Robert Giffen and the Tariff Reform Campaign, 1865-1910

Roger Mason
University of Salford

In the years following the repeal of the Corn Laws in 1846, an era of free trade was slowly established in Britain and as economic conditions began to improve, so credit was given in large part to the liberalisation of agriculture, commerce and industry. By 1860, tariffs on all imported goods of any significance had either been removed or substantially reduced.

Given the nature of business cycles, however, a serious downturn of trade was inevitable and 1865 saw the start of a recession which fuelled calls for a return to protection and for the country to adopt a policy of fair rather than free trade. This was particularly so with regard to the United States, where the economy was growing strongly under a protectionist regime. Movements such as the Revivers of British Industry and the Reciprocitarians were founded and began to press strongly for tariff reform.

The years 1869-73 saw better trading conditions but were followed by a prolonged recession which gave further impetus to the call for a review of free trade policies. The National Fair Trade League was formed, an organisation which enjoyed the substantial support of prominent businessmen and which drew together the various interest groups which had been arguing for fair trade since the mid-1860s.

By 1879, momentum behind the fair trade movement was such that it demanded a response from those who held to free-trade principles and who were now alerted to the possibility that free-trade could well be lost as the country began to debate a return to protectionism. One of those to challenge the fair traders in the late 1870s, and a man who was to prove perhaps their most effective opponent for more than two decades, was Robert Giffen, then Chief of the Statistical Department and Comptroller of Corn Returns at the Board of Trade. A convinced free-trader, Giffen's interventions in the tariff reform debates were to become a major factor in blocking the move towards trade protection in Britain.

Giffen had arrived at the Board of Trade by an unconventional route. Born in Strathaven, Lanarkshire in 1837, the son of a village grocer, he had

worked first as apprentice to a solicitor's clerk in Glasgow then briefly in a commercial house before entering journalism in 1860 as a sub-editor on the *Stirling Journal*. In 1862 he moved to London to become sub-editor of *The Globe* and his career quickly developed. Two years later, he became assistant editor of the liberal *Daily News*, and in 1886 was appointed assistant editor of *The Economist*, working under Walter Bagehot. He also helped to edit the *Fortnightly Review* and became a regular contributor to the *Spectator* and other prestigious journals.

Giffen's career in journalism seemed well founded but other events were set to intervene. In 1867 he had joined the Statistical Society and that same year had written papers on the National Debt (1867a) and on the financial management of the economy (1867b). His work came to the attention of J.J. (later Lord) Goschen, President of the Poor Law Board, who was about to prepare a report on local taxation for the Treasury. Goschen invited Giffen to work with him on the report, which was subsequently well received and which gained Giffen recognition as a highly gifted statistician.

Giffen's reputation continued to grow and in 1876 he was offered an appointment as Chief of the Statistical Department at the Board of Trade. He accepted, so choosing the Civil Service in preference to journalism, but in accepting his new position he negotiated a special dispensation which was to prove controversial and also critical to later events. Exceptionally, he obtained permission to promote his own views on all matters of political or economic interest - a concession which, together with his position as the Government's chief trade statistician, was to give him a particularly strong power base.

Giffen was now ideally placed to take on the fair-trade supporters. He had privileged access to statistical information on trade and the economy. As the person responsible for compiling the official trade statistics, he was able to choose how they were to be presented - a significant political advantage. He was then able to influence and shape government opinion as a senior civil servant and expert witness. Finally, he had a licence to express his views independently through speeches and through journalism, so reaching the widest possible audience.

Giffen's passion for free trade was beyond question. As early as 1867, he had argued that it had brought untold benefits not only to the working classes but to the more prosperous middle classes (1867b) He had also been astute enough to point out that it had been commercial interests which had been behind earlier trade liberalisation and had congratulated the business community on their vision:

> Merchants and traders, small and great, fought the battle of free trade steadily, because it was their own battle. They had the intelligence to perceive that restrictions on commerce were ruinous to themselves, nor was the taunt wholly unfounded that in agitating against duties on people's bread and other necessaries, they were really agitating for a fall in the cost of labour, so they might produce cheaper than before. (1867b, p. 714)

Two years later he again defended free trade in the strongest terms, arguing that the proof of its success was self-evident:

> Before 1842... the country was standing still, with a vast gulf between the rich and the poor, and political discontent assuming the most threatening forms. The visible beginning of a change was the free-trade experiment - the abolition of the burdens which those concerned at the time felt to be hindering their business. (1869, p. 103)

The depression of 1865-68 had prompted Giffen to defend free trade. For a time after 1868 the debate quietened as trading conditions improved, but the prolonged downturn in trade after 1873 brought fresh impetus to the controversy. Giffen joined with others in defending free trade yet again, arguing early in the depression (1875) that trading conditions, though a cause for concern, were in no way as bad as those in raw-material-producing countries which had opted for "high and Protectionist tariffs". Furthermore, consumption in Britain was increasing "notwithstanding all the complaints of dull trade".

Nevertheless, the depression of trade in Britain was undeniably deep and 1875 saw a major commercial and financial collapse. Giffen was now obliged to recognise the severity of the slump but continued to argue (1877) that the depression had affected not just Britain but "almost every civilised country". He conceded that U.K. foreign trade had seen a sharp downturn but claimed that this was due to international depression rather that to British tariff policy. It was not in dispute that the country faced an adverse balance of trade with a substantial excess of imports over exports, but Giffen argued that strength in imports was always a sign of relative prosperity and should not be a cause for concern.

