

Bismarck or Garibaldi, commemorated in super-human monuments on the continent. If Cobden's adult life had been marked by an open international atmosphere in which ideas, goods, and people came to flow more freely, by the time of his death in 1865, nationalism was in the ascendant. Whatever the efforts by the Cobden Club to preserve Cobden's memory, the late nineteenth century was an inhospitable time for an 'international man'. Free movement became constrained by national barriers, symbolized by the passport. As with people, so with goods and politics. Cobden's legacy was the liberal commercial treaty system of which he had laid the foundation with Chevalier in 1860. In an era of economic nationalism it was unravelling fast. As with globalization today, the advancing integration of financial and commodity markets in the late nineteenth century was fractured by increasingly complex trade barriers, subsidies, cartels, and monopolies.

The Cobden centenary in 1904, then, was not just a celebration but a defence of the Cobdenite global project in an age of new imperialism and mercantilism. The successful defence of Free Trade, as we have seen, depended on democracy, consumers, and civil society. Invariably in a battle over trade, these were related to perceptions of empire and international order. While popular liberals and conservative Free Traders clung to Cobden's vision of unfettered global exchange, weaving bonds of peace and prosperity between peoples, other circles openly wondered about its ongoing relevance. Amongst socialists and the young Labour party, it had never been entirely forgotten how Cobdenites had opposed social and factory reforms and attacked the Chartists in the 1840s; 'Cobden, the Chartist breaker', was how some remembered him.⁴ But the critique of Cobden went beyond the actions of the man himself to prompt a more general reassessment of Britain's place in a changing world. Looking at the general drift towards self-sufficiency amongst other industrializing nations, Philip Snowden, one of the leaders of the Labour party, freely declared that the 'idea of the Manchester School that we should devote ourselves to building up a foreign trade, that England should be the workshop of the world, was a mistake'.⁵ Soon there would be no foreign markets left for British goods, as other countries developed their own industries behind the shelter of tariffs. What was needed was self-sufficiency, not an open door.

Few people in the British state or business went quite as far as Snowden. But here too, the liberal vision of comparative advantage and an international division of labour began to seem out of synch with the

3 Uneasy Globalizers

The days are for great Empires and not for little States. The question for this generation is whether we are to be numbered amongst the great Empires or the little States.

Joseph Chamberlain, 16 May 1902¹

The British Empire is held together by moral not by material forces. It has grown up in liberty and silence. It is not preserved by restriction and vulgar brag.

Winston Churchill at the inaugural meeting of the Free Trade League, Manchester, 19 February 1904²

Free Trade was a hardy tree, indigenous to British soil; it had grown till its branches covered the whole earth and yielded to us the fruits of every clime.

William Angus, president of the National Liberal Federation³

This idea of the Free Trade Party to leave things to take their natural course has resulted in the production of a submerged tenth which cannot be equalled in any other country in Europe. Our people have been driven from the land to herd in the great cities, robbed of the opportunity of working for their own livelihood till they could find a market. The harrying wind of Free Trade Radicalism has swept over the nation and destroyed all that is most beautiful in our nature.

Keir Hardie, founder of the Labour Party, Manchester, 28 February 1909

Anniversaries are a time for stock-taking. Richard Cobden's centenary in 1904 provided Edwardians with a chance to reassess his legacy in the light of the new realities of globalization. Like no other nineteenth-century figure, Cobden symbolized the liberal vision of a peaceful, prosperous global order held together by the benign forces of Free Trade. But as a popular hero, Cobden had always sat uneasily alongside other great figures like

shifting realities of geopolitics. Together with the arrival of new industrial competitors, first and foremost Germany, the imperial expansion of the United States in the Caribbean and of Russia in Asia raised doubts about unilateral Free Trade and about Britain's foreign policy of splendid isolation more generally. In the 1880s, a National Fair Trade League began to attack what it called 'one-sided free trade', and, in 1887, it even managed to win a Conservative party resolution in favour of retaliation, that is of hitting back at foreign tariffs. A new 'commercial Barbarossa' was poised to invade a sleeping Albion.⁶ In 1898 the Trades Union Congress extended its opposition to immigration and the import of 'sweated' prison-made goods to an attack on the 'obnoxious bounties' used by other nations to boost exports.

These anxieties may have been exaggerated in purely economic terms—there was no concerted attack by protectionist countries on the British market, although British exports to Germany and to the United States declined. But they drew strength from parallel developments in imperial and international relations, especially the use of new tariffs favouring one's own colonies and possessions, a practice perfected by the United States and France at the turn of the twentieth century. Was a dogmatic adherence to unilateral Free Trade and the most-favoured-nation clause the most effective policy in a world of tariff bargaining, economic imperialism, and cartels? Perhaps it was time for the British lion to show his teeth in the field of economic statecraft? After all, was Britain not still the most powerful empire on the planet and the largest single market in the world?

Such calls were articulated in a new language of geopolitics. Instead of an image of mutually beneficial relations, the 1890s saw growing talk of 'living' and 'dying nations', engaged in a Darwinian struggle for survival. These ideas circulated across the political spectrum all over Europe, deep into the corridors of power. Fears in Britain about the carve-up of the world by the new powers of the United States, Germany, and Russia echoed continental ideas of three emerging empires, the so-called *Dreiweltreichtheorie*. Lord Salisbury, the Prime Minister, spoke in 1898 of 'living nations' struggling for control over 'dying nations'. War itself served as a mechanism for securing the survival of the fittest, as Benjamin Kidd argued in his *Social Evolution* in 1894, a book that sold a phenomenal 250,000 copies in the first five years after publication.⁷

What made the debate between Free Trade and tariffs so passionate, then, was that it was the battleground over a reordering of domestic, imperial, and

global relations. Talk of national struggle and organized power blurred the distinctions between politics and markets, between social and international policy, between states and firms. Tariffs not only steered the flow of goods. They were a weapon of international power and imperial consolidation. They provided revenue for state projects. And they could be a tool for ordering society, building social alliances and organizing national strength. In the rest of Europe, the spread of tariffs in the 1880s–1900s had come not only with a shift in commercial policy but with a more corporatist style of politics, organized interest groups, and experiments in social imperialism. Chamberlain's Tariff Reform programme offered a British version of such *Sammlungspolitik*, an alliance of productive forces in industry and labour.⁸ For advanced Tariff Reformers, the so-called 'coefficients' around W. A. S. Hewins and Leo Amery, the Empire was the lynchpin of this programme: social stability and political power alike hinged on creating a new solidarity of imperial interests. Tariffs, in this view, were not a return to old-fashioned mercantilism: they were modern instruments of a new 'constructive imperialism'.

The debate about Free Trade, however, was not a simple choice between embracing globalization or fleeing from it. In this earlier moment of globalization, as in today's, the battle lines were rarely that simple. Supporters and critics of Free Trade do not conveniently map onto cosmopolitanism versus imperialism. An imperial Zollverein and Free Trade internationalism were merely two poles on a broad spectrum of opinion. Empire and Free Trade were never mutually exclusive. Cobdenite internationalism was challenged from several quarters, including liberal imperialists. Many groups in the British state, business community, and labour movement came to see Free Trade as a straitjacket. Approaches to international relations were no straightforward reflection of material interests—far from it. They were also shaped by a sense of state power, imperial trust, and international ethics.

In Search of a Revolver

'Canada is the greatest, the most prosperous, of our self-governing colonies', Chamberlain proclaimed in his great speech at Birmingham on 15 May 1903, which launched the Tariff Reform crusade. Canada may have been the 'most backward' when it came to contributing to imperial defence—Laurier had declined to share the costs of imperial wars at the

1902 Colonial Conference—but, Chamberlain claimed, it has been 'the most forward in endeavouring to unite the Empire ... by strengthening our commercial relations'.⁹ In fact, Canada showed how Britain's mission to spread Free Trade across the world had been a failure even within her own colonies. While Britain and her protectorates and non-white colonies were a free trade zone, the self-governing colonies like Canada and Australia were strongly protectionist. Canada's tariff in 1858 had already raised duties to over 20 per cent on British manufactures. The Fielding tariff in 1897 raised duties further, especially on cotton and leather goods. Here was a classic case of protection being used as a shelter for infant industries. At the same time, Canada combined harsh protectionist realities with a nod towards imperial patriotism. In 1898 she gave imports from the mother country preferential treatment of 25 per cent. In 1900 this was raised to 33.33 per cent.

From an economic point of view, the gains were minimal. But politically it was an explosive step that opened a Pandora's box of questions about Britain's international and imperial trade system. For Canada's favour to Britain was a violation of Britain's most-favoured-nation treaty with Germany. Unable to convince Canada to reconsider, the Salisbury government was forced to withdraw from the commercial treaty with Germany. Germany, after a series of protests about being deprived of the right to equal treatment in Canadian markets, retaliated against Canadian exports. Canada, in turn, hit back with an extra penalty, an additional surtax on German goods. Germany made it clear that it would suspend most-favoured-nation treatment to any other colony that was to follow Canada's example. Without any aggression on its part, Free Trade Britain faced the prospect of a tariff war spreading through the Empire.

The Canadian-German tariff war captured the tension between Free Trade and empire in a nutshell. To think of empire as a family, whose strength and survival depended on its organic unity, was to deny that its members had an existence as separate countries with separate commercial policies. Canada's generosity, Chamberlain insisted, 'was a matter of family arrangement, concerning nobody else. But, unfortunately Germany thinks otherwise.'¹⁰ Legally, Germany was right, as British experts recognized. The British commercial treaty with Prussia and the German Zollverein in 1865 had clearly stated that all stipulations concerning most-favoured-nation treatment also extended to British colonies.¹¹ What was worse, and this was what Chamberlain failed to fully appreciate, Canada's forward policy

in commercial affairs signalled her own ambitions for national development and sovereignty. Canada and the United Kingdom had always insisted that they were autonomous in fiscal matters, with their own customs systems. Canada's preference may have been a generous recognition of imperial sentiment, but it was also one step in the direction of greater autonomy for the Dominions that took off with Canada's 'National Policy' in 1876. 'Canada is for the Canadians', in Macdonald's phrase, sat uneasily with an ideal of an imperial family composed of a metropolitan patriarch and colonial children. Indeed, from the British government's point of view, one problem with the Canadian-German dispute was precisely that Canada, rather than working through the Foreign Office, used the opportunity to assert its autonomy and dealt directly with Berlin.

For Britain, Canada's action highlighted a whole series of dilemmas. The future relations between colonies and metropole were in doubt. Chamberlain's insistence on the 'domestic character' of imperial relations was, in part, a response to centrifugal dynamics in the self-governing white settler colonies. Rising tariffs in the Dominions reflected a growing sense of distinct identity and demands for economic self-determination. Why should Canada want a tariff that would close mills in Canada for the benefit of some industrialist in Yorkshire, the Canadian Conservative leader Robert Borden asked in 1902.¹² Then, there was the prospect of Canada falling under the influence of its increasingly powerful neighbour, the United States. Plans for regional reciprocity, a kind of North American trading zone, spelled imperial disintegration. Free Traders pointed out that Canada's preference was an empty gesture since her tariff wall as a whole had been rising, and most of all on manufactured items in which Britain specialized.¹³ For imperial reformers, by contrast, the question was not one of immediate benefit but of seizing a historic chance to switch the colonies onto a track of closer imperial union. Plans for a commercial union had been floated at colonial conferences for the last two decades, in vain. Here, at last, was a practical step.

Canada's action certainly put pressure on the Conservative government. Ernest Williams, who a few years before had raised the alarm about a deluge of goods *Made in Germany*, wrote of 'The Sacrifice of Canada', even asserting (wrongly) that Canada had been excluded from most-favoured-nation treatment with the assent of the British government.¹⁴ It was not necessary to be a doomsayer, however, to be swayed by Canada's gesture. In the spring of 1897, Henry Birchenough, active in the silk industry

and soon to join the commercial intelligence department at the Board of Trade, publicly rejected fears of Britain's decline as vastly exaggerated. He emphasized her competitiveness in spite of foreign tariffs. Yet by July he wrote of the Canadian preference as marking 'an epoch in the history of development': 'Canada has made the first move; it is for the mother country to meet her at least halfway.'¹⁵ Chamberlain's plan for a preferential treatment of colonial wheat would do this.

The Canadian problem also brought to the fore questions about Britain's commercial policy towards other nations. In the Free Trade system the relationship between foreign commercial policy and imperial relations had effectively been a non-question. Britain did not discriminate between foreign countries and her colonies. The European commercial treaty network of the 1860s, which established the practice of most-favoured-nation treatment, put an end to 'favour for favour' policies. It eliminated the need for state intervention, a considerable bonus in the eyes of Victorian Free Traders deeply suspicious of the feudal and militaristic culture of the state. The most-favoured-nation clause ensured that any favour between two countries would automatically be extended to Britain. That was the theory. The introduction of preferences by protectionist colonies and the use of retaliatory tariffs by foreign countries pointed to a different reality. Canadian farmers and fishermen were being punished by a rival great power while other colonies were warned to think twice before turning imperial sentiment into commercial preference. Could a British government afford to sit silently along the sidelines?

At the Foreign Office, Salisbury's eldest son Cranborne recognized the danger. It might 'be thought in the Colonies that we hardly rise to the patriotic occasion', he noted in 1901. Perhaps it was time to be more assertive. 'I understand Germany is much afraid of the possibility of a British Zollverein', Cranborne told Lansdowne, the Foreign Secretary. Germany might be warned 'not to press us too far by refusing to recognise the domestic character of our fiscal arrangements with our Colonies'. That was 'the larger question ... no doubt to be faced', Lansdowne agreed, but not quite yet.¹⁶

The conflict between Canada and Germany crystallized more general doubts about the inadequacy of the mid-Victorian settlement. The 1865 treaty with Germany was a result of 'Manchester delusions' at their peak, and completely out of touch with the new demands of a 'United Empire', Birchenough wrote. 'We are too hesitating, too timid in our commercial

policy. We cling to the protection of treaties, as if we had no weapons of our own to fight with.'¹⁷ What good were treaties that were obstacles to imperial consolidation? And did the most-favoured-nation treatment policy really secure Britain's commercial and imperial interests?

