

# “Exchange Goods, Not Bombs”

*Free trade was one of the cornerstones of the Victorian Liberal Party. Duncan Brack examines the Liberal record on trade from the repeal of the Corn Laws to the Uruguay Round.*

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In the wake of the Party Conference's recent debate on the Federal Policy Committee's policy paper on international trade, *The Balance of Trade*, it is worth casting an eye back over the stances adopted historically by the Party and its predecessors. For a large part of its life, the fortunes of the Liberal Party were closely related to the strength of popular feeling for free trade.

Free trade was one of the great rallying cries of the Victorian Liberal Party. It had its origins in one of the first and most successful pressure groups, the Anti-Corn Law League of the 1840s. The League's objective was to secure the abolition of the high duties on the import of grain established after the Napoleonic wars to protect British agriculture from foreign competition. Manchester, the centre of the cotton industry whose products were denied access to European markets because of continental grain-growers' inability to export to Britain, became the headquarters of the League; the radical Liberals Cobden and Bright were its leaders. Employing lecturers, public meetings, pamphlets and direct electoral pressure, the League achieved its aim in 1846 when Peel abolished the Corn Laws, splitting the Conservative Party and helping to drive some of his supporters (including Gladstone) towards the Liberals in the process.

The doctrine of free trade appealed to the growing manufacturing and business interests, precisely those groups most attracted to the nascent Liberal Party. As early as the eighteenth century, Adam Smith had pointed out that the country with the largest volume of world trade would naturally benefit most from open markets. Until the 1880s, Britain was that country, with the power to out-produce and out-sell all its competitors. Furthermore, it was increasingly unable to feed its rapidly growing population from its own resources, and had to trade to survive. Lower tariffs meant cheaper food together with more employment and bigger profits in manufacturing. In 1852, there were still more than a thousand dutiable articles in the British tariff. After Gladstone's budget of 1860 (in what is generally recognised as the first government of the modern Liberal Party), only sixteen remained. Free trade became a national obsession; *“like parliamentary representation or ministerial responsibility,”* commented *The Times* in 1859, *“not so much a prevalent opinion as an article of national faith.”*

Liberals saw more than economic justification for open markets. They looked to free trade as the agency which would promote internationalism and end war. *“For the disbanding of great armies and the promotion of peace,”* wrote Bright, *“I rely on the abolition of tariffs, on the brotherhood of the nations resulting from free trade in the products of industry.”* During the Palmerstonian intervention in Spanish affairs in 1847, Cobden wrote to Bright asking him if *“you and your other Free Trade friends .... would try to prevent the Foreign Office from undoing the good which the Board of Trade has done to the people.”* Trade

promoted interdependence and a sense of international community, building links between peoples and nations and rendering conflict less likely.

Free trade remained an article of Liberal faith for decades, even after it became somewhat harder to justify economically. By the 1870s, British pre-eminence in world markets was under attack from European, American and colonial producers, not just of food but also of manufactured goods. Many countries resorted to protectionism, subsidising exports and erecting high tariff barriers to keep up prices at home and keep out foreign goods. As the trade balance grew steadily worse, pressure for British protectionism mounted; in 1887 the Conference of the National Union of Conservative Associations passed a resolution in favour of tariffs on imports. ‘Tariff reform’ was taken up most strongly by the former radical leader Joseph Chamberlain, who had departed the Liberal Party in the split over Irish Home Rule in 1886. Chamberlain's objectives were not only to protect domestic industry; he also wished to bind the self-governing countries of the Empire more closely together through a system of ‘Imperial Preferences’ and to use revenue from the tariffs to increase public expenditure on defence and social services.

But free trade had too great a grip on the national mind. Chamberlain's Imperial Preference campaign, launched in 1903, split the Conservative/Unionist Party and reunited the Liberals. Many businessmen and manufacturers, fearing a trade war, came back to the Liberal fold they had deserted over the previous twenty years, and working class support grew at the prospect of dearer food. Liberal candidates habitually appeared on platforms with two loaves of bread, contrasting the Liberal ‘big loaf’ with the Tory ‘little loaf’ which would follow the imposition of grain duty. Coupled with the other failures of Balfour's ministry, the result was one of the greatest electoral landslides of this century, as the Liberals swept back to power in 1906.

The cause of free trade was to perform much the same function in 1923. The Liberal Party, split between its Asquith and Lloyd George wings after wartime divisions, was reunited by the Conservative Prime Minister Baldwin's sudden conversion to tariff reform and his decision to call an election on the issue. The result was an interruption of the interwar decline in Liberal fortunes, with an increase in seats from 116 to 159. The Party was by now too firmly established in third place, however, and collapsed to 40 seats in the 1924 election as the voters increasingly opted for a straight choice between Conservatives and Labour following their experience of the first Labour Government. Free trade still formed a major plank of the Liberal election platform of 1929 (the most intellectually distinguished manifesto ever put before the British voters, according to the historian Skidelsky), though it is quite possible that the radical reflationary strategy espoused by Lloyd George would have run into severe balance of payments problems as

a result. However, the Party had no chance to implement it, as the second Labour Government's cautious and orthodox economic policy led the country into the great international depression.

