

**Public and private interests in the formulation of
government policy: The case of the Import Duties Advisory
Committee [IDAC] in 1930s Britain.**

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Doctor of Philosophy (Ph.D.)

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Abstract

The thesis examines the interplay of business, politics and the economy during the 1930s. Relationships are studied through the analysis of the tariff introduced in 1932 by the British government. The introduction of the tariff in 1932 was important because this marked a clear break in government policy toward international trade, Britain having had a long tradition of free trade. The work is not concerned with the macroeconomic effects of the tariff and its overall impact on the economy. The focus instead is upon policy formulation and business involvement in this process.

Government knew the tariff could be used as more than a revenue earner, importantly the tariff also provided them with the opportunity to negotiate with industry, enabling intervention and promotion of industrial policy aims. On the other side, business wanted a given level of protection and would lobby to achieve their aims: while at the same time they were unwilling to undergo change.

The thesis provides the first detailed analysis of the work of the Import Duties Advisory Committee [IDAC] and their attempt to develop a 'scientific' tariff from its inception in 1932. A two-pronged approach is taken to the work considering the process from the point of view of the government and business. The first perspective, that of government, considers what the government wanted from the tariff and the extent to which these objectives were met. The second perspective analyses what business wanted and how successful business was in 'capturing' benefits.

An overview of how the committee arrived at its decision for all additional duty applications made between 1932 and 1939 is offered in the thesis. This brings to light the factors at play in convincing the Committee that extra protection was justified. Additionally, the work provides an in-depth analysis of selective industry cases.

Abbreviations Used.

ABCM	Association of British Chemical Manufacturers
ABCC	Association of British Chambers of Commerce
AP	Sir Allan Powell
AWH	Sir Alfred W Hurst
BBMA	British Bath Manufacturers Association
BEA	British Engineers Association
BEAMA	British Electrical and Allied Manufacturers Association
BISF	British Iron and Steel Federation
BISRA	British Scientific Instrument Research Association
DSIR	Department of Scientific and Industrial Research
EAC	Economic Advisory Council
EIA	Empire Industries Association
ELMA	Electric Lamp Manufacturers' Association of Great Britain
FBI	The Federation of British Industry
HJH	H J Hutchinson
ICI	Imperial Chemical Industries
IDC	Inter-Departmental Committee on the Prices of Building Materials
IDAC	Import Duties Advisory Committee
IREJ	Initial Rejection – application turned down immediately
MinAg	Ministry of Agriculture
MRC	Modern Records Centre
MTTA	Machine Tools Trade Association

NIESR	National Institute for Economic and Social Research
NFBTE	National Federation of Building Trade Employers
NFISM	National Federation of Iron and Steel Manufacturers
NFU	National Farmers Union
NFUsc	National Farmers Union of Scotland
NO	No decision – application turned down after further consideration and advertising
NUM	National Union of Manufacturers
OGD	Other government department
PA	Percy Ashley
PCCC	Parliamentary Committee of the Co-operative Congress
PEP	Political and Economic Planning
SJC	Sir Sydney J Chapman
TTF	Timber Trade Federation
UTF	United Tanners' Federation
YES	Yes decision – application approved following further consideration and advertising

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Chapter 1: British Tariffs 1932-39: who pulled the levers?

The purpose of this thesis is to examine the relationships between business pressure groups, and the evolution and operation of economic policies. This will consider business-government relations as they evolved in 1930s Britain. The intention is to study this relationship through an analysis of additional duty applications put before the Import Duties Advisory Committee [IDAC] between 1932-1939.

The main issue of this thesis is the interplay of business, politics and the economy during the 1930s. Relationships are studied through the analysis of the tariff introduced in 1932 by the British government. The introduction of the tariff in 1932 was important because this marked a clear break in government policy toward international trade, Britain having had a long tradition of free trade. The work is not concerned with the macroeconomic effects of the tariff and its overall impact on the economy. The focus instead is upon policy formulation and business involvement in this process. It considers the extent to which business mobilised state power (or *vice versa*) and the sources of the strengths and weaknesses of various sectors. Government knew the tariff could be used as more than a revenue earner, importantly the tariff also provided them with the opportunity to negotiate with industry, enabling intervention and promotion of industrial policy aims. On the other side, business wanted a given level of protection and would lobby to achieve their aims¹: while at the same time they were unwilling to undergo change.

The Import Duties Advisory Committee [IDAC] was a body set-up in 1932 to administer tariff policy in the UK. The Committee was given the task of introducing a 'scientific' tariff to the country. The Import Duties Act of March 1932 had introduced a general *ad valorem* duty of ten per cent.² It was the

¹ The concern was with effective rates of protection, they wanted to secure the highest possible rates on their own products and at the same time, the lowest rates on their inputs.

² There were exceptions to this rate. Items covered by existing protective legislation, such as the McKenna duties, were not covered. There was also a free list of goods. These were not subject to

responsibility of the Committee to impose additional duties for the protection of particular industries. In making their decisions the Committee needed to consider: 'the advisability in the national interest of restricting imports into the United Kingdom and the interests generally of trade and industry in the United Kingdom, including those of trades and industries which are consumers of goods as well as those of trades and industries which are producers of goods'.³ The way in which this would be achieved was left in the hands of the Committee.⁴

The objectives of this paper are to provide the first detailed analysis of the work of IDAC and their attempt to develop a 'scientific' tariff from its inception in 1932. This area of contact between government and industry is seen as part of a bargaining process; the output of the process being the resultant tariff position and resultant industrial strengths. A two-pronged approach is taken to the work considering the process from the point of view of the government and business. The first perspective, that of government, considers what the government wanted from the tariff and the extent to which these objectives were met. The second perspective analyses what business wanted and how successful business was in 'capturing' benefits. The analysis is conducted largely through the examination of IDAC papers and Minutes.

any duty (most foodstuffs, raw materials and coal), and Commonwealth goods were exempt from the tariff.

³ Hutchinson, Sir Herbert, *Tariff-Making and Industrial Reconstruction*, (London: 1965).p.21

⁴ The committee did not have power of decision. This ultimately was in the hands of the Treasury. However, evidence shows that the Treasury accepted the recommendations of IDAC and that their role was little more than a 'rubber stamping' exercise. The Treasury was not able to increase duties itself: it could only 'accept' or 'reject' the recommendations. The imposition of the tariff was by Treasury Order subject to passing in the House of Commons. An Order was then effective immediately.

History Of Protectionism in the Early Twentieth Century⁵

McKenna first introduced import Duties in 1915 these covered a limited number of luxury items such as motor cars clocks and watches. They were designed to raise revenue, and were introduced as temporary wartime measures. They were renewed annually throughout the war, were briefly repealed in 1924, and re-introduced. Hence, they were still in force in 1938, at which time they were incorporated into the General Tariff. Further acts in the 1920s included the Dyestuffs Act of 1920, introducing duties on chemicals, and the Safeguarding of Industries Act in 1921, placing duties on goods deemed to be of 'strategic' importance.⁶ Items covered by Safeguarding were extended during the twenties, but no significant moves were made towards the introduction of a general tariff.⁷ Capie notes: 'The measures that had been taken in the 1920s were all rather insignificant in terms of the volume of imports they affected but they were of some importance for their inroads on free trade ideology'.⁸

⁵ Summary details of the duties imposed in the first part of the Twentieth Century are shown at Appendix 1.1.

⁶ Percy Ashley, 'An Experiment in Tariff-Making' pp.1-45 *The Manchester School* XI, No 1 April 1940, notes that the Safeguarding duties introduced in 1921 were wholly protective in purpose. Before that the tariffs were revenue tariffs with any protective element being incidental. That said the proportion of total imports covered by the Safeguarding Acts was very small. Part I of the Act introduced in 1921 was intended to protect industries of vital importance to defence as well as to industrial protection generally. Duties of 33 $\frac{1}{3}$ % were imposed for a period of five years on the following items: scientific instruments, wireless valves, magnets, synthetic organic chemicals, laboratory glass and porcelain ware, and hosiery needles. A duty of 50% was imposed on optical glass. In 1926 the tariff on these items was renewed for a further ten years. Part II of the Act imposed duties in 1926 for industries suffering from especially severe foreign competition, 'dumping'. These duties were imposed for 5 years. The definition of dumping and the levels of evidence to be produced were such that very few industries were able to gain protection under the Act.

⁷ The iron and steel industry aimed to get protection under safeguarding for pig iron, but its application failed. The granting of protection to such a large industry that was itself a major supplier to other sectors of the economy might have made a general tariff unavoidable.

⁸ Forrest Capie *Depression and Protectionism: Britain between the Wars* (1983) p.41

The 1906 General Election was fought over the issues of 'protection' and 'imperial preference', the electorate did not support these policies however, and free traders won the day. Even by 1923, the electorate was not persuaded that protectionism would be beneficial for the country. In 1923 the Conservative Party, under Baldwin, sought re-election and chose to promote a policy of protection. This issue dominated the election, but it appears that the electorate feared the tariff would increase the price of foodstuffs. Consequently the Conservatives lost the election, with a minority Labour Party forming the government with the support of the Liberals. Politicians thereafter, were wary of the protectionist issue, and Britain was firmly set in favour of free trade. 'In 1923, when the Conservatives advocated the imposition of a tariff as a response to the unemployment problem, the party suffered such a decisive electoral defeat that it campaigned thereafter on the basis of a pledge not to impose new duties'.⁹ The pledge was neither to introduce a tariff on foodstuffs nor to introduce a general tariff the party remained keen on safeguarding however.¹⁰

In 1924, with this pledge not to extend protection, the Conservatives returned to power. Winston Churchill, a free trader, was appointed as Chancellor of the Exchequer and this would help the government to keep their promise on protection.¹¹ Between 1924-1929, the Baldwin government adhered to their pledge not to introduce protection and the extension of safeguarding was limited. In the 1929 election, Baldwin was still unprepared to shift on the policy. As Ball notes: 'most of the opposition within the party was based on electoral expediency and not on fundamental beliefs'.¹²

⁹ Eichengreen *Sterling* p.4

¹⁰ According to Stuart Ball, *Baldwin and the Conservative Party: the crisis of 1929-1931* (London, 1988), the issue of tariff reform dominated Conservative Party history in the period 1903-31. Joseph Chamberlain in 1903 had opened the campaign. The 1906 election was lost because of fear of food taxes, and two further elections in 1910 were lost. Following the loss in the election of 1923, the party in 1924 pledged to only increase protection via the safeguarding of selected industries.

¹¹ Rooth T. *British Protectionism and the international economy: overseas commercial policy in the 1930's*, (Cambridge, 1993) p.38

¹² Ball Stuart *Baldwin* p.38

In formulating policy in the wake of defeat in the 1929 election Baldwin was concerned to preserve party unity as well as to ensure that policies were not electoral liabilities. He felt that protection was likely to split the party and that any suggestion of imposing tariff on foodstuffs would be electorally fatal especially in seats in the midlands and the north of England.¹³ From autumn 1929, the party's attitude began to shift back toward adopting a policy of protectionism. By February 1930, Baldwin was prepared to promise that a future Conservative government would extend safeguarding duties to steel and textiles.¹⁴ In the summer of 1930, Neville Chamberlain advocated an emergency tariff and in the summer of 1932, the Conservative Research Department published its work on the tariff.

The Labour government throughout the 1920s were opposed to tariffs on principle, but the ensuing depression and the international climate of the early thirties was to encourage the introduction of a tariff.¹⁵ World-wide trade barriers grew steadily after the First World War¹⁶ and with the financial crises and economic depression of 1929-32: 'a fresh outburst of protectionism appeared and world trade collapsed'.¹⁷ The government began to face pressure from many sides, even 'expert' opinion shifted in favour of introducing a revenue tariff.¹⁸ Budgetary problems in 1930 and 1931 would also promote the tariff as a solution to revenue shortfalls. The depression aggravated the budgetary problem both by

¹³ Rooth *Protectionism* p.55

¹⁴ See Ball Stuart *Baldwin* p.56 on Baldwin's February Coliseum speech.

By many, this would have been taken to mean that the party would have to introduce a general tariff. These two large industries had knock-on effects on so many other sectors.

¹⁵ Eichengreen, *Sterling*, suggests the opinion of the Labour Party did change under the influence of such prominent individuals as Keynes. The Economic Advisory Council also supported the introduction of the tariff. pp6-14

¹⁶ Initially the widespread appearance of quotas and prohibitions along with currency depreciation were more important as barriers to trade than changes in tariffs. Tariffs remained relatively stable in the first eight years following the war but began to rise from 1927 onwards.

¹⁷ Capie *Depression and Protectionism*, p.2

¹⁸ Rooth *Protectionism* p.49, this refers to Keynes, and other key members of the Economic Advisory Council

reducing revenue, and by increasing expenditure on unemployment benefits. In 1930 unemployment increased from 12 to 20% of the insured labour force; deflation accelerated; and the Balance of Trade deficit increased.¹⁹ The tariff was not introduced however, until after the Labour government lost office. Shortly after the National Government came to power, the Abnormal Importations Act was enacted in November 1931.²⁰ 'The Conservatives dominated the national government. Men who believed in protection led the party, and it had been committed to a protectionist policy since autumn 1930'.²¹ The Import Duties Act followed shortly afterwards in February 1932. This imposed a 10 per cent tariff on all goods, except those specifically exempted; this was quickly increased to a basic rate of 20 per cent.

