
NOTES

*The Pressure for Tariff Protection in Britain, 1917-31**

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The British tariff of 1932 is frequently characterised as a policy of crisis, hurriedly devised and implemented to help cope with economic depression.¹ This paper argues that the protectionist tide was well underway by 1929 having begun a decade earlier. There had been constant rumblings since the late nineteenth century about unfair competition in the British market, and clamouring by some for protective devices but the protectionist movement gained greatest impetus during the First World War. The main pressure in the decade after the war came from the iron and steel industry; just as in the 1870's a turning point in the tariff history of the nineteenth century came with Bismarck's imposition of duties on iron and steel, so this industry was to play a major (if not the decisive) part in the British return to commercial protection in the 1930's. Thus the implementation of the protectionist policy is seen not so much as a panic measure of depression as the culmination of more than a decade of activity by interested parties, notably the iron and steel industry; the timing of the policy had of course something to do with the crisis.²

There were two other sources of pressure which this paper does not deal with explicitly. One was the demands from the Dominions for reciprocal

* I should like to thank the S.S.R.C. for finance for this work which is part of a larger project.

¹ There are many examples but typical of the text-book version is Derek H. ALDCROFT, *The Inter-War Economy: Britain 1919-1939* (1970) p. 285.

² There is an early hint that it was not entirely due to the crisis, in F. C. C. BENHAM, *Great Britain Under Protection* (N.Y. 1941), p.21.

preferential arrangements in the British market. Some of these were secured in the 1920's but the pressure was insistent. The second source of pressure was simply that of the raising of the nominal tariff walls around the world. This paper deals only with the pressure coming from the home front though this undoubtedly incorporates elements of the other two. For example the Empire Industries Association was an association organised within British industry which gave voice and support to the Empire's demands.

The paper traces first of all the growing demands for protection, principally from the iron and steel industry, from 1917 to 1929-30 when it reached a peak. The second part of the paper looks in detail at the growing momentum of the protectionist movement in the years 1929-31; and section III examines the 'abnormal imports' of 1931 which were cited as the prime reason for the 'emergency' measures of November 1931; measures which in turn facilitated the introduction of the General Tariff in early 1932.

I

The iron and steel industry would always attract attention in an investigation such as this both by virtue of its size and because of its importance as a supplier to other industries; but perhaps more important is the fact that it was the only industry in Britain in 1932 where the final product was eventually taxed at a lower rate than the inputs, (probably the first time in British tariff history that this had happened) and the difference was of sufficient magnitude to produce a very low effective rate of protection for the industry as a whole.³ This industry was furthermore the focus of much of the protectionists' case in the 1920's and indeed at the beginning of the decade one argument advanced by government for rejecting a tariff on iron and steel was that it would lead inevitably to the introduction of a general tariff. On the one hand it was a key industry but against that it was a supplier of inputs to many others.

The iron and steel industry gained early encouragement for a protective tariff from the strong feelings expressed during the First World War about the need to safeguard vital industries. (The origins of these feelings undoubtedly lie further back in the late nineteenth and early twentieth centuries when foreign competition was intensifying and the first rumblings over "dumping" were heard). The Board of Trade Committee set up in 1916 to consider the position of the Iron, Steel and Engineering Trades after the war was initially under the Chairmanship of Sir Clarendon Hyde, a well-known free trader in the industry and Sir Hugh Bell was a prominent member. Clarendon Hyde's Chairmanship

³ The concept of the effective protective rate and some measures of it for British industry at this time, can be found in Forrest Capie, "The British Tariff and Industrial Protection in the 1930's" *Econ. Hist. Rev.* Vol. XXXI No. 3.

was unacceptable to the industry for on matters of protection, "it is not too much to say that his views are diametrically opposed to those of the vast majority of his fellow manufacturers".⁴ Lobbying by the industry for his removal was successful and the Board of Trade finally replaced Hyde with Scoby-Smith, equally well-known as a protectionist. Not too surprisingly the committee's Report of June 1918 was strongly in favour of protection.⁵

The evidence presented to this committee insisted, "almost unanimously that competition through dumping... had reached such a pitch that the production of iron and steel in Great Britain was seriously restricted and imperilled".⁶ The committee was convinced that for, "the future safeguarding of the iron and steel industries it will be necessary to establish a system of protective duties".⁷ The committee went on to make several recommendations which besides encouraging combinations suggested that anti-dumping legislation be introduced, that all imports should show their mark of origin and, "that customs duties be imposed upon all imported iron and steel and manufactures there of ...".⁸ *The Balfour of Burleigh Committee* of 1918 whose brief was wider — to consider commercial and industrial policy after the war — was less positive in its recommendations but nevertheless strong in its advocacy of a tariff, particularly for "pivotal" industries. It recommended that: "the imposition of a wide range of tariff duties... should come into force immediately on the conclusion of war".⁹ The industries described as "key" or pivotal were to be kept alive "either by loans, by subsidy, by tariff... or in the last event by government manufacture".¹⁰ Other industries of "real importance" were to qualify if it were clear that they were in danger of being weakened by foreign competition. The iron and steel industry recognised the need to organise, amongst other things, to campaign for protection. On Armistice Day 1918 the NFISM was formed "in recognition by the industry and the government" that the industry's problems required a stronger central organisation.¹¹ The Federation was made up of the directors of leading companies.