Liberal ministers joined the crisis National Government of 1931, though the strains of cooperating with what became an overwhelmingly Conservative administration split the Party into three groups. But free trade had by now comprehensively lost its grip over the nation. The descending spiral of ever higher tariffs and ever lower trade that overtook the world in the wake of Wall Street's Great Crash of 1929 was impossible for any single country to resist, and the international framework that could have offered a resolution of the problem was collapsing under the strains of fascism and nationalism. The National Government's introduction of a general tariff in February 1932 produced the 'Agreement to Differ' under which the Liberal Leader Samuel and his two colleagues were permitted to remain in government even while opposing its policy; but the Ottawa Agreements entrenching protection within the Empire finally forced them out in September, ending the last peacetime participation in government by the Liberal Party. Simon's Liberal National faction endorsed protection, stayed in government and eventually (in 1967) merged with the Conservatives.

The cause of free trade and the Liberal Party both seemed to be finished in the succeeding two decades. An opinion survey in 1942 showed that the only Liberal policy the public could identify was free trade, but that the vast majority had no idea what the Party stood for; like free trade itself, it seemed a relic of a bygone age. The postwar period, however, brought change. The establishment of new international institutions - the United Nations, the World Bank, the IMF - brought the hope of effective action to prevent another trade war. The Liberal John Maynard Keynes was largely responsible for the plans for the establishment of an International Trade Organisation. Although the proposal was vetoed by the US, its 'provisional' substitute - the General Agreement on Tariffs

and Trade - was able over the following forty years to coordinate successive rounds of tariff reduction, culminating in the Uruguay Round (concluded in 1993) and its own transformation into the World Trade Organisation. As on so many other issues, Liberal ideas came to be adopted by other parties as trade liberalisation once again became the accepted faith.

Ironically, the Liberal Party itself suffered from divisions over trade as its Parliamentary representation came to rest increasingly in rural areas. After a 1953 Assembly vote for a policy of gradual abandonment of guaranteed markets and fixed prices for agriculture, Jeremy Thorpe seized the microphone and proclaimed that he and other candidates for rural seats would disown such an electorally damaging position. In 1958 moves to delete the word 'unilateral' from a motion on free trade ended in uproar. The 1959 manifesto, however, still demanded the dismantling of all protectionism within one parliament, ending with the slogan 'exchange goods, not bombs'. It was not until Grimond's policy innovations, reemphasising the Party's social liberal inheritance, took root that the Liberals came to be widely identified with any policies other than free trade.

The moral argument for trade was still powerful. In 1956 the Liberals became the first party to argue for British participation in the Common Market: the Cobdenite vision of trade building links between peoples was an important factor, overriding concerns over potential European protectionism against the rest of the world. The EC's Common Agricultural Policy resolved the argument within the Party between trade and farming, until the CAP's own contradictions forced reform in the 1980s. New trade issues, unthought of in the days of Cobden and Bright, such as the interaction of trade and environment, are now the topics of discussion - but that is another story, told in *The Balance of Trade*.

## Membership Services

*The History Group is pleased to make the following listings available to its members.*

**Mediawatch:** a bibliography of major articles on the Liberal Democrats appearing in the broadsheet papers, major magazines and academic journals 1988 - May 1995. A new addition includes articles of historical interest appearing in the major Liberal Democrat journals.

**Thesiswatch:** all higher degree theses listed in the Bulletin of the Institute of Historical Research under the titles 'Liberal Party' or 'liberalism' (none yet under SDP or Liberal Democrats!)

*Any History Group member is entitled to receive a copy of either of these free of charge; send an A4 SSAE to Duncan Brack at the address on the back page.*

## 20th Century Liberalism

Tony Greaves has requested help from History Group members in compiling a collection of modern Liberal pieces - writings and speeches - for publication.

The purpose is to set out the development of Liberal ideology, philosophy, ideas and themes, and policy and practice insofar as they reflect those ideas. Tony's intention is to take New Liberalism as the starting point rather than the end result of 19th century developments, and to concentrate on the period from 1918 to the present. The typical length of extracts will be 250-1000 words.

Please send Tony proposals for inclusion; ideally photocopies but if not, lists, sources and ideas of all kinds. He aims to ensure a good mix between the famous, the dimly remembered and the completely obscure - the quality of the piece is what counts.

*Please send ideas to Tony Greaves, 3 Hartington Street, Winewall, Colne, Lancashire BB8 8DB.*