

Introduction to Liberal history

In our new series of short introductory articles, **Duncan Brack** analyses the importance of the cause of free trade to Liberals and Liberal governments.

Free Trade and the Liberal Party

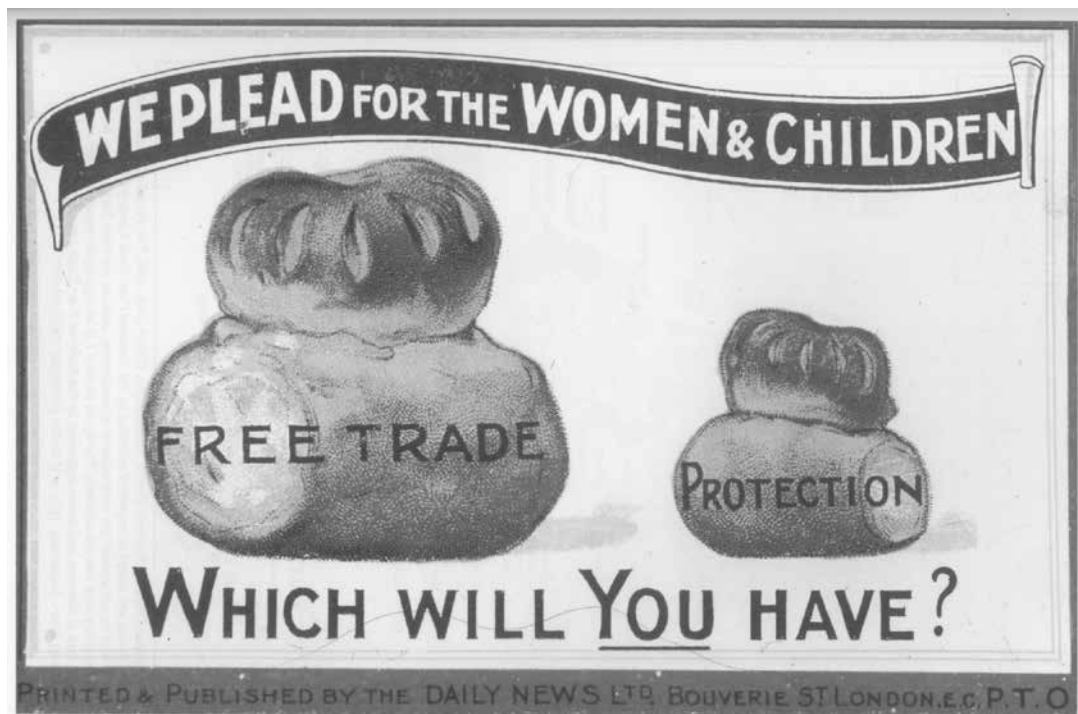
THE CAUSE OF 'free trade', the removal of barriers to international trade in goods and services, played an important part in British politics in the nineteenth and early twentieth centuries. For much of its life, the fortunes of the Liberal Party were closely tied to the strength of popular feeling for free trade.

The theory of free trade was developed by the liberal economists Adam Smith and David Ricardo, in opposition to the mercantilist orthodoxy

prevalent since the sixteenth century. Mercantilists held that the total volume of world trade was fixed, and it was therefore in nations' interests to dominate as great a share as possible, partly by tariffs (import duties) aimed at discouraging imports and partly by military action and colonial ventures designed to gain control of overseas markets. In contrast, Smith argued that free markets – international as well as domestic – would promote enterprise and growth,

pointing to the trade-based prosperity of the ancient civilisations of Greece and Rome, and, in more recent times, of Bengal and China.

Ricardo took up Smith's concept of the specialisation of labour and developed the theory of comparative advantage, the idea that nations can maximise their output and wealth by specialising in the production of goods at which they are relatively most efficient, trading with other countries to realise the



gains from such specialisation. Again in contrast to prevailing orthodoxy, Ricardo held that even the unilateral removal of trade barriers by only one trading partner would benefit both parties.

In the early nineteenth century, the theory suggested that Britain should concentrate on manufactured goods, selling them abroad to purchase food. Also, as Smith pointed out, the country with the largest volume of world trade would naturally benefit most from open markets – and until the 1880s, Britain was that country. Furthermore, it had to trade to survive – it did not produce sufficient food to feed its rapidly growing population.