Trade Association views on Protectionism

There has been considerable debate in the literature regarding the reason for the introduction of protectionism in 1931. Part of the debate centres around the extent to which it resulted from business pressure. Some authors have argued that the introduction of protection came after a period of sustained pressure, whilst others have suggested it was simply a matter of expediency, being adopted as a result of crises. Forest Capie is a proponent of the former view. He argues there was a sustained build up of protectionist pressure before the slump. 'Thus the implementation of the protectionist policy should be seen more as the culmination of over a decade of pressure by interested parties, which built up to produce a powerful force when worsening economic conditions developed at the end of the 1920s'.²² Stephen Krasner also feels that there were forces in the longer-term which would make protectionism inevitable. He argues that free trade suits the strong, with Britain's weakened position in the twentieth century, and the loss of

¹⁹ Eichengreen *Sterling* p.17

²⁰ This was introduced as an emergency measure because it was argued imports had started to rise at an unprecedented or 'abnormal' rate

²¹ Rooth *Protectionism* p.69

²² Capie *Depression and Protectionism*, pp.45-46

her hegemony, it was necessary to have a change of trade policy. The depression acted as the spur for change, bringing about the necessary return to protection.²³ Beer, suggests that the foundations for a protective tariff were laid in advance. He points out that by early 1931 the Conservative Research Department had produced a complete tariff scheme ready to be pushed through parliament and introduced when required.²⁴ Rooth argues that opinion in Britain had already begun to move in favour of the tariff by 1930. He states that the steady erosion of support for free trade in the late 1920s helps to explain the speed with which it collapsed once the country was hit by the world-wide depression.²⁵ A different view of events is however, taken by Eichengreen, who sees the tariff as a response to the immediate pressures of the depression, and especially to the deterioration of the balance of payments.²⁶ He argues: 'the authorities' distrust of the effects of a floating exchange rate formed the basis of their decision to impose the General Tariff in 1932'.²⁷ The main objective in introducing the tariff was to secure the exchange rate and avoid hyperinflation. 'The debate about tariffs changed in 1931, and although protectionist demands remained strong, the greatest pressure for the remainder of the life of the second labour government stemmed from the budget deficit and the financial crisis'.²⁸

The most comprehensive examination yet of the relationship between business interests and government policy towards protection during the period 1902 to 1932 is the work of Andrew Marrison.²⁹ Marrison provides an analysis of industry by industry attitudes towards protectionism before the First World War. For the period up to 1913, the focus is on the Chambers of Commerce, reviewing the position of each local chamber, and on the Tariff Reform League. Amongst

²³ Stephen Krasner, 'State Power and the Structure of International Trade', *World Politics*, 28 (1976) pp.317-48

²⁴ Beer Samuel H. *Modern British Politics: a study of parties and pressure groups* (1965) p.288

²⁵ Rooth T. *Protectionism* p.45

²⁶ Eichengreen, *Sterling*, does note the importance of pressure groups, and suggests they were important for the shaping of the tariff structure.

²⁷ Eichengreen *Sterling* p.3

²⁸ Rooth *Protectionism* p.59

²⁹ Marrison A. *British Business and Protection, 1903-32* (Oxford, 1996)

the local chambers, Marrison found early support for tariff reform. The ACCUK however, remained essentially Free Trade up to 1914.

Marrison argues that the introduction of Safeguarding post-war did not require a significant move away from free trade ideology but served to dampen the effectiveness of tariff reformers' propaganda.³⁰ Industries to be protected under the Safeguarding Act were determined by the Board of Trade to whom applications had to be made. Their list of protection disappointed industries such as hosiery, toys and even automobiles.³¹ Nine applications received by the Board of Trade appealed for anti-dumping protection but all failed. In the first five months twenty-four applications were received seeking protection against currency depreciation, sixteen were either rejected or withdrawn, and eight were referred on to committees. By March 1922, seven committee reports were announced with four having a favourable result.³²

Forrest Capie notes, in the recession of 1921 a powerful deputation from the National Union of Manufacturers [NUM] visited Baldwin, the President of the Board of Trade, urging prompt action.³³ The Safeguarding of Industries Bill soon followed. According to Capie: 'It was a clear case of protection (even if only of modest extent) resulting from business pressure'.³⁴ He further argues that the NUM kept pressure up with the result being that by 1923 the greater part of British industry was willing to lend support to the campaign. The 1923 election having been fought based on the protectionist question.

Capie also considers the work of the Empire Industries Association [EIA]. The EIA was formed in 1924 with the purpose of lobbying for a tariff. This organisation had the support of many backbenchers in Parliament. The body is

³⁰ Marrison *Protection* p.256

³¹ Marrison notes, the Board of Trade rejected the claims of the Association of British Motor and Allied Manufacturers for 33% commercial duty on cars [p.257 and footnote 8]. The Nottingham Chamber of Commerce were disappointed that embroidery, lace cotton hosiery, and gloves were not afforded key industry status [p.259, from Nottingham CoC Annual Report 1919]

Marrison *Protection* pp.257-259

³² Marrison *Protection* p.263

³³ Capie *Depression and Protectionism* p.72

³⁴ Capie *Depression and Protectionism* p.72

seen as playing an important part in the eventual introduction of the tariff. Seeing the importance of iron and steel for other industries the EIA supported calls for introduction of a protective tariff for the industry, believing that this would ultimately have to lead to the introduction of a general tariff. 'The EIA became a most powerful pressure group in the course of the next few years, cultivating the press and public opinion assiduously'.³⁵

Several historians have taken the view that the Federation of British Industry [FBI] was heavily divided in its attitude towards tariffs. Stephen Blank has written of the inability of FBI leaders 'to take any stand in favour of Protection because of the opposition of many groups within it'. Further, according to Blank the FBI sacrificed a radical line on industrial policy in order to secure membership size and growth.³⁶ 'Until the fall of 1930, the FBI's leaders believed that any action with regard to tariff policy would irrevocably split the membership and thus destroy the organization'.³⁷ The FBI recommended tariffs to the government in 1931, and the Import Duties Bill was introduced in 1932, but by 1931 tariff reform was not a controversial issue. 'Protection came not because of what the FBI did, but because in the economic crisis all opposition had melted away and, when this had taken place, those individuals like Chamberlain who had long been committed to tariff reform were prepared to act'.³⁸ This was likely to be true of other 'umbrella' or high-level trade associations that represented a large number of sectional interests.

Holland, in his study, of the FBI 1929-39, examined the composition of the organisation. He points out that a high level of membership came from the traditional export staple industries; iron and steel, shipbuilding and engineering, with cotton and coal interests also being important.³⁹ Because of this bias towards export industries, discussions within the organisation were dominated by the theme of Britain's international competitiveness. However, because export trade

³⁵ Capie *Depression and Protectionism* p.74

³⁶ Blank Stephen *Industry and Government in Britain* (Farnborough 1973) p.15

³⁷ Blank *Industry* p.27

³⁸ Blank *Industry* p.28

³⁹ Holland R.F. 'The Federation of British Industries and the International Economy',

affected members to differing extents there was no consensus in the FBI regarding tariffs. It was not until 1930, with the worsening of Britain's international trading position, that agreement in favour of tariffs was reached. Holland argues that the FBI was unclear about the government's intentions and this limited the action they could take.⁴⁰ Tariffs did become the central policy of the FBI though, as they gambled on government support for protection of British Manufacturing.

'By the autumn of 1930 the FBI, increasingly concerned that it might otherwise become marginalised as the voice of industry, had joined the protectionist bandwagon'.⁴¹ The FBI joined the Empire Economic Union, the EIA, the National Council of Industry and Commerce and the NUM in a Co-ordinating Committee on Fiscal Policy that was set up to launch a protectionist propaganda campaign.⁴²

Marrison also examined the FBI and its views on protectionism after the War. In the immediate post-war years the organisation attempted to poll its members views on the subject of tariff reform, and their fiscal views.⁴³ The FBI had considerable difficulty in completing their investigation into members' views since certain industrial groups would not respond. Marrison argues that the membership was more protectionist than earlier historians had previously acknowledged. Once the Safeguarding of Industries Act had been passed the FBI were happy to become involved on behalf of their members - applications under the legislation were seen as legitimate activity. The FBI helped prepare many applications for safeguarding, but with limited success. The FBI by 1930 was overwhelmingly protectionist. Most 'free traders' within it no longer supported the removal of safeguarding duties, but there remained an embargo on discussing tariff reforms. Because the FBI believed a permanent body would be set up to review tariff procedure they believed it was unnecessary to undertake heavy lobbying.⁴⁴

Economic History Review Vol 34 (1981) p.287

⁴⁰Holland 'FBI' p.290

⁴¹ Rooth *Protectionism* p.47

⁴² Closer involvement of banks with industry in the late twenties and early thirties, made them more disposed to view protection favourably.

⁴³Marrison *Protection* p.294

⁴⁴Marrison *Protection* p.413

In *British Protectionism and the International Economy*, Rooth examines the roots of the 1932 General Tariff in the policies of the 1920s.⁴⁵ He examines the McKenna duties and the Safeguarding of Industries. Rooth considers the views of various trade bodies. The British and Allied Manufacturers' Association [sic] gave evidence to the Balfour Committee on Industrial Efficiency and requested a protective tariff.⁴⁶ The fine chemicals industry also said it relied on the continuance of protection. Austin and Morris were both involved in the campaign for continued protection of the motor industry. Sectors of the textile industry also favoured protection by 1925. This was the case with hosiery manufacturers who were dependent on dominion markets.

'Even the steel industry, which gave the government more trouble about tariffs than any other sector, was fairly muted in its demands until after 1925'.⁴⁷ Referring to this industry Rooth asserts that because there was some division of opinion the government was able to ward-off claims for protection. By the late 1920s, opposition had almost entirely disappeared from the industry. Demands for protection and for imperialist policies gained fresh momentum from 1925. The NUM and the EIA led this. The EIA aimed both to lobby MPs and government as well as to educate the public. The agricultural sector had never taken to free trade. In 1927, the NFU launched a campaign calling on county branches to pressure local MPs for help.⁴⁸ By the end of the twenties Chambers of Commerce were increasingly willing to declare a protectionist stance. In July 1930 the British

⁴⁵ The main focus of Rooth's work, *Protectionism*, is a consideration of how Britain abandoned free trade in 1931-32 and then used protection as a bargaining tool in establishing bilateral trade agreements. The tariff was regarded as a tool for bargaining with other nations, and it is this aspect which forms the bulk of Rooth's study. The Import Duties Advisory Committee which was set-up to make recommendations on higher selective duties is mentioned, but there is no in depth study of its workings and relations with trade associations.

⁴⁶ Rooth *Protectionism* pp.38-39, the information is from the Board of Trade records on the Balfour Committee

⁴⁷ Rooth *Protectionism* p.40

⁴⁸ Rooth *Protectionism* p.43

Engineers' Association found from a poll of members that 96% favoured protection.⁴⁹

Steven Tolliday, in 'Tariffs and Steel, 1916-1934: The Politics of Industrial Decline', notes steel industrialists called for tariff protection in the twenties. However, they were not sufficiently unified to be able to exert pressure upon government: 'The industries where governments had been most ready to intervene had been those such as cellulose, dyestuffs or fuel oil where a compact body of employers with a clear plan had been able to win the support of a government department for a specific course of action for a specific purpose'.⁵⁰ He argues that NFISM (the main trade association for the Iron and Steel industry) was significantly silent in the tariff election of 1923. Largely this was because the industry had been lulled into a false sense of security concerning its prospects - the German industry was severely disrupted, and they had experienced an immediate post-war boom. Only as the real pattern of international trade began to emerge, did calls for protection grow stronger.⁵¹ There still remained some division of opinion however, and this took pressure off successive governments to act.⁵² A clear link could not be established between the tariff and the regeneration of the industry. Whilst industrialists called for protection the Government called for the rationalisation of the industry.⁵³

Attitudes toward protectionism were by no means uniform during this period. The Safeguarding of Industries Act was a special case, with only those industries of strategic importance benefiting significantly from the legislation. Safeguarding bought about a change in the role of the state, but as Roberts argues, this did not significantly increase or change the type of contact officials had with businessmen.⁵⁴ The Board of Trade merely had to process applications which

⁴⁹ This information comes from a BEA Report cited in Rooth T., *Protectionism*, p.46.

⁵⁰ Tolliday, Steven, 'Tariffs and Steel, 1916-1934: The Politics of Industrial Decline' *Businessmen and Politics*, ed. John Turner, (London, 1984) 50-75. p.53.

⁵¹ Tolliday 'Tariffs and Steel' p.53

⁵² Tolliday 'Tariffs and Steel' p.54

⁵³ Tolliday 'Tariffs and Steel' p.55

⁵⁴ Roberts R. 'The Administrative Origins of Industrial Diplomacy: an Aspect of Government-Industry Relations, 1929-35', Turner J. (ed.) *Businessmen and Politics* (1984) pp.93-104

were required to meet certain published criteria, their decisions were thus not subjective. Attitudes tended to change with the economic fortune of the nation, in the immediate post-war depression there were calls for protection, but these abated as the economy recovered. For most of the twenties, the prevailing mood was in favour of free trade, although there were always some calls for protectionism. Trade association opinion tended to be divided along industry or product lines. Rooth argues that business opinion at this time was ambiguous, so it was easy for Government to quell any calls for protection.⁵⁵

By the end of the twenties, business opinion was less divided however: 'There may have been a growing consensus in the business world in 1930 about the need for protection and imperial preference, but from June 1929 it was met by a government that at the outset was profoundly opposed to tariffs'.⁵⁶ By the end of the twenties the mood was swinging in favour of protectionism. With the onset of depression, calls for protectionism grew in intensity. The majority of trade associations were in favour of the introduction of tariffs by the early thirties. By August 1930 the ABCC adopted a report in favour of Safeguarding, and in October 1930 the FBI found 96% of its membership supported protection.⁵⁷

Marrison argues that protectionist sentiment and protectionist consensus did indeed grow during the 1920s. However, given the Conservative Party's recent history protectionist pressure from business was stifled. Business wanted protection but they wanted a Conservative government (with low taxation and support of business) even more. Thus, it was not until it became apparent that the Conservative Party was again committed to tariff reform that business expression strongly emerged. Commitment to protection by the party was clearly established by the autumn of 1930. This was the time for business to come out into the open and begin to exert pressure.