In 1877, he had predicted that there would be a strong upturn in trade and in overall prosperity. However, by 1879, no such improvement in economic and financial conditions was in evidence and the fair trade movement, led by the National Fair Trade League, was moving from strength to strength. Agricultural and industrial interests joined together in pressing for change, for while imports of cheap American corn were depressing U.K. farmers' prices - to the extent that failures in the U.K. harvest were accompanied by a fall rather than a rise in wheat prices - foreign tariffs were restricting manufacturers' access to overseas markets. Free-trade principles were now in very real danger.

Giffen needed to mount a sustained attack on the fair traders but was in a difficult position. He had negotiated a freedom to write on political and economic matters and had to enter the political debate if he was to stop the National Fair Trade League. At the same time, he was aware that he could be held to account by the Board of Trade if he entered into the controversy too strongly. His solution was to publish a political tract on *The New Protection Cry* (1879) under the pseudonym Economist - a device which did little to mask the fact that Giffen was in fact the author but which did not lay him open to any charge of having too greatly compromised his position as a senior civil servant.

Giffen's defence of free trade in the pamphlet was wide-ranging. First, he rejected the notion that so-called Reciprocity (which advocated the imposition of import duties on the goods of those countries which refused to allow U.K. goods unrestricted access to their own markets) was in any real sense different from Protectionism, which sought to impose tariffs on imports from whatever source. Reciprocity, he argued, would inevitably degenerate into indiscriminate Protectionism. Furthermore, raising a reciprocal tariff on certain products and countries - in particular, on U.S. corn - would, in Giffen's view, never persuade the countries concerned to adopt free-trade policies. It would only serve to encourage them to retain their tariffs and to make the greater liberalisation of trade even less likely.

Giffen also argued that, if tariffs were to be raised in the U.K. against foreign goods and produce, only the agricultural landowning interests would gain. The real sufferer, as in earlier days when protectionist policies had been pursued, would be the consumer. This would be particularly true in the case of corn, as bread was an essential foodstuff which had to be purchased. Moreover, the tax would fall disproportionately on the poor, as purchases of bread represented by far the greater part of their food expenditure. The consequence, argued Giffen, would be that the country could expect a return to food riots and to civil disorder as the mass of the population rebelled against what they would perceive as an unfair tax "and England, for aught that we can foretell, might find its elaborate and well-knit Constitution, the growth of a thousand years, coming down with a crash". (p.10)

Giffen was anxious above all to break the growing alliance between industrialists and the landowning interests. Manufacturers, he suggested, could expect little from protectionism; the taxes would serve only to take money out of people's pockets and to leave less for spending on manufactured goods. Furthermore, as workers spent more on food, they would look for higher wages. The increased affluence of landowners would in no way be reflected in greater productive investment if past experience was to be taken as a guide. Rather the windfall gains would be used by agriculture, "the business specially petted and pampered by the State," to increase personal spending on luxuries:

> As a class (the landowners) are already wealthy and surrounded by all the necessaries and luxuries which seem to be demanded for their comfort and enjoyment. If you make them richer there are certain things which they are most likely to do with their money. I will enumerate a few of them. Game preserves will be extended and the cultivation of game will be increased. There will be more hunting and a greater number of expensive hunters in the stables. . . Farms will be laid into parks. . . and the possession of land will become a greater monopoly than ever. (pp. 16-17)

For Giffen, the fair-trade arguments carried no weight. The logic of international trade meant that protectionist countries would necessarily be

obliged to buy the goods and services they wanted but could not produce by looking to suppliers from overseas. And even were they to trade with countries other than Britain, these other nations would in turn need to trade abroad for their necessities and would to some considerable extent place their orders with British companies. Indeed, Britain had a relative advantage, being a highly industrialised country with many goods and services on offer. In Giffen's view, this relative advantage was best exploited through free-trade policies at home.

Giffen insisted that the greater a country's exports then the greater was the pressure on that country to become a large importer of goods. It therefore followed that "if there is a country in the world which you particularly want to convert from Protective to Free-Trade principles, your policy should be to buy all you can of that country, and in every possible way to foster that country's exports." (p. 30)

Supporters of Reciprocity could of course counter that they saw their proposals as being consistent with Giffen's viewpoint - they were simply trying to persuade others (and in particular the United States) to declare for free trade and to remove any constraints to international trade. Giffen, however, was unconvinced. For him, two entirely different commercial interests "have, so to speak, met in the street and. . . have concocted a hybrid grievance between them." He saw their real interests as being entirely distinct - one wanting free trade in America but no protection in Britain; the other wanting simply protection of the British market. Out of this confusion had grown Reciprocity - "an inexplicable and contradictory creed." (p. 42)

Free trade was, in Giffen's view, the only way forward. It maximised international business even when other nations were protectionist. And if British manufactures or farmers found themselves unable to compete on price in the U.K. market with produce or goods imported from overseas, they had better either improve their efficiency or move into the manufacture or cultivation of other commodities. For Giffen, British producers and consumers were "in every way better off and in no respect whatever injured, by free imports from other countries". (p. 58)

Through the early years of the 1880s, the League continued to see Robert Giffen as the biggest single obstacle to their ambitions. In 1881, he contributed to *The Times*, again "anonymously", a regular and controversial feature on trade and finance, in which free-trade interests were heavily promoted. The League again considered this to be an abuse of privilege and called for Giffen's suspension from duties at the Board of Trade. The possibility of his resignation was discussed, but Giffen was supported by Gladstone and in 1882 his powers were increased when the Statistical Department was merged with a reformed Commercial Department and he took responsibility for both as Assistant Secretary.

