the Committee into the approval of a particular policy – the permanent tariff policy. Eventually, his blatancy could not attract much support from members and his incitement for "Tariff Reform" had no effect whatsoever.⁴³

The Committee expedited its proceedings suddenly in December 1916. Lord Balfour proposed that members begin to discuss "the general (i.e. permanent) question of future commercial policy" at the next meeting and before then he would "circulate definite propositions" which would serve as a basis for the debate.⁴⁴ About the same time, he received "a secret memorandum", written by a secretary of the Committee, which was probably drawn up with assistance of the Board of Trade officials and, in a way, would decide the course of the Committee from then on. The memorandum consisted mainly of two issues. Firstly, the order of priority for the protection of industry: "The position of the iron and steel industries in this country" was "admittedly unsatisfactory" at the outbreak of war compared with the position of similar industries in the United States and in Germany. If tariff protection seems to be called for to remedy such a situation, it is necessary for us to consider "the ultimate effects upon other industries" like the shipbuilding industries, which depend upon "the raw materials" arising from "the finished products of the iron and steel industries" to maintain "their cheap supply (i.e. cheap supply of finished products of

⁴³ CCIP, Minutes of Meeting (hereafter cited as MM), no. 7, 9 November 1916, pp. 57-60, BT55/8, file1, PRO; Do., no. 8, 23 November 1916, pp. 63-65; Do., no. 9, 30 November 1916, p. 67.

⁴⁴ CCIP, MM, no. 11, 14 December 1916, p. 74, BT55/8, PRO.

shipbuilding industries)". Clearly, "the relative importance" of the shipbuilding industries for Britain is quite different from that of the shipbuilding industries in Germany, which is demonstrated by the fact that in 1913 Britain "launched nearly two million tons of shipping" while Germany "built only one-fifth of this amount". Secondly, imperial preference: "It involves, of course, political questions affecting our relations with our present Allies and Neutrals as well as economic and social considerations". However, in the main, the decision of Imperial Preference rests upon "the comparatively broad and simple question whether the Committee is prepared to recommend the imposition of duties upon grain and meat imported from foreign countries". "The question can hardly be separated altogether from that of the encouragement of agriculture in this country" and "the attitude of foreign countries towards the Empire" which "might materially promote self-sufficiency".⁴⁵ In other words, the secretary's memorandum recommended that Britain devise the policy, attaching a higher value to export-oriented industries which needed the cheapest raw materials to keep the prices of the finished products low and competitive in the world market, and it warned that Britain would be forced to introduce grain and meat (i.e. foodstuffs) duties if they desired to devise an Imperial Preference policy, which might result in being at variance with domestic and foreign interests.

The "definite propositions" submitted by Lord Balfour in the first meeting in 1917 adhered fundamentally to that memorandum. After the Committee decided to give priority to the discussion concerning Imperial Preference in view of the imminent Imperial Conference, Lord Balfour expressed fundamental doubts about the need for a tariff policy and submitted a resolution which was, apparently, an offspring of the secretary's memorandum. In that resolution, he proposed that Britain introduce tariffs, not in order to fulfill the needs of countries of the empire, but to meet her own need and to carry out the Imperial Preference policy by means of non-tariff measures: "the provision of

⁴⁵ Memorandum by G. C. Upcott to Lord Balfour of Burleigh, 13 December 1916, pp. 115-117, BT55/12, file30, PRO.

cheap and rapid means of transport and communication, the improvement of harbours, and the development of material resources of the Empire as a whole". His remarks were so provocative that tariff reformers within the Committee were enraged. However the majority of the members supported the principle of preference anyway, and implicitly or explicitly did not approve duty on foodstuffs. Surprisingly enough, that course was backed by even a few tariff reformers. Up to this point, it was obvious that Lord Balfour's resolution was a little too radical, and that most members were ready to accept the tariff policy without duty on foodstuffs.⁴⁶

