



## BALDWIN'S BULLDOG CHURCHILL'S 1925 FIGHT AGAINST TARIFFS

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Winston 'Churchill's principal achievement at the Treasury', Paul Addison wrote in *Churchill on the Home Front*, 'was to hold the line in defence of Free Trade' [250].

As Chancellor of the Exchequer from 1924 to 1929, Churchill did allow for the creation of some modest tariffs – especially if they generated revenue on non-essential goods – and some 'safeguarding' of minor industries, but he held firm against anything that would have had a major affect on the British economy. And that was just the way Prime Minister Stanley Baldwin wanted it.

During his tenure at No. 11 Downing Street, Churchill introduced five consecutive budgets, a streak not matched again until Nigel Lawson in the 1980s. The only office that Churchill ever held longer than that of Chancellor was Prime Minister. Yet most historians, even Addison, have focused primarily on just two aspects of Churchill's time as Britain's chief finance minister: the decision to return to the Gold Standard in 1925 and his actions during the General Strike in the following year. There was more to Churchill's five years at the Treasury than just that, and holding the line on Free Trade consumed much of his energy.

In May 1925, after the return to gold had been declared, the iron and steel industry applied to the government for protection under the Safeguarding of Industries Act. Churchill immediately objected. 'He urged the government should refuse a public inquiry', Addison explained, 'and won his case'. 'After this', Addison concluded, 'the protectionist campaign lost momentum, and Churchill was left once more in possession of the heartland of Free Trade' [251]. In a book that surveyed Churchill's political record on domestic matters over more than half a century, Addison tells this story in brief. The full story is long and complicated. And that is the story that follows here.

## Present at the Creation

The struggle over protection in the second Baldwin government goes back more than twenty years before the general election of 1924 that brought it into office. The key players in the story are Churchill and Leo Amery. The two men first met when they were schoolboys together at Harrow in the 1880s. They saw little of each other at that time. Amery was older by a year and a star pupil destined for Oxford and All Souls. Churchill, no great scholar, would have to settle for Sandhurst. Both men, however, aspired to a career in politics at the highest level. Churchill got the jump on Amery, literally. Both men were serving as war correspondents in South Africa in 1899. One morning in November, they were sharing a tent together in the field when Churchill woke Amery well before dawn (not something that became a habit of Churchill's) to ask if his fellow journalist wanted to join him on an excursion being made by British soldiers via armoured train into Boer country. Amery preferred to sleep. Subsequently, the train was ambushed and Churchill taken prisoner for a month until his dramatic escape made him, briefly, a national hero that catapulted him into parliament 'ten years before you!' he later teased Amery [AMERY, *My Political Life* : I, 117]. Churchill was first elected as the Conservative MP for Oldham in 1900. Within four years, he crossed the floor to join the Liberals. The deciding factor had been tariffs.

In 1903, Joseph Chamberlain, then the Colonial Secretary, announced his support for a programme of Imperial Preference. The scheme involved the United Kingdom and the self-governing colonies – as the Dominions were then known – which would grant preferential tariff rates to one another. The primary objective of the plan was not fiscal, but to keep the British Empire close politically through economic interdependence as more colonies became self-governing. Supporters of Chamberlain's vision, who became known as 'whole hoggers', believed that the scheme would be the best way to preserve Britain in the front rank of the world's nations as Germany and the United States continued to develop into dominant commercial powers. No one believed more passionately in this idea than Leo Amery. It sustained him all his life. Churchill, however, once confided to Amery that 'he had tried hard in 1903 to convince himself Joe was right, but the more he read the more he was converted the other way' [*The Churchill Documents* 12 : 35].

Chamberlain has the unique distinction of breaking two major political parties. As a Liberal MP, he had opposed Home Rule for Ireland. He led fellow-minded 'Liberal Unionists' to join forces with the Conservatives (the combination becoming known for a generation as the 'Unionists') to prevent self-government for Ireland in the late Victorian era. Chamberlain's call for Imperial Preference had an equally devastating impact on the Unionists. Since the repeal of the Corn Laws in 1846, the United Kingdom had been a nation largely without import tariffs. The only way to implement Chamberlain's plan would be to create new tariffs, which could then be reduced to provide preferential rates for the Dominions. The inescapable problem with this grand dream, however, was that Canada was the largest and most important of the Dominions, and the only tariff at the time that would be beneficial to Canadian producers would be one on

wheat. In a sense, a new Corn Law would have to be introduced in Britain. That struck many as political suicide, but, without Canada, Imperial Preference would be still born. Opponents of Chamberlain's plan immediately labelled it as a tax on food and became known as 'little piggers'. Tariffs on grain imports from the United States and other nations outside the Empire would necessarily increase the price of bread. Amery believed that this would eventually be offset by increased consumption of Empire-grown wheat and, with it, a fall in the price as wheat production in the Empire inevitably rose. Such was the theory.