Trade never takes place on a level playing field. Participants arrive with different degrees of power. The degree to which Free Trade is an imperialist strategy has been a subject of long-standing debate. How 'free' was Free Trade really? In the mid-nineteenth century, there had been a widespread critique of Free Trade for favouring powerful advanced societies like Britain over those seeking to catch up, a critique popularized by the national liberal economist Friedrich List. Far from free or equal, freedom of trade disguised the inequalities of wealth and power at play. Free Trade could be portrayed as an instrument of imperialism by other means. It forced open markets, allowing more developed British industries and financial interests to drive out less developed, indigenous competitors. Already during the first Opium War in the early 1840s, Chartists had attacked the Anti-Corn Law League for standing for Free Trade by peace if possible, by force if necessary. This argument would be revitalized in the mid-twentieth century at a time of colonial struggles for independence and American super-power. Britain, in Robinson and Gallagher's famous account, did not swing from an anti-imperialist Free Trade project in the mid-Victorian period to an imperialist programme in the late Victorian period. Rather imperialism was a continuum, merely changing its *modus operandum* from informal to formal means.¹⁸

Few historians today fail to recognize the strength of imperial culture and expansion in the mid-nineteenth century, in places from New Zealand and Hong Kong to Natal and the Punjab. Free Trade and imperial power could be symbiotic, especially in the early Victorian period. Manchester supported an imperial policy of developing India through public works and communication.¹⁹ John Bowring led a one-man foreign PR campaign for Free Trade in the 1830s–50s from Europe to China and did not hesitate to call for imperial force to put the higher 'civil' idea into practice. A Unitarian, friend of Bentham, and autodidact, who had taught himself a dozen languages, it was Bowring who was in Karl Marx's line of fire in 1849 as a 'shameless hypocrite' for publicly exclaiming that "'Jesus Christ is Free Trade, and Free Trade is Jesus Christ'". Bowring did not want territorial dominion—Britain had to avoid Rome's error. But he called in the navy in 1855 nonetheless, to enforce the commercial opening of China.

Britain needed to “strike boldly at the head,—the heart,—and not trifle merely with the extremities of these great empires” in China and Japan. “We have been trifled with,—, —tantalsed too long.”²⁰

More generally, however, the ‘imperialism of Free Trade’, remains open to question. Measuring ‘informal’ imperial power has proved difficult. In the mid-nineteenth century, in areas like Latin America, the Levant, and China, British merchants and industry found it difficult to establish a foothold, let alone dominate. Most of these areas had little to offer by way of a profitable return trade, and (outside cotton) indigenous craftsmen and producers remained surprisingly strong. The idea that Britain was able ‘to command those economies which could be made to fit best into her own’ through a combination of commercial penetration and political influence is debatable.²¹ Until the 1870s investors, manufacturers, and merchants were largely indifferent to distant markets, and businessmen and state alike accepted the limited role of government intervention.²²

The thesis of Free Trade imperialism is equally problematic for the late nineteenth century. Analogies between the British Empire and the United States post-1945 can be misleading. America secured its global influence through international institutions and multilateral agreements (Bretton Woods, GATT). It was also a ‘market empire’ in which state, civil society, and business were working together to export a civic ideal of a dynamic, classless consumer society.²³ Free Trade, Victorian style, was a very different beast. From the mid-nineteenth century British Free Traders prided themselves on their unilateralism. International institutions that might have forced freedom of trade on less developed societies were actively resisted. The tariff-reducing momentum of the 1860s was the result of bilateral treaties extending most-favoured-nation treatment to third parties. For Cobden and Gladstone the loss of bargaining power in foreign affairs that came with this regime was one of its principal attractions: it avoided huckstering and interference.²⁴ In the Foreign Office, unilateral Free Trade was also considered to have the distinct advantage of ‘soft power’: it made foreign powers less apprehensive of British supremacy than if they faced the hard force of protectionism, as Eyre Crowe stressed in his 1907 Foreign Office memorandum.²⁵

In fact, Britain might well have benefited from a more aggressive use of its economic clout to secure better conditions of trade, especially in the mid-nineteenth century when its industrial supremacy was unrivalled.²⁶ Arguably, too, Britain’s refusal to play an active role in the commercial

treaty system during the Great Depression in the 1870s–80s was one reason for the rise of tariffs.²⁷ Britain refused to act as a ‘hegemon’, using its power to provide free exchange as one of the ‘public goods’ for a liberal international order. It counted on other nations driving down trade barriers in negotiations with each other and then extending them to the rest of the world via the most-favoured-nation clause. The 1870s–1900s revealed this as a serious miscalculation. The virtuous circle in which the most-favoured-nation clause extended the benefits of bilateral negotiations to the rest of the world turned into a vicious cycle of higher trade barriers as foreign nations progressively adopted ‘beggar-thy-neighbour’ strategies. The Russian and Italian tariffs of 1877 and 1878 were followed by rising protection in Germany (1879, 1887, 1902), France (1882, 1892), and the United States (1890, 1897). In addition to the German–Canadian tariff spat, there were major tariff wars in Europe, especially those between Germany and Russia (1892–4) and France and Italy (1887–98).

If the test of informal power is the capacity to get your way without having to use force, Free Trade Britain failed the test. ‘Open door’ treaties with several developing countries in Latin America, China, and Turkey often required military pressure. Britain could do little to strip its main trading partners and geo-political rivals in the late nineteenth century of their neo-mercantilist strategies. Trade was, indeed, not a level playing field, but it was increasingly Britain which was finding itself at the lower end. And, from the 1890s, the naval supremacy which had supported Britain’s Free Trade empire was being threatened by foreign gunboats and submarines.

The conflict between Canada and Germany left a sense in the Colonial Office that the ‘days of simple m-f-n treatment treaties seem to be doomed, though they die hard’.²⁸ The Foreign Office, too, began to reassess its traditional approach. In 1900, the head of the Foreign Office’s commercial department, H. G. Bergne, highlighted how ‘it is becoming more and more difficult to conclude satisfactory Commercial Treaties with foreign countries’.²⁹ There were three clusters of problems. For one, it had become difficult to come to arrangements that suited both Free Trade Britain and her protectionist colonies. Then, there was the problem that Free Trade paralysed Britain at the bargaining table, leaving her unable to retaliate or to offer concessions.

Above all, there was the proliferation of tariffs and non-tariff barriers. The problem was no longer just their height. Germany, France, and other

powers introduced complex discriminatory schemes. So-called minimum and maximum tariffs made it possible to reward friend and punish foe by placing different articles in different tariff brackets. They combined a protectionist tariff with a bargaining tariff. The dilemma for Britain was that countries engaged in tariff negotiations focused on those goods that they exported themselves, goods that might play little part in British exports. As the Foreign Office realized, 'even if Great Britain gets nominal most-favoured-nation treatment, it is often not so in reality, as the incidence of duties is so fixed as to favour the particular commodities exported by countries other than Great Britain'.³⁰

Export bounties posed a second threat. The classic Free Trade position was that these were costly and counterproductive for the countries that used them, diminishing the gains from an international division of labour and overall efficiency and growth—in the long run, such policies were bound to fail since they were based on 'the negation of economic laws', as the Treasury put it.³¹ From the perspective of the Foreign Office, however, this was a liberal delusion. 'Unsound as the system of bounties and protection may be in theory', Bergne concluded, 'it is impossible to ignore the fact that several states are gradually by these means acquiring a commercial supremacy of very great extent.' The United States was surpassing Britain in iron and steel. Russia, too, was progressing. Germany was on the brink of becoming the greatest manufacturing country in Europe; some of her steamship lines were already bigger than Britain's. Britain's excess of imports and her poor performance in industrial exports 'cannot be viewed without some apprehension as to our future prosperity as a manufacturing State'.³²

Anxieties about being shut out of European markets were reinforced by the emergence of a new imperial power overseas, the United States. In May and June 1900, two years after defeating Spain, the United States introduced preferential tariffs in its new possessions of Cuba and Puerto Rico. Hawaii was incorporated as a customs district, and the Philippines appeared the next target of American mercantilism. The United States' colonial policy was a blow to British shipping interests; the carrying trade between Puerto Rico and the United States was reserved for American ships. And in Cuba, Britain was rapidly losing ground to its European competitors. In the second half of the 1890s, Cuban imports from Britain and her colonies increased by only 5.2 per cent, compared to 150 per cent from France and 122 per cent from Germany. 'I do not know any more

discouraging figures than these, to British pride, nor... a more pessimistic view of our progress now and in the future in the internecine strife of commerce which is going on in the world', the head of the Board of Customs told the Foreign Office.³³

Cuba, moreover, occupied an important position in imperial trade. The Liverpool Indian rice trade to Cuba was 'the backbone of the whole rice trade, and had done more than anything else to develop Burmah', Lansdowne told the Cabinet.³⁴ A reciprocity treaty between the United States and Cuba would be felt as far away as Calcutta and Rangoon. Liverpool feared for its steamship service, which every year carried about 150,000 tons of freight to Cuba. British exports of machinery and sugar bags were equally threatened. The chambers of commerce of Liverpool, London, Manchester, Glasgow, and Sheffield warned the British government that without action the bulk of their trade would be lost. When the feared reciprocity treaty came into effect in 1903, the British West Indies were especially hard hit, shut out from the American sugar market.

Free Trade was impotent. 'Great Britain can expostulate' as much as she liked, but, Lansdowne emphasized, 'expostulations without the power of doing something serve no useful purpose'.³⁵ American policy was particularly irritating because it undermined the entire most-favoured-nation clause system. Unlike Britain, the United States preferred a conditional version of mfn treatment. Instead of extending all benefits negotiated to the rest of the world, the mfn clause American style was about reciprocity: it limited favours to the negotiating partners directly involved. If two countries negotiated a certain concession, the mfn clause only extended that concession to third countries if they offered equivalent concessions in turn. And either party also retained the right to object to the other lowering duties to a third country. In other words, under the US-Cuban reciprocity treaty, even if Cuba had wanted to lower trade barriers on British goods, it could have been penalized by the United States. US policy, therefore, involved 'grave questions of principle', the Board of Trade recognized.³⁶ It set a dangerous precedent, not least for Canada, which was suspected of falling under the spell of the US version of the mfn clause. The Americas were moving towards a commercial system of their own; in 1904 the United States was granted preferential treatment by Brazil, with which Britain did not even have a commercial treaty.³⁷

The Cuban case showed how a more combative spirit was gaining ground in Britain as well. Calls for negotiation and retaliation were growing within

the state and the business community. At the Board of Trade, even a progressive liberal like Hubert Llewellyn Smith felt his way towards a more assertive policy. When in January 1904 the President of Cuba was authorized to increase existing tariff rates by another 30 per cent, the Board of Trade urged the Foreign Secretary to make use of the few weapons Britain had at its disposal: threatening to raise customs duties on fine tobacco and cigars.³⁸

The transformation of the global trading system in the late nineteenth century, then, does not easily fit the 'imperialism of Free Trade' thesis. Within the British state—in the Foreign Office and the Board of Trade as well as in the Colonial Office—the recognition grew that unilateral Free Trade did little to make other countries offer Britain concessions in return for free access to the largest market in the world. Few became converts to genuine protectionism. But questions of trade policy encouraged a reassessment of the role of the state. Trade negotiations were intimately tied to customs duties and thus to revenue. Should the state preserve its autonomy and neutrality by limiting taxation to revenue purposes only? Or should it be allowed to use and adjust taxes to gain concessions for its subjects in foreign markets? Under Gladstone, unilateral Free Trade had helped seal a new social contract between government and people around a self-limiting state. After Gladstone, this remained the dominant view in the Treasury. Other departments of state, however, began to question this self-denying ordinance.

