CHAPTER 12

Staving off the Protectionist Slide: Snowden and the Struggle to Keep Britain Open

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The introduction of the Import Duties Act and the Ottawa Agreements by the National Government in 1932 marked a decisive break with Britain's historic fiscal policy of free trade, in place since the repeal of the Corn Laws in 1846. Systemic-level theories explain this shift as a response to Britain's long-lasting relative economic decline, to rising protectionism in Europe exacerbated by the onset of the Great Depression (Gilpin 1975; Keohane 1984; Kindleberger 1986; Krasner 1976, 1978), and emphasize macroeconomic disturbances brought by crises, financial instability, and unemployment (Eichengreen 1981, 1992a; Gourevitch 1986; Irwin 2011, 2012), which gradually pushed free trade into retreat (Trentmann 2007; Howe 1998; Irwin 2005, 189–205). Domestic-level explanations focus on government policy capture by interest groups (businesses, the City, the Dominions) (Capie 1983; Chase 2004; Drummond 1972, 1974; Marrison 1996; Rooth 1992), the fall of the Labour Government,

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and the overwhelming Conservative majority in Parliament following the 1931 election (Williamson 1992; Self 1986). By excluding individual actors as causally significant, these accounts miss out on a crucial factor: the resilience of free trade liberalism at the highest ranks of the British political establishment, which shaped the trajectory of Britain's long slide towards protectionism. Focusing on individual agency and the role of economic policy ideas (Morrison 2012; Irwin 1989), this chapter aims to change the way in which we regard systemic assumptions about the transformation of international trade regimes.

During the interwar period, economic protectionism rapidly became a global trend (Krasner 1976, 325–26; Gowa and Hicks 2013, 443–46; Irwin 2011, 174–76; Kindleberger 1986, 123–27) and was accompanied by significant domestic political overhauls (Simmons 1994, 219). Although protection had always been desired in the UK (Williamson 1992, 504; Cain and Hopkins 2001, 186; Young 1928, 221, 234; Lobell 1999, 677–78; Capie 1980, 431; Eichengreen 1992b), during the 1929 election, the Conservative Party, bruised by their previous defeats, renewed their pledge against food taxes and general tariffs (Thorpe 1991, 32; Craig 1970, 45; Boyce 1987, 185). Such a moderated approach had been challenged by Conservative die-hards for whom their leadership's commitment to limited safeguarding and imperial preferences was out of step with the urgent need to create employment and foster the economic development of the Empire (Marrison 1996, 390–92; Craig 1970, 44–45). Labour's victory and formation of the minority Government, with support from Liberal Members of Parliament (MPs), signalled an unequivocal pledge to the "internationalist" policy of free trade (Boyce 1987, 197, 217–19; Clavin 2013, 39–45). Both parties would split internally over the growing demands for protection from 1929 to 1931. The problem of unemployment proved especially challenging to the Labour Government (Capie 1998, 258; Marrison 1996, 393; Rooth 1992, 48). Even John Maynard Keynes, a long-time free trade liberal, urged the introduction of tariffs to tackle unemployment under the gold standard constraint (Eichengreen 1984, 364), at first expressing his views in private consultation (Williamson 1992, 65–66, 73–75; Howson and Winch 1977, 24–29; Keynes and G. D. H. Cole 1930, 175; E.A.C. 1930, 202, 209–10), and then making his support for a revenue tariff public in spring of 1931 (Keynes 1931a, b, c, d; Robbins 1931).

In 1930, the movement for protection in Britain significantly strengthened calls to bring trade policy up for reconsideration. The Tariff Truce convention—initiated by William Graham, the President of the Board of Trade, at the League of Nations on behalf of the British government as a strategy to cope with declining exports through reduction of protection in Europe—was about to expire, lacking signing countries' ratifications (Boyce 1987, 235–40, 275–76). The United States triggered a global tariff retaliation spiral by passing the Smoot-Hawley Tariff Act in June 1930 (Irwin 2011, 4–5), which raised American tariffs against 20,000 imported goods by as much as 50%. The steep rise in unemployment (Capie 1998, 258) (from 1.66 million in April to 2.2 million, almost 20% of the insured workforce, by October [Williamson 1992, 60]) combined with the retreat of free trade (Trentmann 2007, 20), added momentum to calls for protection in preparation for the Imperial Conference.

Against this protectionist tide stood Philip Snowden, Labour's Chancellor of the Exchequer, whose unwavering faith in economic liberalism remained intact throughout his career, making him the most orthodox interwar Chancellor wedded to economy, free trade and gold with "fanatic tenacity" (Laybourn 1987, 65, 67–68, 72; Jovitt 1987, 55). Snowden had maintained categorical opposition to protection in all forms since the introduction of the McKenna duties in 1915 because of his Cobdenite beliefs in free trade for economic and peace reasons (Jovitt 1987, 50). His first Chancellorship (1923–1924) had revealed that "both he and the Treasury were thoroughly Gladstonian" (Cross 1966, 198). Snowden ran fiscal policy independently, without interference from Prime Minister Ramsay MacDonald (199). Snowden appears to have "abolished the McKenna duties in 1924 without any discussion in the Cabinet" (204), acting according to his free trade principles and entirely on his own initiative (Hirst 1925, 86; Cross 1966, 204).[1] His foremost critic, Winston Churchill, himself a liberal free trader turned pragmatic protectionist, described Snowden's "rigidity of doctrine" as "impenetrable" (Churchill, n.d., 224–25). According to Colin Cross, Snowden's biographer, Snowden saw "sound" money "as the bedrock

[1] The McKenna import duties (on cars, cycles, musical instruments, clocks and cinema films) were introduced by the Coalition Government in 1915 as a temporary wartime measure during the First World War, but continued after the war's end. In 1924, they were yielding £3 million a year, under their shelter car-production industry that emerged in the Midlands. See Cross (1966, 204).