War or the fear of war dominated the debate on protection over the next few years and imperial preference was almost always an integral part of the protectionist case.¹² But it became clear in the three years of coalition government following the war that the electorate was far from persuaded to protection. In a fourteen month spell seven by-elections were decided on this issue.

⁴ "Iron and Coal Trades Review" 24th March, 1916.

⁵ Cd. 9071 1918.

⁶ *Ibid.*, p. 29.

⁷ *Ibid.*

⁸ *Ibid.*

⁹ Cd. 9035 1918, p. 46.

¹⁰ *Ibid.*, p. 52.

¹¹ *The British Iron and Steel Federation* (London 1963).

¹² R. K. SNYDER, *The Tariff Problem in Great Britain, 1918-1923* (Stanford, 1944).

In late 1919 an attempt was made at legislation to cope with three different aspects of trading competition: a) dumping; b) countries whose over-depreciated currencies gave them unfair advantage in the British market; and c) key industries. But the opposition to such legislation was strong and the Bill was with-drawn.

The passing of the Safeguarding of Industries Act in 1921 was something of a victory for a small section of protectionist industrialists and Conservative MPs but the value of goods affected (in spite of the fact that there were 6,500 items listed) was very low. The explanation for the passing of the Act probably owes more to the comparative insignificance of the items covered (in other words some acceptance of the infant industry argument) and the emphasis placed on the pivotal nature of the industries — this in spite of Wedgwood Benn's comments.¹³ The fact that the electorate was no nearer persuasion on the issue of a tariff was demonstrated in the 1923 general election. The line of argument in political theory which runs: a government will act to maximise its chances of re-election and will therefore present to the consumer what it believes to be the most acceptable bundle of policies, has a certain superficial application to 1923. If, as seems reasonable, we reject the notion that the benefits to factors of production from a tariff on a particular good tend to be dispersed by competition through the whole economy because of factor mobility, producers would be the gainers under protection.

In 1923 the Conservatives were seeking re-election and presented their bundle of policies to the electorate. But one policy stood out above all others and the election of that year can be said to have been contested very largely on the issue of protection. The government appears to have had the backing of some of British industry on the issue, industry at this time becoming much more interested in tariffs. For example part of the textile trade had sought an order under the Safeguarding Act a matter of weeks before the election, and the iron and steel industry was working diligently for a tariff. The motor car industry actively supported the protectionist case and did everything it could to persuade its workers to vote Conservative; the National Union of Manufacturers campaigned vigorously to win over the working-classes.¹⁴ The electorate rejected the package firmly and it is tempting to see in this behaviour a sophisticated electorate at work accurately perceiving its prospective gains and losses, for it seems to have been the case that the electorate feared the prospect of dearer food that would result from a tariff. It is still not clear why the protectionist faction did not make greater progress with this problem though it has to be said it was not an easy one. It is the key to the link with

¹³ Wedgwood Benn highlighted the absurdity of the "pivotal" industry notion by pointing out that busts for corset modelling were included in the list of key industries, *Parl. Debates 5th Ser., Vol. CXL1 cols. 1610-12.*

¹⁴ SNYDER, *op. cit.*

imperial preference. Foodstuffs and raw materials were the principal exports of the Empire to the British market and in order to extend to the Empire the preferences they expected and were beginning to demand by way of reciprocity, tariffs or other restrictive devices would have had to have been placed on imports of foreign food and raw materials. This was welcomed by neither producers nor consumers.

The iron and steel industry continued to seek protection throughout the the 1920's and it was the only major industry to do so persistently. In June 1925 an application was made to the President of the Board of Trade for duties (under the Safeguarding Act) on pig iron, wrought iron, heavy steel products, and wire. At the end of the year Prime Minister Baldwin on rejecting the application said that the safeguarding of a basic industry of this magnitude would have repercussions which might have been held to have been in conflict with the Government's declaration in regard to a general tariff.¹⁵ Most of the National Federation of Iron and Steel Manufacturers' executive committee and the director Sir William Larke were enthusiastic Tariff Reformers and in early 1926 gave their support to a sub-section of the industry, wire, when it made an independent application. But this application was rejected on the same grounds. The main application was renewed in 1927 but again it was turned down, by reference to the original decision.

The Iron and Steel Confederation tried a slightly different approach the following year (1928) by asking government for the setting up of a committee to investigate competition in the home market. This was refused by Baldwin though he did say that if the Conservatives were returned at the General Election of 1929 the iron and steel industry could make out a case under the safeguarding provisions. This was a shift from the Government's earlier position and together with the increasing openness of the Conservatives over protection led the industry to be hopeful for the immediate future. After the Election of 1929 when Labour formed the government the position was further considered and an Inquiry set up as a sub-committee of the Committee of Civil Research.¹⁶ It may seem ironical that in spite of the fact that it was now a free-trade Labour government in power, whose official policy was to abolish even existing duties, that the real hopes of the iron and steel industry built-up, but it should be remembered that there were Labour members who had shown sympathy with Safeguarding Orders when applied to manufactures of their respective constituencies.