The dilemma for the British state was perhaps nowhere more apparent than in the case of smaller, lesser powers, like Spain and Portugal, which did not even grant Britain most-favoured-nation treatment. In 1891 the convention between Spain and Britain lapsed. A new minimum—maximum tariff went into effect, raising duties on some goods by 200 per cent. The following three years exposed the rifts in the British state. Britain's wine duties provided a potential weapon to force Spain to lower her trade barriers. The Foreign Office asked the Treasury whether the wine duties might be lowered if Spain lowered her duties in return. The Treasury refused. The Foreign Office then asked the Treasury to back a threat to raise the duties. They declined. Finally, the Foreign Office asked for a promise not to raise the duties in the future. Again, the Treasury rejected the idea. The Treasury's absolute stance was helped by division within the Board of Trade. Here some members supported tariff treaties as more effective than the conventional most-favoured-nation policy. But Robert Giffen, the

head of the Board of Trade and a fervent Free Trader, would have none of it. He joined with the Treasury in a policy of 'no surrender': tariff bargains were 'a commercial sin'. Eventually, the Board of Trade agreed to use the threat of higher wine duties, but the Treasury remained adamant in its refusal. In the end, in 1894, Britain only managed to obtain a *modus vivendi* which granted temporary mfn treatment, but failed to lower Spain's tariff.³⁹

Relations with Portugal were, if anything, more frustrating. Portugal had renounced its commercial treaty with Britain in 1892. Since then, Britain was not only without a formal most-favoured-nation arrangement. Portugal levied higher duties on some British imports than on her competitors. When Giffen retired in 1897, the Board of Trade now joined the Foreign Office in calls for a tougher attitude. It was not possible to be pushed around by Portugal. Portugal's demand for preferential treatment—it asked Britain to lower her wine duties, if she wanted mfn treatment—was outrageous. To be fair, Portugal was uniquely affected by Britain's particularly high customs duties on strong wines and ports—a concession from Liberals to their temperance supporters. It was a classic case of a seemingly impartial duty that in fact discriminated against a particular country of origin; such hidden barriers to trade have been struck down repeatedly by the European Union in recent years. The official line at the time, however, was that Britain had an 'equitable claim' to mfn treatment in exchange for her policy of Free Trade. It was 'not their practice to pay for such treatment' by offering additional, specific concessions. But the Board of Trade was nonetheless willing to revise the wine duties in exchange for Portugal lowering her duties on British manufactures. Britain was Portugal's best customer. The wine trade depended on British drinkers. It should have been possible to come to an agreement.⁴⁰ Again, it was the Treasury which fought such negotiations tooth and nail. To give the Board of Trade 'exercise of their talents for negotiation' was dangerous. Chamberlain's Tariff Reform challenge only encouraged the Treasury to hold the line in the winter of 1905–6. By turning the Free Trade system to retaliatory use, Hamilton reminded Asquith, the Chancellor of the Exchequer in the new Liberal government: 'we lay ourselves open to the retort from Tariff Reformers of "how much better off you would be if you had more duties to retaliate with than you have now"!' ⁴¹

These attempts at a more active commercial policy were part of a more general rapprochement between state and business. While formally the

official mind remained opposed to intervention on behalf of particular businesses, the state began to expand its capacity for intelligence and development. The new infrastructure stretched the very framework of Free Trade. With Chamberlain at the Colonial Office, the state became more directly involved in developing its colonial estates, with the help of public funds and projects like the Uganda railway. Under the Cobdenite treaty network, commercial intelligence had been all but abandoned; by the early 1870s the commercial department of the Board of Trade consisted of one assistant secretary and four clerks who did not even have a full day's work.⁴² The 1890s brought a reversal of this trend. Commercial intelligence was rationalized, in part due to pressure from leading Chambers of Commerce like Manchester. The borders between state and commerce became more porous.

In May 1900 a new Advisory Committee on Commercial Intelligence was set up at the Board of Trade, bringing together business leaders and members of state departments. Trade commissioners and commercial attaches were investigating the strength (and often weakness) of British trade in foreign and imperial markets. Unlike rival great powers, the British state did not actively promote trade, nor did most traders want a genuinely interventionist state. And many of these initiatives revealed the haphazard, uninformed, or passive approach to the world of commerce among consular staff overseas. But the Advisory Committee provided a new umbrella for the world of business, the Board of Trade and Foreign Office. It was a clearing house for information. More than that, it was a place for the discussion of trade policy and an outlet for interests and grievances. Commercial intelligence about foreign tariff schemes was passed confidentially to Chambers of Commerce. In exchange, Chambers of Commerce voiced their anxieties about 'unfair' treatment, foreign tariffs and subsidies, and the risk to local industries.

The appointment of the Advisory Committee was in itself an attempt to outflank more ambitious demands from the business community for a departmental committee to renegotiate commercial treaties.⁴³ In April 1900, the Association of Chambers of Commerce had contemplated the denunciation of some treaties. Calls for 'fair trade' had been heard from sections of the business community since the late 1870s. The spread of min-max tariffs and tariff wars since then had considerably heightened sensibilities. The world economy had become like a billiard game. Bargaining tariffs created a dynamic where one country's tariff increases set off a whole series of

tariff rises. All eyes were on the imminent new German tariff; commercial intelligence in 1901 warned that it threatened to increase duties from 25 per cent to 100 per cent, and would further subdivide tariff schedules from 900 to 1,400 heads. At their annual meeting in September 1901, and notwithstanding the presidency of Lord Avebury, the Free Trade banker, the Associated Chambers of Commerce urged the Foreign Secretary to do more to make the German government reduce its tariff. Talk of a tariff war was in the air.⁴⁴

Trades particularly affected by rising continental trade barriers—like iron and steel, wool, and machinery—were alarmed and reluctant to rely any longer on the bargaining power of other countries to attain reductions for British exports. The punitively high Swiss and Romanian tariffs of 1904, for example, were a direct response to the German tariff. Many Chambers complained that their exports would be badly hit. Free Trade had failed them: official protests were useless unless the government could back them up 'by holding out the prospect either of concessions or reprisals'.⁴⁵

As Chamberlain and the Tariff Reform commission would learn, most trades were divided, politically as well as economically; genuine support for comprehensive protectionism remained muted outside certain key strongholds, like the metal industries of the Midlands, Chamberlain's base. Some Chambers, led by Manchester, remained largely loyal to Cobdenism. Others, like Glasgow and Oldham, felt that lobbying within foreign countries was likely to be more effective than external diplomatic pressure.⁴⁶ But opposition to Tariff Reform was not necessarily support for Free Trade. There were only two Chambers (Manchester and Newcastle) in clear favour of Free Trade. The majority were feeling their way towards reciprocity, bargaining, and retaliation. The London Chamber of Commerce reflected the new current. Some, like the Liberal Unionist Avebury, would only accept retaliation as a legitimate last resort 'provided it would be effective'. The dominant line was tougher. J. Innes Rogers, the London Chamber's chairman, maintained that the mfn clause was 'not an equitable return' for Britain's open market and urged the government to negotiate 'special Tariff Conventions'.⁴⁷ Even in Manchester, cracks were appearing in the Cobdenite consensus. The Bleachers' Association, one of the four largest textile amalgamations in Britain, urged the government to consider retaliation if Portugal continued to turn a deaf ear to quiet diplomacy.⁴⁸

This shift in opinion, away from a unilateral open door towards some kind of *quid pro quo*, was not confined to particular sectors or regions. Most Chambers and trades (even individual firms) were internally divided, and by 1903 were increasingly swaying towards retaliation. Ideas of an underlying divide between City and Industry, or between internationally oriented Free Trade sectors and domestically oriented protectionists, have been exposed as myths.⁴⁹ Both finance and industry were fluid and amorphous, economically, socially, and culturally; Arthur Keen, for example, who supported tariffs, both had a major interest in iron and steel and was chairman of the London, City and Midland bank. Few British trades benefited as much from an open world economy as shipping, and, indeed, with the exception of Alfred Jones, shipping remained opposed to Tariff Reform. At the same time, even here Free Trade pure was being diluted by mercantilist sentiment. The United States had extended its coastal laws to define trips from New York around Cape Horn to San Francisco as coastal voyages to be conducted in American ships only. The Chamber of Shipping appealed to the Foreign Office to prevent British shipping from being 'gradually shut out from the trade of one half of the world'. British coastal and inter-imperial trade should become the monopoly of imperial tonnage.⁵⁰ Even in cotton, the export industry *par excellence*, there was probably one fiscal reformer for every two Free Traders.⁵¹

The City, too, was divided. There were those, like Felix Schuster of the Union Bank, a leading clearing-banker with a strong role in transatlantic finance, who felt that for banking the defence of Free Trade was a matter of life and death. But next to the Schusters and Aveburys, there were prominent merchant bankers such as Eric Hambro and Herbert Gibbs who rather liked a modest tariff as a step towards a lower income tax. The stock-broker Faithfull Begg warned that under Free Trade Britain was creating commercial rivals who eventually 'would be attacking her with their ships and destroying her commerce'.⁵² The chairman of Martin's Bank, too, wondered whether in a world of trade barriers the future of London as the centre of the global money market did not eventually depend on Britain's industrial strength and its ability to control foreign tariffs.

Overall, Chamberlain's plans for a general tariff went too far for most in the City. But as George Sandeman, a former deputy-governor at the Bank of England, put it succinctly in 1903 'many were free traders who were not free importers'.⁵³ Letting foreign goods enter the home market freely did not stop British goods being shut out of foreign markets. Retaliation

could be justified as a step towards freer trade. There was considerable support for a mild version of fiscal reform, a mix of a bargaining and revenue tariff, favoured by Balfour, who became an MP for the City in 1906. Lloyd George's 'socialist budget' in 1909 made a revenue tariff even more palatable in the City.

The main reason for these internal divisions was politics: trade policy went to the core of political identities and allegiances. Political milieus shaped the sense of economic interest, rather than the other way around. This was partly a matter of party loyalty but it also expressed broader beliefs about international relations. Might carrots and sticks reopen markets and establish a more level playing field for British traders? Or would retaliation end in tariff wars abroad and political corruption at home?

However futile in the end, demands for bargaining and retaliation show that there was a growing momentum in the state and business community towards reforming the Free Trade system. It was against this background that Balfour and Lansdowne began to move towards reciprocity. Attempts to redefine Free Trade to no longer mean free imports were more than just verbal acrobatics, a 'philosopher's romance' and 'farce', as Chamberlain cynically put it.⁵⁴ Reciprocity was neither just a reaction to Chamberlain's challenge nor simply a high political strategy by Balfour to retain control in the Cabinet crisis of 1903.⁵⁵ Calls for a new trade policy had a logic of their own, as leading statesmen, businessmen, and civil servants tried to come to terms with the changing world around them. Free Trade began to feel like a straitjacket.

The Foreign Office view was put clearly to cabinet in June 1901. They saw the 'necessity of modifying our fiscal policy so far as to admit the principal of retaliation'. Free Trade had made Britain 'powerless' in the face of Germany's punishment of Canada. It threatened Britain's imperial and global position more generally. Without a change in policy, Britain would have to discourage Australia or any other colony from giving imperial preferences—'it would be the greatest national blunder since we lost America', Cranborne warned. Then there were imperial rivals like France which simply ignored mfn principles and subjected virtually all British colonies to a maximum tariff. Again, 'we are impotent to help our Colonies, and in the case of Crown Colonies our acquiescence in this treatment is almost in the nature of a breach of trust, as well as a danger to our Imperial position'. Foreign industrial trusts, too, were becoming a danger to British industries and colonial producers. The Treasury dismissed

trusts and cartels as costly mistakes, doomed to collapse under their own weight. But the Board of Trade took a more pragmatic view. Trusts were neither inherently bad nor good. They were permanent fixtures in modern capitalism to which governments had to respond. Retaliation could put a stop to orchestrated 'dumping' policies. Even American trusts, the Foreign Office mused, would not be 'rich enough to defy retaliation ... if the whole British Empire could be induced to retaliate together'.⁵⁶

In government, Prime Minister Balfour and his brother Gerald, the President of the Board of Trade, led the campaign for retaliation against 'unfair' competition. Gerald Balfour devised a plan for a 5-10 per cent industrial tariff—enough to allow powers of bargaining and defeat dumping, too little to offer protective shelter. This, he admitted, would leave Britain 'comparatively helpless' to deal with the United States and Russia, which mainly exported food and raw materials. In the case of Germany, Belgium, and Italy, on the other hand, it would provide a lever to gain concessions for British exports. The mfn clause would be amended, to allow both for imperial preferences and for the use of measures to counteract foreign subsidies or bounties, so-called countervailing duties. Even the prospect of a tariff war became acceptable: 'we must be prepared to retaliate [and] ... hit as hard as we can with the least damage to ourselves'. Britain, in this view, had fighting strength as long as a low revenue tariff was complemented with the power to impose prohibitively high duties on select key imports.⁵⁷

Retaliation was attractive because it promised to increase state power without sacrificing state autonomy. There would be no vested interests—it was a strategic weapon that would not afford long-term protection. Retaliation could also be tied to a low revenue tariff that would help fund the rapidly rising costs of war and defence.⁵⁸ And it complemented a shift in Britain's overall foreign policy.

The swing in opinion away from unilateral Free Trade to reciprocal trade diplomacy coincided with a major transition from a policy of 'splendid isolation' to one of foreign alliances. From 1901 Lansdowne steered foreign policy away from Salisbury's dislike of alliances. And, significantly, it was the Foreign Secretary who also emerged as an ardent advocate of tariff negotiations. In 1902 Lansdowne had concluded a settlement with the United States and an Anglo-Japanese alliance, after plans for an alliance with Germany had failed. Alliances would preserve Britain's naval power, new trade treaties defend her commercial power.

The Canadian-German tariff drama whetted Lansdowne's appetite for new agreements. The Foreign Office had already called the bluff of the German government, which had initially threatened to withhold mfn treatment to Great Britain herself if other colonies followed Canada's example. The threat of retaliation did the trick.⁵⁹ Lansdowne knew that the British market was far more important to Germany than vice versa. This was the background to Lansdowne's open call in the House of Lords on 15 June 1903 for arming the government with 'a revolver'. The world was not a peaceful marketplace. It was like the Wild West:

We seem to be in the position of a man who in some lawless country entered a room in which every one else was armed with a revolver in his pocket; the man without a revolver is not likely to be very considerately treated. If we take the opportunity of supplying ourselves with a revolver, and let it be seen by everybody that ... it is a rather larger revolver than everybody else's, my own impression is that we shall find ourselves carefully let alone.⁶⁰

Britain's big market was a big weapon. Part of this speech was for internal party consumption. But part of it was also directed at audiences abroad.