of social progress" (Cross 1966, 202) and "made his adherence to the Gold Standard absolutely definite from the moment of taking office" in 1929 (242). As Chancellor by general consensus, leader of House of Commons in MacDonald's absence and de facto deputy prime minister (234), he occupied the key position in the Cabinet. When the Opposition called for extending safeguarding duties and preferences in July 1929, Snowden reaffirmed the Government's plans for the reversal of protection: "It was known that if we were returned these duties would be repealed…the country at the recent General Election had given an emphatic verdict against Protection" (HC Deb. 9 July 1929, vol. 229 c747; Snowden 1934, 773–74).[2] Regarding Imperial Preference, he did not believe that this "would be mutually advantageous to both countries by a system of preferential tariffs" (HC Deb. 9 July 1929, vol. 229 c754). Throughout his term in office (until resignation from the National Government in September 1932), Snowden thwarted numerous internal attempts to introduce protectionist measures and firmly resisted mounting external pressure for the abandonment of free trade.

1 Narrative

1.1 1930: The Rise of the Protectionist Tide

1930 became an essential year in the history of British public opinion on the tariff question. At the beginning of June, the Manchester Chamber of Commerce members voted "overwhelmingly … against Free Trade" (HC Deb. 17 June 1930, vol. 240 c7; Marrison 1996, 398). Such a fall in the citadel of free trade served a truly devastating blow to the Liberal case for universal free trade. The Trades Union Congress followed suit by "calling for the empire to be turned into an economic bloc" (Gallagher 1982, 115–16; *Times of India*, 28 June 1930, 12). The British Preparatory Committee for the Imperial Conference representing the British Chambers of Commerce, the Federation of British Industries and the Chamber of Shipping of the UK were unanimous in recommending "not only to increase the volume of trade within the Empire but, by organizing the Empire upon sound economic lines to enable it [to] contribute as a unit, in a larger degree than at present, to the total volume of

[2] UK Parliamentary Papers, House of Commons Debate (hereafter HC Deb.) 9 July 1929, vol. 229 c747.

world trade" (*Times*, 14 July 1930, 13). Another shocking "national turning point" (*Morning Post*, 5 July 1930) and a crushing verdict on the Tariff Truce was delivered by a group of twenty-three formally pro-Free Trade City Bankers who urged "reciprocal trade agreements between the nations constituting the British Empire" while "being prepared to impose duties on all imports from all other countries" (*Time*s, 5 July 1930, 14). According to the *Daily Telegraph* (July 5, 1930), "[T]he water has got in among the foundations of Cobdenite Free Trade at last, and the walls are visibly crumbling".

J. H. Thomas, Secretary of State for Dominion Affairs, responded to the calls for protection by announcing that the Government would go into Imperial Conference excluding "nothing from our consideration" and "…with a single-minded desire to do all that is possible…in the interests of the Empire as a whole" (HC Deb. 26 June 1930, vol. 240 c1397). Informally, Thomas let it be known that Cabinet had discussed tariff plans and everyone was in favour except for Snowden and Graham. It appeared that Labour had been presented with a good chance of exploiting the rising tide of protectionist sentiment in the country and negotiating an ambitious scheme of trade preferences with the Dominions, thereby winning pro-imperialist press support and leaving Tories high and dry (Boyce 1987, 263–64): "Snowden was the only serious obstacle, 'and if he won't come in he may have to be thrown overboard'" (as quoted in Boyce 1987, 263).

While others within the Labour and Liberal Parties were changing their minds about free trade, Snowden kept railing against protection and Imperial Preference throughout 1930. Shielding free trade from attack, he made his (and by default, the Government's) position known to his opponents. In March, Snowden denounced "economic unity" aspirations as an "Empire Protectionist stunt" and pledged "we [Labour Government] shall not place that subject on the agenda [at the 1930 Imperial Conference]" (HC Deb. 27 March 1930, vol. 237 c597). "[S]peaking for the Government" on 16 July, he swore to "be no party to the imposition of food taxes, of taxes upon raw materials or of protective duties", and at the Imperial Conference to "approve no final conclusion which involves this country in a food taxation policy or a general Protectionist policy" (HC Deb. 16 July 1930, vol. 241 c1318). For Snowden, his beliefs in free trade were sacrosanct. Any interference in the market for foodstuffs, such as registration fees, quotas, import boards, or tariffs meant restriction on supply that would burden consumers with increased prices and inflation,

and incentivise other industries to seek protection. According to Boyce (1987, 259), "So far as he [Snowden] was concerned the debate had ended in 1846 and there was nothing more to be said".

Neville Chamberlain, the Shadow Chancellor of the Exchequer and future British Prime Minister, warned that Snowden's "intense and fanatical dislike of Protection" tied his party "absolutely to the rejection of any system of Protective duties" without pragmatic regard to "what benefits and advantages…may contribute to the reduction…of unemployment" (HC Deb. 16 July 1930, vol. 241 c1416). He expressed the concern of many that as a result of the Labour Government being in office during the Imperial Conference, "the greatest opportunity for laying the foundations of a united Empire that has ever been presented" would be "lost and thrown away" (c1421). The Dominions' absence from the Tariff Truce conference already had been considered a warning about the potential failure of the upcoming Imperial Conference in October 1930. The influential trade-related bodies were opposed to Tariff Truce. The Federation of British Industries made representations to the Government not to adopt it because "…it would be against the interest of this country" (HC Deb. 4 March 1930, vol. 236 c291). The main point of criticism was that Tariff Truce participation would damage every prospect of establishing economic cooperation based on imperial preferences.