⁵⁵ Rooth *Protectionism* p.38

⁵⁶ Rooth *Protectionism* p.48

⁵⁷ Capie Forrest 'The Pressure for Tariff Protection in Britain, 1917-31' Journal of European Economic History (1980), p.438

The desire for protection rose to a peak by 1931, both in and out of Parliament. The Abnormal Importations (Customs Duties) Bill was introduced on 16/11/31, coming into force on the 25th of that month, and imposing duties of 50% on a range of manufactured goods. The Act was a foretaste of the General tariff legislation that came three months later.

Trade Associations and the British Government: a brief history.

In the nineteenth century, despite espousal of laissez-faire doctrines, state intervention was deemed acceptable, particularly in order to overcome market failures such as the regulation or control of emerging monopolies. However, 'Despite the advances of the state and the popularity of municipal enterprise in certain fields, the spirit of laissez faire, and business distrust of any government intervention, remained strong'.⁵⁸

Although businessmen before the First World War had canvassed government intervention, especially by those calling for tariff protection, the idea was not generally accepted. Hannah argues that in terms of international comparisons, Britain traditionally had low levels of government intervention in the economy. He notes that as late as 1911 Britain had only 73 public officials per 10,000 population, compared to the US with 113, Germany with 126, and France 176.⁵⁹ Britain was unusual in that government expenditure in the economy was limited, and this grew at a slower rate than did national income.

In World War I however, the state was forced to intervene: 'Initiatives which had been electorally impossible in peacetime now became political imperatives. Import tariffs were introduced on a limited basis in 1916 to raise revenue and protect strategically important industries; the government was also involved in the promotion and financing of companies to manufacture goods previously imported from Germany or vital to the war effort, like dyestuffs or

⁵⁸ Hannah L. 'Government and Business in Britain: The Evolution of the Modern Relationship', Nakagawa Keiichiro (ed) *Government and Business* (Tokyo, 1980), p.111

⁵⁹ Hannah 'Government and Business' p.107

aircraft dope'.⁶⁰ Government aided the growth of chemical and optical industries by providing cheap loans and technical assistance.⁶¹ A system of state controls gradually emerged where the state directed more and more of the economy's activities, with business being made subject to a wide range of controls. The railways, for instance, were placed under state control early in the war, to aid the mobilisation of troops. The British Government became embroiled in the running of industry to ensure that the nation was able to fight the 'total war'.

In the case of economic policy, most wartime measures were temporary, even if links between Whitehall and industry were strengthened.⁶² Traditional views suggest, once the crisis was over, the government could not return the 'reins' to industrialists quickly enough. Business was to be run by businessmen. The state no longer wanted to intervene in the economy, and wished to pull back to its traditional position, re-adopting a policy of laissez-faire. There were strong pressures, from the City and the Treasury, to restore the traditional "arms-length" British relations of industry and the state. The government retreated substantially from its control over the economy. State intervention would again be limited in nature. The State intervened to regulate certain sectors of the economy, such as controlling railway rates. It intervened in the supply of electricity, and it had a selective tariff policy to protect a limited number of specific industries.

Kirby and Rose present a modification of this view⁶³. They acknowledge the validity of explanations that stress the post-war resurgence of political and economic orthodoxy (including the pursuit of laissez faire), but they argue that this provides only a partial explanation. To illustrate their argument, they examine, what was a major objective of public policy, the reconstruction of industry. The Ministry of Reconstruction aimed to perpetuate improvements in business organisation and efficiency in the post-war era.⁶⁴ However, according to

⁶⁰ Hannah 'Government and Business' p.112

⁶¹ Peden G. C. *British Economic and Social Policy: Lloyd George to Thatcher* (1990, 2nd ed.) p.35

⁶² Peden *Lloyd George to Thatcher* p.53

⁶³ Kirby Maurice & Rose Mary B. 'Productivity and Competitive Failure: British Government Policy and Industry, 1914-19', Jones Geoffrey & Kirby Maurice (eds) *Competitiveness and the State: Government and Business in Twentieth-Century Britain* (Manchester 1991), pp.20-39

⁶⁴ Kirby & Rose 'Competitive Failure' p.25

Kirby and Rose this policy was largely unsuccessful. The Ministry could not implement its policies because the climate of co-operation between employers, labour and government no longer prevailed. Employers and labour no longer worked in harmony. There was also a division of opinion within the business community: 'whilst government plans for industry may have reflected the ideas of industrialists, they were derived it seems, from a vocal minority of productioneers and trade warriors who were not representative of the majority of businessmen'.⁶⁵

Kirby and Rose further argue that the impetus for reconstruction diminished with the collapse of the German military. This latter point is reiterated by Turner in his examination of the FBI: 'peak organisations signally failed to transform British politics in a 'corporatist' direction during and after the First World War ... Their [FBI] efforts to enlist state support were constantly undercut by their members' hostility to state intervention, based on the wartime experiences which had first driven them into the FBI. Unable to control their members, they could not hope to strike bargains with the government, and their corporatist aspirations flowed into the sands of 'decontrol' and the apparent collapse of German commercial competition in the immediate post-war period'.⁶⁶ The removal of the necessity of reconstruction for national security, complaints about levels of government expenditure, and the restoration of Treasury control over Whitehall machinery, combined with the ideological desire to 'return to normalcy' all acted to inhibit closer government-industry relations.⁶⁷ Indeed, Roberts argues that, by the mid-twenties, the relationship between government and industry had returned in many respects to that which had existed at the end of the nineteenth century. However, there was still a belief in some circles that for the sake of industrial efficiency government involvement was both necessary and desirable. It was clear that British industry needed reorganisation, but most felt this should be achieved voluntarily without any compulsion from government.

⁶⁵ Kirby & Rose 'Competitive Failure' p.27

⁶⁶ Turner J. 'The Politics of 'Organised Business' in the First World War', Turner J. (ed.) *Businessmen and Politics* (1984), p.48

⁶⁷ Kirby & Rose 'Competitive Failure' pp.29-36

The economic crisis of the early 1930s acted as a catalyst, bringing a revolutionary change in the role of the state in Britain. The National Government moved into, what was in essence 'uncharted territory'; for the first time since Britain had lost her dominant position in world trading, the country faced major cyclical and structural problems. The state was called upon to act to solve these problems. It was required to adopt policies to assist recovery as a matter of expediency: 'Above all it [British Government] traditionally sought to provide a stable framework within which industrialists could carry on their own affairs. When the crisis of the inter-war years undermined this simple position, government had to develop a new relationship with a set of industries already well established and representing powerful entrenched vested interests.'⁶⁸

Those policies introduced by government were in the main *ad hoc*. They had no overarching theory or policy on how to address micro-economic problems at this time. Increased intervention in the economy was seen by many as a necessary evil, not especially welcome in principle, but crucial in the short term. According to Roberts, officials still believed that the government should not intervene in the economy, but were able to come to terms with events by distinguishing between the short-term and the long-term. Intervention was regarded as a temporary expedient. The form of contact between government and business, one of 'industrial diplomacy', was not a haphazard development. 'It came about, rather, as a reflection of the anxieties felt by officials about the conflicting demands of economic theory and economic policy and about the need to preserve the role of Parliament in government'.⁶⁹

Roberts notes that by 1935, the relationship between government and industry had substantially changed. With the depression, the government had become increasingly involved in the economy, to protect business and aid long-term recovery. The government introduced the General Tariff, promoted the rationalisation of the coal, iron and steel and cotton industries, and developed a regional policy: 'Whatever their effect, these activities changed the relationship

⁶⁸ Tolliday 'Tariffs and Steel' pp.74-75

⁶⁹ Roberts 'Administrative Origins' p.98

between the state and businessmen'.⁷⁰ Ministers were more likely to aid industry, and there was a rise in the number of contacts between officials and businessmen. Trade Associations, and other business organisations, were the main focus of contact with government throughout this time. The government, being more than willing to consult, and negotiate, with these bodies. Turner, points out: 'The institutions of business politics - lobbying groups, and trade and employers' associations - were ready to go to work on the issues of business politics - industrial relations, social welfare, commercial policy and tariffs, and state regulation of industry'.⁷¹ The relationship between government and business (as represented by trade associations) was fundamentally and, permanently changed. The trade associations had gained access to the political process, and it was not something they would give up willingly.

At the same time, the more the government became involved in the economy the more it relied on the assistance of business representatives: 'the government had neither a bureaucratic apparatus nor the expertise to tackle the problems of the industry and government departments profoundly doubted their own competence to intervene and deal with the complexities that would arise'.⁷² Grant argues, co-operation with pressure groups is important because it legitimises government actions. 'On the part of government, there is a tendency to see business associations as 'lobbies', legitimate interlocutors with government, but not part of the system of governance itself'.⁷³ For government there are three benefits to the relationship with business groups: they receive information for policy design, consent for policy clearance, and co-operation for policy implementation. The government therefore, had as much to gain from the newly emerging relationship, as did business. The relationship was in fact symbiotic - a continual process of change, of response and counter-response. The consequence of greater government involvement of course was that the trade associations wanted a more substantial role in the political environment: 'If there is to be interference with industry and

⁷⁰ Roberts 'Administrative Origins' p.94

⁷¹ Turner J. *Businessmen and Politics* (1984), p.7

⁷² Tolliday 'Tariffs and Steel' p.73

⁷³ Grant Wyn *Business and Politics in Britain* (Basingstoke, 1993) p.12

commerce, then it is necessary for industry and commerce to show when and how this might be harmful'.⁷⁴

The expanded role of the state brought government necessarily into closer contact with industry. The change was not simply a 'hiatus' but was to auger a permanent alteration in the nature of state involvement in the economy, and in the relationship between the state and industry. It was from this time, along with the subsequent experiences of World War II, that the modern interventionist state was to emerge. Given this was when the foundations of the modern relationship were laid the 1930s is a crucial period in which to study business-government relationships as they unfold. A study of a phenomenon in its infancy may provide a useful insight into its future development, and it is this which will form the basis of this work.

Development of the state/government policy intervention

The extent to which government had begun to manage the economy in the 1930s has been much debated. Overall, the literature suggests that policy was *ad hoc*, piecemeal, and therefore not 'management'. Tiratsoo and Tomlinson suggest that the government could not have had an innovative⁷⁵ policy because of tight budgetary controls they kept in place. The state is seen as generally being reluctant to intervene in industry and therefore 'by the outbreak of the second world war Britain had little more of a 'developmental' state than in 1900'.⁷⁶

⁷⁴ Tivey L. & Wohlgemuth E. 'Trade Associations as Interest Groups' Political Quarterly Vol.29 (1958) p.70.

⁷⁵ Tiratsoo Nick & Tomlinson Jim, *Industrial efficiency and state intervention: Labour, 1939-51*, (London 1993) use a narrow definition of 'innovative' here. Specifically they are referring to the government's failure to adopt Keynesian-style fiscal policy, public works schemes, and more direct government intervention in industry.

⁷⁶ Tiratsoo & Tomlinson, *Industrial efficiency* p.7

Authors who dissent from this view include Booth and Middleton.⁷⁷ Booth proposes that the government were pursuing a coherent strategy to increase prices and profits to stimulate recovery.

Middleton argues not for a coherent policy across government but at least for more consistency in Treasury policy than previously acknowledged. Moreover, he adds that the government had begun to intervene deliberately in the economy before World War II.⁷⁸ While this intervention was not according to a fully developed strategy, it had gone beyond the pre World War I view of a passive government.⁷⁹ The government did not have a full package of tools and instruments which they could use to meet micro- and macro- objectives but they were beginning to get them.⁸⁰

Middleton sees inter-war regional policy from 1934 making a clear break from pre-war *laissez-faire* because it is discriminatory. This is equally true of tariff policy at the time. The use of IDAC, which worked effectively as an arbitration council, meant that certain industries benefited more than others. A flat rate tariff was introduced but this could be bargained up or down. As this work argues, the government, rather than using the tariff as a simple revenue earner or as a protector of strategic and infant industries, chose to use it as a broader policy tool.

In terms of industrial policy, Middleton refers to subsidies to industry, sponsorship and promotion through provision of cheap loans, but argues these were minimal. He suggests that because of the small scope of these they were not

⁷⁷ Booth Alan 'Britain in the 1930s: a managed economy?' *Economic History Review* Second Series XL 4 (198) pp.499-522, and 'An administrative experiment in unemployment policy in the 'thirties'', *Public Administration* 56 no.2 (1978) pp.139-157

Middleton Roger, *Government versus the Market: Growth of the Public Sector, Economic Management and British Economic Performance, c.1890-1979*, (1996)

⁷⁸ Middleton, *Government versus the Market*

⁷⁹ Middleton, *Towards the managed economy: Keynes, the Treasury and the fiscal policy debate of the 1930s* (London, 1985), earlier argued that government did only what was politically expedient and only so long as they could keep to 'orthodox' financing and balancing budgets.