Lansdowne knew that Germany was ready to negotiate a new commercial treaty with Britain. He even took the initiative, without authorization from Cabinet, to raise this possibility with the German ambassador.⁶¹ The German commercial treaties with Russia, Italy, Austria, Switzerland, and Belgium could all be denounced at twelve months' notice, and these countries had been preparing 'tarifs de combat' to brace themselves for this scenario. Free Trade and mfn clauses would not serve British interests if tariffs went up all round. 'Speaking generally,' he told colleagues, 'we should be safer with commercial treaties of our own than under the most-favoured-nation clause.' It was the right moment for a forward policy. To achieve concessions, Britain could threaten retaliation, promise a reduction of existing duties, or offer a guarantee to not raise duties in the immediate future. Given foreign countries' dependence on the British market, even the last measure should yield results, Lansdowne believed. France, for example, sent Britain silks, gloves, and fancy goods worth £14 million a year, all free of duty. French wines, meanwhile, were facing competition from other countries. A British offer of a slight reduction of duties on French wines, Lansdowne felt, should 'certainly bring about the desired result' of inducing France to lower its duties on British textiles.⁶²

Lansdowne's instincts about Britain's relative position of strength were not off the mark. The German government was fully aware of the importance of the British market and of the growing support for retaliation which came with anti-German sentiment. In 1902 German exports to Britain were worth 958 million Marks, almost twice its imports from Britain. If 'our relations worsened or if we entered a tariff war,' the German ambassador, Metternich, concluded, 'we would lose more than Britain'. Count von Bülow, the German Chancellor, agreed.⁶³ Even Conservative ministers who supported retaliation, however, were not prepared to let Lansdowne overhaul British trade policy without an election. In an age of advancing democratic expectations, it would be political suicide for the executive to introduce such a major policy shift without a popular mandate. Such a mandate, moreover, would put more bullets into Britain's revolver.⁶⁴ The defeat of the Balfour government in 1905 and the ongoing ideological polarization into rival Tariff Reform and Free Trade camps meant that—with the exception of a treaty with Roumania—plans for commercial negotiations fell victim to history.

Sweet Power

Retaliation was not just a strategy of an 'eye for an eye'. It involved fundamental questions of principle, about the true meaning of Free Trade, about global governance, state sovereignty, and how to balance the interests of consumers and producers. It was sugar which crystallized these larger questions, questions which continue to haunt today's champions of 'fair trade' versus 'free trade'. Was true freedom of trade about *laissez-faire* and non-interference, even if that meant the import of goods artificially cheapened by subsidies or bounties? Or did it permit interference to create fairer market conditions and protect the weak against the strong?

Sugar underwent an unprecedented transformation during the course of the nineteenth century. At the beginning of the century, sugar was a tropical product. By the end, tropical cane sugar had been overtaken by beet sugar. There were already some three hundred beet sugar factories in Europe at the end of the Napoleonic wars, but the big shift came in the last quarter of the nineteenth century, as temperate countries led by Russia, Austria-Hungary, and Germany expanded their sugar production with an ever more elaborate system of subsidies and export bounties. A mere

8 per cent of world production in 1840, beet sugar made up 65 per cent of the world's sugar in 1900. And, increasingly, most of it was for export; in 1870 only 26 per cent of German beet sugar was exported, by 1900, 61 per cent.⁶⁵ It was a historic moment in the globalization of food—the first important seizure by temperate agriculture of what were previously the productive capacities of a tropical region.⁶⁶ It also mounted a historic challenge to the liberal Free Trade system.

The classic argument for Free Trade, made by enlightenment thinkers and popularized in the Victorian period, was that it made the best of the diverse endowments of the world by encouraging the most efficient use of each country's particular resources. Arguably, there were few places better suited by nature to produce cheap and plentiful sugar than the West Indies. Yet in the 1870s–90s tropical cane sugar producers were struggling for survival. With the help of subsidies and export incentives, beet sugar had grown into a powerful industrial rival, driving down world prices. There was a glut of artificially cheapened sugar. In the 1890s the price of unrefined sugar fell by over 20 per cent, that of refined sugar by 30 per cent. By 1900 consumers were able to buy five times as much sugar for what it had cost them in 1841. In the tropics, the large producing islands like Barbados and Jamaica were particularly hard hit. Here good soil and cheap labour had discouraged mechanization—central mills and factories only became widespread after the First World War. In the 1890s Jamaica and Trinidad suffered a 60 per cent drop in exports.⁶⁷

The diverging fortunes of cane sugar and beet sugar came to symbolize rival systems of trade. Instead of nurturing development, wealth, and efficiency, critics argued, Britain's version of Free Trade had permitted ruinous over-production and social dislocation. Caribbean producers were collapsing while beet sugar was thriving with the support of states and powerful cartels. Central European governments supported beet sugar in order to prop up rural elites and counteract migration from country to city. At first, it had also been a welcome additional source of tax revenue. This changed with the increasingly aggressive use of export bounties and the arrival of cartels of sugar exporters in the 1890s. 'Natural' market competition disappeared from the world sugar trade. British consumers were the principal beneficiaries of this export bounty system. Their sugar consumption doubled between 1860 and 1900. More than 80 per cent of Britain's sugar imports now came in the form of beet sugar, with 65 per cent coming from Germany alone.⁶⁸ Some of it found its way into

the manufacture of jam, sweets, and drink, but two-thirds was for private consumption. The question was not only what these bountied exports did to producers in the colonies and to imperial merchants and sugar barons, but also what the long-term impact of overproduction and dumping would be for consumers and industrial users of sugar. Once beet sugar cartels had driven Caribbean competitors into bankruptcy, would they not then exercise their monopoly power and drive up prices?

Sugar 'furnishes a complete object-lesson of the fallacies which underlie some of our most cherished economic theories, and of the injuries which may be inflicted on consumers as well as on producers by any device which destroys freedom of competition', argued George Martineau, a passionate critic of the bounty system and spokesman for West Indian planters.⁶⁹ Liberal Free Traders countered that the benefits from cheap sugar to British sweet manufacturers outweighed the costs to imperial planters. The challenge, however, went much further. The bounty system encouraged gluts, price fluctuations, and, above all, cartels. It could be seen as symptomatic of a new world order, in which organized capitalism broke down the natural divide between state and market, and between domestic and international affairs, challenging national sovereignty. Perhaps export cartels were more than just the problem of the country where they were based. The search began for a new, more active role for the state in global governance. And in that search, Britain's willingness to modify its Free Trade system would be decisive.

International attempts to reform the bounty system had a history almost as long as that of the sugar subsidies themselves. A first abortive convention was held in 1864. It was followed twenty-five years later by the London Convention, which agreed to a 'penal clause' but collapsed when the House of Commons failed to support it. Britain was by far the world's largest sugar consumer, and any international attempt to eliminate bounties and subsidies was bound to fail as long as Britain kept its doors open to artificially cheapened sugar. Committed Free Traders fought such international conventions tooth and nail in the 1880s. In the opinion of the government law officers, countervailing duties were an infraction of the mfn clause. To popular Free Traders they were a violation of the people's right to the cheapest goods, irrespective of their origins or mode of production.

Advancing cartelization, rising export bounties, and a global glut began to change political sensibilities in Britain and abroad. Holland and

Belgium were the first to argue that bounties were an international problem that called for an international solution. Even within the Cobden Club, there were some who leaned towards intervention as a way to liberalize trade.⁷⁰ Within the British state, too, international cooperation gathered support. Export bounties had spiralled out of control and were extremely burdensome to beet sugar countries. France and Russia were sitting on the fence, but most producing countries wanted the bounty system to end. Yet, as long as Britain was an open market, no producing country would be foolish enough to abandon its subsidies, the Foreign Office recognized. Competitors would simply capture the British market by dumping their own sugar below cost price. If Britain joined an international trade agreement, however, then France and Russia might soon fall into line.

In 1900 the Association of Chambers of Commerce swung around from earlier opposition to support prohibiting the import of bountied sugar. India, with Britain's approval, even imposed differential duties on all imported bounty-fed sugar. With other countries moving towards more conditional, reciprocal versions of the mfn clause, it was difficult to see how countervailing duties by Britain could any longer be seen as an infringement of the mfn principle. For the Foreign Office, prohibition or countervailing was 'reasonable and justifiable on the true principles of Free Trade'.⁷¹ The shift in British opinion had the desired effect: France began to look for a deal with Germany and Austria-Hungary to slash export bounties.

The successful negotiations that followed and led to the Brussels Sugar Convention of 1902 showed this new spirit in action. For British ministers, Brussels was a new international instrument responding to a new world.⁷² Britain joined nine other countries in a pioneering experiment in global governance. Member states formed a commission to investigate export bounties and decide on penalties. Of all the main beet sugar producers, only Russia and Argentina abstained. It was Russia, not any longer the British government, which rejected Brussels as an interference in internal matters. For Lansdowne, the negotiations at Brussels demonstrated how much bargaining power Britain possessed. The British threat of countervailing duties and, at one stage, possible subsidies to the West Indies, gave the negotiations much-needed teeth. Austria-Hungary decided to join the convention rather than lose the British market. A general agreement was hammered out to phase out export bounties, while Britain agreed to prohibit the import of subsidized sugar.⁷³

On the international stage, the Brussels experiment was a remarkable success. It brought together ten governments with vastly different political and economic systems and enabled them to work harmoniously together; most decisions were unanimous.⁷⁴ They created a fairer, more balanced trade environment. The decline of cane sugar and the growing dependence on beet sugar had caused violent price fluctuations by making world markets more vulnerable to poor harvests in regions of beet cultivation. Now prices stabilized. Nor did consumers suffer as alarmist liberals had prophesied. The price of standard sugar in the decade after the Brussels convention was hardly any different from that before—a mere increase from 10s. 1d. to 10s. 5d., below the average increase in world prices in this period. Continental Europeans developed a taste for cheaper sugar that made a return to the bounty system all but impossible politically. Beet sugar producers began to sell more in their own markets and dumped less on the world market. On the eve of the First World War, the entire system of export bounties had been abandoned by all countries but Russia. Brussels also threw a lifeline to Caribbean sugar estates. British imports of cane sugar from her colonies in 1904–10 were 60 per cent greater than immediately prior to the Brussels convention (1897–1903).⁷⁵ Total production increased only slightly in the Empire, but at a moment when the reciprocity treaty between the United States and Cuba shut out colonial sugar from that market, the Brussels convention kept open other markets for colonial cane sugar producers.

Yet international success did not translate into domestic popularity. British Free Trade was too dogmatic, even fanatical, for that. From the outset Liberals had spread dark prophecies of higher prices, robbing British consumers of millions of pounds. Most of these contentions were 'either great exaggerations or wholly unsound', as the Board of Trade recognized, based on 'most fallacious and contradictory conclusions... produced by selective statistics',⁷⁶ in other words, exactly what Free Traders accused protectionists of. Still, as we saw earlier, sugar was an especially sensitive commodity on which to experiment with duties. It was widely regarded as one of the 'prime necessities of life' and it topped the list in radical demands for the 'free breakfast table'. Sugar was the 'most essential among the articles of food of our people', Herbert Gladstone told audiences: the Brussels Convention put the British people at the mercy of foreign speculators.⁷⁷ It would disproportionately hurt consuming industries like the confectionery industry. And it would not even help people in the

colonies. It merely subordinated the interests of British consumers to those of West Indian planters, who have 'the tradition of the old slave drivers', according to the radical newspaper *Reynolds's*.

British Free Trade was commercially internationalist but politically isolationist. It was the polar opposite of the post-1945 era associated with American free trade, with its international agreements and organizations. In spite of the imperialist civilizing fervour of many Victorian Liberals, British Free Trade never spawned a similar mission to export its way of life; this was left to civil society and small international networks of Cobdenites. Change had to come from within societies, not from without. To Liberal MPs, by joining Brussels Britain was trying to shield protectionist countries from the results of their own stupidity. They should be left to learn from their own mistakes. Cartels and export bounties were artificial, self-defeating, and unsustainable. Could there be any 'better lesson in free trade than the money which the German nation has to pay for these bounties'?⁷⁸ And why should British consumers be deprived of cheap sugar, only because foreign countries were foolish enough to subsidize it? This line of reasoning ignored the fact that without the Brussels convention, cane sugar producers would have been driven out of the market, leaving a powerful central European cartel to dictate prices. Only with the abolition of export bounties could a level playing field be restored.

As with bread, so with sugar: the Free Trade defence of the consumer was clothed in a language of constitutional patriotism. Cheapness, consumer democracy, and parliamentary sovereignty became one. The Women's Liberal Federation protested against the Brussels convention for placing 'our fiscal arrangements under the control of foreign nations'.⁷⁹ *Reynolds's* talked of a 'foreign syndicate'. Liberal propaganda presented Brussels as a 'stupendous piece of folly', not only for involving a loss of over £8 million to the country, but for undermining historical principles of taxation and liberty. Instead of taxes requiring the consent of the House of Commons, Brussels—this 'monstrous Convention'—bound Great Britain to a tax determined by an international commission: 'On this Commission there will be One Englishman and Nine Foreigners.'⁸⁰ With Brussels, the Liberal leader Campbell-Bannerman told a Cobden Club banquet, 'we subside into the tenth part of a foreign Vehmgericht', invoking the ghost of medieval feudalism. Getting involved in an international trade commission would expose Britain to the virus of tariffs, militarism, and autocracy. Britain should instead stand apart, a little island of liberty and sanity surrounded

by 'struggling and groaning' nations 'caught in an inexorable chain' of protectionism.⁸¹

The whole idea of using pressure or penalties to open up foreign markets or lower trade barriers was distasteful. 'We did not conceive it to be any part of our business to start a crusade at the expense of the consumers of this country for the purpose of ramming our doctrines down the throats of other nations', as one critic put it.⁸² Unilateral Free Trade was built on a strict view that Britain should do what it thought best, and let other nations do the same.