These arguments reached the political scene with the campaign to abolish the Corn Laws, the high duties on the import of grain established after the Napoleonic Wars in order to protect British agriculture from foreign competition, spearheaded by the Anti-Corn Law League in the 1840s. Manchester, the centre of the cotton industry, whose products were denied full access to overseas markets because of continental grain-growers' inability to export to Britain, became the headquarters of the League, and the radical Liberals Richard Cobden and John Bright were its leaders. The term 'Manchester School', coined

Election poster, 1906

by Benjamin Disraeli in 1846 to describe the League's leaders, came in time to stand for a free-trade classical liberal agenda which influenced liberals throughout Europe.

Employing lecturers, public meetings, pamphlets and direct electoral pressure, the League achieved its aim in 1846 when the Tory Prime Minister Robert Peel abolished the Corn Laws, splitting the Conservative Party and helping to drive some of his supporters (including W. E. Gladstone) towards the Liberals in the process. After Gladstone's budget of 1860, in what is generally recognised as the first government of the modern Liberal Party, only sixteen dutiable articles remained in the British tariff, compared to more than a thousand in 1852. Free trade became a national obsession: 'like parliamentary representation or ministerial responsibility', commented *The Times* in 1859, 'not so much a prevalent opinion as an article of national faith'. The subsequent growth in British exports, particularly of manufactured products, formed the basis of the long mid-Victorian economic boom.

As lower tariffs meant cheaper food, together with higher employment and bigger profits in manufacturing, the doctrine of free trade appealed to the growing manufacturing and business interests, precisely those groups most attracted to the

nascent Liberal Party, and was opposed by the predominantly Tory land-owners whose estates produced the grain. Liberals, however, always saw much more than economic justification for open markets. Abolishing protection for agriculture was part of the process of tearing down the remnants of the feudal order and putting an end to the special treatment enjoyed by the land-owners. Cobden and the League argued, by extension, for an end to special treatment for any industry; commercial success should be the outcome of hard work and natural talent alone, not the protection of vested interests. As the Liberal leader Henry Campbell-Bannerman put it in 1903, 'We are Liberals. We believe in free trade because we believe in the capacity of our countrymen.'¹ The campaign for free trade formed an important part of the Liberal assault on economic, and therefore political, privilege. It was associated with the interests of the many against the few: the economic twin of democracy.²

The removal of tariff barriers also had benefits on the international scene. Liberals looked to free trade as the agency which would promote internationalism and end war. 'For the disbanding of great armies and the promotion of peace', wrote Bright, 'I rely on the abolition of tariffs, on the brotherhood of the nations resulting from free trade in

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the products of industry.³ Trade promoted interdependence and a sense of international community, building links between peoples and nations and rendering conflict less likely. The view that free trade was a step to universal peace was propagated by a wide number of associations linking trade and peace, such as the Workmen's Peace Association founded by William Randal Cremer (later a Liberal MP) in 1871.

Liberals did their best to spread the gospel of free trade to other countries. Cobden's tour of Europe in 1846–47 had some success in persuading governments to lower tariffs, particularly in smaller states, and later he became converted to the need for commercial treaties. The subsequent success of the Anglo-French treaty of 1860 in generating a whole rash of further treaties – the Cobden–Chevalier treaty network – encouraged some to foresee new forms of European cooperation, not simply over issues of war (through the 'Concert of Europe') but for purposes of trade and taxation, a new public law within the 'Commonwealth of Europe'.⁴ In this can be discerned the origins of support for a European free trading area and, potentially, political union.