Giffen's real power lay with his access to the highest reaches of the press and with his ability to control and interpret official trade statistics for which he was responsible at the Board of Trade. As a senior civil servant, he was also offered other public platforms to air his views. When called to give

evidence as an expert witness to the Royal Commission on Agriculture, he made good use of the occasion to further his free-trade beliefs. Questioned on the advisability of reintroducing tariffs to protect agriculture, he opposed any return to import duties and suggested that if British agriculture was unable to compete on price with imported produce, then the land should be turned over to more profitable activities, in particular housebuilding. (Minutes of Evidence, 64851) Once again, he infuriated the fair traders and succeeded in stopping any recommendation that import tariffs be reimposed on foreign agricultural produce.

After 1880, arguments for and against free trade were taking a different course. *The New Protection Cry* had reached a wide audience but was essentially a political tract, unsupported by any hard evidence. Fair traders now began to call for reform by making direct reference to statistical data in support of their claim that the terms of trade would continue to work against Britain as a result of protectionist policies abroad.

Giffen's response in March 1882 was to read a paper before the Statistical Society on the use of import and export statistics, in which he used his position and status as Chief Statistician at the Board of Trade to attack the improper use of statistical returns by "amateurs" who were unable to properly interpret such data. He set out to show that statistical information which had been used to support the fair trade cause was, when used with "qualification and discretion" and when invisible exports such as shipping and financial services were taken into account, a strong endorsement of free-trade policies.

Giffen's address to the Statistical Society lasted four hours and was highly controversial. Fair traders in particular were incensed that a servant of the Board of Trade was able to attack them from a position of privilege, and demanded a right of reply. On 4 April, the Society met again to allow a full discussion of Giffen's paper and to offer his critics the opportunity to reply. The debate was subsequently published in the *Morning Post* of 6 April and later published as a pamphlet by the National Fair Trade League.

Giffen had always been determined to protect the free-trade interest by stressing the gains which had been made in general living conditions over the years, and particularly in comparison to the gains made by other, more protectionist, countries. In 1881, he had looked in detail at the economic performance of the United States, the country whose "marvellous growth" was frequently cited by the fair traders. British progress, argued Giffen, was by far the more remarkable, with an increase of trade over the 1840-1880 period some 30% greater that the actual trade volume of the U.S. in 1880. U.K. imports per head of population were nearly four times those of the U.S., with U.K. imports for reexport far higher. Whilst American exports had shown a substantial improvement, this expansion had been exclusively in unprotected goods - mainly cotton, grain, meat and provisions. And while U.K. imports of U.S. grain were undoubtedly high, for Giffen this simply reflected the greater prosperity of Britain.

Holding the United States up as a model economy, concluded Giffen, was not sustainable - Britain had done better under a free-trade regime than the U.S. had done under protection. He was prepared to concede that in the longer run the United States, by dint of its size and growth potential, would become a larger trading nation, but all experience showed free trade to be a better vehicle for growth than fair trade.

Britain, then, had made substantial gains from free trade. Furthermore, Giffen argued, these gains had been enjoyed by all social and economic classes. To reinforce this view, he gave as his inaugural address as President of the Statistical Society a paper on the material progress of the working classes over the previous half century. Progress, for Giffen, had been spectacular, with the working man better fed, better clothed, better housed and better educated. And the greater part of this progress, he argued, had come in the years of free trade since 1850.

The 1883 paper drew attacks from many quarters, not least from the fair traders who argued that Giffen was painting far too rosy a picture of the living conditions of the working man in the 1880s. In 1886, Giffen returned to the subject. Whilst he was willing to concede that further progress was necessary, he had been at pains only to point out how significant the improvement in living standards had been since the introduction of free trade. In his view "what has happened to the working classes in the last fifty years is not so much what may properly be called an improvement, as a revolution of the most remakable description" - a revolution which he attributed almost entirely to the prosperity created by political liberalisation and the adoption of free trade policies. (1886, p. 473)

Notwithstanding Giffen's claim that, over the longer term, free trade had been a success, he could not deny that in more recent years, depression of trade had been the norm rather than the exception. The years 1873-79 had seen a substantial recession, to be followed by another in 1882 which had not ended by 1884. Fair trade arguments that free trade, whatever its past successes, was no longer right for Britain, were persuasive. Giffen had to acknowledge the depression of trade but refused to see free trade as a spent force:

> Our fair trade friends have all along made a tactical mistake in their arguments. What they have attempted to show is that England lately has not been prosperous at all, that we have been going backwards instead of advancing, and so on; statements which the simplest appeal to statistics was sufficient to disprove. But if they had been more moderate in their contentions, and limited themselves to showing that the rate of advance, though there was still advance, was different from and less than what it was, I for one should have been prepared to admit that there was a good deal of statistical evidence which seemed to point to that conclusion. (1883, p.4)

The indisputable depression of trade over the 1882-4 period nonetheless lent strength to protectionist arguments, not least because after 1880 there had

been a marked change in direction in other European nations away from free trade policies and towards higher tariffs. France, Italy, Austria, Germany and Russia had increased tariffs and even some British colonies (especially Canada) had moved to increase trade protection. Giffen was sceptical and asked for any evidence to show that these countries had improved their position through increased protection or that significant damage had been done to Britain's export trade.