Perhaps the key to the lack of success of the iron and steel industry's search for protection in the mid-twenties, apart from the nervousness of a Conservative Government over introducing a tariff on a major industry when 1923 was still fresh in their minds, lies in the fact that in the first place much of British

¹⁵ CAB 24/224 CP 278.

¹⁶ Committee on Iron and Steel Industries, CAB 58/127-131.

Industry used the output of the iron and steel industry as their inputs and although the iron and steel industry argued that protection would allow them full capacity utilisation and economies of scale such as to produce lower prices, much of British industry remained understandably sceptical of this argument. They feared that the price of their inputs would in fact rise. (The Shipbuilding and Employers' Federation was particularly anxious over this. Shipbuilding was the biggest single user of iron and steel and we can see from the effective rate of protection how their fears were justified).¹⁷ In the second place there was a division within the iron and steel industry itself. The industry could be divided roughly in two. The first section where the production of pig iron, its conversion into steel ingots and the rolling of ingots into blooms, billets, slabs, and other semi-finished products took place, constituted the larger 'heavy' part of the industry. The re-rolling of 'semis' into various shapes and sizes was the much smaller section, sometimes referred to as the 'light' part of the industry. Sometimes re-rolling was carried out by the 'heavy' part. Indeed it was estimated that 50 per cent of re-rolling was carried out by steelmakers rather than simple re-rollers.¹⁸ During the 1920s British imports of iron and steel were principally 'semis' from the continent. Not surprisingly the re-rolling and finishing section was loud in its opposition to a tariff on its raw materials. The defence of tariffs by the 'heavy' part was expressed in the evidence given to the committee by Walmsley (director of Messrs. Blockow, Vaughan and Co. Ltd.):

"It is by no means certain that if we had safeguarding... the re-rollers would have to pay remarkably more for their British supply of semi-finished material than they do from the continent. We hope and most of us believe, that we could by increasing production so reduce our costs that we should come very much nearer to the continental price..."¹⁹

In fact the British Steel Re-Rollers Association was, as Mr. Scarf explained in his evidence,²⁰ formed in May 1924 in order to combat the steelmakers' attempt to obtain duties on imports of semi-products. Indeed the evidence of the Steel Sheet Industry was, that the reason they led the world in galvanised sheet exports (with exports far in excess of all other producers put together) was that they could get cheap supplies of continental Basic Bessemer steel sheets, bars and slabs.

The antagonism between the two parts of the industry was deep. In his evidence Walmsley went on to remark, "with all respect to the re-rollers I

¹⁷ FORREST CAPIE, *op. cit.*

¹⁸ CAB 58/128.

¹⁹ CAB 58/129.

²⁰ CAB 58/127 and evidence presented to the Balfour Committee in Dec. 1924 and Oct. 1925.

suggest that in all these questions of safeguarding they have figured too largely... perhaps it would be going too far if I described him (re-roller) as a parasite.. (but) if some went out of business because of safeguarding, the work he is doing now would be done by the Steelmaker".²¹

As mentioned above strong opposition to a tariff on iron and steel came from other industries too. Sir John Lithgow of the Shipbuilding Employers' Federation stated that his industry was opposed to the safeguarding of iron and steel. A note of bitterness crept into his evidence when he pointed out that there had been, "times when the interests of British Steelmakers had led them to supply foreign shipbuilders... at a lower price than the home shipbuilders".²² Of course the great bulk of evidence heard by the Committee came from within the iron and steel industry and as the "heavy" part was so dominant the great majority of witnesses heard favoured protection.

The role of the iron and steel industry, and particularly the heavy part, was to exert pressure on government, and this was obviously of significance; and yet the "key" nature of the industry presented a dilemma for while it was in one way sensible to safeguard such an industry against destruction by even legitimate foreign competition, at the same time this meant increasing prices for much of British industry. When it is remembered that the raising of prices (associated with improving confidence) had become an aim of policy by 1930/31 the timing of the introduction of a tariff is perhaps more readily understood. The significance of the industry's fight lies partly in the fact that it had clearly alerted the rest of British industry in the 1920's to protective possibilities, and in and out of parliament had helped to foster the protectionist mood.

II

The anti-Free Trade Movement, as we have seen, had been gaining momentum in Britain for some time. Attention in the mid and late 1920's was often focused on the high tariff walls in Europe,²³ and when this was followed by the imposition of the Hawley-Smoot tariff in the U.S.A. in 1930, it contrived to support the hardening feeling amongst Conservatives that it was time Britain introduced protective tariffs. Free Traders were resisting, but with diminishing success. In the middle of 1930 the publisher Longmans approached the liberal economist and Director of the London School of Economics, William Beveridge, with a view to a book that would help to 'combat the protectionist tide':

²¹ CAB 58/128 CR (I & S) 28.

²² CAB 58/129 CR (I & S) 33.

²³ Particularly by the one-man campaign launched in 1926 by Clive Morrison-Bell. His physical model of tariff walls gained enormous publicity all over Europe and America and resulted in a book, *Tariff Walls: a European Crusade*, (1930).