Chamberlain's vision found favour with some traditional Tory supporters in agriculture and industry, few of whom cared about the unity of the Empire as much as they did about the idea of eliminating foreign competition. The urban middle classes, however, along with all sectors of the working classes, could see only an immediate rise in their cost of living. Nevertheless, Free Trade Unionists like Churchill found themselves marginalised within their party. Convinced that the Tories had left the path of reason, Churchill joined the ranks of the adamantly Free Trade Liberal Party in 1904. He chose the perfect time.

After Chamberlain raised the protectionist banner, Prime Minister Arthur Balfour struggled unsuccessfully to hold together the opposing factions within his ruling party. At the end of 1905, he gambled that the Opposition could do no better and resigned to allow Sir Henry Campbell-Bannerman and the Liberals to form a minority government. A general election followed at the start of 1906. Fighting a campaign on their issue of choice, the whole hoppers could not overcome the simple cry of 'dear food'. The Unionists suffered their worst defeat since the formal organisation of the Conservative Party in 1830. They won 157 seats compared with 400 for the Liberals.

The general election of 1906 should have killed the Chamberlain plan stone dead. The new Liberal government quickly passed a resolution 'declaring that the recent election had demonstrated the decisive rejection of tariff reform by the electorate' [SYKES, *Tariff Reform*: 114]. The whole hoppers, nevertheless, convinced themselves that they had successfully purged their ranks of little piggers and could begin the process of educating the electorate on the great advantages of their programme, which had just been so thoroughly rejected by voters. Amery, working as a leader writer for *The Times*, went about this task with gusto. He joined or helped to organise many different groups for this purpose, while continuing to seek his own seat in parliament. He had been among the losers in 1906. Churchill, meanwhile, received his first government appointment from Campbell-Bannerman, beginning what would become the lengthiest ministerial career in twentieth-century Britain.

### **Return of the Tariff Reformers**

After four unsuccessful attempts, Amery was finally elected to parliament, unopposed, in a 1911 by-election for South Birmingham (later known as Sparkbrook). He owed it all to the patronage of Joseph Chamberlain, but it was Neville Chamberlain, younger son of 'Radical Joe', who performed the necessary political fixing. By this time, Balfour had given way as Unionist leader to

Andrew Bonar Law, a nominal protectionist. Joseph Chamberlain, however, perceived that Bonar Law did not share his vision of Imperial unity but merely viewed tariffs as a fiscal policy with which to challenge the Liberals and the socialism of the emerging Labour Party. In any case, events continually worked against the tariff reformers. Reactions to David Lloyd George's 'People's Budget' in 1909, the Parliament Act of 1911, and the debate over Irish Home caused the Unionists to set aside tariffs one way or another, to the continual frustration of the true-believing Amery.

Amery's own path into government was opened due to the support he received from his other great political mentor, Alfred Milner. The protean Milner was an arch-imperialist. His popularity within the Unionist ranks, combined with his enormous capabilities as an administrator, made him one of the key members of the government when Lloyd George formed his coalition during the First World War. Milner secured a position for Amery as an assistant secretary to the War Cabinet and, when Milner became Colonial Secretary after the war, brought along Amery as his under secretary.

Amery fancied that those who joined him in the 'Undersecretaries' Revolt' that brought down the Lloyd George coalition in 1922 did so in order to bring Imperial Preference into being at long last. In his monomania, Amery could be delusional that way. Eighteen years after their devastating loss in 1906, however, the Conservatives (as they were once again known) were back to having many free traders within their ranks. The new Prime Minister, Bonar Law, faced the same danger as Balfour had of risking a party split if he now called for tariff reform. Much to the relief of his colleagues, therefore, Amery, who had become First Lord of the Admiralty, volunteered that the coming general election should be run on the single issue of the change in government. He requested only that Bonar Law 'keep the door open' on the question of fiscal policy, and to this the Prime Minister agreed [*Amery Diaries*, 20 October 1922 : 307]. The agreement did not last. In the heat of the campaign, Bonar Law suddenly announced 'that this [forthcoming] Parliament would not make any fundamental change in the fiscal system of this country' [*Baldwin* : 126]. There could be no tariff reform following the coming election. That could only happen if the Tories fought still another election specifically on the issue of tariffs, as they had done in 1906. Amery fumed.