His challenge provoked a response in Parliament. In November 1884, the fair-trade case was forcefully restated when the Earl of Dunraven moved in the House of Lords that a Select Committee be appointed jointly with the House of Commons to look into the depression of trade and commerce. In moving the motion, Dunraven made a personal attack on Giffen (itself a measure of his importance as an opponent of fair trade) and ridiculed a speech he had given at the Mansion House in which he had claimed that the country was on the eve of a period of great prosperity. Dunraven also pointed out that Giffen had argued that the 1873-79 depression "had its roots in human nature which lends itself to an ebb and flow, an action and reaction in affairs." This was unacceptable, argued Dunraven, a prescription for doing nothing; the answer had to lie with the reintroduction of protectionist policies which would afford Britain equality with countries such as the United States where the economy was prospering under protection. (Hansard, November 6, 1884, 1044-60)

Giffen could not allow Dunraven's personal attack on him or his support for fair trade to go unchallenged. Once again, he took full advantage of his special dispensation by writing four letters to *The Times* in November and December 1884. The heart of Dunraven's case was that the significant increase in foreign manufacturing capacity was the direct result of Britain's free-trade policies and that a return to protectionist policies was a matter of urgency. Giffen replied that Britain had in fact prospered during the years of protectionism abroad and of greatly expanded foreign manufacturing capacity. He added force to his arguments by comparing the progress of the United Kingdom with that of other major trading nations, especially the United States, France and Germany. Bringing his considerable skills as a statistician to bear, and making free use of Board of Trade data to which he had direct access, he effectively dismissed Dunraven's claims which had been based more on opinion than on evidence. Once again, the fair-trade lobby had suffered a significant set-back in Parliament and Giffen pressed home his advantage when he was called to give evidence to the Royal Commission on the Depression of Trade and Industry which sat in 1885-6.

Giffen's view of the depressions of the 1870s and 1880s was that they were the result of predictable downturns in the business cycle and that, under any legislation, trade could be expected to swing from boom to recession over any extended period of time. Left to itself, he argued, trade would recover and the depression would be followed by more prosperous times as conditions both

inside and outside the country changed and shifted the relative advantage back towards Britain. Of one thing he was certain - no solution was to be found with fair trade:

> Bounties, protective tariffs and foreign competition have all been in existence for a score of years and more in as aggravated a form as they are now. Even before 1873 (they) were all the subject of complaint. . . But trade has had its ups and downs irrespective of them, and as it has been in the past so we may be sure it will be in the future. Our welfare does not depend on any external causes or on any injury which it is in the power of foreign governments to inflict, but on our own industry and energy. If our trade is directed at all by external causes, it will find other channels so long as the will and determination to use our great resources of capital and organized labour exist. (1885, p. 821)

For Giffen, any renunciation of free-trade policies would not only have failed to move the country out of recession but would actually have worsened the situation to every country's disadvantage. Free trade should be left in place and the truth was "that in this matter an ounce of common sense is worth tons of pamphlets by British trade revivers and reciprocitarians". (1887b, p. 39)

The Campaign for Imperial Protection

Robert Giffen had without question played a leading role in resisting demands for tariff reform in the 1880s and as the economy improved after 1888 the fair-trade movement lost some momentum. Protectionist proposals were revived from time to time, mainly to protect the agricultural interest, but they failed to command wide support. Giffen was called to give evidence to the Royal Commission on Agriculture in 1894 and was instrumental in persuading the Commission against recommending protection as a means of alleviating agricultural depression. Indeed, the Commission was persuaded that open access to British markets had widened the consumption of meat and wheat and had driven down consumer prices.

Whilst free-trade policies were not put under serious threat in the early 1890s, the case for protection was, in part, changing. Proponents of fair trade had traditionally argued for protection in order to secure the best interests of Britain and this campaign was to continue. However, they were now joined by so-called "colonial federationists" whose appeal for protection against foreign countries was significantly different. The federationists were determined to protect not only British interests but also those of British colonies and possessions abroad and argued for a differential tax on imports from foreign countries in order to protect the interests of the Empire.

Giffen remained a fierce opponent of the general, non-Imperial, case for

protection. Contrary to the claims of the protectionists, world prosperity, he argued, was founded on free trade rather than on fair trade. In 1897, he produced figures to show that one third to one half of international trade between countries was still carried out under free-trade conditions. And within what he defined as the world's six great "ring-fenced" states - the British Empire, the United States, Russia, Germany, Austria-Hungary and France - past and present prosperity was based on internal free-trade policies. Whilst protectionist policies against foreign suppliers may well have been adopted in the past by a majority of these states, the need to find overseas markets for their goods, together with the need to gain access to cheap food and raw materials, would inevitably force them to adopt free-trade policies in the future.