"it is evident that the country is about to be agitated by a propaganda on behalf of Protection", wrote Potter of Longmans to Beveridge.²⁴ And later that year the Liberal politician Samuel urged Beveridge to say something before the book came out: "...the protectionist tide is proceeding unchecked... issue a brief statement... help stop the rot".²⁵

As early as 1929 Neville Chamberlain had written of "my plan ...to make tariffs or customs duties only a part of larger Imperial trade policy".²⁶ Amery described how the framing of a detailed tariff scheme was left to a committee of the Conservative Research Office under Cunliffe-Lister in late 1930. And a "complete tariff scheme was worked out in the early months of 1931, ready to be rushed through Parliament at a moment's notice".²⁷

By August 1930 the Associated Chambers of Commerce had adopted a report in favour of Safeguarding and in October 1930 the Federation of British Industries found that 96 per cent of its constituent bodies supported protection.²⁸ At the same time the Trades Union Congress was convinced that protection was the right course:

"We must have protection of our industries... That doctrine is fully accepted by the T.U.C. which last September at Nottingham approved the Report of the Economic Committee..."²⁹

By September of 1931 support for protection was coming from all sides. The 1922 Committee was completely in favour of a tariff. Apart from the fanatically committed, there were many recent converts. Sir John Simon favoured an emergency tariff: "...is there any alternative but to insist upon putting at once some block in the way of the flow of free imports?" Runciman (in an about-face from the year before when he had chided Lord Melchett for reneging on his free trade position) like a number of others at the time declared:

"I have been a Free Trader all my life, and I am still a Free Trader. I am not sure that I am not the most bigoted Free Trader in the House, but I am not so much a Free Trader as so shut my eyes to the terrible risks we are running at the present time... My suggestion... exclude from the country luxuries purchased from abroad."³⁰

²⁴ Beveridge Papers, Tariffs, Vol. 1, Letter 11th July, 1930.

²⁵ *Ibid.* Letter 31st October, 1930.

²⁶ Quoted by SAMUEL H. BEER, *Modern British Politics* (1969), p. 288.

²⁷ BEER, *op. cit.*, p. 289.

²⁸ L. S. AMERY, *My Political Life*, Vol. III, pp. 21, 22.

²⁹ *The Times*, 21st May, 1931, p. 9, Col. 1.

³⁰ Parliamentary Debates, 1930-31, Vol. 256, Col. 331 and Co. 729.

And from Labour, Arthur Henderson addressing the Trades Union Congress at Bristol on 10th september said:

“If I am faced — and I claim to be as strong a Free Trader as any who were there — if I am faced with a large cut in the payments given to the unemployed or a 20 per cent revenue tariff as an emergency expedient... I am going to try the value of that experiment.”³¹

Some further light can be thrown on this by looking at what was happening within the Cabinet. As early as the 22nd September, 1931 the attention of the Cabinet was drawn to the following question to be put in Parliament by Mr. Wardlaw-Milne to the President of the Board of Trade: “Are the Government taking or do they intend to take, any steps to prevent the dumping of foreign produce into this country caused by the expectation of the imposition of Duties at an early date”.³² The reply to be given was: “...Anyone who imports foreign [sic] goods unnecessarily is rendering a real dis-service to his country; ...and the Government are confident that both individual buyers and traders will recognise their common obligation”.³³ On the 2nd October the Cabinet were discussing a formula for dealing with tariffs. The Drafting Committee had produced the following:

“We ask for power to deal with and control imports, whether by prohibition, tariffs or any other measures which may be necessary.”³⁴

Had it not been for the considerable resistance of the Liberal Ministers this would undoubtedly have been accepted there and then. The Liberals wanted to wait and see if devaluation would work to correct the balance of trade. But the point to be made is that discussion of the tariff and its imminence was taking place as early as it did and before any suggested rise in imports. Furthermore, such were the divisions within the Government on the issue that leaks to the press and the public were inevitable. For example the morning after the Cabinet meeting which decided on introducing abnormal importations legislation on account appeared in the *Daily Telegraph* saying that the Cabinet had decided on the previous evening to introduce a bill dealing with ‘dumping’. Ramsay McDonald pointed this out at the next Cabinet meeting and as he said although the report was, “inaccurate in some important matters of detail there were passages in the paragraph which corresponded rather closely to what had occurred at the Cabinet”.³⁵

³¹ *The Times*, 11th September, 1931, p. 7, Col. 3.

³² CAB 23, Vol. 68.

³³ *Ibid.*

³⁴ *Ibid.*, p. 334.

³⁵ CAB 23/69, 13th November, 1931.

A perusal of the financial and trade press of late 1931 might lead one to suspect that the tariff was an issue to be carefully considered and that nothing rushed was expected. As late as November the *Bankers Magazine* was writing, "For whether tariffs are to be applied or whether Free Trade principles are to be adhered to..."³⁶ But one feels that this was a hopeful rather than a realistic position taken up by what was essentially the "Free Trade" press. Immediately after the election *The Statist* commented:

"There will be a general feeling of elation, or at least of relief, that the official Socialist party has been almost annihilated at the polls... (but) It must not be interpreted as a... mandate for the immediate imposition of indiscriminate protective tariffs..."³⁷

When the Abnormal Importations Act was in force a mere three weeks later, this same weekly described it as a "dramatic move" and "a direct outcome of what may be conveniently called 'dumping' in anticipation of an import tariff".³⁸ It went on to blame importers for compelling the Government to take the very measures the importers most feared. But it must be said that with the likelihood of a return of a Conservative-dominated government in late 1931, and the strong commitment of the Conservative Party to a tariff, that importers were right in believing the tariff was coming and sensible in their attempt to buy before it was imposed.