Sugar, then, was a powerful precedent for all sides in the conflict over Free Trade. For moderate reformers, the sugar controversy legitimated a more active role for the state in securing equal conditions of trade. If sugar proved the danger of cartels and the merit of international action, why not also support a small general tariff which, in addition to bringing in revenue, could counteract other forms of subsidies abroad, such as cheap railway rates, as Gerald Balfour speculated?⁸³ This was exactly what the vast majority of Free Traders feared, even after the Liberal government had triumphantly returned to power in December 1905. For them the Brussels convention remained a stain on the conscience of Liberal Britain. In 1908, the government tried to compromise. Asquith slashed the sugar duty by 50 per cent. Britain would keep its seat on the Brussels commission but stop penalizing bounty-fed sugar. Subsidized Russian sugar was allowed to enter freely again.

Many Free Traders were not satisfied. For anti-collectivists, Brussels demonstrated the need to fight all forms of state intervention. The Cobden Club in 1908 condemned the Liberal government's renewal of the convention. Strachey called on it to defend more generally the true spirit of Free Trade against the eight-hour bill and old age pensions.⁸⁴ For Unionist Free Traders, the sugar policy raised 'a very grave constitutional question' about the shift in power from parliament to executive. Ministers, Gibson Bowles warned in 1908, could by the mere exercise of their prerogative, limit the export of sugar from Russian ports: 'If they may do it with sugar, they may do it with corn, or with anything.'⁸⁵

These were voices from the sidelines of politics but they were soon joined by the bulk of Liberal MPs. Sugar prices were rising in the first half of 1908 following droughts in the Caribbean and India. In July 1908, 210 Liberal MPs signed a memorial condemning the renewal of the convention. On 15 July 1908, a deputation of 210 Liberal MPs went to see Asquith,

the Prime Minister, in his private rooms at the House of Commons. The group brought together the captains of the Free Trade campaign, including Alfred Mond, J. M. Robertson, and H. Vivian. Ernest Villiers, who introduced the deputation, charged the government with having betrayed the principles of Free Trade and infringed the rights of the House of Commons. It had 'violated the Constitution'. It was, perhaps, unwise to start a constitutional wrangle with Asquith, one of the top lawyers of his generation; Asquith reminded the deputation that it was not customary for the government to go to Parliament for assent in their exercise of the treaty-making powers of the Crown. In matters of policy, he emphasized, the Liberal government had effectively returned to Free Trade principles: Britain had decided to stay at Brussels to enable Russia to adhere to the convention but had refused to support any restriction of Russian subsidized exports.⁸⁶

After 1908 Britain managed to maintain the right to export sugar and sugared products to the continent in spite of being permitted to import bounty-fed sugar. In fact, the success of the sugar convention had eventually made it possible for the British government to withdraw without having to fear the return of monopolies. None of this did much to change Free Traders' conviction that the Brussels convention was a dangerous foreign combination. Popular Free Trade had doomed the Brussels convention from the outset. Its demise was only a question of time. In 1912 that time had come. The beet sugar crop had been disappointing, threatening to force up prices. The British government demanded an ambitious 150 per cent increase in the quota for cheap, subsidized Russian sugar. The members of the convention refused. Britain returned to a dogmatic defence of cheapness. Instead of working towards a diplomatic solution, the Liberal government formally denounced the convention.

Friends of Empire

Chamberlain's crusade for a *Zollverein* followed on the heels of a more aggressive imperialism in the late nineteenth century. Ironically, this imperial culture proved more of a stumbling block than a stepping stone. Chamberlain's problem was not with cosmopolitan critics of empire—these were lost to him anyhow—but with the many imperialists whose vision of imperial power, history, and trusteeship had no room for Tariff Reform. Today Free Trade is often associated with liberal commercial internationalism but

the importance of empire for its earlier survival deserves emphasis. Free Trade culture envisioned an imperial community held together by trust and morals, free of material interests. In the light of ever-increasing tariffs in the self-governing colonies, and their introduction of preferential treatment in the 1890s, this was remarkable. The language of 'the spirit of empire' versus 'the spirit of commerce' propped up an ideal of imperial harmony that had long been disrupted by the realities of economic nationalism and imperial force.

The advancing polarization between Chamberlain's protectionism and the Liberals' dogmatic Free Trade response again eliminated any middle ground. Chamberlain thus had to face not only the 'Limps', or Liberal Imperialists, around Asquith, Grey, and Haldane,⁸⁷ but also Conservative imperialists and members of the imperial ruling class. Far from being committed Cobdenites, many Conservative 'Free Fooders' supported retaliation and revenue tariffs. It was Chamberlain's fusion of colonial preferences and food taxes which proved incompatible with their sense of imperial solidarity. Free Trade was the beneficiary of this reaction. It absorbed and recycled a language of imperial trust and patriotism that insulated it against charges of either cosmopolitan 'Manchesterism' or Little Englandism.

In part, the problem for Tariff Reformers lay in the unique size and diversity of the British Empire. It was a heterogeneous amalgam of colonies and possessions, as different from each other economically as they were politically, culturally, and ethnically. Not only had Canada, Australia, and South Africa adopted protectionism, but the flow of trade between them and Britain was highly uneven. The future Dominions sent three-fifths of all their exports to Britain, but the mother country only sent one-fifth of its exports to them. Preferences might give Canadian wheat a competitive advantage over foreign wheat in the British market, but the reciprocal benefits were doubtful. Foreign competition was not the principal threat to British trade in the self-governing colonies. British exports to Canada either had a virtual monopoly or were facing competition from heavily protected Canadian industries; in fact, Canada was more protectionist against British goods (the average tariff here was 18 per cent) than against goods from the United States (12 per cent). Canadian preferences did not add up to much.

When ministers from the colonies called on Britain to impose a small duty on foreign goods—the South African Hofmeyr pitched 2 per cent in 1887, the Canadian Denison went as far as 5–10 per cent at the colonial

conference of 1902—to allow for preferential treatment for the colonies, the response in the British state was one of disbelief, even ridicule. The 'colonials' were out of touch with reality, 'not well informed' and 'crying for the moon', Giffen at the Board of Trade wrote. Britain depended on foreign, not colonial, markets. The burden of colonial preference would thus be borne disproportionately by British export industries and British taxpayers; adjusting for their populations, Giffen calculated that each Briton would pay four times more for preferential duties than people in the self-governing colonies. It would be an 'infinite disaster' for Britain. Preferences also raised complex technical issues of how to prevent foreign goods that entered Britain via the colonies from enjoying preferential treatment. The prospect of an expanding bureaucracy and monitoring devices like certificates of origin filled the Board of Customs with horror. In short, the uneven balance of trade between mother country and colonies meant Tariff Reform was a 'specially stupid and mischievous form of attempted protection'.⁸⁸ Edwardian protectionists were confronted by the same point Lord Ripon, the Liberal colonial secretary, had made to the colonies in 1895: preferences involved too unequal a sacrifice.

Worse, trade was uneven not only between Britain and the self-governing colonies but between colonies as well. Some colonies, like the sugar-producing West Indies, were veritable monocultures, while others, like South Africa, had a mix of minerals, wool, and wine. Any attempt to give preferences raised the question: preferences on what? As taxing the raw materials of British industry was ruled out, this left major food stuffs. A duty and colonial preference on corn appealed to Tariff Reformers eager to make Britain less dependent on foreign wheat in case of war and to build up a loyal agrarian hinterland. From an intra-imperial point of view, it was extremely divisive. The Empire was not one vast field of corn. Canadian farmers would benefit, but what about Indian rice producers or Australian sheep farmers? And what about the different tariff levels across the Empire? Constructing a preferential tariff scheme that was reciprocal both in sacrifice and benefit was like squaring a circle. Chamberlain floundered where earlier champions of imperial preferences and federation had failed in the 1880s and 1890s.

Within the self-governing colonies, too, reactions to Chamberlain's tariff scheme were ambivalent. This only reinforced anxieties about imperial divisions. Imperial Tariff Reform was attractive in a colony like New Zealand where closer imperial federation promised to contain the 'Asian

peril'. Elsewhere even leaders who backed Chamberlain, like Deakin in Australia, knew that domestic support was fragile. Tariff reform offered little to colonial governments, Labour parties, industrial interests, and even key agricultural groups, like Australian sheep farmers.⁸⁹ The dream of an Anglo-Saxon imperial premier league took no account of the Empire's ethnic diversity, including French-Canadian settlers.

In the colonies tariffs were the main source of revenue—over 90 per cent in Australia; there might be an interest in raising tariffs on foreign goods, but little in lowering them on British imports. As the Canadian Laurier told the new Conservative leader Bonar Law in 1911, it was madness to think that Canadian manufacturers would 'be willing to abate one jot of their protection against British manufactured goods'.⁹⁰

From an imperial perspective, Tariff Reform was never a modernizing programme. The point of Tariff Reform was to preserve the status quo between an industrial centre and an agrarian hinterland, not to assist colonial development. As Chamberlain told a large audience in Newcastle on 20 October 1903, colonies in the future should revise their tariffs 'in order not to start industries in competition with those which are already in existence in the Mother Country'.⁹¹ Chamberlain's supporters subsequently erased this particular passage from his published speeches, but it was never fully erased from the mind of industrialists and businessmen in the white settler colonies eager to move up the ladder of economic development.

Empires are, by definition, systems of great inequalities of power and wealth. They have not held back from exploiting such inequalities with the help of mercantilist measures. What made the British Empire hesitate in this case? One answer has been to look at the price tag of Tariff Reform. Tariffs would have interfered with the free flow of cheap foreign food on which Britons depended; the Board of Trade estimated that it would take over forty years for Canada to expand wheat production enough to replace British imports from the United States.⁹² It is clear that for Britain, foreign trade and investment were more profitable than trade with the Empire. A preferential tariff would have come at a price. Arguably, however, a Free Trade Empire was itself a drain, steering money and innovation away from investment at home in education, new technologies and infrastructures, and reinforcing social inequalities. From a cost/benefit analysis, Britain might have been best off not only without Tariff Reform but without Empire altogether.⁹³

To explain the opposition to Tariff Reform at the time, however, such counterfactual calculations are of limited value. Costs are always relative and subjective. Most Free Traders were committed to Empire and accepted its costs, not least the burden of imperial defence. Many supported imperial federation and other forms of assistance, such as subsidized steam services between Britain and the colonies. Tariff reform was not unacceptable because of its cost, but because colonial preferences on corn clashed head on with a rival model of empire based on trust, fairness, and freedom. We have become accustomed to see empire and freedom, free trade and fair trade as mutually exclusive. In a historical perspective, however, imperialist support for Free Trade can be seen as a pioneering stage in the evolution of an idea of 'fair trade' as an ethical alternative to self-interested commercial exchange.

The Free Trade system, as it was established in the 1840s and early 1850s, was a hybrid, bringing together Cobdenite critics of empire, evangelicals, Peelites, and a Whig ruling elite. The Whig government grafted Free Trade onto a reformed Empire which did away with mercantilist vestiges such as the navigation laws and sugar preferences. It saw the Free Trade empire as a common economic union.⁹⁴ But the imperial culture of Free Trade spread beyond the high aristocratic world of Whig ministers. Victorian Free Trade absorbed a powerful mix of protestant nationalism and evangelical religion.⁹⁵ Britain was Israel, an elect nation. Its civilizing mission was an article of faith to Liberal imperialists and critics of empire alike.

There had been a generous overlap of ideas and membership between Free Trade and the anti-slave trade movement and missionary societies in the first half of the nineteenth century. At the same time as it was critical of aspects of the old Empire, like the East India Company, this humanitarian community blended freedom of trade and the conversion of 'heathens' into a single civilizing mission. Commerce fostered initiative, enterprise, and autonomy and liberated natives from superstition, corruption, and dependence. Free Trade created a fertile ground for missionaries to do Christ's work.⁹⁶ Conversely, Britain's ability to fulfil her Christian mission depended on her credibility as a Free Trade nation. Amidst deafening cheers, George Thompson, radical MP and veteran anti-slaver, reminded an interdenominational conference in Manchester in 1841 that the Corn Laws were sabotaging Britain's divine work. It was good to send missionaries with the book to the 'barbarous nations' to preach to them how God had made provisions for every human being, and to pray together 'Give us

this day our daily bread.' But what, Thompson asked, if the native finally asked the missionary 'from what blessed land he has brought him these glad tidings'? The missionary would tell him of the land where Christianity ruled supreme and 'where the gospel shines brightest'. The native would enthuse 'O Happy land....just on the verge of heaven; would I were there', until the sudden news of millions of Britons starving under the Corn Laws reached the 'unsophisticated convert'. Without Free Trade at home, Thomson concluded, the British would face the 'scorn of the barbarian' abroad.⁹⁷

In the Edwardian period there were still those, like Lloyd George, who echoed the older idea of the *douceur* of commerce and divine providence. Lloyd George was virtually unable to give a speech about Free Trade without falling into a eulogy about how providence had selected Britain for this global civilizing mission, even reciting Cardinal Newman—

Providence has selected the people....inhabiting these islands from amongst the people of the earth to carry through the victory of this one idea, the banner of freedom in commerce, brotherhood through commerce, and good will through commerce....If we have the courage...of our ancestors, we will prove...that we are worthy of the leadership of the human race upwards, along the path which ascends 'O'er moor and fen, o'er crag and torrent, till the night is gone'.⁹⁸

For many Edwardians, however, especially Conservative Free Traders, commerce was morally suspect. The Indian Mutiny and Rebellion of 1857, disappointment at the failure of freed slave economies to take off, and an increasingly biological form of racism,⁹⁹ had combined to erode earlier optimism about the civilizing magic of commerce. The imperial case for Free Trade shifted, presenting it as the moral framework for imperial trust and sentiment, as if untainted by money. 'The British Empire is held together by moral not by material forces', Winston Churchill told the inaugural meeting of the Free Trade League in 1904. 'It has grown up in liberty and silence.'¹⁰⁰

Of course, the Empire was nothing of the sort. It was violent, vocal, and greedy. Churchill himself had recently returned from the Boer War, only the latest in a string of colonial wars that, in part, were fuelled by a competition for land, labour, and resources. Yet this was not just a rhetorical ploy to disguise deeper interests. The moral vision endowed Free Trade with a sense of imperial purpose and legitimacy. It moved the goalposts

of the debate, away from questions of material costs and benefits, to ones of imperial duty and sentiment. And this imperial self-understanding holds some clues as to how a Free Trade regime managed to distance itself from the dislocation and famine it brought to many parts of the Empire.