As for the United Kingom itself, Giffen effectively ended arguments concerning the excess of imports over exports by demonstrating (1899) that U.K. invisibles - in particular banking and shipping - more than offset any adverse balance of trade in goods and had done so since the 1870s when the matter had first been raised by the National Fair Trade League. He went on to argue that there had been a "spectacular" increase in overall prosperity in Britain in the 1890s. The economy was buoyant and "whatever may have been the causes of slackening in the rate of growth after the early seventies, they would seem not to have been operative in more recent years." (1900, p. 298)

In a paper read before the Royal Statistical Society in March, 1902, Giffen drew together his arguments and examined the growth of expenditure, revenue and wealth over the forty-year period 1861 to 1901. Progress, he concluded, had been achieved under a free-trade regime all through, and in general circumstances of great material prosperity. On such evidence, there could be no question of changing free-trade policies if the nation was to continue to flourish. (1902, p. 47)

Whilst Giffen's hostility to the principle of protection remained undiminished, the new element introduced into the protectionist argument in the 1890s was to cause him far greater problems, for while he was a committed supporter of free trade he was an equally committed Imperialist who had always argued that the best interests of the British Empire should always be protected and developed. He rejected the notion that U.K. preferential tariffs would serve to further the economic growth of the colonies (1895) but his commitment to Empire was well known and left him vulnerable to a more emotional appeal.

The campaign for Imperial protection strengthened through the 1890s and Giffen's ability to influence events was further weakened when he retired from the Board of Trade in 1897. He had been knighted in 1895 and was by then the personal friend and confidant of many senior civil servants, politicians and academics. After retirement, and for the first time in over twenty years, he was no longer able to use his privileged access to trade data and confidential documents to inform his newspaper and journal articles in defence of free trade. Nonetheless, his campaign against protection continued.

During the 1890s, academic arguments in favour of fair trade were

increasingly rehearsed. Free traders had for many years gathered strength for their arguments from the writings of Adam Smith and John Stuart Mill who were both for free-trade. However, the campaign for colonial protection was able to quote Mill's one exception to the universal applicability of free-trade principles - that import duties for protective purposes might be permissible in order to encourage infant industries to establish themselves. Mill's special case was, in fact, used not only to support arguments for protectionist tariffs to be imposed by British colonies but also to argue for U.K. preferential tariffs which would further discriminate in favour of these colonies.

Giffen countered these arguments in an article written for the *Economic Journal* in 1898. Mill, he argued, "has been very much misrepresented. His exception was a very limited one, and was no more than a statement that there might be cases for protection in the way he mentioned, whereas his statement has been used as an authority for every sort of protectionist mischief, in old as well as new countries." (1898, p. 4)

Drawing on the experiences of two contrasting Australian colonies - New South Wales (committed to free trade) and Victoria (with a protectionist tariff), Giffen showed that the manufacturing base of these two colonies, both in terms of depth and of variety, was no different. Canada, much greater in size than the two relatively small, pre-federation Australian colonies and therefore with a much larger market to serve, could, in Giffen's view, have made a better case for some protection of infant industries, but the arguments would still be far from convincing. For smaller colonies, there was no case to answer. Giffen concluded:

> In new countries you cannot promote new manufactures, for reasons in the nature of things, by means of protective duties; in old manufacturing countries, you cannot, because such countries, if they are to make way at all, must manufacture for export; in intermediate countries between old and new, matters are in a transition stage, and they are fast approaching the conditions of the older countries. (1898, p. 16)

The logic in favour of colonial free-trade was, in Giffen's view, inescapable - indeed, so persuasive that "another generation or two will probably see the last Protectionist politician, not only in England, but throughout the world. The breed, I am confident, is very nearly extinct, because the modern atmosphere and conditions, not theory, are making the policy next to impossible." (1898, p. 16)

Nonetheless, calls for colonial protection were growing stronger, and it was becoming increasingly difficult for Giffen to separate his support for the Empire from the tariff issue. In 1899, he had called for increased efforts to consolidate imperial gains, arguing that "the main idea of policy should now be to knit the different parts of the Empire together so they should support each other and support the whole". He was not alone in arguing for closer ties but the

protectionist lobby took advantage of this sentiment by pressing for preferential tariffs as a means of achieving greater political unity.

Giffen was again on the defensive. In June 1902, he published a letter in *The Times* attacking proposals for protection. That same year, he wrote a paper replying to those who saw the British Empire developing along the lines of the German *Zollverein*, which had been established in 1857 and which had, according to the protectionists, been instrumental in securing German political unity and economic advance. Giffen argued that it was wrong to see political union as necessarily following commercial union and that the German experience was the exception rather than the rule. The *Zollverein*, in any event, with its internal free trade and common tariff barriers against the rest of the world, could not serve as a model for the British Empire; the Empire was physically separate, embraced "a variety of race and business" with different trade interests, and had to recognise the different political status of its component parts.

Those colonial protectionists who could not support *Zollverein*-type proposals were alternatively pressing for preferential arrangements whereby Britain and its colonies would adopt differential tariffs which would work against foreign countries and in favour of members of the Empire. Giffen was again hostile to the proposal, arguing that it would serve the interests of none and would create "bad blood" with foreign suppliers. Moreover, the Empire was not self-sufficient and would be heavily penalised by supplier countries outside the Empire whose goods and services were essential to future growth and prosperity.