III

We have seen how the desire for protection had risen to a peak both in and out of Parliament by 1931. We turn now to the reason given by the National Government for introducing the tariff in November 1931 and consider whether this was an excuse for protection. The questions examined are: were there 'abnormal' imports late in 1931 and was this because a tariff was believed to be imminent?

There was a paper before the Cabinet in early November 1931 for the purpose of ascertaining whether or not imports were running at an excessive level.³⁹ The evidence was based on a comparison of Class III imports entering the two ports of London and Harwich in October 1930 and October 1931 (40 per cent of Class III imports were said to enter Britain through these two ports). The conclusion reached was that there was not much difference between the two months. The few days of November that were available for comparison

³⁶ *Bankers' Magazine*, November, 1931, p. 650.

³⁷ *The Statist*, 31st October, 1931, p. 583.

³⁸ 21st November, 1931, p. 817.

³⁹ CAB 24/224, CP. 274.

did suggest an increase in 1931 over 1930 and on the strength of this it was suggested that the Board of Trade be empowered to impose by Order a duty of up to 100 per cent. Such alacrity to act on the basis of such slender evidence rather suggests that the Cabinet was eager to find something to substantiate its belief that protection was necessary and that legislation had to be implemented quickly.

The Abnormal Importations (Customs Duties) Bill was introduced in Parliament on 16th November, 1931. The Act received Royal Assent on 20th November and came into force on 25th November (that is the date of the first Order the Act). Second and third orders followed on 30th November and 19th December respectively; all of them imposed duties of 50 per cent on a range of wholly or mainly manufactured goods. The speed of the action prompted *The Economist* to refer to the Act being "hustled through Parliament... paralleled by the promptitude with which the Board of Trade availed itself of the powers".⁴⁰ The Act was said to be designed not to tax but to prevent goods coming in and it was further claimed that it was being introduced because of the 'abnormal' level of imports in October 1931. Now whether the supposed increased level of imports in October was a result of rumours or fears of a forthcoming tariff or whether the tariff followed because of exceptional importing is not a settled matter, though it must be said the former seems by far the most likely.

The general election of late October 1931 resulted in the return of the National Government — one that was overwhelmingly Conservative. And we have seen that it was quite widely known as early as the middle of 1931 that Baldwin had a plan for an emergency tariff to be put into operation 'right away' if and when the Conservatives were returned to power.⁴¹

Figure I provides examples of the surge, and the absence of any such surge in selected imports in 1931. The data used are monthly import values.⁴² The three items from Class II of the *Trade Accounts* are the largest items in that group. Those from Class III range from the third largest (IIC), iron and steel, to the second smallest (IIE), electrical goods.

The figures present the sterling value of imports and the point should be made that a change in values could come from either price or volume changes. Prices in trade were falling throughout the depression, but when Britain left the gold standard in September 1931, and the pound fell substantially, and upward pressure was simultaneously exerted on the price of imports. Therefore,

⁴⁰ 28th November, 1931, p. 993.

⁴¹ See for example, *The Economist*, 25th July, 1931, p. 165.

⁴² The data are given in *Accounts relating to the Trade and Navigation of the United Kingdom*, (monthly) 1925-36. The data have been deseasonalised, where necessary, using the CSO Mixed Model.

it is necessary to distinguish between import values which rose from the effect of anticipatory buying and that part which rose by virtue of a rise in prices.