The Committee entered the final stage concerning Imperial Preference when a steamship owner, Alfred Booth, submitted an alternative draft resolution. He was the chairman of the Shipping and Shipbuilding Committee convened by the Board of Trade, but was no longer a convinced free trader like the other free traders on the Balfour Committee, although he was connected with shipbuilding interests. His resolution involved "only the acceptance of preference in principle and consideration of a tariff as one method" and seemed to be acceptable to most of the members. Within the committee, it was gradually apparent that free traders had already abandoned their former "free trade" ideas and that they virtually recognised the low-rate industrial tariffs as less harmful, even if as less preferable to "cheap production for export". In other words, they had already been converted into "the Modified Free Traders" who approved the tariff policy as long as it did not include duty on foodstuffs. On the other hand, it was also gradually apparent that Tariff Reformers were no longer fogies because they had already clarified that they did not intend to cling to their former "tariff reform" ideas which necessarily included duty on foodstuffs. On the surface, both factions came to a fruitful compromise in the face of the emergent war régime, but, in fact, it meant complete defeat for the tariff reformers. A modified final resolution which was based on Booth's draft did reveal that "special steps" had to "be taken to stimulate the

* CCIP, MM, no. 12, 18 January 1917, pp. 81-86, BT55/8, PRO; Do., no. 13, 19 January 1917, pp. 87-94.

production of foodstuffs, raw materials and manufactured articles within the Empire” at first. Further, it stipulated that the British government “should now declare its adherence to the principle that preference should be accorded to the products and manufactures” of the Empire “in respect of any customs duties now or hereafter to be imposed” and to “the desirability of establishing a wide range of customs duties”. However, there was nothing to announce definitely that the committee recommended the introduction of duty on foodstuffs. Not only that, it indicated that there were ways to stimulate the imperial production other than tariffs because it regarded tariffs merely “as one of the methods of achieving the above objects (i.e. the stimulation of productions)”. Eventually the Balfour Committee adopted the resolution and wrote a letter to the Prime Minister, in which the question was posed as to “how far the interests of the Dominions could be met by the granting of subsidies in lieu of tariff preferences”.⁴⁷

As a whole, in the Committee’s discussion concerning imperial preference, Lord Balfour’s radical resolution, which should have stemmed from the Board of Trade’s view, bore no fruit because it was virtually the Imperial Preference policy with no-tariff measures, which, in the face of the emergent war régime, not even free traders could support any longer. Instead, the final widely-supported plan was submitted by “a Modified Free Trader” concerned with shipbuilding interests: it tolerated an imperial preference policy with tariffs other than duty on foodstuffs and regarded tariffs as only one method of some measures. That conclusion meant a complete and unexpected defeat for the tariff reformers because the imperial customs union could not be finished without duty on foodstuffs as shown in “the secretary’s memorandum”. In contrast, that conclusion meant a victory for the British government, *inter alia* the Board of Trade, because the final plan not only refused the tariff reformer’s’ ambition to create an imperial economic bloc, but also admitted only industrial tariffs, which

⁴⁷ CCIP, Copy of Resolutions passed by the Committee on Commercial and Industrial Policy on the subject of Imperial Preference, together with Copy of Covering Letter to the Prime Minister, H. M. S. O., Cd. 8482, 1917.

had already been planned by the Board itself about one year previously.

Early in December 1916, Asquith was replaced by Lloyd George. Soon after, the newly-appointed Prime Minister announced that the Imperial Conference would be convened in the near future.⁴⁸ A few days later, the War Cabinet agreed that the Imperial War Cabinet (hereafter referred to as IWCa) and the Imperial War Conference (hereafter referred to as IWCo) which the Premiers of the Dominions and the representatives of India would join would be held simultaneously. While the IWCa was recognised as the meeting which would discuss the problems which arose during and immediately after the war, together with the terms of peace, the IWCo was recognised as the one which would discuss the issues not treated by the IWCa and not connected with the war itself. The IWCa was held from 20 March to 2 May 1917 and the IWCo was held from 21 March to 27 April; their meetings were essentially held alternately.⁴⁹

On 24 April 1917, the IWCa faced a crucial test concerning the imperial preference policy which Britain had already brought to an end domestically a few months before. Until then, the Colonial Office had previously dispatched the agenda of the IWCa and the IWCo to the Dominions, of which New Zealand was the most ready to discuss the problem of imperial trade policy.⁵⁰ Consequently, when the IWCa were about to discuss it, the Prime Minister of New Zealand, William Massey, submitted the following resolution:

"That the time has arrived when all possible encouragement should be given to the development of Imperial resources and, consistent with the resolutions of the Paris Conference, especially to making the Empire independent of other countries for the food supplies of its population and raw material for its manufactures. With these objects in view, this Conference express itself in favour of:

- (1) A system by which each country of the Empire will give

⁴⁸ *Parliamentary Debates*, 5th ser. vol. LXXXVIII, 19th December 1916, col. 1355.