### **Winston Is Back!**

'S.B. is mad!' So Austen Chamberlain told his wife after learning that Prime Minister Stanley Baldwin had appointed Churchill to be his new Chancellor of the Exchequer in 1924 [*Official Biography* V : 60]. Others reacted similarly, and *The Times* joined the chorus in believing that Baldwin had made a mistake. The Conservative Party had just been returned to power after a brief absence of one year. Additionally, for the first time in several years, the party appeared to be restored to unity, since Baldwin's previous government, which had lasted only a few months in 1923, did not include leading Tories like Chamberlain himself and Lord Birkenhead, both of whom had been prominent office holders in the Lloyd George coalition.

Much had happened by the time Baldwin became Prime Minister for the second time in 1924 and shocked Britain's political world with the announcement that Churchill would be his chief financial minister. Churchill had also been a leading member of the Lloyd George coalition but as a Liberal MP. Churchill had lost his seat in 1922, however, and his loathing for socialism led to his gradual migration back to the Conservative fold. Baldwin himself came from the protectionist wing of the Conservative Party, but his support for tariffs became tempered by the embarrassing defeat he suffered in 1923. In the spring of that year, Baldwin had taken over as Prime Minister from the terminally ill Bonar Law and considered himself bound by the election pledge his predecessor had given in 1922 that there would be no tariff reform in that parliament. With the post-war economy fast deteriorating, however, Baldwin convinced himself – with no prodding from Amery – that only the introduction of a tariff system would help reduce unemployment. This meant calling a general election only one year after the last one. Naturally, Amery wholeheartedly supported Baldwin's decision and worked hard to get across the message during the election of 1923. The Conservatives actually increased their vote total from the previous year but lost their overall majority. Although the Tories had the largest number of MPs, Baldwin gave way to Ramsay MacDonald and the first Labour government, which took office with the support of the Liberals at the start of 1924.

Churchill, an arch opponent of socialism, abhorred the new alliance. He was now prepared to rejoin the Conservatives, who had failed once again to make any headway on protection and were not likely to give that wing of the party much room to operate in the future. And so it was as a 'Constitutionalist' candidate with official support from the Conservative Party that he returned to parliament in the general election of 1924 after the Lab/Lib alliance broke apart. Given Churchill's twenty-year absence from the Conservatives, no one expected that he would be appointed to the second most important office in the government. But S. B. had not gone mad. He knew just what he was doing.

In building a new cabinet, Baldwin intended to build one to last. There were several political factors that he kept in mind. Apart from the understandable desire to keep himself in Downing Street for more than just a few months this time, he very much wanted to keep Lloyd George out. Baldwin himself had served in the Lloyd George coalition but had developed a strong distaste for what he regarded as the sharp practice of the Welsh wizard. Churchill, however, had been the principal *protégé* of Lloyd George. By bringing Churchill in as Chancellor while appointing Austen Chamberlain as Foreign Secretary and giving Birkenhead the India Office – light but respectable duty that guaranteed 'F.E.' plenty of time for golf – Baldwin denied Lloyd George the three leading figures that had supported him as Prime Minister. With the troika firmly in his own tent, where he could keep close eye on them, Baldwin knew there would be little chance of a new Conservative-Liberal coalition forming to turn him out and restore Lloyd George to power.

There was a further advantage. Baldwin remained pledged to the idea of tariffs in principle, but he needed to keep Amery and the protectionist wing of the

party in check. Fortunate to have returned to No. 10 after his 1923 blunder, Baldwin had no intention of allowing Amery to push him too hard on tariffs a second time. Paul Addison identified the Prime Minister's sound political reasoning for this: 'Nearly three million people, or 17.6 per cent of the electorate, voted Liberal in 1924'. 'Baldwin and MacDonald', Addison concluded, 'saw themselves as competing for the middle ground of Liberal opinion' [*Churchill on the Home Front* : 233]. And Liberal voters remained solidly in the Free Trade camp.