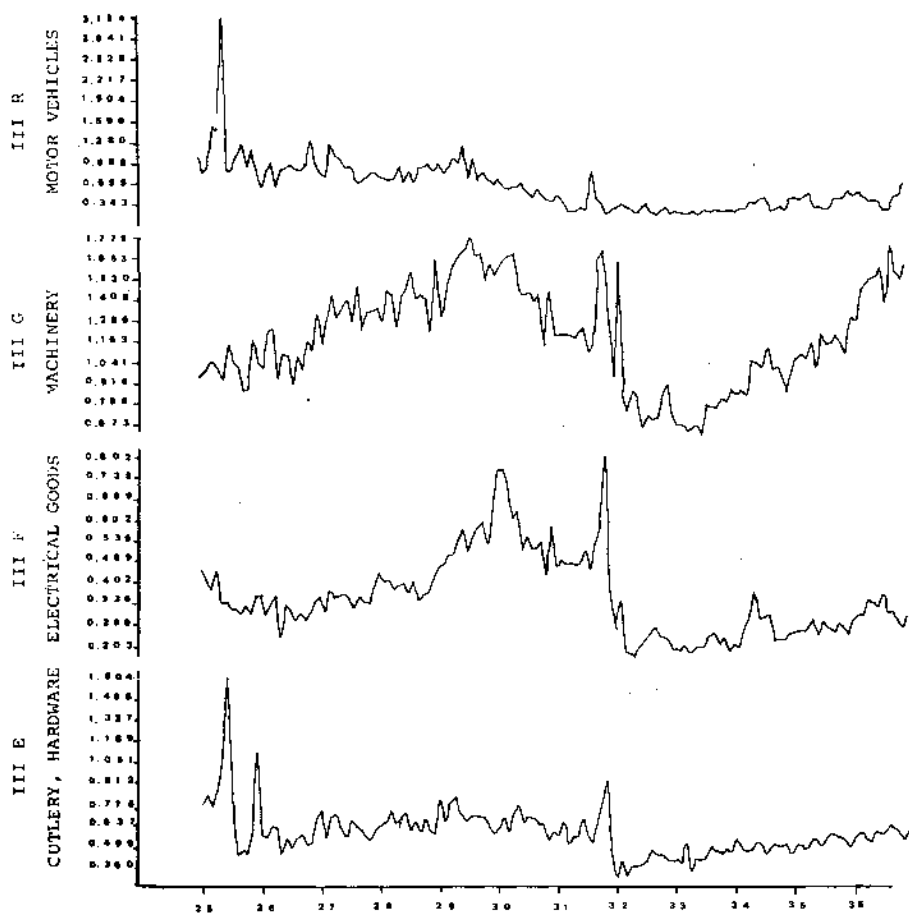
When Britain left the Gold Standard in September 1931, she allowed sterling to depreciate for some months until it was around 30 per cent lower in relation to the gold currencies. The exchange rate was then stabilised at this rate and manipulated via the Exchange Equalisation Account. British trade should therefore have been given assistance by a depreciating currency at roughly the same time as the Tariff was imposed. The difficulty presenting itself is to separate the price effects of the tariff from those of the falling exchange-rate. Of course many countries either immediately realigned their currencies with sterling or their abandonment of gold during 1929-31 left their currency in a close relationship to sterling. In other words in many cases there was little price effect arising from the exchange rate and little significant exclusion of many imports into the U.K.⁴³ the bulk of British trade was with countries whose currencies moved with hers, and the upward pressure on prices resulting from depreciation of the exchange rate would have been greatly reduced by the depreciation of other countries' currencies. A separate point is that the trade figures for October 1931 were unlikely to have been affected by leaving the gold standard.

For these and other reasons we dismiss one other possible explanation for the increase in imports in late 1931. With the pound sterling sinking after 21st September the rational businessman may well have increased his purchases of imports despite their growing cost, if he believed sterling had a long way to fall and was going to be allowed to fall the full distance. However, there is no evidence that this was the thinking of the industrialist.

The business community had good reason to expect a tariff and there was a rise in imports in late 1931. In what follows I attempt to resolve the question over the extent of this rise by examining quantities on their own, and further to make comparisons between items on which the tariff was anticipated and imposed and items on which no tariff was expected.

Import values clearly rose in the last few months of 1931, and I have argued that price was an unlikely, or at most a feeble, contributor. An obvious and apparently uncomplicated way of resolving the price question would be to look at quantities on their own, for it is primarily the change in volume that concerns us. Unfortunately, this is not as simple as it at first appears. The quantities of many manufactured goods were not recorded in the *Trade Accounts*. For others, quantity is recorded in a wholly inappropriate way (such as by weight for sophisticated machinery) and consequently makes no allowance for

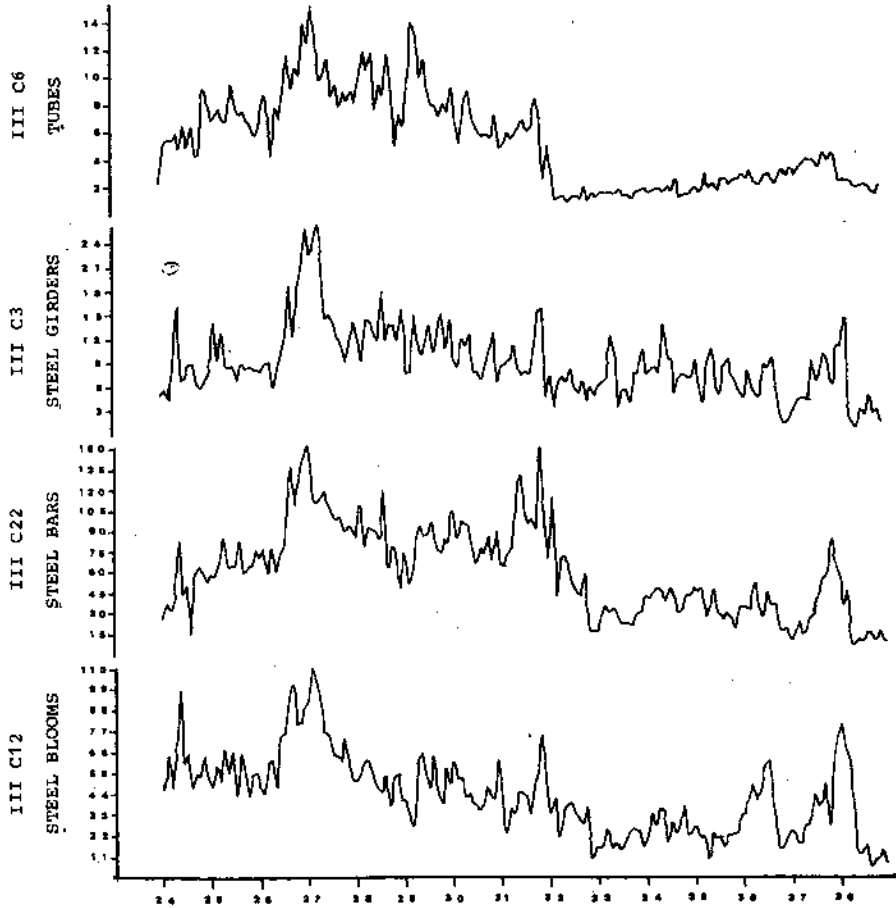
⁴³ The depreciation of sterling was followed almost immediately by Canada, India, Iceland, Denmark, Egypt, Norway and Sweden. This meant that between 1929 and 1932 the total number of countries which had depreciated in relation to gold was 32.