⁸⁰ Particularly important in this respect were regional policy in the 1930s and policy in respect of the agricultural sector

entirely significant in terms of policy. The activities of the DSIR (who 'prodded the private sector to expand research') were written off as being insubstantial by Tiratsoo and Tomlinson.⁸¹ They conclude: 'It is apparent, firstly, that industrial modernisation and efficiency had never been the primary goal of any British government before this date'.⁸²

These are frequently made arguments; intervention is said to have had limited impact because it was fragmented across government departments. However, from the study of IDAC, this does not seem so transparent: impact may have been less fragmentary. IDAC had responsibility for a specific policy area but they co-ordinated their activities with those of other government departments as far as possible.⁸³ They were well aware, as were all government departments, of overall government policy aims and areas of responsibility across ministries. They had an understanding of how they could assist other departments in promoting and pursuing particular objectives. This suggests that Tiratsoo and Tomlinson were looking at the wrong institutions. Activities across government may not have been officially co-ordinated but the different arms of government were trying to achieve the same objectives.

Lowe examined the evolution of labour policy in the Ministry of Labour in the 1930s. He suggests that though 'orthodox' policy was followed, as civil servants became more experienced they were in a position to lead policy rather than just follow. 'Involvement in the practical realities of labour policy may not have enabled the ministry to define a theoretically rigorous 'alternative philosophy'; but at least it had encouraged legislative experiments which, in the pragmatic tradition of British policy-making, theorists could later legitimise'.⁸⁴ A similar process was working in IDAC. Through its activities, various policy tools and instruments of intervention were tried and tested. This was not because of the

⁸¹ Tiratsoo & Tomlinson *Industrial Efficiency* p.8

⁸² Tiratsoo & Tomlinson *Industrial Efficiency* p.18

⁸³ This includes the Board of Trade, the Treasury, the Ministry of Labour, the Ministry of Agriculture, and the Department for Scientific and Industrial Research.

⁸⁴ Rodney Lowe 'Labour Policy' in *The Road to Full Employment* ed. Sean Glynn and Alan Booth, London 1987. pp140-153

development of formal theories. However, IDAC's experience provided lessons for future intervention.

***Producing a scientific tariff*⁸⁵**

Middleton rightly suggests that the introduction of the tariff in 1932 gave an opportunity for 'rent-seeking' that had never before existed. However, he goes on to note that: 'in the eyes of the authorities such a situation was guarded against by the creation of the IDAC which, rather than the Board of Trade, was charged with overseeing the operation of the tariff and considering applications from specific groups for further tariff protection'.⁸⁶ He argues that this was part of a

⁸⁵ The term 'scientific' is elusive. Joseph Chamberlain first used it in a speech in Dec 1903. His 'Tariff Commission' again referred to a 'scientific tariff' in 1904 [see Marrison *Protection* p.34]. The term referred to the objective of producing a tariff beneficial to all. The tariff was not simply to benefit industry but all sectors of the economy as well as consumers.

The use of the term by Neville Chamberlain in relation to the 1932 tariff was more limited than that of his father. It focused instead upon benefits to all industries both producers and users. The emphasis for other sectors and the consumers was that it should not harm them. When questioned Neville Chamberlain stated that he did not expect the tariff to have an impact on the cost of living because of stocks of foodstuffs and freelisting [Hansard, House of Commons 4th February 1932 col.290]. A summary of the claims Chamberlain made for the general tariff can be found in chapter 2, as can a review of what the Committee felt they had to do.

The term scientific also implied something about the method of production and at the least that the tariff would result from an impartial enquiry. As Baldwin expressed it, he did not want to be responsible for making Great Britain a 'profiteers paradise', he wanted to make the tariff 'knave-proof', and to take it as far out of politics as possible. The term 'scientific' to describe the method of enquiry was in keeping with its usage in the USA. However, what 'scientific' actually meant in the US was as elusive as in Britain. Page in his book *Making the Tariff in the United States (New York, 1924)* brings this to light. It could mean the 'proper adjustment, of commercial legislation to business needs', or that tariff rates will lead to equality of opportunity for foreign and domestic industries [p.217]. It was accepted however that neither of these objectives could truly be achieved. At best therefore, 'scientific' was concerned with the gathering and analysis of relevant information and facts by highly trained men experienced in research and competent to judge what facts had significance for tariff making and what had not [p.178].

⁸⁶ Middleton *Government versus the Market* p.393

broader process of appearing to depoliticize economic questions.⁸⁷ The use of the word 'appearing' is key here: the tariff was not 'depoliticized'. IDAC was not strictly 'independent' of government: it was free to make its own decision but ultimately if its actions had not met with the Chancellor's approval, it could have been abolished. The tariff remained open to rent seeking behaviour making the task facing the Committee a difficult one.

The members of IDAC were asked to produce a scientific tariff and yet at this time economic understanding and knowledge in government itself was limited. As is well known, Treasury officials, in particular, lacked any formal training in economics. During the inter-war period and especially in the 1930s officials increasingly encountered economists on various committees and advisory bodies, and through institutional innovations such as the Economic Advisory Council [EAC].⁸⁸ Despite such groups, there was no real understanding of how the economy worked, and no 'economic model' to assist decision-making.⁸⁹ National Income Accounts did not exist and the information available was limited and/or of poor quality. Official statistics were inadequate, collected mainly as information for Parliament.⁹⁰ Given this dearth of economic training and knowledge in the Civil service how were IDAC to develop a 'scientific tariff'?

IDAC was perhaps, better placed than the Treasury itself to attempt such a task. Its members included the former Chief Economic Advisor to the Board of Trade (Sir Sydney Chapman), a former lecturer in History and Public Administration (Percy Ashley), a Barrister (Sir George Powell) and other businessmen and civil servants. Several of them had been active members of the EAC working on various committees. These men understood no more of a 'model' of the economy than the government itself but they had practical experience of business and the economy and their hands were not tied by departmental practices and principles. They had more room to manoeuvre and to

⁸⁷ The Government was willing to intervene but was at pains to conceal this. They also wanted to remove themselves from the influence of direct lobbying.

⁸⁸ Eichengreen, *Sterling*, notes that the EAC was the first government agency in which the virtues of a tariff were actively debated (p.9)

⁸⁹ Keynes did not publish his 'General Theory' until 1936

be perhaps more inventive. They endeavoured to make the tariff scientific considering its knock-on effects as far as possible.

Percy Ashley, in his review of the Committee's work noted that their attempts to introduce a 'scientific tariff' were constrained because of other aspects of the government policy.⁹¹ In particular he noted that the special relief for the Shipbuilding industry, the exemption from duty of empire and dominion goods and Trade treaties agreed with foreign countries limited the extent to which the tariff could be scientific. On the relief for the ship-building industry, he commented: 'These concessions were made in order to assist the shipbuilding industry, which had for long been seriously depressed and to which no tariff could be directly beneficial whilst it might to some extent be positively disadvantageous. But they were prima-facie inconsistent with the general principles on which the tariff scheme was based in that they singled out one particular industry for special treatment without any detailed and judicial investigation as was postulated in all other cases.'⁹²

Despite these constraints and their inability to measure the effects of the tariff⁹³ overall, they tried to keep to their remit of working in the 'national interest'. IDAC did the best that they could to make the tariff coherent, linking it to wider policy concerns and implications and to their own knowledge of the domestic economy. In the individual consideration of cases, they were unable to take account of all repercussions but they did consider the obvious ones.

⁹⁰ Middleton *Government versus the market* p.355

⁹¹ Percy Ashley, 'An Experiment' pp.1-45

⁹² Percy Ashley, 'An Experiment' p.12

⁹³ They were unable to measure the effects of their tariff, as suitable data simply did not exist. Nor did they have a developed model of how the international economy worked.

The rent seekers

Because of the way, that IDAC administered the tariff, it became a prime area for business to target government policy because the policy was discretionary.⁹⁴ Different levels of protection could be granted to industry if a satisfactory case could be made. There have been attempts to quantify this using evidence from US tariff history. There were a number of factors determining a sector's ability to 'capture' high levels of protection. These include size and concentration of the sector and regional concentration.

In his work, Capie considers the applicability of such theories to the tariff developed by IDAC. He argues in fact that, in contrast with the US, industries in Britain with strong market power (measured by the degree of concentration in the industry) did not secure the highest tariff levels during the 1930s.⁹⁵ Oligopolies

⁹⁴ It is clear from studies of other countries that tariffs are notoriously open to special pleading, see for example F.W. Taussig *The Tariff History of the United States* Volume 8 (New York, 1964); E.E. Schattschneider *Politics, Pressure and the Tariff* (New York, 1935); J.J. Pincus 'Pressure Groups and the Pattern of Tariffs' *Journal of Political and Economic Planning* 83, no.4 (1975) pp.775-778; Baack & Ray 'The Political Economy of Tariff Policy: A Case Study of the United States' *Explorations in Economic History* 20 (1983) pp.73-93; and, Hayford & Pasurka 'The Political Economy of the Fordney-McCumber and Smoot-Hawley Tariff Acts' *Explorations in Economic History* 29 (1992) pp.30-50..

⁹⁵ Capie *Depression and Protectionism*

He argued that the effective tariff structure was a function of the size concentration of industry (S), the regional concentration of industry (R), and some measure of import concentration (F), i.e., $T_e = f(S, R, F)$ such that: $T_e = a - b_1S + b_2R + b_3F$. His findings supported this argument, though the measure of import concentration proved to be insignificant. Size concentration was expected to have a negative coefficient because large concentrated industries were less in need of protection, and because in Britain at this time large industries were unlikely to cooperate with one another. This is opposed to US tariff theory that suggests highly concentrated industries use excess profits to exert pressure. Capie suggests this did not occur in Britain during the 1930s because oligopolists were unwilling to co-operate. He also makes the point that highly concentrated industries were, in any case, less likely to need protection. Regional concentration was expected to have a positive effect because this was likely to facilitate co-operative activities and, in later years, because the IDAC may have taken into account 'regional policy'.

were unlikely to co-operate especially as the evidence required by IDAC was of a sensitive nature.⁹⁶ Capie argues instead that the least concentrated industries, with the most to gain, should have obtained the greatest protection.

Analysis of IDAC Committee papers, however, shows a more complex picture. Concentrated industries were only less likely to secure high levels of protection if their case was fundamentally weak and/or if they could not convince IDAC that they would not exercise monopolistic powers to raise prices⁹⁷. Importantly, their success depended upon how well they were able to argue/present their case (it turns out that rhetoric and data analysis were both important).

The picture emerging from this work is of the limited ability of business to influence government via IDAC. This was not because IDAC were unwilling to listen but because the business lobby (with some notable exceptions such as the BISF the association representing the Iron and Steel industry) were so poorly organised that they were incapable of putting a coherent case before the Committee.⁹⁸ The Committee clearly had strong views, and worked to strict guidelines, on the eligibility for higher rates of protection. If they were not convinced that a case met their criteria, there seems little that business could do to convince them otherwise. The Committee rebuffed persistent claims.⁹⁹

Capie also considers the argument that regional factors may also explain the incidence of tariff. He argues that, in Britain: 'An industry that was clustered geographically would have found it easier to pursue, and present, a united case; an industry thinly dispersed across the country was unlikely to possess sufficient

⁹⁶ They required details of sales, costs and prices.

⁹⁷ Even this does not always deter IDAC from granting protection, this will depend on who the consumer is and how they will be affected by the price rises. There are also other over-riding factors which IDAC consider such as the level of efficiency in the home industry.

⁹⁸ This backs up the work of Turner *Businessmen*, Blank *Industry* and Grant *Business and politics*. Success rates are relatively low with around two-thirds of applications for additional duty being turned down by IDAC.

⁹⁹ Some applicants were told that they should not reapply for a given period of at least 12 months because their application would not be reconsidered before that period, at least, had elapsed.

cohesion to promote its interests effectively'.¹⁰⁰ This argument ties in nicely with the findings mentioned. Anything that makes it easier for a group of businessmen to co-operate (removal of barriers and costs) helped them in presenting a case to IDAC. Also of importance was the prevailing degree of organisation and co-operation in an industry. The existence of trade associations was important for this. A successfully unified Trade Association would be able to overcome some of the barriers to co-operation posed by geographical dispersion. That said, it turned out that industries based in 'depressed regions' were in any case likely to be favoured. IDAC throughout the 1930s, and especially from 1935 after the passing of the Special Areas Act, were particularly conscious of the need to protect employment in depressed localities. It may therefore, be difficult to pick out what is driving the levels of protection in such cases. It may be the effects of greater co-operation due to regional proximity alone, or due to concerns over regional unemployment, or some combination of these.

Capie used regression analysis to ascertain the factors deriving the effective rates of the tariff for different industries. He used a measure of market concentration¹⁰¹ and a measure of regional concentration.¹⁰² His findings support the hypothesis that market concentration had a negative effect and regional concentration a positive one. Capie notes that there are a number of weaknesses in the exercise, largely because of the aggregated nature of the available data. In addition, he notes that this does not actually test the importance of size of the

¹⁰⁰ Capie *Depression and Protectionism* p.84.

This argument, both in the work of Capie and US literature, is based on the premise that the tariff is a 'public good'. As with all 'public goods' pressure groups will encounter 'free-riders'. Where industries/businesses are geographically clustered, they are more likely to be cohesive, the costs of forming pressure groups will be lower and the free-rider problems will be minimised.

¹⁰¹ Two measures are tested, the first based on the share of employment controlled by the top 10% of firms, and the second based on share of net output controlled by these firms.