For Baldwin, attracting Liberal support while maintaining that of the protectionists within his own party, meant having nothing more than a modest and preferably non-controversial tariff programme. For his part, Churchill remained at heart an apostle of Free Trade, but like the Prime Minister, he too was willing to allow for some tariffs as a financial and political expedient. At the Exchequer, the immensely capable Churchill would hold the full-throated tariff reformers at bay. 'Of one thing Churchill was certain', Addison wrote: 'He had not become Chancellor of the Exchequer in order to preside over the liquidation of Free Trade' [243].

Baldwin appointed Amery to be Colonial Secretary. Amery happily accepted on the condition that the office be divided into two ministries: one for the colonies and one for the Dominions. Churchill, determined to be a thrifty Chancellor, acceded to this request on the condition that Amery held both offices. Amery initially responded to Churchill's own appointment with caution. If Churchill 'means to play the game about Empire development and Preference, no one could be better', Amery reflected in his diary, but 'if he doesn't, he may make my position very difficult' [*Amery Diaries*, 7 November 1924 : 390]. Difficult did not begin to describe what followed. Amery believed that the election manifesto of the Conservatives, which he himself had carefully drafted, left the government 'perfectly free to do all that was needed [to restore protection], so long as the case of each industry was separately investigated' [*My Political Life* : II, 296]. 'That as a convinced Free Trader', Amery later concluded, 'Churchill was likely to throw all the weight of his key position and dominating personality against the policy which Baldwin had put in the forefront of his election address probably never occurred to the Prime Minister's curiously inconsequential mind' [299]. Not for the first or last time, however, Amery had misread the situation. Baldwin's biographers, John Barnes and Keith Middlemass, have identified the truth:

The Party's Manifesto was not an unlimited opening to protection taken industry by industry; Amery might read it so, [...] but Baldwin's speeches gave the interpretation no such warrant. All that had to be conceded was for Churchill to agree to the safeguarding of a limited number of industries within the lifetime of one parliament, an agreement which Baldwin exacted. Churchill retained his freedom to interpret the Manifesto; only the keenness of Amery's disappointment could suggest that Baldwin failed to see the consequence of the appointment. [*Baldwin* : 282].

The battle lines stood drawn. Amery would have to fight for every tariff he could get while an industrious and supremely capable Churchill opposed him at every turn.

### The Battle Begins

The new government confronted the issue of Imperial Preference almost immediately. The Imperial Economic Conference of 1923 had proposed the creation of preferences on a variety of commodities. As in the past, the establishment of preferential rates would have to begin by raising duties on equivalent non-Imperial goods. The plan was subsequently scrapped by the MacDonald government. During the 1924 election, however, the Conservatives had pledged to reintroduce it. Having been voted in, the Tories should have been free to do just that. Not for the first time, though, the tariff reformers in the government found themselves hampered by some casual campaign remarks made by their leader. Speaking at Gravesend during the election, Baldwin promised that there would be no net increase on food taxation. This left the protectionists in a quandary. It appeared that new duties could only be introduced if they were offset by reducing pre-existing rates on other foodstuffs, a zero-sum game. Hoping to break free of this constraint, Amery pleaded without success that the Government's fiscal policy in difficult economic times should not be held to ambiguous remarks made in the heat of an election. Churchill, for his part, opposed new food duties in the abstract but was willing to go along with them having himself carefully avoided during the election 'saying anything inconsistent with carrying out the whole of the [Imperial Economic] Conference proposals [...] on the ground that a promise is a promise and that this is an act of high Imperial diplomacy' [Churchill to Baldwin, 4 December 1924. *The Churchill Documents* 11 : 290]. Philip Cunliffe-Lister, a protectionist and President of the Board of Trade, offered a solution to the imbroglio. With Churchill's support, the Government dropped the matter of new tariffs and pledged instead to restore only pre-existing duties abandoned by the Labour government. As compensation to the supporters of Imperial Preference, the Government authorised the Treasury to appropriate £1,000,000 towards the creation of a fund intended to improve the marketing of Imperial produce. Lord Derby, a former cabinet minister and a leader of the Free Trade wing of the Conservative Party, wrote to Churchill: 'I strongly approve of your policy. The pledge is kept – and yet here is a chance of some real Imperial Preference, but don't let Amery have too much to do with the spending of the £1,000,000. I distrust him very much' [Derby to Churchill, 18 December 1924. *The Churchill Documents* 11 : 311]. Despite Derby's wishes, Amery, as Dominions Secretary, became chairman of the Empire Marketing Board established to implement the spending plan.<sup>1</sup>

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<sup>1</sup> In his memoirs [II : 346], Amery erroneously claims that the Marketing Fund solution had been his idea, a fact gainsaid by his own diary in which he wrote that he 'was anything but happy' with the plan [*Amery Diaries*, 8 December 1924 : 394].