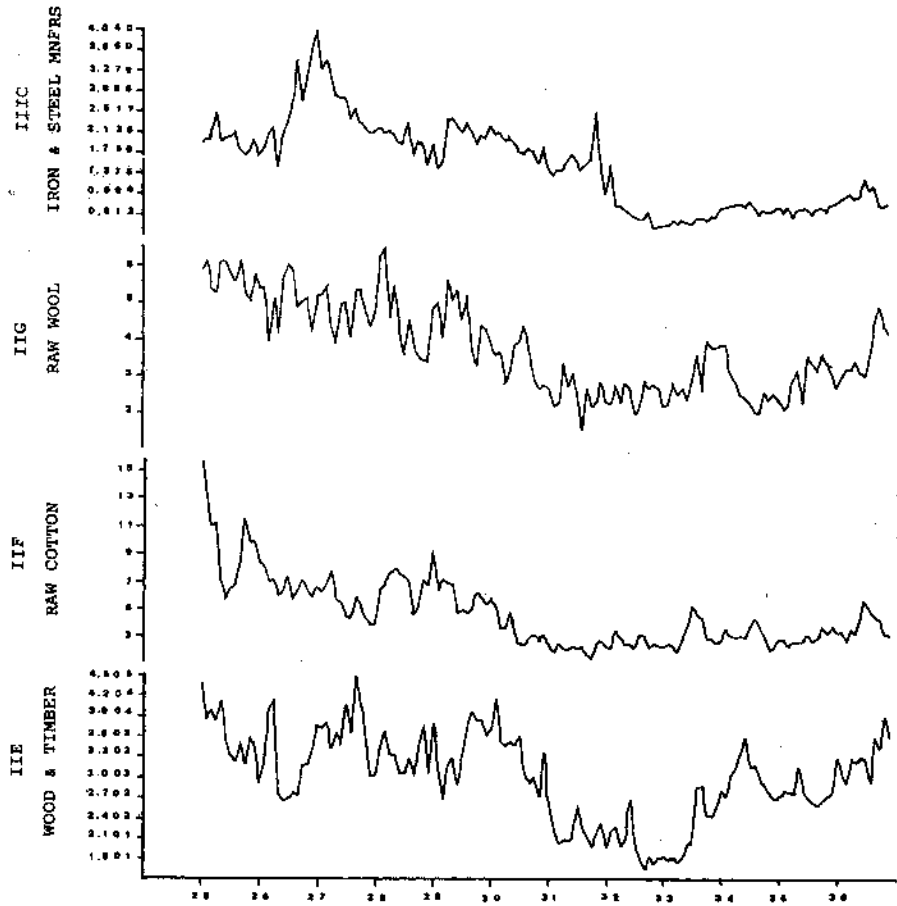
changing design and quality. In other cases incompatible products have been added together. Moreover quantity on its own may ignore some of the relative price changes that were taking place for while prices in general were falling, they were not all falling at the same rate and purchases would have been made on the basis of individual price movements. In spite of some of the difficulties, we did investigate some quantity movements — for eight sub-groups of that important group of manufactures Iron and Steel.

Figure II presents the graph of four of these items within Iron and Steel. The figures plotted are the deseasonalised monthly quantity figures, and it is clear from the graph that in all four cases (and they are typical of all the groups within this classification) quantities imported in the closing months of 1931 were, in spite of the rapidly depreciating currency and in the face of the collapse of world trade, rising. This seems to support strongly our suspicion that considerable pre-ordering was going on.