Under mounting pressure for protection and preferences, the British government postponed the Ratification of Convention for Tariff Truce twice: in June (CAB 23/64/10, 24 June 1930, 201)[3] and in August 1930 (CAB 23/64/26, 6 August 1930, 433–35). MacDonald summed up the view of "the majority" of the Cabinet that "it would be inadvisable to ratify the Convention… until the probable result of the negotiations could be forecast" (435). On September 2, the ratification of the Tariff Truce Convention was brought up again, and the Cabinet split over its clash with Imperial Preference. Graham urged his colleagues' approval insisting "[i]t was impossible to postpone question of ratification until after the Imperial Conference" (CAB 23/65, 2 September 1930, 6–7). "Failure to ratify", Graham argued, would lead "foreign Powers to infer that Great Britain was about to revise her whole fiscal policy" (6). (That was precisely why MacDonald was postponing ratification. He was pragmatically considering a 10% revenue tariff since the summer of 1930

[3] The National Archives of the United Kingdom (TNA), Records of the Cabinet Office (hereafter CAB), Cabinet Meeting Minutes. CAB 23/64/10, 24 June 1930, 201.

[Rooth 1992, 54; Snowden 1934, 923–24; Williamson 1992, 97; Boyce 1987, 258; Cross 1966, 254], which would be impossible if the UK ratified the Tariff Truce.) Thomas objected, pointing out that "practically every British trade and commercial interest" had expressed views "hostile to ratification". In Thomas's opinion, "the damage had therefore been done before ratification" because, since the signing of the Convention, "many European Powers had increased their tariffs" (CAB 23/65, 2 September 1930, 5). Snowden "could not see how ratification could hamper the proceedings of the Imperial Conference" (8), arguing that he had made "perfectly clear, in Parliament" that while the Government was "prepared to discuss any proposals at the Conference, they could not agree to any taxation on food or any general Protectionist policy" (8). As for the idea that "the Government should keep their hands free …to impose import duties in the next Budget", Snowden "wished to make it quite clear that whatever the position might be, such a proposal, so far as he was concerned, was out of the question" (8). Using MacDonald's absence to his advantage, Snowden firmly supported Graham's request despite Thomas's vehement objections. The divided Cabinet agreed to approve ratification of the Tariff Truce Convention by a majority of eight to two (CAB 23/65, 2 September 1930, 9; Boyce 1987, 267). Without Snowden, Graham would not have been able to affirm Britain's commitment to delay any protectionist measures until 1 April 1931, at a time when the prospects of all-round ratification of the Tariff Truce convention had been greatly diminished by the onset of the Great Depression and "since all Europe" was "following [a] protectionist trend" (Streit 1930, 2).

1.2 Imperial Conference 1930: "Critical Juncture"[4]

The 1930 Imperial Conference was arranged to complete the implementation of the 1926 Balfour Report, which had launched the Dominions' legal and political independence. With the creation of the Commonwealth, the concept of the imperial economic unity became the central issue for the preservation of the self-governing Empire (Williamson 1992, 80–82). It was evident that the desire for common imperial foreign policy was underpinned by anxiety about the loss of British power. By October

[4] Capoccia and Kelemen (2007, 341) emphasize the enduring impact of choices made by actors during critical junctures in history which close off alternative options.

1930, when Imperial Conference participants met, the British economy had deteriorated significantly with no signs of recovery in sight (60). According to Philip Williamson (1992, 522–23), the problems related to the Empire, the economy, and public finance generated a climate of "national crisis", which confronted all-party leaders with politically challenging decisions. At the start of the Conference, Canadian Prime Minister, R. B. Bennett, a Conservative, speaking on behalf of all delegates, issued a forceful call for approval or rejection of Imperial Preference as a principle: "There is here no room for compromise … [T]he day is now at hand when the peoples of the Empire must decide, once and for all, whether our welfare lies in a closer economic union or whether it does not. …The time for action has come" (Imperial Conference 1930, 651). Bennett suggested 10% ad valorem duties on non-Empire food as a minimum that Canada would accept, which was delivered as "an ultimatum" (Jones Jr. 1934, 198; Snowden 1934, 868–69, 872). Everyone understood that Bennett's demand implied "the break-up of the Empire should Britain refuse" (Jones Jr. 1934, 226).

Bennett "surprised" Snowden "by his apparent ignorance of the attitude of the Labour Government to Tariff policy" (Snowden 1934, 868). The Dominions' request for the introduction of tariffs on foreign goods in exchange for tweaking—not removing—their own tariffs was incomprehensible to Snowden (Snowden 1930, 13). Despite Thomas's pleas with his Cabinet colleagues to make some decisions and make some concessions "other than preferential tariffs" (CAB 24/216/16, 27 October 1930, 101), Bennett's offer was rejected due to Snowden's unwavering opposition (Williamson 1992, 83–84; Boyce 1987, 272–75). He had no plans for emergency tariffs, least for permanent fiscal reform that would make Britain abandon free trade. Snowden reiterated that although "anxious … to foster inter-Imperial trade," the Government "would not support …the taxation of food, raw material, or a general Protectionist policy" (Snowden 1930, 13). He was sure that if Thomas "could have his own way…he would have conceded [to] the demands of the Dominions for a larger measure of Imperial Preference" (Snowden 1934, 871). Snowden threatened resignation in October 1930 when the idea of a revenue tariff seemed to be gaining a majority support in the Cabinet (Boyce 1987, 274) and only conceded to allowing existing preferences remain until their expiry in three years (CAB 24/216/28, 11 November 1931, 171). The Government tried to cushion the blow by moving to discuss quotas (*Economist*, 22 November 1930), but its refusal

to make any concessions regarding Imperial Preference caused "great offence to Canadian and Australian delegates" (Williamson 1992, 83).