At the State Opening of Parliament on 9 December 1924, the King's Speech included an announcement of the Government's intention to introduce a bill for safeguarding employment in 'efficient industries'. During the subsequent debate, 'Baldwin chose to announce that he stood by his [election] pledge not to introduce protection in this Parliament nor to use safeguarding as a wedge to ease the way' [*Baldwin* : 288]. Left unclear, however, was how the Government intended to distinguish between safeguarding and protection or what would be the definition of an 'efficient' industry. The Opposition benches led by Lloyd George pounced on these ambiguities. Baldwin skilfully fended off the attacks with the aid of a paper prepared by Amery. Churchill then supported the Prime Minister with a humorous speech in which he criticised his Labour predecessor, Philip Snowden, for the paradoxical act of having suspended the McKenna Duties – tariffs that had been imposed on some luxury items during the First World War. It nevertheless remained an open question as to what exactly Baldwin would do about tariffs.

The Cabinet had to decide, and on 21 January 1925, it agreed to establish a committee for formulating the procedure by which the Government might implement safeguarding. The committee, chaired by Cunliffe-Lister, included Churchill but not Amery [21 January 1925, CAB 23/49 : 174]. The Cabinet Committee on the Safeguarding of Industries reported to the full Cabinet on 3 February [3 February 1925, CAB 23/49 : 206]. Naturally, Amery found the recommendations to be 'unnecessarily restrictive' [*My Political Life* : II, 479]. The White Paper published that same day outlined the procedure to be followed by an industry applying for government protection. Leaders who believed their industry to be suffering from unfair foreign competition were to make a complaint to the Board of Trade, which then determined if sufficient evidence existed to warrant referral to a Committee of Inquiry. The Board office would make its own determination on the matter of 'efficiency'. After considering such matters as an industry's employment figures, revenue generation and 'national importance', the Committee reported to the Board, which in turn made a recommendation to the Cabinet as to whether or not legislation should be enacted through a Finance Bill to establish a protective tariff. Amery would have to involve himself in the minutiae of this bureaucratic process in order to shepherd any tariffs into being – and the process was well outside of his two portfolios.

Churchill introduced his first Budget on 28 April 1925. Amery found himself 'reasonably contented' from an Imperial perspective with the Chancellor's proposals [480]. The McKenna Duties were re-imposed. Preferential rates for Imperial sugar, wines and tobacco were increased, and a new duty on silk was introduced. Churchill guaranteed the new rates for ten years and took care to represent most of the goods being taxed as luxury items, which implied no abandonment of his own Free Trade principles or Baldwin's pledges. The Budget's central feature, a return to the Gold Standard at the pre-war rate of \$4.86 per pound sterling, received near universal approval.

With the Budget in place, Amery began to get a feel for the kind of opposition to additional protection that he would get from Churchill. At the Cabinet of 6 May,



the Chancellor attempted unsuccessfully to block a proposed inquiry for a duty on lace 'on the ground that one of the White Paper conditions was not literally fulfilled in view of the Safeguarding Committee' [*Amery Diaries*, 6 May 1925 : 410]. Churchill feared that a consequence of the Government's safeguarding policy would be a flood of applications from every conceivable industry as British business owners sought to eliminate foreign competition. 'It was suggested,' at one Cabinet meeting, 'that if a very large number of applications were granted, the effect would be tantamount to the piecemeal imposition of a general tariff and might even amount to a violation of the Prime Minister's pledge' [13 October 1925, CAB 23/51 : 23]. However much this would have suited Amery, the Government had to keep close to Baldwin's stated policy. And Churchill's fears were not without merit. Many business owners did see safeguarding as a preferable alternative to capital reinvestment out of their own pockets in order to remain competitive. Requests would have to be screened carefully if there were indeed to be an efficiency standard. By August the Cabinet had turned down applications from industries as disparate as glassware, chrome-tanned upper leather, amorphous carbon electrodes and even metal fittings for coffins. The Cabinet did agree to set up committees to consider the cases made by producers of jewelry, aluminium and enamel hollow-ware, brooms and brushes, as well as packing and wrapping paper. In two cases, gas mantles and cotton gloves, the Cabinet did agree to impose new import duties [5 August 1925, CAB 23/50 : 306]. The arguments waged over these fairly trivial items, however, paled in contrast with what became the defining case in the debate over industrial safeguarding.