Few Free Traders were as influential in propagating a divide between 'the spirit of Empire' and 'the spirit of commerce' as Robert Cecil, the third son of Lord Salisbury. Cecil was a leading conservative 'Free Fooder' and backbencher, who fused his father's moral conservatism with a commitment to ethical and progressive causes, including women's suffrage and industrial co-partnership. The 'spirit of Commerce and the spirit of Empire are essentially divergent', Cecil believed. 'Commerce depends on competition, the trader seeks to enrich himself, to get the best of the bargain. His maxims are, "Business is business" and "Each man for himself and the devil take the hindmost".' For Cecil it was impossible that any broader social values could arise out of the pursuit of self-interest. 'Self interest in a word is essential to commerce. It is fatal to Empire.'¹⁰¹

From this perspective it was Tariff Reformers, not Free Traders, who appealed to commercial self-interest. Social values like imperial duty and sentiment needed to be shielded from such commercial considerations. By turning the Empire into a marketplace of colonies competing for concessions, Tariff Reform would erode, not cement imperial solidarity. Colonies with the highest tariffs would obtain greater concessions than those with lower duties, a point already made by the Board of Trade in the 1890s.¹⁰² And the new bargaining spirit would dissolve further the ties between Britain and the large protectionist white settler colonies such as Canada, Cecil added. Tariff reformers were encouraging Canada to consider the Empire as a 'business proposition'. This would only accelerate Canada's much-feared drift into the orbit of the United States.

Such fears of materialist threats to 'corporate values' were reinforced by a widespread sense that the Empire had come together under Free Trade. Tariff reform was threatening to repeat the mercantilist mistakes that had led to the revolt of the American colonies in the 1760s–70s and the loss of half the Empire.¹⁰³ John Burns, the liberal labour leader, saw Chamberlain as 'the greatest enemy the Empire has had since George lost America'.¹⁰⁴ Chamberlain's cabinet colleagues predicted that they would have tea in Boston harbour if they did not take care.¹⁰⁵

For democratic imperialists, Tariff Reform dangerously combined bureaucracy and mercantilism. Tariff Reformers suffered from a 'Prussian'

mindset that inclined them to think of people in the third person and put excessive confidence in bureaucratic bodies, like the Tariff Commission, remarked the young Alfred Zimmer, who would emerge as a leading new internationalist during the First World War. Protectionists forgot 'that there had been a French Revolution between the Navigation Acts and Mr. Chamberlain'. To survive, the Empire had to become a union of self-governing units sharing a democratic imperial patriotism which might some day even evolve into 'planetary patriotism'.¹⁰⁶ In a speech to the Cambridge Union, the young John Maynard Keynes presented Chamberlain's scheme as 'Napoleonic', alien to the spirit of empire, 'replacing freedom by uniformity ... [and] a machine-like interdependence'. Its underlying vision of empire was completely defective, Keynes argued. Again, the contrast was between the true Free Trade view of empire as bound together by 'sentiment and community of ideals' and an alien protectionist one favouring 'common forms of government and an interdependence of commerce'.¹⁰⁷

For moderate fiscal reformers as well as for convinced Free Traders, colonial preferences were dangerous because they openly brought issues of money into the Empire. Colonial preferences would weaken what they were designed to strengthen.¹⁰⁸ They would destabilize relations between metropole and colony, and even worse, undermine the imperial spirit within the metropole. Without a popular consensus in Britain in favour of imperial preferences, Gerald Balfour told cabinet colleagues in 1902, 'the result ... would simply be to bring the Colonies back into English politics [and] to rekindle the spirit of Little Englandism'.¹⁰⁹ Rosebery, a Liberal Imperialist, painted a dark picture of workers turning against the empire:

It will be a bad day for Great Britain—it will be a worse day for the Empire at large—when the artisan returning to a stinted meal—stinted by taxation—may say to his family, 'Ah, things would have been very different had it not been for this Empire, for the preservation of which we are now so heavily taxed.'¹¹⁰

Racial ideas severely restricted the humanitarian project of freedom of trade. Africans were viewed as an agricultural race immune to the logic of commercial development.¹¹¹ In its emphasis on trusteeship, this imperial vision echoed an older eighteenth-century concern with the obligations that came with power. In 1783, in a famous speech attacking the East India Company for tyranny and corruption, Edmund Burke had argued that the

rights and privileges of empire were a 'trust' to be discharged for the benefit of native societies. More than a century later, faced with Chamberlain's new mercantilism, imperialists rallied to the defence of a Free Trade Empire of liberty and justice.

India continued to sit uneasily in a Free Trade Empire. In 1877, at a time of famine, strict adherence to free trade principles dictated the export of surplus wheat, with tremendous human suffering.¹¹² India's tax system breached the pure liberal model. General duties had been abolished in 1882, but, to fix a hole in the budget, Britain revived a general tariff in 1894. The 5 per cent Indian tariff violated core principles—there were duties on raw materials for industry, and for many articles it meant a lot of interference for little revenue.¹¹³ Parliamentary lobbying by Lancashire cotton interests secured a lower 3.5 per cent tariff on their finished articles. At the same time, to preserve the Free Trade principle of 'no favours', an equivalent excise or consumption duty of 3.5 per cent was imposed on Indian cotton manufactures. Here was an uneven playing field if ever there was one.

Instead of avoiding the issue of India, however, Free Traders exploited it. Partly this hinged on political and economic self-interest. Chamberlain's imperial vision was dominated by white settler colonies. India occupied a subordinate, unclear place. In the cabinet crisis of 1903, Lord George Hamilton resigned as secretary of state for India over this question. Significantly, Hamilton sympathized with the case for retaliation, and had himself imposed countervailing duties on sugar in India. However, with Tariff Reform in Britain, he warned, it would be all but impossible to deny India the right to impose industrial tariffs as well. And, as he told conservative Free Trade audiences, Tariff Reform would seriously undermine the interests of Indian finance and imperial stockholders. India imported far more from Britain than she exported. India paid for this trade deficit by sending large exports to Germany, France, and Belgium. Britain, in turn, received imports from these countries which paid for a considerable percentage of the annual interest due to British holders of Indian stocks. A British tariff, and likely foreign retaliation against Indian and other imperial exports, would break this financial circle.¹¹⁴

Trust in the humanizing and supposedly non-materialist workings of Free Trade continued to blind popular liberals to the links between British policy and Indian suffering. In Bristol, in 1904, for example, Mrs Gray traced the history of political economy for an audience of liberal women,

presenting the famines of India as an automatic result of 'correct principles discarded'. It was vital to recognize 'our interdependence', she concluded, and this meant to 'break down all barriers, military, monetary, fiscal and otherwise to attain prosperity'.¹¹⁵

Lancashire, the industrial sector which had gained most from Free Trade at the expense of the Indian cotton industry, nonetheless condemned Tariff Reformers' lack of humanity. In July 1909, W. A. S. Hewins went to Manchester charged with the uphill task of selling protectionism to three hundred cotton spinners, manufacturers, and merchants: irrespective of their dependence on foreign markets and access to cheap raw material, they would benefit from the stimulus that tariffs would give to the buying power of British society as a whole.¹¹⁶ The reaction was prompt and predictable. Local newspapers and pamphlets noted the vagueness of the proposals. Worse, the 'humanitarian side' had been left out entirely. To 'bribe Lancashire with the promise of Preference in India', showed a frightening lack of 'human element', according to 'A Lancashire Man's Reply'. 'I think to suggest that they [Indians] should be taxed for the preference of Lancashire cotton manufacturers and workmen was most vicious.' Hewins' speech was an 'insult' to Lancashire men's 'humane feelings'.¹¹⁷

Robert Cecil epitomized the faith in the civilizing anti-materialistic mission of a Free Trade Empire. In India, the 'whole land was at the mercy of every famine and every pestilence', Robert Cecil wrote in 1912, 'and its people were sunk in ignorance and barbarism'. Much remained to be done, 'but we have at least established throughout India order and security. We have given to the humblest peasant the protection of British justice.' If anything, Britain had given 'him perhaps too lavishly education and enlightenment. And we have granted him such political liberty as he is able to enjoy.' By making the Empire look like a business proposition, Chamberlain distracted from its essential ideal and purpose. The reply to citizens asking 'what advantage to them is the Empire', was a humanitarian one: 'a great opportunity and a great responsibility'.¹¹⁸

Chamberlain's plea for material sacrifice failed not because of domestic indifference to empire but because it clashed with a non-materialist ideal of fairness and shared imperial sentiment. This was an ideal that lived in denial of the commercial and social realities of empire, but it corresponded with the idealized history of the Free Trade nation. Elements of Whig history were mixed with radical and conservative stories of liberty and solidarity. In this picture, the stability and legitimacy of the British Empire mirrored that

of the British state after the repeal of the Corn Laws. A shared commitment to fair, equal treatment would nurture a sense of interdependence between groups in the Empire as it had in Britain itself.

In the final analysis, it was not the cost of imperial reform but its uneven distribution that threatened the imperial concordat. Colonial preferences would pitch winners against losers and create an atmosphere of distrust that would erode imperial patriotism. Just as Free Trade supposedly immunized society and politics at home against vested interests and social extremes, so it would prevent the Empire from fragmenting into competing blocks of strong protectionist colonies currying favours at the expense of weaker dependencies. And just as tariffs would bring in their train millionaires and materialism, so they would corrupt imperial ideals of justice and equity with haggling over money and preferences.¹¹⁹ At home, Free Trade warded off socialism, in the Empire colonial nationalism. Concern for the poor, mothers, and children were matched by a sense of trusteeship and parental care for Britain's imperial 'children' and Indian peasants. Even the stories of liberation from hunger and autocracy complemented each other. Free Trade had liberated the British people from 'the hungry forties' and political enslavement. It saw itself as liberating the Indian peasant from centuries of corruption, ignorance, and famine.

Internationalists

Defenders of Empire were not the only Free Traders to question the virtue of international commerce. Progressive internationalists and social reformers also began to have doubts. Travelling across Europe in the mid-nineteenth century, Cobden had dreamt of a network of interdependent civil societies at different levels of development.¹²⁰ Brought together by commercial exchange untainted by political power, nations would have no need for foreign policy. According to the leading new liberal J. A. Hobson, the modern world looked very different. The older picture of the harmonious exchange of goods and services between an infinite number of small, competing firms, merchants, and consumers was belied by the growing collision over markets between organized business and between nations. Hobson had been moving away from orthodox economics for a decade when in 1899 he was sent to South Africa to report on the Boer War for the *Manchester Guardian*. That visit sharpened his sense of the political power of sectional interests and made him one of the most

influential observers of the changing face of global capitalism. As Hobson explained in *Imperialism* (1902) and a string of books and articles,¹²¹ the world was dominated by several industrial countries locked in heated competition for foreign markets. Instead of Cobden's world of individuals, big combinations, trusts, and financial groups had emerged, pressing for expansion. It was a fallacy to believe that only feudal elites were militaristic and that the industrious classes were naturally peaceful. Economic interests and political power were inseparable.

This 'new imperialism' had domestic roots. Older liberals, Hobson wrote, had focused on the overall gains from trade between societies, ignoring the unjust distribution of these benefits within societies. Free Trade had not eliminated sectional interests. Rather, the maldistribution of income had led to 'underconsumption' at home and triggered a feverish search among financiers and traders for new and often dangerous places for their 'surplus' capital and goods abroad. Here was what Hobson famously called the 'economic taproot' of imperialism. 'If the consuming public in this country raised its standard of consumption to keep pace with every rise of productive powers,' he wrote, 'there could be no excess of goods or capital clamorous to use Imperialism in order to find markets.'¹²²

Free Trade, in this new liberal analysis, was no longer the panacea it had been for many older radicals. International trade, in fact, accelerated the growth of organized capital and the social and political problems arising from it. Laissez-faire and competition, Hobson argued, led to wasteful overproduction, violent trade cycles, and a widening gap between productive power and consumer welfare.

Full free trade would supply, quicken, and facilitate the operation of those large economic forces... the tendency of capital to gravitate into larger and fewer masses,... a growing keenness on antagonism as the mass of the business-unit is larger, and an increased expenditure of productive power upon aggressive commercial warfare: the growth of monopolies springing from natural, social, or economic sources.

On its own, free trade 'has no power whatever to abate the activity of these forces, and would only serve to bring their operation into more signal and startling prominence'. The new imperialism was a response to unresolved questions of social democracy in Western societies. And, in turn, the undemocratic tendencies created by expansionist policies would flow back and reinforce sectional interests and an undemocratic culture at home.

To break this vicious cycle required social reform. This would reduce underconsumption and oversaving and ease the pressure on investors to find new markets and opportunities abroad. Ruthless competition abroad would give way to a more harmonious and balanced relationship between consumption and production at home.