The Conference was deemed unsuccessful, with Snowden admitting as much himself: "After six weeks of this time-wasting procedure, the Conference ended with practically nothing accomplished" (Snowden 1934, 870). All that could be saved was the agreement to examine "various methods by which each country could make the greatest possible contribution to economic cooperation within the Empire" (CAB 24/216/28, 11 November 1931, 171) at the economic conference in Ottawa planned to take place in August 1931. There was not much enthusiasm, however, if the Labour government were to remain in power (Williamson 1992, 84). Baldwin, the leader of the opposition, accused Snowden of making the conference a failure even before it started: "…the 9th July of last year [1929] … he made it quite clear that there could be no change in fiscal policy to meet any request from the Dominions; and we all know that without any change in fiscal policy it is perfectly impossible to advance … economic Imperial unity" (HC Deb. 27 November 1930, vol. 245 c1547). Bennett's offer and the principle of Empire preference were accepted on behalf of the Conservative Party (*Times*, 3 December 1930, 8). In December 1930, the Conservative Research Department's Tariff Committee chaired by Philip Cunliffe-Lister, a former president of the Board of Trade, started building permanent tariff structures with scope for imperial preferences capitalizing on the growing erosion of support for free trade (Rooth 1992, 58–59). Considering the circumstances, Snowden's principled objection to imperial protectionism is significant. He effectively deferred the introduction of preferences until the ratification of the Ottawa agreements in autumn of 1932.

To show just how important free trade was to him, Snowden took the fight to Manchester, which after having been a bastion of free trade for nearly a century, was now slipping into protectionism. For the second time since 1888, the Manchester Chamber of Commerce passed a resolution for protection urging the Government to postpone any decision with respect to the signing of the Tariff Truce (HC Deb. 27 November 1930, vol. 245 c229) until additional European countries signed. Snowden argued that crisis was no reason to abandon a principled approach to trade:

> I do not underestimate the magnitude of the task in which we are engaged, but it would be disastrous not only to this country but for the world if at this time this country, in a state of panic, were to change its well-tried fiscal policy. We have a great heritage to maintain …not only for ourselves but for the world. Free trade has withstood many assaults in the past, and I am confident that, if we will do our duty in this crisis, if we will bring home to people the full, solid facts of the case, we shall add one more success to the great victories we have achieved in the past. (Snowden 1930, 13)

1.3 Snowden: Liberalism's Last Gasp

By the end of 1930, Snowden felt unwell and depressed. His Budget was unbalanced—the forecast in 1930–1931 was for a £37 million deficit—mainly because the revenue failed to meet Treasury estimates (Snowden 1934, 901–2). Exports fell by 30% during 1930 while rising unemployment unsettled the Insurance Fund due to weekly borrowing of up to £1 million (Cross 1966, 259). Despite his poor health and declared intention of moving on, Snowden declined the offer of a peerage in March 1931. He feared that his job would go to J. H. Thomas, a supporter of tariffs and that only he could ensure that the principles of "sound finance" in dealing with the fiscal policy were safeguarded (Cross 1966, 269; Snowden 1934, 924).

While he was away, Snowden kept blocking key protectionist proposals. On 4 March, MacDonald conveyed to the Cabinet that Snowden "was opposed to the majority recommendation" for the urgent wheat quota, which was crucial for the Ottawa Imperial Conference in August 1931 to go ahead (CAB 23/66/17, 4 March 1931, 248–49). The Conference was postponed due to the political situation in the UK. It was recognized abroad that "while Snowden is Chancellor of the Exchequer in Britain there can be no progress towards greater imperial preference" (*New York Times*, 7 June 1931, 12). Snowden's 1930–31 Budget, which he had prepared alone in his sickbed, was considered "within the limitations imposed on him by his Free Trade principles, an eminently sensible piece of work" (HC Deb. 28 April 1931, vol. 251 c1563). During the discussion of the Budget in the House of Commons on 27 April 1931, Snowden made it known that formalizing the financial arrangements for the year had to wait for the recommendations of the May all-party report on the National Expenditure. He warned "any gap…in the finance of the year should be met by economy" (HC Deb. 27 April 1931, vol. 251

c1408). He also made clear that "[A] revenue tariff, apart from its Protectionist object, is a means of relieving the well-to-do at the expense of the poor, and is an indirect method of reducing wages. I shall *never* be a party to any such imposition" (c1403; emphasis added). This prompted Neville Chamberlain to reply: "…here is the last Chancellor of the Exchequer who will *ever* again introduce a Free Trade Budget in this House" (HC Deb. 28 April 1931, vol. 251 c1479; emphasis added).

Although the collapse of the Tariff Truce was always anticipated, it was still a serious blow to the Government's economic strategy when it happened (Boyce 1987, 310–11; *Manchester Guardian*, 20 June 1931, 16). Graham tried to negotiate a 25% tariff reduction on selected tariffs bilaterally with existing most-favoured-nation partners (Germany, France, Belgium, Poland, Italy, and Austria) to keep the Tariff Truce proposal alive, but failed (CAB 23/66/4, 20 May 1931, 92–93; Boyce 1987, 276, 310). In 1931, sixty-one countries raised import duties and introduced stricter types of import restriction, including eighteen British Dominions or possessions. Churchill, Ernest Bevin, and Walter Citrine of the Trades Union Congress (TUC), John Simon a senior Liberal MP, and many other principled free traders came to embrace protective tariffs (Cross 1966, 274). Keynes issued a public call for "a restriction of imports to support our balance of trade and to provide employment" in the absence of "a concrete, practical proposal for stimulating our export trades" (Keynes 1931a, 176). He stated unequivocally that "Free Traders may, consistently with their faith, regard a revenue tariff as our iron ration, which can be used once only in emergency. The emergency has arrived" (Keynes 1931d, 54). According to Cross (1966, 274), Snowden's reaction to such "desertions from free trade" was that "tabernacle now needed to be defended more vigorously than ever".