¹⁰² For this, there are three measures. The first is the number of establishments in a particular industry in a region. The second based on the number of employees in that industry in a region, and the third the net output of that industry per region.

industry just market concentration, though in testing the size of an industry proved insignificant.¹⁰³

Capie notes that: 'The argument that the least concentrated by size would have been the most needy and therefore most likely to secure higher protection can be supported to some extent by reference to the mood of the time, which was to encourage concentration - though the term used was rationalisation'.¹⁰⁴ The cotton industry was not concentrated by size. Its rationalisation was encouraged, and it received relatively high effective rates of protection. However, it was also regionally concentrated and an important employer in a depressed region.¹⁰⁵ It was not possible from the regression results to determine what was, in fact, driving these high effective rates for this industry. Some of these difficulties are overcome by the detailed analysis of Committee decisions. These provide details at the individual product level and will identify what factors mattered.¹⁰⁶

Capie also hypothesises that the level of import penetration¹⁰⁷ was explicitly considered by IDAC in coming to a decision. Yet testing by Capie did not find this to have significance for the level of protection gained.¹⁰⁸ In fact, it was more likely to explain whether they did or did not get some measure of additional duty. Analysis of the IDAC papers shows this was one of the key criteria used by them even if this were not applied in a systematic way. There existed no strict guidelines stating if import penetration reached *x percent* then an

¹⁰³ Capie *Depression and Protectionism* pp.86-87

¹⁰⁴ Capie *Depression and Protectionism* p.93

¹⁰⁵ This is also true of other industries such as Glove making where rationalisation was to be encouraged in what was a regionally concentrated industry.

¹⁰⁶ In general terms, size only seems to matter where the industry is very small. Very small industries are unlikely to be granted additional protection. IDAC do not want to open the 'floodgates' to lots of small claims and they are aware of the administrative burdens this would place on Customs and Excise. Level of employment in an industry also seems to be a more important factor for IDAC than regional concentration *per se*.

¹⁰⁷ Measured by the growth in the volume of imports and growth in imports as a proportion of home production.

¹⁰⁸ It is also worth noting that Capie looks at the growth in import penetration over the period 1924 to 1930 whereas the Committee explicitly only consider the preceding 6 to 12 months in the review of any case.

additional duty was to be granted, nor was it the case that a particular rate of acceleration in imports would trigger an additional duty.¹⁰⁹

The analysis of the Committee papers suggests that there were a number of broad reasons why they granted additional duties. In practice, an applicant was not successful because of one reason alone, it was likely to be a combination of factors, and the overall 'weight' of the case (and how it was presented) that would win the day. These reasons included such factors as the level of import penetration, the existing level of organisation and efficiency in the industry, infant industry arguments, anti-dumping measures, employment factors and regional location.

The structure of the thesis

Tariff policy in the inter-war years has been studied from several perspectives, focusing on political and economic developments leading up to the introduction of the general tariff.¹¹⁰ Though attitudes up to the introduction of the tariff within business, government and the electorate have been chronicled in detail, little attention has been given to the post-tariff introduction period.¹¹¹

Most of the current literature focuses on the role that the tariff played in recovery from the depression. Much of this work is critical of the impact of the

¹⁰⁹ A low level of imports (variously measured) was most likely to lead IDAC to respond by rejecting the application during the initial review stage. On the other hand, in successful cases the rate of protection granted would not be linked to the relative level of import penetration but more directly to relative prices. The applicant usually supplied this information on prices to IDAC with the Committee trying to get corroborative evidence where possible.

¹¹⁰ This has been of interest because the introduction of a general tariff involved such a major change in policy. While some authors suggest this was the result of the gradual build-up of business pressure (Capie *Depression and Protectionism*, Rooth *Protectionism*, Finer S.E. 'The Federation of British Industries' *Political Studies* IV (1956) pp.66-67, and Beer *British Politics* for example) others, such as Eichengreen *Sterling* argue its introduction was a matter of expediency in response to the immediate pressures of the depression and Balance of Payments difficulties.

¹¹¹ The Abnormal Importation Act of November 1931 marked the introduction of comprehensive tariff protection in the UK; this was consolidated by the Import Duties Act of 1932.

tariff on recovery,¹¹² or at best suggests that while the tariff did not make a positive contribution to the recovery, at least it was not harmful.¹¹³ However, a study only of the effective rates of protection, does not adequately cover the possible impact of the tariff. Nor is it possible to gain a true perspective on the business role in the tariff process from aggregate data.

More recently, the possible effects of the tariff outside of 'effective rates' have received some attention. Rooth and Scott¹¹⁴ found the tariff, amongst other factors¹¹⁵, was important for stimulating Foreign Direct Investment (FDI) in the 1930s: this FDI having long-term economic benefits through technology transfers and increasing competitive pressures. Kitson also suggests that the tariff was important, along with the general re-orientation of government policy towards domestic matters, for business confidence and this in turn boosted investment.¹¹⁶

¹¹² See especially Capie, *Depression and Protectionism*, who argues that effective rates of protection were negative for some of the industries, such as Construction, which were vital to the recovery. The work of Capie has not been without its critics. Most famously Foreman-Peck in 'The British Tariff and Industrial Protection in the 1930s: An Alternative Model' *Economic History Review* 9(1981) pp.132-139 and Kitson and Solomou, *Protectionism and economic revival: the British inter-war years* (Cambridge 1990), have criticised his methodology in calculating the effective rates.

¹¹³ Richardson H *Economic Recovery in Britain 1932-39* (Bristol, 1967), Foreman-Peck *op cit*, Kitson & Solomou *op cit*

¹¹⁴ Scott, Peter & Rooth, Tim, "Public Policy and Foreign-Based Enterprises in Britain Prior to the Second World War," *The Historical Journal* 42.2 (1999): 495-515.

¹¹⁵ Other factors included: leaving the Gold Standard and the devaluation of sterling; the governments patent policy which did not convey rights to overseas companies; government 'buy British' purchasing policy; and also domestic 'push' factors (particularly important in the case of Jewish refugees from Europe).

¹¹⁶ Kitson, Michael, "Recession and Economic Revival in Britain: The Role of Policy in the 1930s and 1980s," *Contemporary European History* 8.1 (1999): 1-27.

Kitson argues that government policy at this time (devaluation, exchange rate management, cheap money, balanced budgets and the tariff) was not harmful and that this is evidenced by a catch-up in the productivity gap between Britain and the US in the period 1929-35. The catch-up was only at very moderate rates in the 1930s at around 3% per annum, but in the previous decade, the gap had been widening by around 1.6% per annum. p.13

This analysis of IDAC will build on the work of those who have studied the indirect effects of the tariff.

Another literature focuses on the workings of government and the management of the state in the inter-war years.¹¹⁷ This frequently argues that British government had not significantly progressed in policy terms since the start of the century.¹¹⁸ It has been widely argued that development of the state and economic management came during the Second World War and thereafter. Analysis of the work of IDAC suggests that it might have begun on a small scale beforehand, particularly in the area of industrial policy.¹¹⁹

This research shows that the role of IDAC has been seriously understated. The Committee did considerably more than implementing tariffs. While the tariff it produced could not be regarded as 'scientific' by today's standards, the Committee's approach and its thinking were 'cutting-edge' in their day. This thesis offers an overview of how the committee arrived at its decision for all applications that were made for additional duty. This brings to light the factors at play in convincing the Committee that extra protection was justified. The work also provides an in-depth analysis of selective cases.

¹¹⁷ The majority of literature in this area is particularly concerned with the influence of Keynes on government and the extent to which the Treasury had adopted 'Keynesian' style demand management policies. This is not the concern of this work. However, the analysis of IDAC papers does bring to light a whole area of government intervention in the economy not previously known.

¹¹⁸ Maurice Kirby in 'Industrial Policy' *The Road to Full Employment*, ed. Glynn Sean, and Booth Alan, (London, 1987): pp.125-139, would support this view. They argue that Treasury insistence on following orthodox fiscal policy largely prevented them from becoming more involved and developing industrial policy and interventionist instruments. Others include Peden see for example *Keynes, The Treasury and British Economic Policy* (London 1988) and Winch see for example 'Britain in the "Thirties: A Managed Economy?"' in *The Managed Economy* ed. Charles Feinstein (Oxford 1983) and *Economics and policy: A historical study, Twentieth century studies* (London 1969).

¹¹⁹ This builds on other literature emerging in this area such as Lowe's work on regional policy. Lowe, Rodney, 'Labour Policy' pp. 140-153.

Chapter 2 will examine both the public interests, as represented by IDAC, and the private interests as represented by Trade Associations. It reviews the record of government business relations as they had developed up to the 1930s. It also examines what the two sides expected to gain from the tariff. Additionally, it addresses what influenced the Committee's approach and how they set about their task.

Chapter 3 explains the main documents used for this research and then moves onto an analysis of additional duty applications made to IDAC between 1932 and 1939. This explores some initial conclusions to be drawn: who applied, number of applications, timing, reasons for needing, decisions made, and reasons for those decisions. These findings are, necessarily, not as subtle as would be wished for. Hence, subsequent chapters examine some of the decisions and relationships in more detail through specific case studies.

Chapter 4 provides the first case study and is concerned with the Building industry. This provides an interesting example of how IDAC approached their work. It reviews why they were interested in a particular industry and why they were particularly interested in building. It looks at the way than the Committee approached the industry and what they hoped to achieve. It examines their method of working and the information that was available to them.

Chapter 5 provides a second case study, this time it concerns the Engineering industry. The chapter considers how and why a close relationship between IDAC and the industries' trade associations evolved, mainly focusing on the British Engineers Association [BEA]. Examining both IDAC and BEA papers the chapter reviews what both party hoped to gain from this relationship and considers the outcome. It clearly shows that the BEA failed to profit in the way they hoped from their close involvement with IDAC. The chapter also examines the impact on the engineering industry of the iron and steel tariff from the point of view of the using industry itself.

Chapter 6 considers the role of IDAC and wider policy issues. Following on from the detailed analysis of additional duty applications and the two industry case studies, the chapter will pick out those examples of IDAC work that highlight their interest in wider policy issues other than the tariff itself. These include the promotion of Trade Associations and Cartels, rationalisation of industry, industrial efficiency, research and development and technology transfers. It shows how IDAC worked with other government departments and sheds light on the extent to which they were willing to intervene in industry.

When introducing a discretionary tariff there will always be winners and losers. Some industries will benefit more from the tariff than will others. Some will not do well despite their best efforts to convince IDAC of their way of thinking. This finding supports earlier works which show that despite the existence of many Trade Associations at this time, it turns out that business was not always efficiently organised. An industry's ability to get what it wanted from government depended largely on how well organised and cohesive that industry was. A fragmented industry (even if it had a representative trade association) could achieve relatively little, whilst a strong co-ordinated industry could resist government pressures to reform and still get the protection it wanted.

The current literature argues that, because of the tariff, industries were not forced to reorganise and therefore there was little state sponsored modernisation in these years.¹²⁰ This study suggests otherwise. IDAC was intervening in industrial /business affairs in areas outside its remit, for example, research and development, technology transfers, industrial reorganisation, special areas, new products, FDI. These activities were significant in terms of the recovery and the longer-term competitiveness of British industry. The engineering industry for one was able to improve its competitive position whilst protected. This industry introduced new lines of production which it had hitherto been too risk-averse to contemplate. IDAC was able to reduce the risk involved significantly, thereby stimulating the recovery of a vital industry.

¹²⁰ See, for example Tiratsoo & Tomlinson *Industrial efficiency*

This analysis is also important in that it suggests the government (through bodies such as IDAC) may have been more interventionist in the inter-war period than has hitherto been supposed. There may not have been well-developed plans and policies in place before World War II but there were at least attempts to intervene at a micro level in the economy. This may have not been tightly co-ordinated from the centre. However, IDAC clearly knew what the government's policies and objectives were and acted in the best way to achieve them. They had also tested, on a small scale, some interventionist instruments. The scale of the intervention however, may have been less important than the lessons it provided post-war government and interventionist policy-makers.

Chapter 2: The public and the private interests

After 1918 the economic purposes of associations were most in mind and their fortunes fluctuated with the state of trade. The imposition of tariffs and the establishment of the Import Duties Advisory Committee brought the negotiating functions of associations to the fore again.¹²¹

The focus for this thesis will be the relationship between industry (as mediated for by various Trade Associations) and the IDAC. Contact between trade associations and IDAC will be examined throughout its period of operation from 1932 through to 1939. This period is important because of the policy change: Britain had a long history of Free Trade before adopting Protectionism. Histories of the period suggest that there was a gradual build-up of business pressure throughout the late 1920s calling for protection.¹²² When, in 1932, government finally introduced the general tariff it was a prime area for trade associations to target government policy in that the policy was discretionary. Different levels of protection could be granted to industry if a satisfactory case could be made. The task of constructing and introducing the tariff was to fall to IDAC.¹²³

¹²¹ Tivey L. & Wohlgemuth E., 'Trade Associations' p.60

¹²² For this see amongst others: Capie *Depression and Protectionism*, Rooth *Protectionism*, Finer 'The FBI', Beer *British politics*. A dissenting voice however, is that of Eichengreen *Sterling* who sees the tariff being introduced in 1932 more as a matter of expediency.