In the long term, this analysis pointed towards the erosion of Free Trade's cultural status in the twentieth century.¹²³ But Hobson's ideas also gave Free Trade a new lease on life. It was a much-needed liberal self-critique that recognized that the Free Trade project had not been completed by Cobdenism. Sectional interests, speculative finance, and trustmongers were new challenges to be answered by a progressive movement. Hobson attuned the conception of trade to a more organic vision of society characteristic of the new liberalism. Instead of reducing trade to rational self-interest, the organic approach lifted genuine Free Trade to a plane above material transactions between individuals.

From a purely economic point of view, Hobson upgraded the importance of the home market at the expense of foreign trade. Home trade, he argued in the late 1890s, was 'a more solid and substantial basis of industrial prosperity than foreign trade'. It insulated a country against fluctuations beyond its control. And, he heretically suggested, the gain from home trade was 'double instead of single', as the benefits from exchange were kept within the nation.¹²⁴ The pressure to find foreign markets, he repeatedly emphasized, was 'not based on any natural economic necessity. There is no natural limit to the quantity of wealth which can be produced, exchanged, and consumed within Great Britain except the limits imposed by restricted natural resources and the actual condition of the arts of industry.'¹²⁵ Except for a small 'surplus' of manufactured goods to pay for food imports, most trade could be absorbed by a dynamic home market once wealth was more evenly distributed. If stimulated, home consumption would keep pace with any increase in 'producing power'. It was never entirely clear how this shift from international to domestic goods and markets would occur in a Free Trade society. Why would a more prosperous, discerning public not want tasteful, high-quality foreign goods? What was so bad about British consumers buying French clothes or German musical instruments? A higher level of domestic consumption would not by itself invalidate the benefits of an international division of labour.

In the late 1920s Keynes would rediscover the idea of underconsumption, but the implications of Hobson's argument were already clear to Cobdenites

at the time. Leonard Courtney, an old radical and leading internationalist, praised Hobson for his exposure of imperialism as 'a vain and costly delusion', but strongly refuted the idea that the gain from international trade was so small that it could easily be replaced by expanding domestic consumption. 'We could all of us easily extend our consumption of the commodities and services of others.' The problem, Courtney pointed out, was: could we as 'easily satisfy these others by producing and giving them something they are content to take in exchange'? Trade made this more likely. It made for a more efficient use of resources to satisfy human wants. Hobson's was a dangerous fallacy, not least 'because it could easily be used by those who hanker after protection in support of their propositions'.¹²⁶

Hobson never altogether resolved the tensions between the domestic and international priorities of the new liberal programme. On the one hand, he defended the benefits of an open economy. On the other, he warned how unregulated trade gave power to sectional interests and capitalist combinations and sowed the seeds of international friction. His distinction between 'ordinary commerce' and 'illegitimate and speculators' imperialistic commerce' was convenient, but where exactly one began and the other ended remained unclear.¹²⁷ Hobson even granted that certain tariffs could help combat unemployment, foreign monopolies, and 'aggressive dumping'. The problem was politics, not principle. Tariffs would be 'clumsy and ineffectual weapons' in 'the hands of imperfectly wise officials'.¹²⁸

In the decade running up to the First World War, Hobson increasingly emphasized the positive role of foreign trade and investment, but this did not reflect an overall conceptual shift.¹²⁹ Hobson was a progressive first and theorist second, and what changed after 1903 was not so much his theoretical position as the political context. His critique of speculative finance and trade in the 1890s had targeted the rising imperial mood within the Liberal party in favour of an aggressive 'open door' policy. Chamberlain was a more dangerous enemy and his declaration for Tariff Reform in 1903 changed the implications of Hobson's critique. Tariff reform was far worse than *laissez-faire* liberalism. Cobdenites might have been blind to the uneven distribution of wealth, but protectionists would exacerbate 'underconsumption' and openly encourage a militaristic culture at home and imperialism abroad.

Hobson had not attacked Free Trade as such, but its 'speculative' and imperialist pathology as opposed to 'ordinary' and legitimate commerce.

Chamberlain's challenge made him re-emphasize the positive qualities of genuine Free Trade. Free Trade plus social reform would make trade and finance genuinely 'international'. They would not be driven by artificial 'national' pressures to find outlets for 'surplus' capital abroad. Hobson now dressed the eighteenth-century *douceur* of commerce in new liberal clothes. Trade might indeed provoke rivalry and friction, but that was because it had been deformed and misdirected by base competitive rivalries within societies. International and colonial conflict and class conflict fed off each other. With the help of a more even distribution of wealth, it would be possible to purify trade and make it a virtuous conduit of higher reason, social solidarity, peace, and human advancement. In fact, without it, the prospects for social reform and democracy in any one society were slim—sectional interests would degrade public life.

The new liberal idea of humanity as a social organism strengthened rather than weakened a commitment to freedom of trade. If humans were 'social beings' not individuals, and society was an organism, this meant that feelings and sympathy were strongest within the family and community. Hobson was aware of the lengthening of the food chain and the growing distance between producers and consumers that came with the era of globalization in which he lived. Trade would bridge that distance, extending human sympathy and international instincts and preventing communities from becoming inward-looking, nationalist, and barbaric. Far worse than the economic damage of protectionism, he told the Quaker Society of Friends, would be the 'moral and intellectual injury involved in a loosening of the bonds of [human] intercourse'. Trade provided an important first rung on the ladder of civilization and reason. It bound 'the members of foreign lands to one another by kindling the first sparks of a sentiment of humanity, transcending the more primitive limits of the city or the nation'. It prepared humans for 'the common purpose of higher life', first in science, arts, and morals, but increasingly also in international justice and international institutions.¹³⁰ The ethical and political case in favour of Free Trade trumped whatever disagreements old and new liberals had about social policy and economics.

More generally, Free Trade internationalism and the peace movement were inseparable. The international Free Trade Congress and the Universal Peace Congress were both held in London in 1908. The Cobden Club promoted an International Free Trade League. At the Free Trade Congress, Churchill fought off repeated interruptions by women suffragettes to

reiterate that peace and Free Trade went hand in hand. He even cited Diderot to show how commerce had made societies more interdependent—the 'central current of the modern world'.¹³¹ Enlightenment ideas of the humanizing *douceur* of commerce continued to circulate through popular Free Trade, sometimes reinforced by Christian lessons from the New Testament. Free Trade might not guarantee peace, but it made for more peaceful societies. It 'remains one of the best promoters of good temper and of good-will', Courtney emphasized: 'if we could instil in the minds of the statesmen of the world broader conceptions of mutual intercourse in place of the petty jealousies which now make the nations the slaves of sectional interests, most of the bickerings which disturb international relations would disappear'.¹³²

While not all Free Traders were members of the peace movement, peace campaigners were invariably fervent supporters of Free Trade. J. M. Robertson, president of the secular Rational Peace Society, was a vocal defender of the ethics of Free Trade, as was Bertrand Russell. Courtney presided at the Universal Peace Congress and was president of the National Peace Council, a federation of peace bodies formed in 1908. Its secretary was H. G. Perris, a former secretary of the Cobden Club. Hobson and Hobhouse were old friends of Perris' since the days of the International Arbitration and Peace Association in the late 1890s.¹³³

The popular Free Trade revival did not necessarily mean a commitment to Cobdenite principles of non-interference, however. The new liberal critique of individualism within society extended to international relations. In an interdependent world, the autonomy of nations was obsolete. Free exchange was a joint global project to raise the moral and material level of humanity. Colonial peoples did not have a right to close themselves off and deny the rest of the world access to their resources, Hobson argued. The future lay not with *laissez-faire* or imperial control but with international government. It would give 'civilised powers' equal access to global resources while protecting 'lower races' against private forms of commercial 'despotism'.¹³⁴ Hobson did not yet make the same demands on the 'civilised powers' that were themselves shutting out the world economy.

The story of internationalism ended with a twist just before the First World War. Angellism, the movement sparked by Norman Angell's bestselling *The Great Illusion* (1910), reconstructed the older Cobdenite vision of the benign force of economic self-interest.¹³⁵ Pointing to the thickening global web of modern finance and communication, Angell argued that

war had become irrational (though not impossible). In a globalized world, older mercantilist strategies of capturing trade or fighting wars of economic conquest no longer worked: they would bankrupt conqueror and conquered alike. Grafting Herbert Spencer's ideas of social evolution onto liberal individualism, Angell produced a straight biological line of human development: economic exchange invariably fostered peaceful sentiment and reduced international conflict. The problem was not economic interests, but that ideas lagged behind their 'real' interests; his earlier encounters abroad, reporting on the Dreyfus affair in France and seeing the mismatch in America between farmers' support for tariffs and their 'natural' interest in Free Trade, had moved Angell to look to 'psycho-politics' for answers.¹³⁶ Peace required the education of both publics and statesmen about globalization—foreign policies, he criticized, were still 'framed according to the principles dating back to an age when the locomotive and the steam ship had not yet been invented, and when international trade had hardly begun'.¹³⁷ By 1913 there were over fifty clubs, study groups, and exchange programmes spreading Angell's gospel.¹³⁸

Some progressive Free Traders and peace campaigners were skeptical of Angell's appeal to self-interest. Would economic motives be enough to prevent war in times of crisis, without a strong moral commitment to peace as well? Perris, Hobson, and the socialist radical H. N. Brailsford pointed out that war might not pay nations, but it might still benefit powerful groups within them.¹³⁹ Angell rallied to a defence of Cobden's ideal of 'buying cheap and selling dear': 'I challenge most absolutely the whole premise that the consideration of one's interest is immoral.' Morality was not based on collective interest or self-sacrifice. It progressed as individuals gained greater consciousness, revealing to them their enlightened self-interest and 'the ideal motive'.¹⁴⁰ The spread of Angellism showed how vibrant and attractive portions of the older idea of Free Trade still were on the eve of the First World War.

Worlds of Labour

In the labour movement and on the left, opposition to Chamberlain's Tariff Reform was immediate and virtually unanimous. In May and June 1903 Keir Hardie, Ramsay MacDonald, and other leaders of the Labour party joined a democratic phalanx stretching from the socialist Edward Carpenter to the old Owenite George Holyoake, all condemning Chamberlain's

scheme as unjust, unfeasible, and undemocratic. In September, Trade Union leaders joined the protest almost to a man. Chamberlain's belief that a tariff, by strengthening domestic industry, would result in higher wages cut little ice with labour leaders, who knew that greater profits did not automatically translate into better pay. George Barnes, of the Amalgamated Society of Engineers, simply denounced the idea as 'Rubbish!'¹⁴¹ Support for the Trade Union Tariff Reform Association was confined to a handful of heterodox labourites, such as Henry Henshall, who was expelled from the Independent Labour Party (ILP) in Stockport in 1909, and a few marginal industries, such as glass and paper.¹⁴²

But opposition to Tariff Reform was not the same as support for Free Trade. Protectionists, naturally, were quick to dismiss Labour as the paid servant of the Cobden Club, and later historians, too, have portrayed a harmonious union between like-minded Liberals and Labourites. Chamberlain simply awoke 'all the slumbering Free Trade principles of British working-class leaders'.¹⁴³ In fact, many Labour leaders had had a crisis of faith over these principles and were actively exploring alternatives.

Labour leaders had to manoeuvre between two more powerful political antagonists. Opposing Tariff Reform for raising the cost of living and promoting imperialism was straightforward. But Labour was a new party, barely three years old and keen to establish its socialist credentials with proposals for a national minimum wage and the right to work. It was equally important to highlight the poverty and suffering under Free Trade. 'Free Trade was a capitalist warcry; protection was a landlord warcry', as the Federation of Trades and Labour Councils put it. Labour's duty was to show that 'national prosperity, and the prosperity of the working classes, are dependent on deeper economic causes'.¹⁴⁴ Labour promptly denounced the tariff question as a 'red herring', distracting from the real issues of poverty and unemployment, which only socialist reforms could remedy. This was good rhetoric, but in the real world it was the two big players, Chamberlain and his Liberal adversaries, who were shaping the contours of politics. In this sense, the Labour party and socialist groups found themselves in a similar position to that of Balfour's Conservatives who, as the fiscal campaign gathered momentum, had to respond to the flow of a political game controlled by others.

Cracks had appeared in the radical Free Trade façade already in the 1880s. While agricultural trade unionists and railwaymen absorbed popular liberal sentiment, others revived an older attack on cheap imports as the

twin of cheap wages. Unemployment fuelled fears of imported 'sweated goods' and an influx of unskilled foreign labour. In 1886, protectionist Fair Traders actively sought to exploit such anxieties in the famous 'Red Flag' meeting in Trafalgar Square. 'There can be no doubt whatever,' Henry Champion, one of the Labour martyrs imprisoned after the demonstration, emphasized the same year, 'that under what is called Free Trade ... the market of the world will confer its custom on those countries where ... labour is cheapest.'¹⁴⁵ British workers would soon have to accept the low wages of Italians or face unemployment. Nor was the critique of Free Trade necessarily the preserve of the unskilled poor around the ports and slums of east London. Skilled mechanics, too, were overheard to speak in favour of protection.¹⁴⁶ Even the Trades Union Congress asserted the need to 'protect ourselves' against foreign bounties in 1898.¹⁴⁷ Opposition to food taxes did not rule out penalizing sweated imports, a frequent demand of the Labour party in the Edwardian period.