⁴⁹ War Cabinet, 15th Meeting, 22 December 1916, pp. 2-3, CAB23/1, PRO; Do., 16th Meeting, 23 December 1916, pp. 2-3; Do., 24th Meeting, 1 January 1917, pp. 3, 6.

⁵⁰ Liverpool to Long, 15th February 1917, pp. 269-270, CO532/91, PRO.

preference through its Customs to the goods produced or manufactured in any other British country." (The rest is omitted.)⁵¹

According to Massey, although "the question of Imperial Preference had been considered on many occasions, more particularly at a previous (i.e. at the 1907) Imperial Conference", there had been no progress "due to the views of the electorate of the United Kingdom". But "a very important change in public opinion had taken place, a striking proof of which was afforded by the recent report (i.e. resolution) of Lord Balfour of Burleigh's subcommittee. The War had undoubtedly made people realise the dangerous extent to which the United Kingdom had been dependent on foreign countries. This dependence was unnecessary, as the Empire could produce all it required, so long as it retained control of the sea".⁵² He seemed to be a convinced advocate of "Imperial Preference with tariff", that is, "tariff reform orthodoxy with a view to an imperial economic bloc". However, he ignored the fact that some Dominions like Canada had already begun to negotiate commercial agreements with foreign countries on their own, which might eventually lead to breaking up the imperial unity which the tariff reformers regarded as most important.⁵³ Furthermore, Massey was not only optimistic about the possibility of imperial self-sufficiency, which, as a famous economic magazine had reported in those days, was not easy,⁵⁴ but he was also dogmatic about the interpretation of the Balfour Committee's resolution, which, as has already been pointed out, did not represent the opinion of the tariff reformers and virtually excluded duty on foodstuffs. His logic was so fragile and groundless that it was soon to be attacked by other imperial members.

The Prime Minister of Canada, Robert Borden, was the first to protest against Massey's proposal. He admitted that "the whole fiscal system of Canada had been designed for national and Imperial purposes" and that Preference was "a valuable and fundamental principle". However, just as Britain would not "desire a Preference that was felt to be oppressive

⁵¹ Imperial War Cabinet, 11th Meeting, 24 April 1917, p. 3, CAB23/40, PRO.

⁵² *Ibid.*, pp. 3-4.

⁵³ W. A. S. Hewins, *The Apologia of an Imperialist*, Vol. I, (London 1929), pp. 8-9.

⁵⁴ *The Statist*, vol. vol. LXXXIX, no. 2035, 24 February 1917, pp. 309-310.

or unjust", the Dominions did not desire interference in "their own internal affairs". Canadian "chief exports were wheat, cheese and bacon" and "a Preference which did not deal with the question of food supplies would be illusory and unsatisfactory", but "one of the difficulties which had confronted Canada in the past, and raised the greatest measure of outcry from her farmers, had been the increased costs of transportation across the Atlantic". So "it might be possible for the United Kingdom and the Dominions to get together in some great enterprise which would restrict the cost of transportation within the Empire. Transportation was quite as important to all the Dominions as Customs Preference".⁵⁵ It was obvious that Borden, pretending to fear British domestic interests being damaged by undesirable (i.e. foodstuffs) duty, aimed at avoiding "Imperial Preference with tariff" in his own interest, while proposing "Imperial Preference with imperial transportation", which was very similar to Lord Balfour's original plan. On the other hand, the Prime Minister of Britain, Lloyd George, seemed to agree completely with Borden. He admitted that "his general attitude had been altered by things which had happened since the War" and that "there were industries essential to defence" which "might not be able to hold their own unassisted at the end of the War". Furthermore, "he was all for Preference, and would personally assent to any resolution laying down the principle". However, "he asked Mr. Massey to leave out the three words *through its Customs*, which specified a particular method" and considered that "Borden's method of subsidised transit through the Empire would give a more substantial Preference".⁵⁶ For Lloyd George, then, Borden's proposal must have been a gift from heaven because he had already announced that imperial preference policy with foodstuffs duty would not have been introduced when he had conferred with Hewins a few days previously.⁵⁷ Obviously, both Borden and Lloyd George were opposed to Massey's proposal which would inevitably finish "tariff reform orthodoxy" and instead were inclined to prefer "Imperial Preference with non-tariff".