Forrest Capie



A further possible means of examining the problem is to compare the experience of goods on which a tariff was expected and imposed, with those without a tariff. Broadly speaking the tariff was anticipated and fell on manufactured goods — class III of the *Trade Accounts*. Class I, food etc., was exempt as was the great bulk of Class II, raw materials. The tariff was clearly going to be levied on Class III rather than Class II goods. To support our case, when we compare items in Class III with those of Classes I and II we should find the latter two unexceptional while the former should show a rise. Such a comparison is acceptable in that on theoretical grounds we would expect Class I and Class II imports to have been less price elastic than of Class III and empirical studies bear this out. The available estimates of price elasticities of demand for the type of disaggregated British imports which are our concern, range from -0.99 to -0.67 for Class I as a whole through an even lower level of -0.32 and -0.40 for raw cotton and wood and timber respectively, to the



much more price elastic manufactured items of Class III.⁴⁴ For pottery and glassware the estimate is -5.9 , close behind is cotton manufactures at -4.7 .⁴⁵ Some of the others are much lower but, nevertheless, all in excess of unity. Therefore, sterling depreciation producing a uniform upward pressure on prices, should, *ceteris paribus*, have manifested itself the more clearly in price inelastic goods. With quality relatively steady and prices rising, values could have been expected to rise more steeply for Class I and Class II imports. But in fact when we examine the monthly import figures for these items and, indeed, all other items we find rather that the values of Class II imports rose more than the others, thus providing support for the feeling that the comparison between the items we suggest, is valid. We can conclude that the rising values owed more to pre-tariff ordering than to the price pressure from a depreciating pound.

⁴⁴ M. FG. SCOTT, *A Study of United Kingdom Imports*, (Cambridge, 1963).

⁴⁵ T. C. CHANG, *Cyclical in the Balance of Payments* (1959).

Some indication of support for this notion of pre-ordering can be found in the figures for a few years earlier; 1925 is a good year to select for this. In the Budget of April 1925, Britain returned to the gold standard at a revalued rate. The return was widely anticipated. At the same time a return to protection for certain "key" industries was anticipated, most notably cutlery, vehicles and silk goods. When we look at the import figures for these three trades (Figure I) we find that there is a great surge in imports in the two months preceding the Budget announcement and a clear lack of it in all the other commodities. The pre-ordering here is interesting and it does suggest an awareness on the part of businessmen and a certain leaking of information about the tariff, both sufficient to produce a rather dramatic rise in the imports concerned, and this at a time when revaluation was going to exert a downward pressure on prices.⁴⁶ It seems reasonable to conclude that exactly the same process was operating in 1931 and we can interpret the jumps in 1931 in this light.

Having established that the conditions for this perfectly rational action and its practice were present, it remains to suggest its extent. One measure which should indicate how much was being bought in anticipation is the percentage deviation of the deseasonalised figure from the trend figure. With seasonality removed from the monthly figures, the deviation from the trend provides a value which can arise only from a random disturbance. Table I gives percentage values for eight commodities taken from Classes II and III of the *Trade Accounts*.

TABLE I

PERCENTAGE DEVIATIONS FROM THE TREND
OF THE DESEASONALISED MONTHLY IMPORTS (Value)

	October 1931	November 1931
<i>Class II</i>		
Wood & Timber	— 9.95	2.04
Raw Cotton	— 39.34	13.88
Raw Wool	— 14.37	—1.63
<i>Class III</i>		
Iron & Steel Manufactures	82.86	210.79
Cutlery & Hardware	54.14	88.51
Electrical Goods	108.01	116.13
Machinery	36.04	45.11
Vehicles	43.51	7.59
Class II total	— 14.70	0.33
Class III total	25.47	44.55

⁴⁶ *The Economist* 18th July, 1925, p. 99, recognised that the forestalling of duties was one of the reasons for the increased import figures in these months.

What stands out is the enormous increases in imports of Class III items for both October and November. Class II goods were quite different. Of the three most important items of raw material imports, raw cotton was actually substantially below the trend value for October and raw wool, and wood and timber were also below; raw wool was again below in November and the other two only a little above. On the other hand for items in Class III the positive deviation from the trend was quite remarkable. In half the cases imports were more than eighty per cent higher than 'expected'. The most dramatic increase was that of iron and steel manufactures in November 1931. The point is strengthened when Class II and III totals are taken. Class II is below trend for the total of the two months, while that of Class III as a whole is 25 per cent above. The quantity figures for iron and steel manufactures (Table II) show the great increase in volume of these imports over the expected figure.

TABLE II

PERCENTAGE DEVIATIONS FROM THE TREND
OF THE DESEASONALISED QUANTITIES OF MONTHLY IMPORTS
OF IRON AND STEEL MANUFACTURES

	October 1931	November 1931
Steel Girders, Beams, Joists & Pillars	16.37	79.73
Tubes	13.14	64.31
Steel, Blooms, Billets, Slabs	31.12	73.79
Steel Bars, Rods, Angles, Shapes & Sections	— 7.37	57.16

This paper has argued that a tariff had had been sought by some of British industry, most notably the iron and steel industry, since the First World War. Because of this industry's importance as a supplier to the rest of industry a tariff on its products was likely to lead to a general tariff. The principle of protection was accepted by most Conservatives in the early 1920's and a detailed scheme decided upon by late 1930 early 1931. The protectionist mood spread at a growing rate between 1918 and 1930. There were indeed abnormally high imports in the closing months of 1931 but they appear to have been brought about by the business community's belief that a tariff was imminent. The Abnormal Importations Act of November 1931 was introduced on the grounds that a crisis had appeared. The Act paved the way for the General Tariff legislation of three months later; legislation which had been carefully prepared at the end of 1930.