### The Steel Line

In June, Britain's beleaguered iron and steel industry applied for an official safeguarding inquiry. To Amery's dismay, Churchill – who sensed a major change in policy – wished to dismiss the application outright. Baldwin, however, felt that on *prima facie* evidence (the criteria of the White Paper on Safeguarding) an inquiry could not be refused. The Cabinet delayed making an immediate decision. Churchill sent the Prime Minister a lengthy letter on 12 June outlining his concerns about extending protection to include iron and steel. Up to that time, Churchill wrote, the safeguarding procedure had 'only touched articles of small consequence to the general trade of the country, and those have been of finished or luxury class'. Steel, however, was 'one of the fundamental basic raw materials of national industry' affecting 'one way or another all the greatest trades in the country'. Given the widespread affect an increase in the cost of steel would have on British industry in general, Churchill concluded that 'a decision to protect Steel' could not 'be taken apart from the question of a general tariff on foreign imports'. Such a result, the Chancellor insisted, contradicted Baldwin's election pledge against a general tariff. 'I ought not at this very early stage', Churchill's letter continued with a thinly veiled threat of resignation, 'to leave you in any doubt of the serious view which I personally should take of such a proposal' [Churchill to Baldwin, 12 June 1925. *The Churchill Documents* 12 : 490-492]. Churchill, of course, was right about what the impact of iron and steel protection would be, which was precisely why Amery supported it.

The Prime Minister found himself in a quandary. Fortunately for Baldwin, circumstances worked to place him in the middle of an almost equally divided Cabinet. The Baldwin family fortune came from the iron industry. The Prime Minister could speak to the issue with greater authority than any of his ministers. Additionally, Baldwin sincerely considered himself a man of his word. He had called the 1923 election because he did not believe he could be released from commitment to the Bonar Law pledge without a mandate from the electorate. He now found himself facing a similar situation after he himself had vowed in the 1924 election not to introduce a general tariff. Churchill's arguments suggested that import duties for iron and steel would constitute a breach of promise. Baldwin had no intention of making the same mistake twice. After three general elections in as many years, he was not about to call a fourth, especially on an issue that continually proved to be unpopular with voters. Yet the issue did remain popular with many proprietors of industry, a key source of funding for the Conservative Party.

With a leadership style that naturally inclined away from snap decisions, Baldwin saw a lengthy investigation into the matter as a way of buying time. To avoid the appearance that the Government might be prepared to violate his election pledge, the inquiry would not take place under the provisions of the White Paper on Safeguarding. Something different was needed. Churchill suggested a Royal Commission, which would enable the Government to accept all, some or none of the resulting recommendations without, in theory, violating any pledges. Cunliffe-Lister had a better idea. He proposed creating a new government committee for economic matters analogous to that already existing for Imperial Defence. Such a committee, chaired and controlled by the Prime Minister, could be more discreet and far-reaching in its inquiries. Accordingly, on 26 June, the Cabinet created the Civil Research Committee (CRC) and charged it with the task of searching for alternatives to protection in assisting the iron and steel industry. The CRC met fifteen times over the second half of the year with Churchill and Amery both serving as members. The record of this long forgotten inquiry illustrates how the two men fought their corners.

### **CRC Investigation**

On 12 October, the CRC interviewed two past presidents of the National Federation of Iron and Steel Manufacturers. Churchill grilled the men for an hour forcing them to concede that British-made sheet bars cost on average thirty shillings more per ton than foreign-made equivalents. Near the end, Amery intervened with a short series of questions intended to demonstrate that, allowing for transportation expenses on imports and with an effective protective duty in place, the necessary increase in British production, coupled with the concomitant decrease of production in European-made steel, would eliminate the price difference owing to the economies of scale in production. The witnesses eagerly concurred with Amery's off-the-cuff arithmetic. No one mentioned American-made steel [CRC, 12 October 1925, CAB 58 : 12].