¹²³ Not only is this area of study important in the field of government-business relations, it may also contribute to the literature on the role of the tariff on recovery in the 1930s. Debate centers around how beneficial the tariff was for the economic recovery, and can be found in the works of Richardson H *Economic Recovery*, Capie *Depression and Protectionism*, Eichengreen *Sterling*, Foreman-Peck 'Alternative Model', and Kitson and Solomou *economic revival*. Part of the argument considers how tariffs affected individual sectors of the economy. Capie puts forward the notion of effective tariff rates, and argues these were negative for some crucial industries. His method of calculating these effective rates has been criticised, especially by Foreman-Peck and, Kitson and Solomou. However, if effective rates were important, it is noteworthy that, Capie suggests that businessmen in the 1930s were aware that it was this rate, rather than the nominal rate of protection, that was most important to them. If this were the case, it should have affected

The first part of this chapter will examine Trade Associations and their interests. Background on the development of Trade Associations up to 1932 is provided. This reviews how they worked with Government. The extent to which Trade Associations could exert influence over government policy is then considered. Examination of the literature on the US tariff and that on pressure-group activities sheds light on what the expected outcomes might be, i.e., which industries or groups were likely to be most influential and gain high tariffs for their products.

The second part of the chapter turns to a consideration of IDAC. This looks at why they were set-up in the manner which they were (supposedly independent of government). What their remit was and, what powers they held? Who the Committee were and how this might have influenced their activities? It considers how they worked to establish tariff rates and the approach they adopted. Finally the section outlines what the Committee hoped to achieve.

The Development of Trade Associations

The movement towards the formation of trade associations began in the last quarter of the nineteenth century. By the 1930s, Associations existed in all branches of trade and industry.¹²⁴ Growing competition and the weakening of Britain's international position probably helped to promote this activity.¹²⁵

applications made (and opposition to these) to IDAC. It will be important to consider which industries applied for amendments to duties, and equally those which did not.

In his work 'The United States Tariff and Industrial protection in the Late Nineteenth Century' *Economic History Review* (1975) pp.84-99 Hawke studies effective rates of protection for industry. Hawke asserts that: 'although the notion of effective protection was unknown at the turn of the century, the effect of tariffs on inputs was not. Congress, and even more lobbyists and pressure groups, sought to ensure that the tariff on industrial outputs compensated for tariffs on inputs and the calculations of effective protection show that these efforts were more than successful' p.91. Hawke also suggests that notions of effective tariffs could not have had much impact on policy before the 1960s p.92.

¹²⁴ Prager T., 'Trade Associations in Great Britain', *Agenda: A Quarterly Journal of Reconstruction*, Vol.3, November 1944 p.137, notes that, in 1918, the Committee on Trusts reported 500 trade

The growth in the number of Trade Associations in the twentieth century could be seen, in part, as a reflection of the increasing role of government in economic affairs. With greater intervention in the economy, the government took on a number of new functions. These new functions increased the points of contact between government, its departments and trade and industry. Business responded to this by forming its own representative associations that were able to work with government. The PEP study suggests that the First World War and the introduction of tight economic controls encouraged the development of trade associations.¹²⁶ The government needed help in organising the economy and called upon trade associations for this purpose.¹²⁷ As a result, during the war and immediately

associations, all exerting a substantial influence on the course of industry and prices. In November 1944, Prager noted some 2500 associations.

¹²⁵ This is the case put forward by Checkland S. in *British Public Policy, 1776-1939* (Cambridge, 1983), p.270

Beer *British Politics* p.74, argues that growth of trade associations went alongside the increased corporate structure of business and the growth of trade unions in what could be seen as a general movement towards collectivism.

Brady Robert A., *Business as a System of Power* (New York, 1943) p.12, argues that the history of the FBI sums up the move away from laissez-faire in Britain. The body was formed because of concerns over the rising power of labour and over the decline of British dominance in overseas trade. Earlier efforts at forming a "peak association" had failed because they were premature.

¹²⁶ PEP *Industrial Trade Associations: activities and organisation*, 1957 (1957) p5.

John Turner, who examined the emergence of employer organisations, in particular the FBI in 1916 and the NCEO in 1919, also concludes this. He states that: 'Their emergence during the war owed much to the ebb and flow of state intervention in the economy, but was also in part a response to labour militancy and in part a reflection of the new acceptability, in wartime political conditions, of a xenophobic nationalism'. p.33

John Turner 'The Politics of 'Organised Business' pp.33-49

¹²⁷ Keith Middlemas, *Politics in Industrial Society* (London 1979) argues that organisations representing both business and labour interests were encouraged by British governments in the war and pre-war period in order to maintain public consent. This was important in times of political strife elsewhere. This brought the associations into closer contact with government on a day-to-day basis. Since employers played such an important role in the running of the war, Middlemas argues that the views of the business community reached the centre of government in an unprecedented fashion. p.114

afterwards, there was considerable expansion in the number, scope and coverage of trade associations.

Concern over specific policy issues also induced businessmen to form these associations. In *Victorian Insolvency*, Markham Lester peruses the history of bankruptcy legislation in Victorian and Edwardian Britain. One aspect of the work is concerned with the groups and individuals that had a major influence on insolvency law reform. He argues that concern over bankruptcy legislation was one of the causes behind formation of two important national business or business-related organisations: the Associated Chambers of Commerce of the UK in 1860, and the Institute of Chartered Accountants in 1870.¹²⁸ From its inception, the Associated Chambers of Commerce's primary purpose was to influence legislation.

Aside from bankruptcy law reform, other major issues which promoted action from business included policy relating to the utilities industries, railway regulation, Company Law reform, Patents and Trade Marks Acts, Factories Acts, etc. To take just one example, the Leicester Chamber of Commerce Annual Report of 1912 shows interest in Bankruptcy Law Reform, the National Insurance Act and the Electric Lighting Bill. Many other examples can easily be found from perusal of chamber of commerce and trade association Annual Reports and published Journals.

The history of trade associations was also strongly linked with cartelisation and was, as such, a pro-active response to changing market conditions. 'Most firms by the 1920s belonged to the Trade Associations or Federations and the worse the structural decline of industry, the more individual employers tended to look to these organisations for support in wage-bargaining with the unions, while they sheltered behind their corporate relationship with government in such matters as price-fixing and cartels'.¹²⁹

¹²⁸ Lester V. M. *Victorian Insolvency: bankruptcy, imprisonment for debt, and company winding-up in nineteenth-century England* (Oxford, 1995) p.5.

¹²⁹ Middlemas K. *Industrial Society* p.182

Mercer H., *Constructing a Competitive Order* (Cambridge, 1995) p24, found that, up to 1950, of all trade associations affiliated to the FBI, 31.3% had been formed to negotiate prices or for reasons of price maintenance.

The potential use of trade associations in the reorganisation of industry was considered important in a period concerned with industrial rationalisation.¹³⁰ Government effectively encouraged rationalisation through the promotion of large firms, encouraging strengthening of trade associations and chambers of commerce, and through cartels.¹³¹ Discussions on these issues were to be a focal point of contact for business and government. Two other major policy concerns for both government and business during the inter-war years were the operation of the Gold Standard and Protectionism. In forging policy on these issues, the government and business associations were to come into contact on many occasions and in numerous ways. PEP argues that: 'Official support for schemes of rationalisation, and the introduction of the tariffs, were the chief contributions of the inter-war years towards the development of associations'.¹³²

How Trade Associations work with government

The historical literature provides clear examples of how trade associations interacted with government during this period. It is noted that associations were involved in what may be regarded as informal methods of contact, such as lobbying and publicity campaigns.¹³³ More important than this type of contact, though, was the contact established at a more formal level.¹³⁴ This took place in the form of direct contact with government departments and through being active on

¹³⁰ Although there was a substantial increase in industrial concentration in Britain in the 1920s, the state continued to show a high degree of tolerance to both mergers and cartels. Competition legislation was not passed until the 1948 Monopolies and Restrictive Practices Act.

¹³¹ This tendency will be considered in more detail in Chapter 6.

¹³² PEP *Industrial Trade Associations* p.24.

¹³³ Finer S.E. 'The FBI' pp.66-67 observes that the FBI was known to conduct lobbying activities - *ad hoc* representations, representations on the Budget, and representations on bills. It also watched legislation, both local and public, and sought amendments. Mostly, the FBI was arguing over details rather than over policy itself.

¹³⁴ Finer, 'The FBI' p.63, argues there are two types of contact with government: 'In the first, the Federation is, so to speak, passive, the advice it offers being at the Government's request. In the second, the Federation, having evolved its own views, presses them on Government'.

government committees and commissions.¹³⁵ One outcome of this could have been to establish a continuous process of bargaining and negotiation between business and government.¹³⁶

Holland, in his study of the FBI in the interwar years, suggests that the FBI was disappointed in the outcome of the Ottawa Agreements¹³⁷. The FBI had wanted binding agreements with Dominion countries rather than the vague assurances that came out of the meetings. However: 'the part the FBI played in "selling" the agreements to its membership contributed substantially to its success

¹³⁵ Finer, 'The FBI' p.65, notes that the FBI sat on numerous official committees, and was invited to give evidence to commissions or committees of inquiry, Government departments often sought the Federation's views on draft bills, orders, and regulations [p.65].

¹³⁶ Blank, *Industry*, surveyed the work of the FBI focusing mainly on the period 1945-1965. Blank considers the relationship between the FBI, government and politics. Viewing the FBI as being the leading industrial organisation in the country, he suggests it could have been seen as the representative of industrial opinion. He argues that the relationship between government and industry has only fundamentally changed in the post-second-world-war era, with the two sectors having become increasingly interlinked. The relationship has become intimate, continuous and institutionalized, and this has changed the process of decision making within British government: 'As the authority of the State has increased in all aspects of economic life, the part played in public affairs by private interests, such as labour and industry, has grown'. pp.2-3.

J. D. Stewart, *British pressure groups: their role in relation to the House of Commons* (1958), examines British pressure groups and their role in relation to the House of Commons during the period 1945-55. He notes the importance of consultation for government in the political process: 'Consultation has brought a relationship of confidence and continuing contract between group and government' (p7). He argues that by regularly participating on advisory committees the trade associations are given a place in the formal structure of government.

Tivey and Wohlgemuth, 'Trade Associations' suggest that, by 1958, businessmen were highly organised to deal collectively with matters of common concern. In their study of trade associations in 1958, they saw the most frequent contacts occurring between the permanent officials of associations and civil servants of assistant secretary rank, by letter, telephone, and by visits to the department. 'As the range and number of issues on which trade associations desire to make representations, or on which they are asked to give advice and information, have increased, there has developed a clearly defined network of administrative relations, both formal and informal, between industries and departments' (p.63).

¹³⁷ Holland 'FBI' pp.292-299

in obtaining the affections of government'.¹³⁸ This suggests that the FBI were able to benefit from a process of bargaining and negotiation in the longer term: their involvement over one issue increased the receptiveness of government over others. According to Holland, this was the period of greatest strength for the FBI. 'During the 1930s it [FBI] lost members and revenue as subscribers were liquidated or drew back from an organization which seemed dangerously close to government. But this was the price it paid for winning recognition by Whitehall as the main body representing industrial opinion'.¹³⁹

Although this pattern of government-industry relations emerged in the inter-war years, the impact of this increasingly formal involvement is not clear. Some authors argue that business associations were able to gain close access to government and as such were able to exercise considerable influence over policy making. Others recognise changes in the relationship between government and business but argue that business associations were unable to influence government; instead, they acted as 'servants' of government.

Trade Associations' influence on policy before the Second World War.

Since the 1960s, a large body of literature has been produced in the field of political science focusing on pressure groups and their role in the policy-making process. Works on the process of policy formation in the United States and Britain have followed two main approaches: 'Pluralism' and 'Corporatism'. The former approach propounds a situation where there is competition amongst all viewpoints, the latter suggests that holders of certain viewpoints have preferential status meaning competition is not equitable. Both have been criticised, particularly by those writing from a Marxist perspective, and alternative theories have been put forward. Other theories are often variations on a theme.

¹³⁸ Holland 'FBI' p.292

¹³⁹ Holland 'FBI' p.299

Pluralists argue that policy is made through a competition of viewpoints. The system works via the representation of the public through the leadership of interest groups. The interest groups are not, however, all powerful, i.e., groups influential in one area will not necessarily be influential in others. A major part of the process is that all participants are willing to bargain and negotiate to achieve their aims.¹⁴⁰ Power in society is thus, diffused widely among individuals and leaders of groups representing different sectors of society.¹⁴¹

In Britain, the notion of 'corporatism' relates to the idea of insider-group relations developed with government departments. In this way, modern institutions and processes play a pivotal role in mediating conflicts in industrial society. The idea was put forward by Finer in his work *Comparative Government*, where he points out that group leaders and civil service officials become interdependent. Those working in government departments need the interest groups just as much as the groups need them.¹⁴² Theorists see the role of groups as one of inter-mediation rather than simple representation. This highlights the belief that the groups act as instruments of government as well as of their members. Access to government leads to consultation, but some groups have privileged access leading to bargaining and negotiation.

A modification of the corporatist theory is the 'policy-community' approach: a view put forward by Middlemas in 'Politics in Industrial Society'. Again, it is noted that the majority of the policy-making task is conducted not by ministers but by civil servants. These officials rely on outsiders for advice and Middlemas argues that they have a tendency to consult the same groups. This allows some groups even greater access to the political process. The main source of group influence is in this area of official policy making. From this viewpoint, bargaining and negotiation are seen as more important for the groups than direct parliamentary action. An exchange-based relationship is developed between the government and the interest groups. Government departments not only need the

¹⁴⁰ Jordon A.G. & Richardson J.J. *Government and Pressure Groups in Britain* (Oxford, 1987) p.46

¹⁴¹ David W.L. *Political Economy of Economic Policy* (New York, 1988) p.196

¹⁴² Jordon & Richardson *Government* pp.92-93

advice of groups: they need their co-operation in the implementation/administration of policy. Middlemas argues that these organisations or groups become 'governing institutions' i.e. a body which assumes functions devolved on it by government, while other institutions decline in significance: 'To put it simply, what had been merely interest groups crossed the political threshold and became part of the extended state: a position from which other groups, even if they too held political power, were still excluded'.¹⁴³

In applying pluralist theory to business organisations in Britain, this suggests that groups should be able to compete equally and achieve equal success in influencing the policy-process. In some circumstances, one organisation will be more successful than others, but this will not always be the case. It would be expected that many groups would be involved in the policy-process. Further, it should be apparent that no particular group, or groups, is able to dominate this process. Factors such as the size of the business organisation and its representativeness should not significantly alter the chances of success.