When the Macmillan Committee report, published on 14 July 1931, justified the abandonment of Britain's free trade policies because of the country's chronic economic disequilibrium and as a means to obtain additional revenue for the National Exchequer, Snowden ensured that it warranted no immediate discussion or response (Boyce 1987, 331–32). Any serious consideration of the proposal for a comprehensive average tariff of 10% could have compromised the Government's principles of internationalism (Eichengreen 1984, 366; Boyce 1987, 283, 331).

Snowden's handling of the May Report on the National Expenditure published on 31 July produced a much more dramatic effect with far-reaching consequences for the Labour Government. The report revealed

budget expenditures and deficits of about £120 million (later to be revised up to £170 million) that needed to be addressed by making economies and finding additional revenue (CAB 24/222, 27 July 1931; Snowden 1934, 933–34). The Treasury had provided the figures for the report (so he could not have been surprised), and Snowden later admitted that he withheld it for at least two days so it would not be debated. Snowden did not even consult with MacDonald, who together with their Cabinet colleagues, dispersed for the holidays without fully grasping its implications. Snowden planned to use the recess to prepare an economy programme for unconditional approval, first at the Labour Party conference and then by the House of Commons. If all went well, the financial crisis would be surmounted with Labour in office and Snowden's policy of "sound finance" vindicated (Snowden and MacDonald both agreed that reduction of the unemployment insurance expenditure was needed [Cross 1966, 280; Snowden 1934, 932–33]). But Snowden miscalculated when he assumed that the Labour Party, having accepted the appointment of the May committee and his Budget, had already committed itself in principle to his policy (Cross 1966, 280).

With the May Report triggering a confidence crisis and a run on the pound sterling, the Bank of England began pressuring the Government to balance the Budget in order to obtain American and French loans (Williamson 1992, 308; Morrison 2016, 192–96). On 7 August, Snowden called MacDonald back to London (PRO 30/69/260, Snowden to MacDonald, 7 August 1931; Boyce, 1987, 348). Snowden was "convinced of the terrible gravity" of the situation: the prospect of four million unemployed in 1932 made burden of financial support unsustainable. "I have given up all hope of a revival of trade. I am sure it will get worse", he wrote to MacDonald while urging him to get the Cabinet Economy Committee (consisting of himself, MacDonald, Thomas, Graham, and Secretary of State for Foreign Affairs Arthur Henderson) together without delay: "The collapse is almost certain to come before then [25 August] if we delay" …"We cannot allow matters to drift into utter chaos, and we are perilously that. I am having a full statement prepared of the outlook for the Budget which will be a very appalling one. Under existing trade conditions the limits of taxation have been reached" (PRO 30/69/260, Snowden to MacDonald, 7 August 1931).

MacDonald called the meeting of the Cabinet Economy Committee immediately after arriving in London on 11 August, planning to work out a compromise between what the May Report had demanded and what Labour would accept (Cross 1966, 281). Pressured by the Bank of England and the Opposition to correct the budget by retrenchment (Williamson 1992, 308), the Committee prepared a proposal for social spending cuts and additional taxation based on the principle of "common sacrifice and effort" (CAB 23/67/16, 19 August 1931, 310). The main controversy was over Snowden's proposal to cut unemployment benefits and his principled refusal to include revenue tariff (wanted by Henderson, Graham, the TUC, and bankers), which could help reduce the expenditure costs and address the balance of trade deficit. On 18 August, MacDonald wrote in his diary: "I am disappointed with the scheme & disheartened. Discussed a revenue tax, 4 in favour and the Chancellor against" (PRO 30/69/1753, MacDonald Diaries, 18 August 1931)[5]; and on 19 of August: "All except Snowden recommend revenue tariff (Henderson even on food) to help the unemployed from having too great a cut". When the Committee presented its proposal on 19 August, MacDonald "[A]sked [Cabinet] opinion on revenue tax 15 [ministers voted] for 10 [ministers] on manufactured goods only, 5 [ministers] on everything" (PRO 30/69/1753, MacDonald Diaries, 19 August 1931). But the Cabinet agreed "to defer further consideration of…Revenue Tariff" to 21 August (CAB 23/67/16, 19 August 1931, 314) as it was decided that the opposing minority, including Snowden, was too large for the tariff to be adopted (Cross 1966, 288). It has been speculated that "[F]irm leadership by MacDonald, and willingness to drop Snowden, might at this stage have turned the tariff into definite Government policy and so changed the character of future events" (Cross 1966, 290). Although there is no proof that anyone could remove Snowden or seriously ignore his position on tariffs at this stage, it is easy to imagine such a counterfactual considering the high stakes involved and that MacDonald had a Cabinet majority supporting him. The TUC was willing to accept tariffs with members' approval (CAB 23/67/18, 21 August 1931, 326). Crucially, a revenue tariff offered "badly needed flexibility" in bargaining with the Conservatives, and "given the Bank of England support, even with the Liberals" (Williamson 1992, 308; CAB 23/67/17, 20 August

[5] TNA, Records of the Public Record Office (hereafter PRO), James Ramsey MacDonald Papers. PRO 30/69/1753, MacDonald Diaries, 18 August 1931.

1931, 318). Against all these odds, Snowden's principles had a real effect on policy. Even under the threat of imminent political demise, the divided Labour Cabinet "thanks to a mixture of gut reaction and Snowden's obduracy…remained committed to the free-trade cause" (Thorpe 1991, 236).