Giffen complained again that the argument in favour of greater Imperial federation, with which he was sympathetic, had been "twisted" to become identified with the case for protectionist trade policies. Greater union, for Giffen, required a continuing commitment to free trade, from which all members of the Empire had, in his opinion, gained so much. At the same time, greater federation could be achieved through common monetary and legislative policies, unitary commercial treaties and greater communication union. A Council of the Empire could, he suggested, be set up to consider options and to agree any necessary changes.

Despite Giffen's appeal that free trade should be left in place, the case for preferential tariffs was gaining in momentum and received political support at the highest level when Joseph Chamberlain, then Colonial Secretary, declared for Imperial Preference at a meeting in Birmingham in May 1903. One week later, the Tariff League was launched at a meeting of M.P.s and manufacturers to promote preferential trading within the Empire and three thousand businessmen signed a petition demanding "rearrangement" of the Empire's fiscal duties.

Giffen lost no time in reacting to what was now the greatest threat to free trade. In a letter to *The Times* on 28 May,he tried to deflect the debate by proposing that Britain and the component parts of the Empire should henceforth be considered as a single country in tariff and trade negotiations with foreign powers. The proposal, however, was unrealistic and found no support, with the result that, by July 1903, Giffen conceded that the case for preferential treatment

within the Empire had to be directly addressed. In his view, two questions had to be answered. First, could preferential treatment be supported on economic grounds? Second, was there in any event a political case for Imperial tariff reform? Opposing the economic case, he produced figures to show that existing patterns of trade were such that any gains accruing to the Empire would be derisory:

> The bonus we can give to the Colonies is too small to be of any real value to them, and what bonus they can give us in return is infinitesimal. The truth is that the internal trade of the British Empire, being already on a free-trade basis, cannot be increased by a protectionist device, though it may possibly be diminished. (1903, p. 7)

With regard to the political argument, Giffen now conceded that there was a case to answer. Preservation of the Empire was, for him, a first priority and he was becoming concerned that if Britain were to make no response at all to the demands of its colonies and possessions, then considerable political damage could result. Whilst free trade must be the rule of British policy generally, there were "surely possible exceptions where deviations may be considered for political reasons." In this "special circumstance" (Imperial unity) Giffen was persuaded that political interests were more important than economic interests and on that basis was prepared to support a limited degree of preferential treatment. However "we must do our best...to minimise the deviation from free-trade methods to which we may have to consent for the sake of Imperial union."

Giffen's concession was remarkable. For the first time in over thirty years he was now prepared to support some degree of protection and tariff reform - not on economic but on political grounds. He had, in fact, always been susceptible to appeals founded on the need to preserve Imperial unity, a fact lost on two generations of fair traders who had struggled to defeat him since the 1860s by arguing the economic case for protection - a case he continued to reject.

When Chamberlain's economic arguments for tariff reform were formulated later in 1903, Giffen again returned to the attack. A letter to *The Times* (29 October) ridiculed the statistical calculations on which the proposals were based and again repeated his claim that any system of preferential treatment, whilst perhaps necessary for political reasons, would bring no significant economic advantage either to Britain or to its colonies and possessions. The following year, when the proposed new duties on non-colonial agricultural produce were made public, he demonstrated that any hope that the Empire could become self-sustaining in food was unrealistic; dependence on foreign suppliers was already so great that preferential treatment within the Empire could do little to reduce it. And in answer to those who might argue that preferential tariffs would have the desired effect if they were made far more substantial, Giffen's calculations showed that if the proposed tariff rates were to be more than doubled, the added benefits would still be relatively insignificant.

He concluded that, whilst tariffs may have some political value, they could never be justified as a means of reshaping and redirecting the Empire's pattern of trade. "Large numbers of Imperialists are forced to make a choice between their attachment to free-trade policy, and an Imperial policy of a sort which no friend of liberty can desire... Evil must come of it all unless we have more good luck than we deserve." (1904a, pp. 10-11)

In reality, Giffen was relieved at the relative insignificance of Chamberlain's proposed tariff reforms. Reviewing prevailing economic conditions and the future outlook in 1904, he wrote:

> Possible disturbance (of economic prospects) may come if by any chance our governments should be foolish enough to let fair-trade nostrums have a trial. But there is really little fear, I imagine, that fair-trade will ever get so far, while it is also possible that if it did, its power for mischief would be limited by the smallness of the measures as yet suggested, of which the ineffectual colonial preferences Mr. Chamberlain has talked of are specimens. The dose of protection would of course be of a poisonous nature, but a small dose, after all, might leave our substantial business comparatively untouched. Big doses of protection are impossible under modern conditions. (1904b, pp. 429-30)

By 1904, Giffen was in fact coming to believe that the battle for free trade was far from lost. Chamberlain's proposals for colonial preference had had the effect of splitting the Unionist Party down the middle and he failed to get the level of support he wanted for the reforms. In September 1903 he resigned as Colonial Secretary over the Empire Trade issue but continued to speak in favour of preferential tariffs at meetings up and down the country. However, his power base within the Cabinet had gone and his influence began to wane.

By December 1905 the split over tariff reform in the Unionist Party had become so serious that they were in total disarray. Balfour tendered his resignation to the King and Campbell-Bannerman, leader of the Liberal Party, was invited to form a Government. At the subsequent General Election, called in January 1906, the Unionists stood on a platform of tariff reform. However, the Liberals, still convinced free traders, swept to victory, not least because many voters had been persuaded that there would be dearer food if the Tories were re-elected and imposed tariffs on foreign goods in order to boost trade with the Empire. Following the Liberal landslide, free trade was in the strongest position it had enjoyed for decades.