⁵⁵ Imperial War Cabinet, *op. cit.*, p. 4.

⁵⁶ *Ibid.*, p. 5.

⁵⁷ Hewins, *op. cit.* (Apologia II), pp. 132-134.

Other members within the IWCa did not put up strong resistance to the proposals. A famous "Social Imperialist", Lord Milner, "wished to make it clear that Preference on Customs Duties was not excluded" if the resolution were amended. "He placed the principle of Preference as something much higher than either tariffs or shipping", which was "an absolutely vital matter" to him. "He could imagine a policy of Preference without tariffs or without shipping subsidies, but he could not, in his conception of the Empire, imagine a policy that had tariffs and gave no Preference on these tariffs". The Secretary of the State for the Colonies, Walter Long, who was Hewins' close colleague, "expressed his agreement with Lord Milner". He seemed to be quite content with an amended resolution, "as long as it did not preclude any of the methods by which Preference could be granted". According to him, "it would create profound dissatisfaction if it became known that the utilisation of Tariff Preference was to be excluded from the Cabinet scheme of Imperial Preference". Furthermore, a Labour member of an inner War Cabinet, Arthur Henderson, mentioned that "his own personal views differed from those of some of the members of the Cabinet", but considered that the value of an amended resolution was that "it would secure agreement between those who differed as to the particular methods of carrying it out". Two days later, the amended resolution was submitted to the IWCa by a subcommittee chaired by Long, but it had been slightly changed from Massey's original resolution:

"The time has arrived when all possible encouragement should be given to the development of Imperial resources, and especially to making the Empire independent of other countries in respect of food supplies, raw materials, and essential industries. With these objects in view the Conference expresses itself in favour of:

(1) A system by which each part of the Empire, having due regard to the interests of our Allies, will give specially favourable treatment and facilities to the produce and manufactures of other parts of the Empire." (The rest is omitted.)^{*}

In the amended resolution, the words *through its Customs* were

^{*} Imperial War Cabinet, 12th Meeting, 26 April 1917, p. 4, CAB23/40, PRO.

omitted, as Lloyd George had wished previously, but it was not yet acceptable to a South African representative, General Smuts. "All that was required, in his opinion, was to recognise the principle, namely, that in any future agreement which included tariffs, Preference should be granted, and not to lay down a policy". He suggested that "it might be possible to draft the resolution in a form which more clearly expressed the situation". Lloyd George immediately reacted to Smuts' remarks and suggested that a new draft resolution might be drawn up, emphasising the following points: "First of all, the complete freedom of each Government in the Empire to adopt any economic system it chose; secondly, that where there are customs duties, those duties should be more favourable to the produce and manufactures of other countries in the Empire; and thirdly, that the principle of Preference should be carried out in any arrangements for the improvement of communications and transportation, or in any other way in which it could usefully be applied". Eventually, "in view of the desirability of securing an unanimous decision", the IWCa agreed that "the words *a system by which* at the beginning of sub-heading (1) of the resolution, were substituted by *the principle that*", while upholding the lines suggested by Lloyd George. The final resolution which was thus amended was passed and also adopted as "the 21st Resolution" at the meeting of the IWCo on the same day. That provision enabled imperial countries not to establish "a rigid system" of Imperial Preference with tariff, but to accept "a common principle" of Imperial Preference in their own fashion.⁵⁹ In other words, they had to introduce imperial preference tariff if they had already executed some tariff policy, but they did not have to introduce the *ex novo* tariff purposely to grant Imperial Preference to other imperial countries. Each government was free to choose its own fiscal policy in the future and that meant, for example, that Britain would be able to avoid controversial and undesirable foodstuffs duty and introduce only an industrial tariff, if she were to embark on tariff policy. As a whole, the provision of "the principle of Imperial Preference" decided by the IWCa never assumed

⁵⁹ *Ibid.*, p. 5.

that establishment of "tariff reform orthodoxy with a view to an imperial economic bloc" in the future which Massey had desired.