On 21 August "the situation had completely altered" due to "the rejection by the Liberal party of any such expedient [revenue tariff]". In the Cabinet, there was "considerable support for the view that the Revenue Tariff should be excluded from proposals if, and only if, no further economies were made in regard to Unemployment Insurance". When Snowden, "expressed the strongest possible objection to the Government being committed in any way to the principle of a Revenue Tariff", MacDonald assured him that in the discussions with the Opposition leaders and the representatives of the Bank of England, "it would be clearly understood that no decision of any kind had been reached on a subject of a Revenue Tariff" and "[T]here would not, however, be included in the proposals any reference…to a Revenue Tariff in view of the failure to reach agreement" (CAB 23/67/18, 21 August 1931, 335). On 23 August, after an American loan had been secured based on Snowden's and MacDonald's commitment to a 10% cut in unemployment benefits, Henderson's (and six other Cabinet Ministers') refusal to accept it combined with a "too strong" opposition from TUC led to Cabinet resignation (PRO 30/69/1753, MacDonald Diaries, 23 August 1931). After being invited by the King to stay as Prime Minister and form an all-party National government, MacDonald concluded: "It was plain that I would be left almost alone with Snowden…" (PRO/30/69/1753, MacDonald Diaries, 24 August 193). The Labour Government, the Labour Party, and the Labour Movement were all overtly sacrificed for the sake of free trade.

Even the gold standard was effectively gambled because Snowden was so unwilling to bend on free trade. Snowden's most austere Budget in Britain's history—"a considerable rise in taxation…accompanied by very large economies" (CAB 23/68/6, 3 September 1931, 103)—was voted through Parliament, but it did not manage to prevent its suspension in September (Morrison 2016, 197–98; Cross 1966, 309; CAB 23/68/13, 20 September 1931, 229). Balancing trade became ever more implicit in the stability of sterling (Williamson 1992, 389). Estimates for the deficit "varied from/£50 millions to £100 millions a year, but there was great uncertainty" (CAB 23/68/12, 17 September 1931, 211). MacDonald

established a committee consisting of Snowden, Neville Chamberlain and Reading, Henderson's successor as Foreign Secretary so that the existing Cabinet could deal with the trade deficit as a continuing emergency (HL Deb 17 September 1931, vol. 82 cc64–93).[6] They were expected to produce a policy addressing the trade deficit through a modified Conservative tariff package that would be acceptable to ministerial free traders. Despite working hard, the committee antagonized the key players over the choice between an emergency or a general tariff (Williamson 1992, 400–401).

Against prominent bankers' advice (CAB 23/68/12, 17 September 1931, 212) and on the Conservatives' instigation (which received support from Thomas and Snowden), the Cabinet agreed to call a general election (Williamson 1992, 401; Thorpe 1991, 125) to break the deadlock over the trade deficit and "[t]ariffs obstacle" (PRO 30/69/1753, MacDonald Diaries, 16 September 1931). The Cabinet now had to reconcile incompatible protectionist and liberal positions on trade policy to approach the election on one "National" platform (CAB 23/68/22, 2 October 1931, 334–37). After a week of intense negotiations over the election formula,[7] it was agreed for MacDonald to lead the Government into the election on a pledge "to take all measures for the stabilization of the £ sterling, with nothing excluded" (CAB 23/68/23, 5 October 1931, 342) and requesting a "free hand to deal with the question of the balance of trade" (Snowden 1934, 991). Although Snowden accepted the offer of the peerage and was going to be a new member of the House of Lords (Williamson 1992, 399; PRO 30/69/1314, MacDonald to Baldwin, 5 September 1931),[8] he had high stakes in the election because he was determined to safeguard free trade (Thorpe 1991, 233, 238). During the Cabinet discussions, Snowden "worked with the two Liberal members [Samuel and Reading] and entirely shared their views" "prepared to…ask

[6] UK Parliamentary Papers, House of Lords Debate (hereafter HL Deb.) 17 September 1931 Vol. 82 cc64–94.

[7] See TNA, Cabinet Minutes. CAB 23/68/21, 1 October 1931, 326–27; CAB 23/68/22, 2 October 1931, 334–37; CAB 23/68/23, 5 October 1931, 341–43.

[8] MacDonald wrote to Baldwin, "As to ourselves – Snowden, as you know, is going out. He had warned me of that three or four months ago, and before we thought of anything like this happening I had been discussing with him whether or not he would like to go to the House of Lords". PRO 30/69/1314, Ramsey MacDonald to Stanley Baldwin, 5 September 1931.

for mandate to complete our work" but not prepared to go to the country on a tariff issue" (Snowden 1934, 991; Cross 1966, 311). Subsequently, Snowden and Liberal free trade ministers formed one free trade opposition group within the National Government (Snowden 1934, 1003–5). His other objective was to keep Labour out of power (Cross 1966, 311–16; Snowden 1934, 995). Snowden's visceral attack on his former colleagues through a series of high-profile public statements made "a great and unexpected impact on the campaign" (Thorpe 1991, 231–32).