The triumph of free trade owed much to the efforts of those who, like Giffen, had fought fair-trade policies for some thirty years. Giffen must surely have seen the events of 1906 as justifying all his efforts in defence of free trade first as a journalist, then as a senior civil servant and statistician and finally as an influential lobbyist for the cause in retirement. However, the General Election brought with it another development which was to cause Giffen to abandon free trade and to vote for fair trade and tariff reform within four years.

Free Trade and Socialism

When the 1906 election results were announced, public attention was understandably focused on the landslide Liberal victory. At the same time, however, the Labour Representation Committee had trebled its share of the total vote and had increased its seats in Parliament from two to twenty nine. Though still small when compared to the two major parties, the embryonic Labour Party had arrived in Parliament.

By November 1906 Labour candidates were defeating Liberals in borough council elections and in wards where they were putting up candidates for the first time. Liberal leaders viewed with growing concern the erosion of the Party's social base but the trend was to continue and after the Socialists won a by-election in July 1907 it was clear that the labour movement would soon establish a sizeable base in Parliament.

For Robert Giffen, the arrival of socialism as a major political force was entirely unwelcome, for he had never believed in socialist prescriptions in matters of social and economic policy. Ten years earlier, he had been forced to recognise the evidence of Booth and others which had exposed the terrible plight of the inner-city poor in London, Manchester and elsewhere and which showed that the size of the "residuum" living in absolute poverty was far larger than he, Giffen, had been prepared to concede. However, he had fiercely resisted the more radical prescriptions which were being discussed to correct the situation and which in his view were:

> ...coming from a certain class of talkers about social phenomena, Socialists or semi-Socialists, and the miscellaneous philanthropists who think they can rush the reform of society and cure industrial malaise. (1895, pp. 8-9)

By 1906, the pressure for social reform was so great that both major parties realised that they would have to address the issue and offer the electorate a programme for change. The key question, however, was how the necessary reforms could be sensibly financed and here the two parties took different views. Balfour and the Unionists did not want to fund social improvement through higher personal taxation as this could have alienated their voters. Instead, and for domestic necessity rather than for the protection of the Empire, they proposed to raise the revenue through the introduction of tariffs. In contrast, the Liberals - still strongly committed to free trade - declared their intention of financing change through direct taxation. The Socialists, committed to higher personal and business taxes as the means of securing social reform and of achieving a radical redistribution of wealth, sided with the Liberals.

Giffen was now placed in a difficult position, for while he was opposed to tariff reform and remained a defender of free-trade principles, he was equally opposed to any significant increase in direct personal taxation. Higher taxes, he argued, would inevitably stifle individual enterprise and act as a disincentive to

productivity. Secondly, he saw such a move as providing an "open door" for socialist advance; once the principle of financing social reform through the personal tax system was conceded, then socialist prescriptions for change would quickly replace more evolutionary Liberal policies for social and economic improvement.

In 1908, the Liberals announced the introduction of old-age pensions which were to be financed out of higher personal taxation. They also committed themselves to introducing unemployment insurance and corresponding benefits. To finance these social programmes, the 1909 budget increased income taxes generally, raised a "super tax" on higher incomes and introduced new revenue taxes on land. When the budget was rejected by the House of Lords, the Liberals called a general election in 1910.

As the Liberal programme of social reform gathered pace, Giffen was being forced to choose between enterprise with tariff reform on the one hand and socialism with free trade on the other. Eventually, he was persuaded that the greater evil was socialism and accused the Liberal Party of adopting socialist policies with regard to taxation which could only harm the country. Liberals were being betrayed, he argued, and in 1909 he announced his intention of voting Unionist at the next general election.

In January, 1910, as the country was going to the polls, he wrote a letter to *The Times* in which he abandoned free trade:

> Mr Balfour has shown most conclusively that some of the points most strongly argued by Tariff Reformers are consistent with Free Trade ideas and practice - that import duties as such are not opposed to Free Trade, nor are they to be altogether rejected if they have incidentally a slightly protective effect provided they are better on the whole than the taxes they would replace, such as excessive income tax and death duties. Liberal Free Traders in their advocacy have forgotten what is due to good finance and other practical considerations, and have adopted strange arguments, such as the alleged inconsistency between taxes on food and Free Trade. In reality there is a great deal in common between the aims of Free Traders of the old school, of Adam Smith, and Peel and Gladstone - I would even add Cobden - and the aims of the more moderate Tariff Reformers. (On Free Trade Unionists and Tariff Reform Candidates, *The Times*, 17 January 1910)

The Times letter was widely reported and created considerable interest in political circles. Without doubt, it also influenced voting intentions among Giffen's many admirers. In the event, the outcome of the general election was uncertain, with Liberals and Unionists winning 275 and 273 seats respectively. But the Liberals had lost one hundred seats and even in those seats they retained, majorities were substantially reduced. They remained in power, but only with the goodwill and support of the Labour Party.