Free trade remained an article of Liberal faith for decades, even after British pre-eminence in world markets began to wane in the

1870s. As the trade balance grew steadily worse, pressure for protectionism mounted, most notably from the former radical leader Joseph Chamberlain, who had departed the Liberal Party in the split over Irish Home Rule in 1886. But free trade had too great a grip on the national mind, and Chamberlain's campaign for Imperial Preference (protectionism for domestic industry and preferences for exports from the self-governing dominions), launched in 1903, split the Conservative/Unionist Party (encouraging a wave of defections of Unionist free traders to the Liberals, including Winston Churchill) and reunited the Liberals after their post-Gladstonian divisions. Businessmen and manufacturers, fearing a trade war, returned to the Liberal fold they had deserted over the previous twenty years, and working-class support grew at the prospect of dearer food. Liberal candidates habitually appeared on election platforms with two loaves of bread, contrasting the Liberal 'big loaf' with the Tory 'little loaf' which would follow the imposition of grain duties. Coupled with the other failures of Balfour's ministry, the result was the Liberal landslide election victory of 1906.

In turn the abandonment of free trade in 1915, as a wartime necessity, helped undermine Liberal loyalties, not

least because it was implemented by the coalition government with the Unionists that Asquith had formed earlier that year. Post-war, however, the cause of free trade helped bring Liberals together again. In 1923, Conservative Prime Minister Baldwin's sudden conversion to tariff reform and his decision to call an election on the issue, led to the reunification of the Liberal Party, split between its Asquith and Lloyd George wings after wartime divisions. The outcome was an interruption of the inter-war decline in Liberal fortunes, with an increase in seats, though not enough to escape third-party status.

The Liberal faith in free trade, however, wavered under the strains of the Great Depression. The downwards spiral of ever-higher tariffs and ever-lower trade that overtook the world in the wake of Wall Street's Great Crash of 1929 was impossible for any single country to resist. The coalition National Government's introduction of a general tariff in February 1932 produced the 'Agreement to Differ' under which the Liberal leader Herbert Samuel and his colleagues were permitted to remain in government even while opposing its policy; but the Ottawa Agreements entrenching protection within the Empire finally forced them out in September, ending the last peacetime participation in UK government

by the Liberal Party until 2010. Sir John Simon's Liberal National faction endorsed protection, stayed in government and eventually merged with the Conservatives.

The cause of free trade and the Liberal Party both seemed to be doomed. An opinion survey in 1942 showed that the only Liberal policy the public could identify was free trade, but that the vast majority had no idea what the party stood for; like free trade itself, it seemed a relic of a bygone age. The end of the Second World War, however, brought comprehensive change, with the creation of new international institutions aimed at avoiding a repeat of the disastrous trade wars of the 1930s. The Liberal John Maynard Keynes was partly responsible for the plans for an International Trade Organisation alongside the World Bank and International Monetary Fund. Although the proposal was vetoed by the US, its 'provisional' substitute – the General Agreement on Tariffs and Trade – was able, over the following forty years, to coordinate successive rounds of tariff reductions and its own transformation, in 1995, into the World Trade Organisation. As on many other issues, Liberal ideas came to be adopted by other parties as trade liberalisation once again became the accepted faith.

Ironically, the Liberal Party itself suffered from divisions over trade as its

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

The moral argument for trade was still powerful. In 1956 the Liberals became the first party to argue for British participation in the European Common Market: the Cobdenite vision of trade building links between peoples was an important factor, overriding concerns over potential European protectionism against the rest of the world. Liberal parties throughout Europe share this vision, however much they may be divided over the details of economic and social policy.

In more recent times, Liberal Democrats have expressed concern over some of the negative aspects of globalisation, including the elevation of trade liberalisation over other goals of international policy, such as environmental protection, and the growth in inequalities of wealth between developed nations and the poorest countries. The central belief in the freedom to exchange goods and services across international borders has remained, however, not just for the economic benefits, but for wider reasons: the extension of opportunity to every individual, every enterprise and every country, no matter how small; and the building of relationships between peoples and nations, pulling communities together rather than driving them apart.

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- 1 At Bolton 1903, cited in I. Bradley, *The Optimists: Themes and Personalities in Victorian Liberalism* (Faber & Faber, 1980)
- 2 As argued in Ian Packer, *Liberal Government and Politics, 1905–15* (Palgrave, 2006)
- 3 Cited in J. L. Sturgis, *John Bright and the Empire* (Athlone Press, 1969).
- 4 Anthony Howe, 'Liberals, free trade and Europe from Cobden to the Common Market', *Journal of Liberal History* 98 (spring 2018).