In relating corporatism to the study of business organisations in Britain, it would be expected that certain organisations would dominate the policy-process. Their domination would be based on the intimate relationship forged with government departments over a period of time. The main thrust of activities should therefore be directed towards civil servants who are involved in the drafting and implementation of policy, for it is in this area that they are most likely to be able to achieve their goals. Many groups could be excluded from the policy process because they were not successful in winning the 'ear' of government. Factors such as the size of the organisation are more likely to matter from this perspective. Competition is not open: access is denied to groups who do not have a pre-established relationship with government. In looking at the inter-war period this theory may have some limitations, not least because this is arguably the time when relationships were first becoming established. In other words, it is not clear that, in the 1920s and 1930s, certain groups had gained preferential access.

For Tivey and Wohlgemuth, the strength of an association ultimately depended upon its internal cohesion. The power it could wield would be related to

¹⁴³ Middlemas *Industrial Society* p.374

what they were able to offer government in terms of co-operation and provision of information. 'Certainly as far as the trade associations are concerned it is this two-way traffic of information and periodic exchange of views, the direct approach and close contact with the departments, which they regard as the principal means of advancing their case'.¹⁴⁴ They argue that trade associations were powerful pressure groups. This is because they could frequently persuade government departments to make changes on specific matters where the policy content was not important, or where it was mainly a case of how the policy was carried out. They had indeterminate, but profound, influence on the framing of policy by ensuring full awareness of the problems and attitudes of industry. They could on occasion, make the work of government difficult by organising criticism and by becoming less and less co-operative.

There is a distinct difference of opinion regarding the success of trade associations in influencing government policy during the twentieth century. Some historians have argued that the trade associations had limited power at this time. They also were largely unsuccessful in their attempts to influence policy. A major reason why associations are said not to have influence is that they exerted insufficient pressure. The amount of pressure they could apply was constrained because of ambiguities and disagreements within the associations themselves. Other historians suggest that the relationship between business (as represented by trade associations) and government operated in such a way that business did exert influence over political policy. They differ in their views as to the extent of this influence. While those such as Middlemas suggest they played a fundamental part in the process, others see the role as important but more limited with business only able to influence policy at the margins.

A contemporary view of trade associations is provided in the work of Robert Brady, 'Business As A System of Power'. Brady argues, 'The influence of the FBI in governmental circles appears to have become exceedingly great'.¹⁴⁵ This was expressed in two ways. First, through representation on government

¹⁴⁴ Tivey & Wolgemuth 'Trade Associations' p.63

¹⁴⁵ Brady *Business* p.176

committees; second through the lobbying of Members of Parliament.¹⁴⁶ Brady provides example of the work of the FBI arguing that, in 1931, the National Government adopted the FBI's main recommendations on fiscal policy. After the general tariff was introduced in 1932, the FBI set up a special department to help members prepare applications to be submitted to IDAC.

Samuel Beer sees trade associations as having a central role in formulation of policy in the interwar period. 'Associations among producers were greatly encouraged and were brought into regular contact with government. In this structure of "quasi-corporatism", the relationship was neither one of business pressure groups dictating to government nor of government agencies planning the activities of business. Decisions were made rather, in a process of bargaining and negotiation'.¹⁴⁷ This was a gradual process with business increasingly becoming involved. Referring to the 1930s, Beer states that: 'Group consultation had been on the rise for many years. But it is not too much to say that the scale and nature of state intervention under the National Government founded a system of quasi-corporatism in which industry and government were brought into regular and continuous contact'.¹⁴⁸

Finer believes the FBI had substantial successes in influencing government policy in the period between 1931 and 1939, using the introduction of the tariff as an example of this.¹⁴⁹ He notes the success of trade associations arguing: 'The employer groups had it all their own way in this period because

¹⁴⁶ Brady *Business* p.175

¹⁴⁷ Beer *British Politics* p.297

¹⁴⁸ Beer *British Politics* p.298

Middlemas, *Industrial Society* p.114, argues an even stronger case for these organisations. He views trade associations as having significant political power in the twentieth century. Since employers played such an important role in the running of the war, Middlemas argues the business community reached the centre of government in an unprecedented fashion. He argues that these organisations became 'governing institutions', i.e., a body which assumes functions devolved on it by government; while other institutions such as the church, voluntary societies and the press, declined in significance.

¹⁴⁹ Finer 'The FBI' p.77

He acknowledges that the FBI were not alone in pushing for the tariff, noting the support of the TUC as well as that of the NUM and ABCC.

there was no countervailing pressure.¹⁵⁰ Finer suggests the Labour Party were weak in Parliament during this period and that the dominant Conservatives were always more likely to support employers because of their similarity of policy objectives. Furthermore, trade unions were in a weak position, at this time, because of the high rates of unemployment.¹⁵¹

Mercer also argues this: 'It is becoming increasingly clear that while businessmen have had to negotiate with government over what they have wanted, they have been able to limit the extent and effectiveness of government intervention in industry, and to ensure that the government could not carry out policies with which business did not agree'.¹⁵² A major theme of Mercer's thesis is the extent, nature and success of business veto of proposed government measures. It is argued this was possible because both of the main political parties saw industry as creators of economic wealth and as necessary for the countries economic progress. In *Constructing a Competitive Order*, Mercer points out that, in order to gain recognition from government, the Associations needed to be as representative of their trade as possible. The associations, therefore, steadily

¹⁵⁰ Finer 'The FBI' p.78

¹⁵¹ Finer 'The FBI' p.78

A number of examples of specific successes for business organisations can also be provided. Roberts, 'Administrative Origins' p.97, examining the question of municipal enterprise in the late nineteenth and early twentieth centuries, found that business organisations achieved some success. Although the campaigns failed to secure legislation against municipal trading, they achieved success via the implementation of policy through Whitehall and local government. In examining the British Shipping industry in the 1930s, Roberts highlights another example of successful business negotiation with government. In the 1930s, the industry was suffering from the international over-capacity of shipping and from heavily subsidised competition. In December 1933, the Chamber of Shipping and the Liverpool Steamship Owners' Association, called for government subsidies to match those given abroad. Before this the industry had been opposed to any form of government intervention. Representations were made by these organisations at Cabinet Committee meetings, and after long negotiations, the government agreed to provide subsidies for the financial years ending April 1936, 1937, and 1938.

¹⁵² Mercer H. *The Evolution of British Government Policy Towards Competition in Private Industry, 1940-56* (PhD London, 1989) p.30

expanded in size and scope from the 1930s.¹⁵³ 'There thus emerged a recognisable system, which combined economic control with political influence'.¹⁵⁴ Mercer acknowledges that, by the time of the outbreak of the Second-World-War these associations could bring political pressure to bear: 'Thus, as the British Engineers' Association remarked, in so far as it represented leading interests and could formulate effective policy, the association could "bring strong pressure to bear on the Government, both on high level and legislative matters and on detailed administrative questions"'.¹⁵⁵

Conversely, other authors argue on the other hand that, at this time, trade associations lacked any real influence in the policy-process. According to Grant, British trade associations had proved largely ineffective because of the suicidal individualism of the British manufacturer right up to the outbreak of war in 1939.¹⁵⁶ The main problem was the being division of interests between different sectors of the business community: factors such as size, product and technological heterogeneity prevented the development of common interests. Grant notes a cleavage of interests between small and large firms who served different markets and consequently faced a different set of problems.

Turner argues that: 'Most of the new bodies established by the mid-century aimed above all to influence government, but in practice the flow of influence was often the other way'.¹⁵⁷ Turner asserts that the actual power of the associations was limited as they were unwilling to use what market power they had in direct confrontation with government. They were also reluctant to accept state help if it

¹⁵³ Mercer *Competitive Order* p.9

¹⁵⁴ Mercer *Competitive Order* p.9

¹⁵⁵ Mercer *Competitive Order* p.27

¹⁵⁶ Grant *Business and Politics* p.14

¹⁵⁷ Turner John 'Servants of two masters: British Trade Associations in the First Half of the Twentieth Century' p.173, in *Trade Associations in Business History* eds. H & M Miyamoto Yamazaki (Tokyo, 1988) pp.173-198.

In 'The Politics of 'Organised Business' in the First World War' p.44, John Turner reiterates this: the FBI was not particularly successful in its efforts to influence the state. This was largely because of the methods it adopted: they concentrated their attention on government officials and ministers, stressing the virtues of the FBI as an authoritative spokesman for 'business views'.

meant sharing too much information with others. The trade associations had very little power or influence over the government. The government was the main beneficiary of any developing relationship: 'Often enough the state turned the tables, and used the industry associations as instruments of policy'.¹⁵⁸

A similar picture is presented by Blank in his study of the FBI. He argues that the association was much less effective in influencing government policy prior to 1945 than was previously supposed. For Blank, the preservation of industries *independence*, rather than the increase of its *influence*, was the dominant goal of industrial organisation during the period between 1916 and 1965, i.e., it wanted to prevent interference from government. He also notes that, as the organisation expanded, consensus amongst members was harder to achieve: 'Compromises in policy were the price of wider unity'.¹⁵⁹ After 1919: 'More and more, the focus of the Federation's activities was turned to the provision of services to its members and the protection of immediate industrial interests, rather than to the formulation of industrial policies or the leadership of British Industry'.¹⁶⁰

Blank examines the relationship between the FBI and the National Government by concentrating on two policy areas: Protection and Industrial Reorganisation. He argues that the influence of the organisation was weak: 'The Federation remained unwilling to take up issues that might provoke divisions within its membership. With such a wide range of interests represented in the organisation, few issues posed no danger. For the most part, matters which were likely to raise controversy within the organisation were studiously avoided, and this included almost every one of the critical issues which affected industry during the period'. The activity of the FBI, and therefore its influence, was constrained by the wide variety of interests which this peak organisation represented. A consensus could not easily be reached on policy matters with such a highly diversified membership and this problem was exacerbated as membership expanded. 'The FBI was never very

¹⁵⁸ Turner 'Servants' p.192

¹⁵⁹ Blank *Industry* p.15

¹⁶⁰ Blank *Industry* pp.19-20. He states that the NUM was far more overtly political than the FBI, but suggests that the NUM benefited less than the FBI from close links with government departments.

effective as a pressure group. We shall find that its ability to exercise influence on government was particularly inhibited by a number of factors-by the structure of business and industry in Britain, by the nature of the industrial organisations, by the values and attitudes toward industry in British culture and by industry's own self-image, and by the nature of the Federation's relationship with government'.¹⁶¹

This thesis shows that business, through trade associations, became increasingly involved with government during the 1930s. IDAC had more contact with businessmen than any government department had done before. Their approach stood in contrast to the limited contact the Board of Trade had with business when it administered Safeguarding.¹⁶² IDAC's much more hands-on approach was fundamental to the fulfilment of their remit.

Later chapters will provide a view of how influential trade associations could be over government decision making at this time. This suggests that while their involvement was both useful and necessary to IDAC, they were not able to influence policy or decision-making substantially. The strength and unity of an association did matter as can be seen from the study of the BEA. Examination of the relationship between the BEA and IDAC will also shed light on whether a trade association with close links to the Committee had more influence than others.

What did the Trade Associations want from the tariff and IDAC?

Although the topic of how trade associations views towards protectionism developed has been well documented, their responses and activities, once the General Tariff was introduced, have received scant attention. An indication of

¹⁶¹ Blank *Industry* pp.7-8.

¹⁶² Marrison notes 'Ashley[Percy] admitted that the Board of Trade had been unduly secretive about the operation of Part II, and had actively discouraged applications which made out sound *prima facie* cases' *Protection* p.264

what might be expected may be gleaned from literature on the development of tariff structures in the US.

Much of the literature on the US tariffs uses the theory of 'public goods' to analyse the role and activities of pressure groups. In particular, the 'free-rider' problem is analysed. Writers argue that, as far as tariffs bestow non-exclusive benefits, they may be viewed as public goods. Pressure-groups were likely to increase their activities when the 'free-rider' problem associated with public goods was minimised. The application of this can be found in the work of Pincus, Baake and Ray, and Hayford and Pasurka.¹⁶³ The literature finds that pressure

¹⁶³ Pincus J.J. 'Pressure Groups and the Pattern of Tariffs', Journal of Political and Economic Planning, Vol 83 (1975), pp.757-778

Pincus argues that the US Tariff Act of 1824 reflected pressure-group successes. He argued that the more active a group the less the chance of a free-rider problem. Small homogenous, geographically concentrated groups would react more intensely to the expected effects of tariffs in attempting to influence legislation. However, in Congress (where majority support was necessary), it was a disadvantage to be identified as too local or narrow an interest.