The general election on 27 October 1931 resulted in an overwhelming Conservative majority (Williamson 1992, 455; Craig 1970, 63). However, MacDonald remained Prime Minister as head of a National Government, a coalition formed between the Conservatives, National Labour, and multiple Liberal factions. Winning as a coalition had its advantages in providing unity for restoring Britain's economic position, but at some cost to the Government's freedom to carry out tariff reform quickly and without compromise (Wrench 1984, 148). According to Snowden (1934, 997), "[T]he Labour Party were not merely defeated, but decimated". As Cross (1966, 325–26) put it, Snowden "more than any other single individual had constructed the National Government's overwhelming victory. Now the Government he had made was doing things he hated". In the Cabinet reshuffle, Snowden accepted the position of Lord Privy Seal hoping that only by staying in office he might still be able to forestall the adoption of full protection (Cross 1966, 322; Thorpe 1991, 233, 238; Snowden 1934, 998, 1000). To strengthen opposition to protectionists in the Cabinet, he lobbied MacDonald to appoint Walter Runciman, a well-known Liberal free trader, to the key position of President of the Board of Trade (Snowden 1934, 999).[9]

Snowden and free trade ministers came to accept the need for temporary emergency revenue tariffs to correct the trade deficit and decrease feared immediate pressure on a floated sterling (CAB 23/69/5, 12 November 1931, 55; CAB 23/69/6, 13 November 1931, 65). However, they did so only under the promise of "*an impartial enquiry*" into the balance of trade deficit and after distinguishing them from protection (Snowden 1934, 1005; Williamson 1992, 509). According to Snowden

[9] Snowden (1934, 999): "I had suggested Mr. Runciman for this position because of his pronounced of Free Trade. He had been regarded as one of the strongest free traders in the country, holding his views with unshakeable tenacity. How tragically mistaken I was later events proved"!

(1934, 1004–5), "[F]ree Traders could not take responsibility of breaking up the National Government at that stage" and although they had not opposed the Abnormal Importations Act they "were very much concerned about the immediate future of fiscal policy". It seems they worried not without good reason. On 2 December, Snowden sent a letter to MacDonald raising concern about the apparent move into full "permanent" protection with the introduction of significant food tariffs by the Horticultural Products (Emergency Customs Duties) Bill (Wrench 2000, 70). The new Lord Privy Seal wrote: "I feel that by making concessions in one direction and another to the Protectionists we are getting into a compromised position…I cannot go on sacrificing beliefs and principles bit by bit until there are none left" (as quoted in Snowden 1934, 1006). MacDonald himself was "getting unhappy" that "recent discussions on duties have been put forward quite openly as protection, not as a means of balancing trade…" (as quoted in Wrench 1984, 150). It was clear that after relinquishing the Exchequer and staying in the Cabinet dominated by protectionists, Snowden's ability to block protection disappeared. Still, his reputation demanded that his views had to be accommodated and everyone knew that introducing tariffs with Snowden in the Government was not going to be an easy task (Williamson 1992, 393). As future events demonstrated, even in his limited capacity, Snowden would staunchly defend free trade.

In December, MacDonald appointed the Cabinet Balance of Trade Committee, which included Snowden and Home Secretary Herbert Samuel, to find out if there was an adverse balance of trade and advise how it should be addressed (CAB 23/69/17, 11 December 1931, 228–29). The National Government's future was hanging in the balance pending the acceptance of the Committee's proposal by the Cabinet free traders. Runciman pleaded with Snowden to accept a general 10% revenue tariff, which would enable reduction on income tax, a precedent established by the Netherlands. Having worked closely on the proposal with Neville Chamberlain, now Chancellor of the Exchequer, Runciman expected that protectionist members of the Balance of Trade Committee would accept it, and thus more extreme tariff proposals could be avoided. Snowden replied: "…he could not expect me to commit myself to such proposal, but I would think it over. I gave him no encouragement to believe that I should support it" (1934, 1007–8). At the final Committee meeting on 18 January 1932, Snowden announced he could not subscribe to the majority report and would submit a note of dissent. He argued

that the adverse balance of trade was exaggerated, it was going "far beyond the programme upon which the National Government went to the country", and could not warrant "a complete and permanent reversal of fiscal policy" (CAB 24/227, 21 January 1931, 340). On 21 January, when the Committee proposed immediate introduction of permanent general tariff reform with provisions for the Imperial Preference (CAB 23/70/5, 21 January 1931, 85–116) "the agreement on the report could not be secured" (Snowden 1934, 1010), and Snowden and the Liberal Free Traders threatened to resign. "Hopeless deadlock", according to MacDonald, "Snowden just as stiff necked and unaccommodating as ever he has been. What a situation". Suspending the practice of Cabinet responsibility averted resignations. MacDonald managed to persuade Snowden and others not to quit by offering them "agreement to differ": "Solution found. Let them vote and speak against Tariffs" (PRO 30/69/1753, MacDonald Diaries, 22 January 1932).

Snowden and the others accepted the offer on condition that "[t]his freedom [to speak and vote against any tariff proposals] was to extend to Members of Parliament…The Party Whips were not to exert any influence to get votes for tariff proposals and Liberals could run Free Trade candidates at the election". Again, Snowden knew that "…if we did not accept it we should be open to the charge that we had rejected an unprecedented offer of personal freedom, and that we were determined to break-up the Government and were indifferent to the consequences of such action" (Snowden 1934, 1011). But the introduction of the Import Duties Bill in February was too much for them (Williamson 1992, 509–10). The Bill was designed to address the adverse balance of trade, reduce unemployment, reunite with the Empire to ward off foreign competition and enhance self-sufficiency. Additionally, it was meant to bring in revenue, force foreigners to lower their tariffs, restore the efficiency of industry, and support sterling. It introduced a general ad valorem duty of 10% upon all British imports, with exceptions for the goods, mainly food and raw materials, on the "free" list. The Bill established an Import Duty Advisory Committee that was empowered to apply adjustable surtax as "an instrument to obtain rationalization of domestic industries and reductions of foreign tariffs" (Williamson 1992, 506). The British Empire goods were exempted from tariffs until the Imperial Conference at Ottawa (HC Deb. 04 February 1932, vol. 261 cc279–96). Snowden mounted fierce opposition to the Import Duties Bill, now as a member of the House of Lords:

> "This is the most important measure dealing with trade and commerce which has been before Parliament for nearly a century. The measure is revolutionary in its character."[…]"It is criminal to gamble with the vital interests of the country by adopting a policy while staring us in the face are the facts of the disastrous failure of that policy elsewhere."[…]"This Bill will pass. As Mr. Chamberlain said, arguments will then pass into facts, and that, my Lords, is our satisfaction in this our temporary defeat. Facts and experience will finally settle this question. Free Trade is not dead." (HL Deb. 29 February 1932, vol. 83 cc684–97)

When Snowden's "last-ditch attempt to prevent ratification of Ottawa" (Cross 1966, 329) agreements failed ("a piece of colossal hambug" according to Snowden [1934, 1027]), he finally abandoned MacDonald and the Government, but not his faith in free trade (1018–30)[10]:

> I can no longer without loss of all self-respect, remain a member of a Government which is pursuing a policy which I believe is disastrous to the welfare of this country, which will lead to the disruption of the Empire, and which is fraught with great danger in our international relations. …So I go now. (as quoted in Cross 1966, 329–30; Snowden's resignation letter, September 1932)

2 Conclusion

Traditional narratives of the interwar collapse of European and international integration emphasize causal structural explanations of policy changes as outcomes. This chapter shifts analytical focus to agency and showcases how individuals can shape policy transitions towards specific outcomes as a result of their economic beliefs and political decisions. Snowden worked assiduously to stave off the protectionist slide because of his principled beliefs in free trade. As a veto player in the Government's decision making over commercial policy, Snowden effectively tempered a shift towards protection in 1930–31. His near-autonomous control over fiscal policy is well documented. Being "the most autocratic Chancellor the twentieth century had ever seen" (Cross 1966, 207) he effectively contributed more than any other actor to the deferral of introduction

[10] MacDonald noted, "Snowden looked unusually unkempt & unshaven as though growing moustache or beard, cold, repelling, vindictive. I am disheartened". PRO 30/69/1753, MacDonald Diaries, 28 September 1932.

of general protection until 1932. Crucially, absent Snowden, the policy outcomes could have been different.

Snowden's case is exemplary of pivotal actors' relevance to the analysis of policy change as it can be traced through the "critical junctures" determined by "structural fluidity and heightened contingency" (Capoccia and Kelemen 2007, 352) when "decisions by influential actors…steer outcomes towards a new equilibrium" (354). "But for the presence of Snowden", as Rooth argues, the Labour Government "would almost certainly have introduced protectionist measures in 1930" (Rooth 1992, 54; Fearon 1991, 180–82). Snowden was instrumental to Britain's ratification of the Tariff Truce Convention in MacDonald's absence and his zealous adherence to free trade had a direct influence on the rejection of the Imperial Preference policy in autumn 1930, and of the revenue tariff during the August-September crisis in 1931. The Agreement on Imperial Preference could have taken place during the Imperial Conference. By that time, it was clear that foreign governments would not complete ratification of the Tariff Truce Convention. The key players within the Cabinet were in support, and they actively promoted some form of protection. As the most orthodox liberal Chancellor, Snowden, however, was resolved that Britain's fiscal policy based on free trade should be defended and rejected the proposals (Rooth 1992, 54). His threats to resign were effective for achieving his goals and reveal the significant leverage that he had over his opponents. Although Snowden's opposition was not the sole reason for the Imperial Preference talks to collapse, the failure was clearly associated with his name, and it could be traced back to his handling of fiscal policy and his attitude at the Conference.

Snowden's resilience and unwillingness to compromise on protection are especially significant in the presence of policy alternatives and structural dictates. Under new economic conditions, Keynes's tariff proposals offered practical solutions to unemployment, whereas, Snowden failed to recognize immense social and economic upheavals that the First World War had created which warranted novel approaches to fiscal policy (Jovitt 1987, 41, 56). Furthermore, although the Imperial Preference implied the irreversible break with a traditional *laissez-faire* policy, at the same time, it also provided the opportunity for Britain to be actively engaged in halting the rise of protectionism within the Empire, which many believed could be a step towards a global trade revival. During the August-September crisis, acceptance of a revenue tariff could have alleviated expenditure cuts and pressure on sterling. It could perhaps even

prevent the Labour Government's dissolution if MacDonald who "considered several possible choices at certain junctures" (Fearon 1991, 193) did not bend to Snowden's intransigence and had him resigned. Such arguments "can be judged more credible or less credible, depending on our use of historical detail and theories about the way people behave" (195). Although despite Snowden's vehement opposition (to the point of breaking the National Government) protection was introduced by pragmatic liberal free traders, thanks to Snowden, it was done in a much-attenuated form.

The example of Britain's interwar "exit" from the liberal trading regime offers some new insight into its recent "Brexit" from the European Union. Specifically, we see the critical role that individual policymakers play in defining the terms, timing, and trajectory of such shifts. In 1931, the British electorate, faced with economic stagnation and financial calamity, voted for change. Implicitly, they voted for the abandonment of free trade and pursuit of closer economic integration with the British Empire. The crossroads had preceded that historic policy shift in 1930 when politicians were confronted with a tangible choice between two options: to trade on with Europe ("remain" free trade) or to trade with the Empire ("leave" for protection). For a free trading nation with imperial commitments, the political choice between economic internationalism (Tariff Truce) or economic nationalism (Imperial Preference) during the early 1930s was as important and divisive as the choice between "leave" or "remain" in the single European market and customs union during the Brexit political crisis from 2016 to 2020. Snowden's case serves as an example of how "the balance of [trade-creating and trade-diverting] effects depended on the motivations of policymakers and hence on the structure of their policies" (Eichengreen and Irwin 1993, 4). Hopefully, this insight can improve our understanding of trade policy decisions in a world that is increasingly dominated by the mercantilist rivalry between the United States and China and divided by the politics of Brexit and US President Donald Trump, especially considering potential long-term systemic effects of individual actions involved and how much is at stake.

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