4. The governmental decision

Now that the British government, by itself or with the help of other imperial countries, had succeeded in making the plan of an Allied and imperial economic bloc improbable internationally and imperially, it still had to reject the plan domestically. In other words, there still remained the question as to how extensively industrial tariffs other than foodstuffs duty would be introduced, while disregarding the persistent pleas of the Tariff Reformers. This issue was to be discussed at the meetings of the Balfour Committee in mid-1917.

Generally speaking, there were two kinds of industries which could be recognised during the war. One was the so-called "essential industries" which have already been mentioned. In response to section (C) of "the Paris Resolution", the Balfour Committee had already embarked on discussions and had recommended that a "Special Industries Board" be set up to promote and assist such industries which were to be categorised as in need of aid, e.g. synthetic dyes, zinc, tungsten, magnetos, and optical and chemical glass.⁶⁰ During the war, it was widely realised that such important industries' dependence on Germany was dangerous and undesirable. There was no longer any opposition to governmental aid, including tariffs. The other kind of industry was the so-called "staple industries" which had led the British economy through the nineteenth century and were expected to be important in the future; some of these industries were being examined by the Board of Trade Committees. In the Balfour Committee, as has been pointed out, there were members who represented these industries as the chairmen of such committees. Divided between 'Free Traders' and 'Tariff Reformers', for several months from mid-1917 members of the committee discussed vehemently the extent to which the tariff of staple industries would be introduced.

Within the Committee, free traders who represented the textile industry (cotton, wool), the coal industry, and the shipping and the

shipbuilding industries, insisted that the success of British industries in the future depended upon the acquisition of the markets of neutral countries (i.e. Asia, Africa and South America). For the free traders, the most important thing was that Britain could procure the cheapest raw materials anywhere in the world to maintain her competitiveness in such markets. They had no hesitation to trade even with Germany, as long as such economic behaviour could benefit Britain. They believed that, in order not to lose overseas markets, Britain should revitalise her own industries by means of some measures other than tariff measures which necessarily increased the cost of raw materials.⁶¹ On the other hand, within the Committee, tariff reformers who represented the textile industries (silk), the iron and steel industry, the electrical industry and the non-ferrous metal industry, insisted that tariffs could protect the domestic market, remove industrial unrest, encourage investment or the organisation of enterprises and carry out Imperial Preference. To them, tariff was the magic wand which could solve all industrial and imperial problems and which needed to be applied to all industrial imports in order to end "tariff reform orthodoxy" as far as possible.⁶² Furthermore, it was noteworthy that the industrial tariff issue attracted more support than expected in the Committee at that time. Some of the free traders, legal and academic members became supporters of tariff policy, but this did not mean that they really understood the tariff reformers' imperial ambition. They supported industrial tariffs, not because they were interested in thinking on imperial lines, but because they considered it would encourage industrial safeguarding, commercial negotiations with foreign countries, and an increase in tax revenue.⁶³ In other words, they never sympathised with the tariff reformers' view and only supported an industrial tariff in view of its practical function.

Faced with such a confrontation within the Committee, Lord Balfour,

⁶⁰ CCIP, *Interim Report of Certain Essential Industries*, H.M.S.O., Cd. 9032, 1918.

⁶¹ CCIP, *Minutes taken before the Committee on Commercial and Industrial Policy*, 7 June 1917, pp. 18-20, 27-29, BT55/13, file37, PRO; Do., MM, no. 41, 12 July 1917, p. 206, BT55/8, PRO.

⁶² CCIP, *op. cit.* (Minutes taken before the Committee), pp. 12-13, 42, 46-48, BT55/13, PRO.

⁶³ *Ibid.*, pp. 25-26, 40-41, 45-46.

as chairman, had to embark on arbitration, when he utilised the “secretary’s memorandum” again. He attached great value to the interests of export-oriented industries such as shipbuilding, which he thought would continue to be important in the future, as assumed implicitly in the memorandum. For Balfour, it was not the iron and steel industry but the shipbuilding industry that was most important: his aim was not to encourage industrial safeguarding measures including tariffs; but to supply manufactures as cheaply as possible in such markets as “China, India, Siberia, smaller Far Eastern countries, Africa, Central and South America”. To that end, Britain had to endeavour above all to acquire raw materials as cheaply as possible, setting aside such issues as “organisation, the granting of credit, and efficient management”. So Balfour’s arbitration proposal suggested that the all-round industrial tariff indicated by the tariff reformers should not be adopted, and that an independent organisation be set up to determine the extent to which the tariffs of staple industries would be introduced. It was “the selective tariff policy” which aimed at keeping down the cost of raw materials as much as possible and narrowing down as far as possible the kinds of staple industries to be protected by tariff.⁶⁴