On 20 October, Amery recorded in his diary that, at the CRC hearing meeting that day, 'a miserable fellow called Scarf [President of the Steel Re-Rollers

Association] spent an hour or more explaining to Winston's great satisfaction that anything done for iron and steel would destroy the re-rolling industry' [*Amery Diaries*, 20 October 1925 : 423]. The witness agreed with Amery's economies-of-scale argument in principle but countered that closing less efficient plants in favour of more efficient ones would 'make a much bigger reduction in the cost of production than by distributing production over a number of works, some of them less efficient' [CRC Minutes, 20 October 1925, CAB 58 : 9]. Logical economic arguments leading to employment reductions held no appeal for Amery. Mr. Scarf gave way to Mr. Whitehead, President of Whitehead Iron and Steel Company Limited, and a witness much more welcome by the Colonial Secretary. 'Whitehead came and dismissed Scarf as entirely unrepresentative of anything but the least efficient employers', Amery happily recorded, 'and definitely expressed his belief in the necessity of iron and steel being safeguarded' [*Amery Diaries*, 20 October 1925 : 423].

Ten days later, on 30 October, Churchill and Amery clashed again. Both men pressed for ending the committee's activities with regard to iron and steel, but for different reasons. For his part, Churchill, while considering the evidence presented to the committee to have been one-sided in character, asserted that what he had heard so far led him to believe that the cause of distress in heavy industries was due to two facts. In the first place, existing plant capacity greatly exceeded demand, as a legacy of wartime expansion. Demand naturally had fallen after the war. To remedy the problem, Churchill recommended that the industry should follow the example of Germany and concentrate existing production upon the most efficient and profitable plants, thus allowing economic forces to eliminate those firms that could not pay their way. In the second place, Churchill was convinced that there were many shortcomings within the industry itself and many ways by which, through the introduction of improved methods, economies could be achieved. Conversely, Amery argued that the CRC had concluded that the only alternatives to protection for iron and steel lay between doing nothing and providing a direct subsidy, a complex and objectionable proposal. He therefore argued that a committee of safeguarding inquiry under the guidelines of the White Paper be allowed to go forward. Baldwin, however, postponed a decision to conclude the CRC investigation, citing the absence of three key members [30 October 1925, CAB 58 : 13].

Churchill correctly viewed the stream of witnesses appearing before the CRC as one-sided, since most clamoured for protection. Behind the scenes, however, it was Amery who was losing ground. At the 30 October meeting, Churchill circulated a document showing 'that roughly 60% of all British steel was exported and therefore any measures to aid home production must not injure the export trade (which was worth four or five times the total of imports)' [*Baldwin* : 314, footnote]. Churchill also reiterated his argument that British steel cost more than that made on the Continent because of inefficient production methods. A paper produced by the professional staff of the CRC under the direction of Cabinet Secretary Sir Maurice Hankey reinforced the Chancellor's position. Although convoluted compared with the lucid prose of Churchill, this second paper proved valuable to the Free Trade position, because it denied the claim

that the iron and steel industry was necessary for stabilisation of defence production.

On 1 November, Churchill sent Baldwin a letter claiming that, so long as the Government stuck to the platform of the 1924 General Election, all would be well. In classic Churchillian prose, the Chancellor warned the Prime Minister that 'if Amery – who publicly repudiated y[ou]r declarations of fiscal policy before the election – is allowed to rush the Conservative Party on to the slippery slope of Protection, then friends will be divided & enemies united & all the vultures will gather for the prey' [Churchill to Baldwin, 1 November 1925. *The Churchill Documents* 12 : 567]. Once again Churchill impressed upon Baldwin that a tariff on iron and steel amounted to an incremental general tariff. The Prime Minister, however, had already informed economist W.A.S. Hewins that he disagreed with this view: 'he held that he could safeguard any industry which made out its case'. [Hewins diary, 28 October 1925 : 563]. The cause of protection had life in it yet.

At the next meeting of the CRC, however, even the witnesses proved less than helpful to the protectionist cause. Sir Frederick Lewis, Chairman of the shipping concern Lewis, Whitby and Company, testified that German shipyards had given him bids for new ship construction substantially lower than those made by British shipyards. Even if the price of British steel declined with the imposition of a tariff on imported steel, the difference in price would not be enough to make British yards competitive with their German rivals. Churchill asked Lewis if he thought British shipbuilders would agree 'that a protective duty on steel material for shipbuilding would injure their trade', to which Lewis replied 'I should think so' [12 November 1925, CAB 58 : 25]. This statement directly contradicted the previous witness, Clarence Smith, who readily agreed with Amery's suggestion that 'the transfer of steel production to this country [as the result of protection] would add considerably to the volume of British shipping', thereby indirectly helping the shipping industry, 'because it would create more freights' [16]. Smith, however, was Chairman of the Consett Iron Industry and not someone like Sir Frederick, whose job actually involved commissioning new ships. The ship of protection was now sinking fast.