For most in the Labour movement, Free Trade was a lesser evil than tariffs, but discussion rarely stopped there. In April 1904, for example, members of trade unions, friendly societies, and cooperatives met in west London. Fred Maddison, the Lib-Lab leader, attacked preferential tariffs for increasing the cost of living and promoting international conflict. A heated debate followed, which led to a critique of capitalism and demands for public ownership on a cooperative basis. The meeting concluded with a joyful chorus of the Red Flag.¹⁴⁸

For leaders in the ILP like Hardie, Snowden, and John Paton, the tariff question was in the first place an opportunity to put their distinct case for socialism and explain the inherent limits of Free Trade. Tariff Reform meetings, Paton recalled, were 'magnificent opportunities for socialist propaganda'; after earlier heckling, local Tariff Reformers would stand down voluntarily to let Labour activists address their audiences.¹⁴⁹ Instead of leading to improved living conditions, they pointed out that Free Trade had brought a decline in real wages. At a time of rising prices and when labour's share of the national income was shrinking, this was a forceful argument. *The Labour Leader*, the party's paper, ridiculed the *Hungry Forties* and its idea that the progress of the people could be traced to Cobden's triumph.¹⁵⁰ Hardie echoed Hobson, arguing that Free Trade capitalism led to underconsumption and a mad scramble for markets. Soon, he predicted in 1903, 'each country will be more and more driven back upon itself for the consumption of its own produce'. Tariffs were a last

ditch attempt by capitalists to escape the inescapable, by promoting greed and distracting workers from 'better ways of supplying themselves with the necessities of life' than through commerce.¹⁵¹

Liberal trade and an open world economy were unsustainable. This was the essence of Labour's position and fully shared by men like Snowden, still far removed from the stubborn Gladstonianism that would guide him as Chancellor of the Exchequer in the first two Labour governments and that has coloured (and destroyed) his historical reputation. In the Edwardian years, he prophesied that the 'tendency all over the world is for manufactures to settle down where the raw material is grown. Each country must devote itself to developing its natural resources. This is the new policy we must adopt.'¹⁵² The global picture was bleak. Trade drained nations of their resources. Demand was inherently limited: 'there was not one manufacturing trade in this country which was capable of any further expansion'. At best, he gave the export of manufactures 'another twenty-years lease of life'.¹⁵³

British Labour leaders were not Marxists, but there were overtones of Marx's famous speech on Free Trade in 1848. Capital accumulation, Marx explained, increased productive forces, and this accelerated the concentration of capital. Production began to outpace demand. The greater the productive capital, the greater the competition amongst workers. Free Trade inevitably drove down wages. Unlike Marx, however, British Labourites imagined change as evolution, not dialectics. As capitalism was evolving into ever more efficient productive units, cartels, and trusts emerged. This process prepared the coming of socialism. Free Trade had not insulated Britain against trusts.¹⁵⁴

There were echoes, too, of the anarchist prince Peter Kropotkin. Snowden had met Kropotkin in Aberdeen in 1889 and absorbed his *Fields, Factories and Workshops*; socialists are not immune to plagiarism. Future welfare demanded the integration of industry and agriculture, not specialization. Land reform was more than a matter of social justice, it was the precondition for national survival. The 'only possibility of national salvation', Snowden proclaimed, was to nationalize land and make 'our nation a self-sustaining nation'.¹⁵⁵

Labour was ambivalent about modernity. As MacDonald put it in 1907 in Labour's official view on empire, fiscal preferences would make 'the Imperial fabric a gross erection of the commercial spirit—a kind of United States sky-scraper ... —and such erections do not stand the test of time'.¹⁵⁶ Such

anxieties about globalization set British Labour aside not only from Liberals but from colleagues on the continent, like the revisionist social democrat Eduard Bernstein, who believed that the world market was unlimited.

Immiseration, overproduction, and the imminent fragmentation of the world into rival national and imperial blocs were prophesied across the Left. H. M. Hyndman and the Social Democratic Federation felt that Britain's commercial system was 'played-out'. It was impossible for Britain to maintain its 'supremacy in competition with the nations, African and Asiatic, which are now entering the field of production, tariffs or no tariffs'.¹⁵⁷

Liberal appeals to a public consumer interest fell flat with the Labour party, the SDF, and *Clarion* socialists. 'Cheapness' might be in the interests of consumers, but not all consumers were producers. The *Clarion*, by far the best-selling leftist paper, with sales of over one million, warned again and again that the cult of cheapness led to social waste and cheap labour. The consumer interest disguised the parasitical interest of financiers and rentiers who were devouring the nation. In pamphlets and articles R. B. Suthers mobilized an older national iconography and showed 'Doctor Socialism' visiting John Bull paralysed by 'Starvation Sores, Unemployed Congestion, Divident Tumours [and] Smart Set Boils'.¹⁵⁸ The ILP caricatured the cheap loaf as a rentier's sham: workers created the 'big loaf of wealth' but received only its crust, while its bulk in rent and profit went to the 'idle and leisured class' (see Figure II overleaf). Labour party leaders like MacDonald emphasized that the producer interest might clash with that of the consumer: the producer's came first. Labour's policy was, indeed, that of 'buying in the best market', but 'the idea of the best must include some consideration of the circumstances under which the produce on the market has been made'.¹⁵⁹ Interfering with trade—even prohibiting imports—was legitimate, if imports had been produced under inferior or 'sweated' conditions.

The Fabians did not share the fatalistic view of trade, but they too argued that Free Trade, without a minimum wage and other social reforms, was leading Britain and the world down a spiral of decline, inefficiency, and exploitation. Capital would move wherever labour was cheapest. Instead of a world in which each community devoted itself to what it could do best, the Webbs predicted already in 1897 in their *Industrial Democracy*, 'we should get ... a world in which each community did that which reduced its people to the lowest degradation'.¹⁶⁰

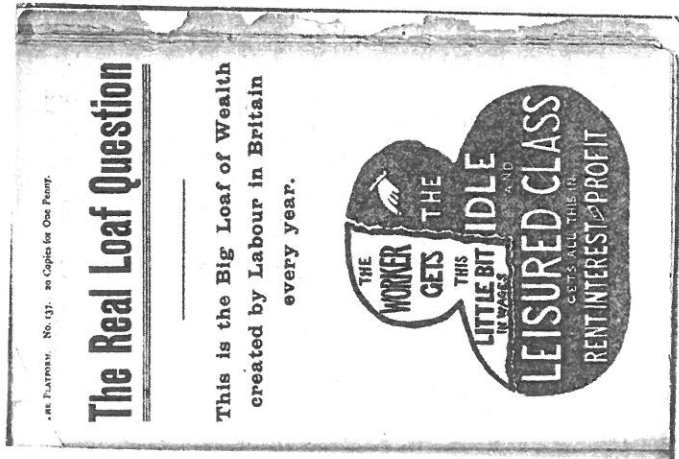


Figure 11. The big loaf used to illustrate social inequality, in a 1904 Labour leaflet.

Chamberlain's Tariff Reform crusade split the Fabian Society. Some, like Graham Wallas, resigned in protest against the majority report which recognized bounties and shipping preferences as acceptable means for developing imperial trade and resources. Those less squeamish about imperial organization and international intervention, like George Bernard Shaw, campaigned for 'preferential socialism'. Shaw had drawn up the Fabian report on Empire in 1900, which asserted the right to intervene in other parts of the world, like China, if their institutions stood in the way of the commercial interests of 'the civilised world'. He now censured Sydney Webb for "'behaving on every public occasion as if you were up for examination at the Birkbeck [college] and had to get marks from [the Cobdenite] Henry Fawcett"'.¹⁶¹ Beatrice Webb confided to her diary that Chamberlain 'has hit on a fundamentally right idea, which he ignorantly and rashly spoils by plunging on an impracticable device'.¹⁶² Still, she had hopes of combining conservative tariffs with social reforms as late as 1910.

Such rapprochement was unthinkable for the Labour party. For all the shared analysis of a world committing commercial suicide, the Labour party took a radically different political path from the *Clarion*, the SDF, and most Fabians. It was one thing, in Hardie's image, to attack 'Commercialism, [which] like some fabled monster, having devoured its own offspring, can only now exist by preying upon its own vitals'.¹⁶³ It was quite another to jeopardize social reforms by sabotaging the Free Trade campaign and letting protectionists win. Already before the 1906 'progressive alliance' between Labour and Liberals, the Labour party leadership adopted a line of sympathetic neutrality towards the Free Trade campaign. While it refused to give official support to Liberal candidates in by-elections or to provide speakers requested by bodies like the Free Trade League, it did not bar individual speakers from appearing on the League's platform. Snowden attended several League meetings in 1905. At the 1905 Labour party conference such involvement was officially outlawed, but it never ceased in practice.

The SDF, by contrast, pursued a more confrontational 'class war' strategy. Personal biographies played their role—Hyndman was a socialist with a Tory background and fought a long-standing battle over empire and defence with the Cobden Club and its secretary, Harold Cox. Clearly, too, the progressive rapprochement over social reform between Labour and new Liberals offset differences over political economy. But, ultimately, it was the rival ethics of internationalism and nationalism that channelled Labour and the socialist Left in opposite directions.

For Labour party leaders, as for Free Trade imperialists, ethics trumped economics. They did not apply a straightforward economic calculus of costs and benefits but were guided by political traditions and international morals. Hardie and MacDonald were prominent peace activists. In 1903 they led a group of workers to Paris to promote Anglo-French friendship and the international brotherhood of man. MacDonald was a supporter of the International Arbitration and Peace Association, and Hardie, in 1910, organized a campaign for arms reduction.¹⁶⁴ Whatever their analysis of capitalist overproduction, it was this revisionism of the heart that built a bridge to Free Trade liberal internationalists, like Robertson, Perris, Hobson, and Hirst. Unlike for Hyndman and the SDF or Blatchford and the *Clarion*, there was no fusion of political and economic nationalism. Hyndman's insistence that a 'nation in order to obtain a full outlet for its own economic development may be compelled to make war against an

oppressing nation'¹⁶⁵ was emotionally repulsive to Labour leaders. Even Snowden, never a pacifist, argued in 1913 that a German invasion was preferable to further arms spending.¹⁶⁶

Traders were condemned as non-productive parasites in the home economy, but when it came to the global sphere older internationalist sentiment shone through. When some Labourites attacked Cobden in 1903 for having acted out of the lowest possible motive, a desire for commercial gain, Hardie leapt to his defence. Trade was not the 'highest conceivable form' of human intercourse, but it is 'the one form open to us as things are'. He painted a picture of the *douceur* of commerce that neither Montesquieu nor Cobden himself could have bettered. Merchants were 'great missionaries of a brighter day ... majestically coming and going with their freights of barter, teaching the nations the much-needed lesson of their mutual dependence one upon the other'. Commerce promoted peace:

Despite the keenness of the commercial struggle there comes a time when on each side there grows up a feeling that underneath the hard bargaining ... there is a human element on both sides which, despite superficial differences of creed and colour and tongue, begins to make itself felt, and ... the dykes which separate man from man are broken down, and the waters of their common humanity begin to intermix and commingle.¹⁶⁷

Across Europe, labour movements had to come to terms with globalization and new mercantilist regimes. Cheap grain on the one hand, and imperialist and protectionist struggles for markets on the other, made the tariff question a central issue for labour party identities and their strategy towards governments, agrarian elites, and industrial producers. In the mid-1880s, the Belgian Workers' Party (POB) switched to Free Trade. For the Catholic governments which, with popular rural support, ruled until the end of the First World War, free trade in food was one thing, industrial goods another; Belgium retained a tariff on manufactures of an average of 9 per cent. The POB, under Vandervelde's lead, wanted to go further: an open economy that combined growth with a social insurance scheme for those harmed by change.¹⁶⁸ In Germany, the mass Social Democratic party was divided. From the late 1890s, there was a growing popular agitation against agricultural tariffs and the rise in the cost of living; already in 1902 the SPD organized a petition with over three million signatures against the 'Hunger-tariff'. The campaign against high meat prices never generated a solid Free

Trade culture, but it set limits on protectionism. Some revisionists, like Bernstein, who knew MacDonald well, favoured Free Trade internationalism. But there were also others, like Max Schippel, who wanted a free hand with regard to industrial protection and imperial expansion.¹⁶⁹

What was distinctive about the Labour party in Britain was not some worn-out inherited Cobdenism, nor a simple calculation that, in an export-oriented nation, globalization and social welfare went hand in hand. Labour leaders were deeply sceptical about globalization, indeed fearful of an imminent collapse of the global order into rival blocs. Much more so than popular Liberals, they had recognized that cartels and trusts were changing the capitalist order. What set them apart was an ethical internationalism which could draw on broader support in radical culture. If, as far as Labour was concerned, Free Trade was increasingly standing only on this internationalist leg, it was a strong and healthy leg nonetheless.

Chamberlain was the best thing that could have happened to Free Trade. At the turn of the nineteenth to the twentieth century, confidence in an open and peaceful global trading system was steadily diminishing. Within the state and new social movements, and across industrial and commercial sectors, there was a search for more flexible instruments to respond to foreign tariffs, trusts, and subsidies. Free Trade's days looked numbered. Proposals for reciprocity offered the best of both worlds: a state that would be more assertive in securing markets abroad but that did not touch the people's food. Chamberlain's Tariff Reform crusade completely transformed the stakes. Tariff Reform polarized the political world. The demand for an all-out general tariff with imperial preferences, on the one hand, and the popular Free Trade cheap loaf, on the other, eliminated the space for moderate reforms and ideas of a third way. Political choices were fenced in, and the fence cut right across the middle ground. Statesmen and businessmen toying with bargaining tariffs and Labourites dreaming of greater self-sufficiency were forced to settle on one side. Balfour's problem was that he tried to stand with one foot on either side. Free Trade had some cosmopolitan supporters, but it would be misleading to see its survival as a sign of Britain's embrace of globalization. Free Trade derived its strength from its ability to accommodate both imperialist sentiments and an older radical internationalism. Ethics mattered more than economics.