Lord Balfour succeeded in mustering a majority within the Committee and could submit “the final report” to the government with a minority reservation.⁶⁵ His commercial policy plan, through “the secretary’s memorandum”, adhered fundamentally to the view of the Board of Trade which did not permit the establishment of an economic bloc, while tolerating tariff policy applied to “essential industries”, which had already been evident when the Board had prepared the British plan for the ECA. For the tariff reformers, a tariff policy without foodstuffs duty had already meant a *de facto* lost battle, but “the selective (staple industrial) tariff policy” now meant a *total* lost battle,

⁶⁴ CCIP, Final Report of the Committee on Commercial and Industrial Policy after the War, Cd. 9035, 1918, pp. 47-48; Lord Balfour of Burleigh, Memorandum of Fiscal Policy, 5 January 1917, p. 7, BT55/8, file2, PRO.

⁶⁵ CCIP, MM, no. 43, 2 August 1917, pp. 219-220, BT55/8, PRO; Do., no. 44, 4 October 1917, pp. 221-223; Do., no. 45, 5 October 1917, pp. 224-225; Do., no. 46, 18 October 1917, pp. 226-228; Do., no. 47, 19 October 1917, pp. 229-230; Do., no. 48, 8 November 1917, p. 231; Do., no. 49, 9 November 1917, p. 232.

which deprived them of the feasibility of all-round industrial tariff and deterred them from gradually approaching "tariff reform orthodoxy".

5. Conclusions

The First World War, which broke out after years of free-trade régime, gave the tariff reformers a great opportunity to inspire Britons to accept the ideal they persistently proposed: the principle of an economic bloc. However, they did not succeed in convincing the British government, *inter alia* the Board of Trade. Whenever the government was involved in an Allied or an imperial conference, it objected to the principle of an economic bloc, while admitting a tariff policy for essential industries. Furthermore, the government, whose agent was Lord Balfour, interfered on a practical level in the Balfour Committee through "the secretary's memorandum" and succeeded in bringing the Committee to the conclusions it wanted, rejecting the introduction of foodstuffs duty and establishing the minimum tariff policy for staple industries in order to prohibit the creation of an economic bloc. During the First World War, the informal empire (i.e. the neutral countries in Asia, Africa and South Africa) was still thought to be as important to post-war Britain as the formal empire. The government decided to introduce a tariff policy for essential industries because of the economic threat posed by Germany, but as far as other industries were concerned, it did not plan to abandon its traditional economic policy of free trade with both the formal and the informal empire, even when faced with the tariff reformers' vehement agitations. Apart from a modest tariff policy, the British government during the First World War clarified its intentions to continue to support both the free-trade policy and the anti-economic bloc policy. Such a strategy could be called "a Modified Imperialism of Free Trade".

According to a historian who is doing research on European integration, Alan Milward, "the evolution of the European Community since 1945 has been an integral part of the reassertion of the nation-state as an organisational concept",⁶⁶ and the collapse of the European nation-

⁶⁶ Alan S. Milward, *The European Rescue of the Nation-State*, 2nd edn., (London 2000), pp. 2-3.

states in 1939-40, following the economic collapse of 1929-32, meant not only defeat in the face of overwhelming military superiority, but also defeat of inner morale. From then on, it became more and more essential that European nation-states enlisted citizens' allegiance to reassert themselves as entities, for which purpose the European Community was established.⁶⁷ On the other hand, during the First World War, the British government did not face any collapse of the nation-state. It never thought that Germany would cause Britain's collapse and that Britain would have to be rescued by solidarity among the Allies or among countries of the Empire. The British government wanted to exclude Germany from the Allies' ambit after the war, which was exactly opposite to Clémentel's view. The British government seemed to be optimistic about the Allies' future, *inter alia* its own economic and political future, and so did not believe that the traditional free-trade policy should be replaced by a radical economic bloc policy. Such optimism provided the basis for the British government's persisting in "a Modified Imperialism of Free Trade" during the First World War, even in the face of the tariff reformers' vehement propaganda.

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