The CRC wound up its investigation into the iron and steel industry on 19 November. Speaking first, Churchill pointed out that 'the White Paper setting out the procedure to be followed in the Safeguarding of Industries Act gave the Government full power, even if a *prima facie* case had been established, to refuse to grant an inquiry on the ground of the probable repercussions on other industries of a Safeguarding duty'. Since a duty on iron and steel would obviously have a widespread affect on other industries, as the shipbuilding example demonstrated, Churchill argued that the Government should 'refuse the Steel Industry's application for a Safeguarding inquiry on the ground of repercussion'. Once more the Chancellor expressed his view that the real problem lay in manufacturers' inefficiency, and that the 'proper way to assist the industry was to lead them along the path of further concentration'. To this end, Churchill himself offered to assist in 'preparing a scheme of amalgamation to increase efficiency of the [iron and steel] trade'. If, however, after the application

for protection 'were refused the industry were to sulk and refuse to consider the question of further concentration, the Government could only await the working of economic forces' [19 November 1925, CAB 58 : 4-5]. Amery responded to this by arguing:

that nothing had appeared in the evidence in regard to the question of the possible repercussions of a duty that would justify the Government in refusing to grant a Safeguarding inquiry. [...] He recommended therefore that the Committee should report to the Cabinet –

- (1.) That they had failed to discover any alternative method of assisting the steel industry in its present difficulties. [and]
- (2.) That they saw no economic grounds for refusing the application put forward by the industry for a safeguarding inquiry. [5]

### Baldwin's Triumph

Baldwin agreed, as he later frankly admitted to the House, that the case for granting a safeguarding inquiry to the iron and steel industry had indeed been made out in the abstract. Churchill's warnings, however, that this would effectively result in an incremental general tariff that violated the 1924 election pledge carried greater weight with the Prime Minister. As Baldwin's biographers point out, 'every argument, from the unity of the Government to his [Baldwin's] avowed aim of peace and social reform, lay against provoking an almost inevitable general election'. [*Baldwin* : 316]. Enough time and committee activity had passed since June that the Prime Minister could honestly tell the protectionists that the request for safeguarding had been thoroughly explored and determined to be politically impossible. On 18 December, the Cabinet agreed that 'in these circumstances, the Prime Minister should announce in the House of Commons that the Government had decided not to grant the application of the Iron and Steel Industry for an Inquiry under the Safeguarding of Industries Procedure'. Moreover, the President of the Board of Trade was directed to refuse applications from any individual sector connected with iron and steel production. The Cabinet did authorise the CRC 'to keep the iron and steel trade under review', which in fact it did for three more years [18 December 1925, CAB 23/51 : 191]. The CRC was supposed to promote the well-being of the industry by stimulating orders for railways, securing the scrapping of old merchant ships, and by encouraging amalgamation of steel mills. None of these alternative policies ever amounted to much. The British iron and steel industry remained depressed throughout the decade that followed.

Any chance for the introduction of widespread protection during the second Baldwin government had ended. For his defeat, Amery naturally blamed Churchill. Indirectly, he blamed Baldwin, who, in an effort to block Lloyd George from returning to power, 'had given the key position in the Cabinet to an avowed and determined opponent of the whole policy in which he [Baldwin] professed to believe, and, indeed, thought he believed' [AMERY : II, 479. Amery was correct in his analysis, but he obviously failed to understand Baldwin. The

Prime Minister did not share the Colonial Secretary's Imperial vision. For Baldwin, tariffs were never more than a domestic fiscal policy. Since that policy had been twice rejected by voters and never won support outside of just one segment of the Conservative Party, Baldwin saw no sound reason to make tariff reform the main thrust of his domestic policy when he became Prime Minister again in 1924. There would be some introduction of tariffs, but no more. The major legislation of the Government would be the reforms prepared by Health Secretary Neville Chamberlain with Churchill's full support. Churchill also served as Baldwin's bulldog by successfully marginalising the protectionists without splitting the Government. Churchill had done the leg work, but the outcome had been by the Prime Minister's design. The triumph belonged to Baldwin.