In the final analysis, Robert Giffen had wanted to halt socialism more than

he had wanted to defend free trade, and to achieve this had been prepared to abandon Liberalism and to become an unconvinced apologist for tariff reform. Many of his free-trade friends considered this an act of betrayal by a man who had hitherto been single-minded in his opposition to protection and who had been instrumental in blocking the fair-trade movement for some forty years.

The outcome of the 1910 general election could not halt the rise of the Labour Party. Within little more than a decade they were to reverse roles with the Liberals, forming their own administration as majority party and this time with minority Liberal support. Free trade survived, however, and it was not until the 1930s that tariff reform was introduced on any significant scale.

Events after 1910 were not to preoccupy Giffen, for in April of that year, some three months after the general election and at the age of 73, he died suddenly and unexpectedly while on holiday in Scotland. His death saw the end of one of the great Free Traders of the Victorian years and a force in shaping trade and commercial policy for two generations. A man, also, who grew conservative with age and who had been unable to come to terms with the changing economic and political realities of the early twentieth century.

REFERENCES

Giffen, R. (1867a), *The Reduction of the National Debt*, reprinted in Giffen, R. (1880), Essays in Finance, 1st Series, London, George Bell & Sons, pp. 259-79.

Giffen, R. (1867b), *Financial Questions for the Reformed Parliament*, Fortnightly Review, vol 8 (Old Series), pp. 711-25

Giffen, R. (1869), *Mr. Gladstone's Work in Finance*, Fortnightly Review, vol. 11 (Old Series), pp. 101-16.

Giffen, R. (1875), *Why the Depression of Trade is so much Greater in Raw Material Producing Countries that in Manufacturing Countries"* reprinted in Giffen, R. (1880), Essays in Finance, 1st Series, London, George Bell & Sons, pp. 133-41.

Giffen, R. (1877), *The Liquidations of 1873-76*, Fortnightly Review, vol. 22, July-Dec., pp. 510-25.

Giffen, R. (1879), *The New Protection Cry*, a political pamphlet published under pseudonym *Economist*.

Giffen, R. (1881), *The Foreign Trade of the United States*, reprinted in Giffen, R. (1886) Essays in Finance 2nd Series, London, George Bell & Sons, pp. 116-31.

Giffen, R. (1882), *The Use of Import and Export Statistics*, read before the Statistic Society, 21st March, 1882. Published in the Journal of the Statistical Society, June, 1882 and in Giffen, R. (1904), *Economic Inquiries and Studies*, vol. 1, London, George Bell & Sons, pp. 282-381.

Giffen, R. (1883), *The Progress of the Working Classes in the Last Half Century*, Journal of the Statistical Society, vol. 46, pp. 593-622.

Giffen, R. (1884), *Is the Increase of Foreign Manufactures Injurious to English Trade?*, four letters to The Times, 27 November, 12, 26 and 31 December.

Giffen, R. (1885), Trade Depression and Low Prices, *Contemporary Review*, vol. 47, pp. 800-22.

Giffen, R. (1886), Further Notes on the Progress of the Working Classes, *Journal of the Statistical Society*, vol. 49, pp. 28-91; with Discussion pp. 92-100.

Giffen, R. (1887), *The Growth and Distribution of Wealth*, in Ward, T.H. (ed.), The Reign of Queen Victoria, vol. 2, London, Smith, Elder & Co., pp. 1-42.

Giffen, R. (1895), Depression Corrected, *Edinburgh Review*, vol. 182, no. 373, pp. 1-26.

Giffen, R. (1897), *Protectionist Victories and Free-Trade Successes*. A speech to the North Staffordshire Chamber of Commerce, Stoke, 15 December, and reprinted in Giffen, R. (1904), Economic Inquiries and Studies, vol. 2, London, George Bell & Sons, pp. 178-88.

Giffen, R. (1898), Protection for Manufactures in New Countries, *Economic Journal*, vol. 8, pp. 3-16.

Giffen, R. (1899a), The Excess of Imports, *Journal of the Royal Statistical Society*, vol. 62, pp. 1-69.

Giffen, R. (1899b), *The Relative Growth of the Component Parts of the Empire*. Royal Colonial Institute Journal; reprinted in Giffen, R. (1904), *Economic Inquiries and Studies*, vol. 2, London, George Bell & Sons, pp. 222-41.

Giffen, R. (1900), Our Trade Prosperity and the Outlook, *Economic Journal*, vol. 10, no. 39, pp. 295-307.

Giffen, R. (1902a), A Financial Retrospect: 1861-1901, *Journal of the Royal Statistical Society*, vol 65, pp. 47-75.

Giffen, R. (1902b), *The Dream of a British Zollverein*, Nineteenth Century and After; reprinted in Giffen, R. (1904), *Economic Inquiries and Studies*, vol. 2, London, George Bell & Sons, pp. 387-404.

Giffer, R. (1903), Imperial Policy and Free Trade, *Nineteenth Century and After*, vol. 54, no. 317, pp1-16.

Giffen, R. (1904a), Ineffectual Preferences, *Nineteenth Century and After*, vol. 55, no. 323, pp. 1-11.

Giffen, R. (1904b), The Present Economic Conditions and Outlook for the United Kingdom, in Giffen, R. (1904), *Economic Inquiries and Studies*, vol 2, London, George Bell & Sons, pp. 405-30.

National Fair Trade League. (1882), *Import and Export Statistics: their Bearing on the Fair Trade Controversy*, London, National Fair Trade League, pp. 1-48.