Baack B.D. & Ray E.J. 'The Political Economy of Tariff Policy; A Case Study of the United States', Explorations in Economic History Vol 20 (1983) pp.73-93

The work of Baack and Ray develops a framework of analysis for assessing the structure of tariffs across US industries from 1870 to 1914. They argued that, if tariffs were applied without political influence, a number of industrial factors would determine the pattern of tariffs: the skill level, and capital-to-labour ratios of an industry, and the extent of further processing of goods. They found that tariffs were positively related to whether or not the industry produced liquor, tobacco (traditional revenue items) or agricultural products, that tariffs were positively related to whether or not the industry produced consumer goods, and that there was a positive relationship between tariffs and heavy industry.

Hayford Marc & Pasurka Jr Carl A. 'The Political Economy of the Fordney-McCumber and Smoot-Hawley Tariff Acts', Explorations in Economic History Vol 29 (1992) pp.30-50

The work of Hayford and Pasurka is of most relevance to the British case as the tariff Acts that they studied were more contemporaneous with the British tariff. They examine the Fordney-McCumber Tariff of 1922 and the Smoot-Hawley Tariff of 1930. They investigate economic and political factors which partially explain the tariff structure imposed by the two acts and the changes in the tariff structure between 1922 and 1930.

Hayford & Pasurka determine the relative importance of two competing hypothesis to explain the passing of these Tariff Acts. One hypothesis argues that tariffs came about due to pressure-group politics, the alternative that Tariff Acts were passed due to party politics. Hayford and Pasurka

groups could influence the structure of tariffs but also notes that, where a pressure group represented a very sectional interest, they were unlikely to have an impact because Congress could ignore it more easily. The works also suggest that pressure groups were likely to form where costs were minimised. They note that this is likely to be affected by factors such as geographical dispersion, implying that groups such as consumers would be unlikely to form effective pressure groups. Where tariffs are concerned, this suggests that tariffs were likely to be high on the products of consumer industries. Agricultural products were likely to be subject to high tariffs to protect domestic production. Skill levels and capital-labour ratios were also important. Notions of international comparative advantage were also considered, with the suggestion being that tariffs were likely to be high for those industries that had poor comparative advantage and were, as such, uncompetitive.

The problem of protection as a 'public good' would have influenced the behaviour of British Trade Associations in the years up to 1932. Prior to the introduction of the tariff, as Marrison points out,¹⁶⁴ it was not economically rational for a manufacturer to participate in, still less to finance, a movement in which his individual contribution was unlikely to be critical and where the reward of protection would have been shared with free-riders. If it had been obtained then it would have been available to all.

The situation changed, though, once the tariff was introduced in 1932 and the free-rider problems were lessened. If a business chose to approach IDAC to request an additional duty, it was certain that the number of free-riders who could benefit would be limited. Should the Committee decide to raise the tariff, this would not be a wide-ranging increase but would be limited to specific products. It would be possible that some producers in a sector could reap benefits in this way. However, given that it was important for an application to the Committee to be as

concluded that 'party politics' might explain why legislation was introduced at certain times but it could not explain the structure of the tariff: this was down to pressure-group politics.

¹⁶⁴ Marrison *Protection* p.135

representative of the industry as possible, the chances of this occurring were reduced so long as producers were willing to co-operate.¹⁶⁵

The clear rewards to be gained from applying to the Committee - a higher level of protection and the lessening of the free-rider problem - meant that business interests were highly likely to participate in the process.

History and Functions of IDAC

‘This House has set up an independent body in order that the question of the rates of duties should be free from political pressure and that the body which should be responsible for the recommending should not be subject to the dictation of Ministers. Lobbying has been the curse of tariffs in other places and we do not want and we do not intend that we shall suffer in that way. We believe that we have ensured that result by the body which we have constituted, with its independent function’.¹⁶⁶

Awareness of the activities of pressure groups and the potential for log-rolling that could come from unrestrained activities of tariff-seekers led the government to establish the IDAC. The decision to impose the general tariff was governments but, in order to escape from the responsibility of adjusting the structure, an independent body was created. As Ashley notes: ‘It was felt that Parliament, though a powerful instrument for policy control, was not suited to the work of a very detailed investigation in the formulation of a tariff reasonably adapted to the diversified conditions of British trade and industry’.¹⁶⁷ More importantly, by creating the independent body, they hoped to take the ‘politics’ out of the tariff.

The Committee was, strictly speaking, an independent body: its board consisted of some civil servants but also private experts. However, more than half of its committee members were former civil servants and the administrative staff

¹⁶⁵ In working together and in presenting a united front, an application was, in any case, more likely to be successful.

¹⁶⁶ Neville Chamberlain, Hansard, *Parl. Deb* (Commons), 4th May 1932, 1134.

¹⁶⁷ Percy Ashley, ‘An Experiment’, p.6.

were all civil servants on secondment.¹⁶⁸ The Committee's expenses were to be met by the Treasury.¹⁶⁹ 'In form, therefore, the Committee was not entirely independent of the Government'.¹⁷⁰

However, Hutchinson stressed that the Committee was independent of government in terms of its decision-making and pointed out, for instance, that the Committee would not receive representations from MPs.¹⁷¹ This is similarly emphasised by Percy Ashley: 'It is, I think proper to put on record in this place that from the time it came into being until the outbreak of the present war (when its functions were necessarily suspended) the Committee, alike in the conduct of its enquiries and in the framing of its recommendations, was entirely free of any kind of Government interference; its initiative and judgement were wholly unfettered except by the general objectives indicated in the Act. And its refusal from the first to entertain representations from persons or organisations other than those having immediate interest in matters before it made it equally free from any other kind of political pressure'.¹⁷²

Hutchinson suggests that contact with both Government and Members of Parliament was only of the most formal nature. The tariff was the responsibility of the Treasury, with the Committee being established to advise the Treasury.

¹⁶⁸ When a review of the staff working for the Committee is undertaken, it can clearly be seen that the Committee was, for all intents and purposes, a Government department. Members of staff were transferred in and out of IDAC from and to other departments. IDAC had the same grading structure as all other branches of the Civil Service and was accountable to the Treasury in the same way as other departments. The Treasury itself refers to the Committee as a department. All the staff of the Committee were, in the first instance, transferred from various departments of the Civil Service. When the Committee was disbanded at the outbreak of war, all its staff were transferred to the Ministry of Supply.

¹⁶⁹ Hutchinson *Tariff-making* p.26

¹⁷⁰ Hutchinson *Tariff-making* p.26 Later, Hutchinson notes: 'It was still, however, a very small department in the higher ranks, and, while enjoying responsible and interesting work, it was beginning to feel the discomfort of having no natural line of promotion outside itself'.

¹⁷¹ Hutchinson *Tariff-making* p.35

¹⁷² Percy Ashley 'An Experiment' pp.5-6

Hutchinson suggests that, at a formal level, the only contact with government departments was, therefore, with the Treasury. He does note that other Departments would be consulted informally, in particular the Board of Trade and the Ministry of Agriculture, where interests might coincide. He notes that such arrangements were possible because the staff of the Committee had themselves been drawn from various departments. 'It [the Committee] was alive to the importance of maintaining its full independence, and the recognition of this was shared by the departments themselves. In the course of enquiries information was obtained from departments, but care was exercised on both sides to avoid anything in the nature of guidance from Government circles either as to policy generally or in relation to particular commodities.'¹⁷³

In his work, *International Relations*, Wurm questioned the level of independence of the Committee. Hutchinson's review of the Committee's operation makes no mention of unofficial contact with members of Government, and yet Wurm makes clear that such contacts were important.¹⁷⁴ The IDAC was closely linked to both the Chancellor of the Exchequer and the President of the Board of Trade. Wurm also suggests that, as time went on, Runciman and Chamberlain increasingly influenced IDAC: 'The Committee proved more than ready to respond favourably to 'unofficial suggestions'. It rejected a number of requests for higher tariffs, for example on agricultural products, which would have created difficulties for the government'.¹⁷⁵ Furthermore, Wurm noted that Neville Chamberlain repeatedly shielded IDAC from hostile critics in his attempts to show that its activities, and tariff policy in general were, was outside of the political arena. Wurm argues that Chamberlain was confident in this because he knew that the views of IDAC would coincide with his own.¹⁷⁶

¹⁷³ Hutchinson *Tariff-making* p.48

¹⁷⁴ Wurm Clemens, *Business, Politics and International Relations* (Cambridge 1993) pp.68-69

¹⁷⁵ Wurm *International Relations* p.69

¹⁷⁶ Wurm *International Relations* p.68

On a similar point, a NIESR study argued that the ‘formal’ independence of IDAC did not really matter so long as the Committee made the ‘correct’ decisions and did what the Government wanted:

It must be admitted that the machinery created for the purpose of adjusting tariff duties worked efficiently and smoothly. It was, however, wise to remember that the Committee, though nominally of a non-political character, was appointed by the National Government and that the same Government remained in power until after the outbreak of the present war. What would have happened if a Government in favour of Free Trade had come to power it was difficult to say, but it seems unlikely that the machinery could have functioned effectively if the Chancellor of the Exchequer, as head of the Treasury, had been fundamentally opposed to the policy of the I.D.A.C. Although theoretically removed from the field of politics, tariffs were always likely to arise as a political issue, and in the event of a difference of opinion it seems probable that the Treasury and ultimately Parliament itself would have dictated policy and that the I.D.A.C. as then constituted would have been over-ruled and probably reformed.¹⁷⁷

When the government announced the establishment of the Committee it was said that it was independent yet clearly it was not: it was effectively a part of government. In modern day parlance, the Committee would be viewed as a “quango”.¹⁷⁸ For this reason, the activities of the Committee cannot be disassociated from that of the government.

The Committee Members

The Chancellor of the Exchequer made the decision as to the membership of the Committee (see Appendix 2.1 for background to Committee members).¹⁷⁹

¹⁷⁷ The National Institute of Economic and Social Research (NIESR) *Trade Regulations & Commercial Policy of the United Kingdom* (Cambridge 1943) p.40. This comment comes after an acknowledgement that the Treasury only ‘rubber-stamped’ the Committee’s orders.

¹⁷⁸ Quango meaning ‘quasi-autonomous national government organisation’ rather than the more common ‘non-governmental organisation’.

¹⁷⁹ The selection of the committee members was primarily the responsibility of Runciman and Chamberlain, they were not to have ‘embarrassing industrial connections; or a ‘political past’.

Sir George May was appointed as Chairman: he had a business background in the field of insurance. He had been involved with managing the American Dollar Securities Committee during the First-World-War and had been a Director of the British Overseas Bank until 1931.¹⁸⁰ Other members included Sir Sydney Chapman, who had worked at the Board of Trade since the war, most recently as Chief Economic Adviser to the government¹⁸¹ and Sir George Allan Powell, who had held various public positions during the war and had served on several government enquiries since the war. To support them, Percy Ashley was seconded from the Board of Trade where he had been involved in work on the Safeguarding Duties. Herbert Hutchinson had also worked at the Board of Trade, and was recruited as an Assistant Secretary. Sir Alfred Hurst was seconded from the Treasury to assist the Chairman in his decision-making.¹⁸² Three of the six had been involved in the Economic Advisory Committee [EAC]: Herbert Hutchinson, who was involved in the Committee on the Cotton Industry in 1929; Sir George May, who was the Chairman for the Committee on National Expenditure in 1932; and Sir Sydney Chapman, who had worked on the Committee on Unemployment Benefits in 1930.¹⁸³

The *Economist*, pro-free trade and anti-tariff, was highly critical of Chamberlain for the introduction of the Import Duties Act. As well as being critical of its introduction, they were also uncertain about the removal of responsibility for the tariff from Parliament. However, when they learnt of the

Wurm's *International Relations* pp65-66 suggests that the appointments fell short of these requirements.

¹⁸⁰ Hutchinson *Tariff-making* p.26

¹⁸¹ Chapman as Professor of Political Economy had published a body of works which addressed tariff questions amongst others. It is clear from these works, including his *The History of Trade between the United Kingdom and the United States* (London, 1899) and his response to the Tariff Commission in regard to the Cotton industry, that he was a free trader. His economic theory can be found in his work *Outlines of Political Economy* (London 1929) and reflects his indebtedness to Marshall.

¹⁸² Hutchinson *Tariff-making* p.27.

Hurst was appointed at the insistence of Sir George May to act as his adviser.

appointment of IDAC Committee members, they considered these to be well advised. They noted in particular of Sir Sydney Chapman: 'In recent years, in his capacity of Economic Advisor to the Government, he has represented this country on the Economic Committee of the League of Nations, which has endeavoured to organise collective agreements for the reduction of tariff barriers and the better organisation of international commerce',¹⁸⁴.

At the same time they reported that they felt that the Committee had been given an impossible task. 'We do not envy the Committee a thankless task; for it would tax the power of an archangel to reconcile all the conflicting interests involved or to devise a tariff that will stimulate exports, that will increase employment by keeping imports out, produce revenue by letting them in, and through modifications of its own level secure reductions of tariffs abroad',¹⁸⁵. They were also wary that the constitution of IDAC meant there would be little protection for the 'public interest'.

The responsibilities of the Committee

The Chancellor of the Exchequer announced the General Tariff Scheme in the House of Commons on 4th February 1932. In summary, he said the purpose of the tariff was:

- To correct the balance of payments by diminishing imports and stimulating exports;
- To raise revenues by measures which would not place an undue burden on any class of the community;
- By a system of moderate protection, scientifically applied, to transfer to our own fields and factories work done elsewhere, and thereby decrease unemployment;

¹⁸³ Hutchinson *Tariff-making* pp.26-28

¹⁸⁴ *The Economist* March 5, 1932. P.506

¹⁸⁵ *The Economist* March 5, 1932. P.506

- By judicious use of the system of protection, to stimulate improvement in our methods of production and distribution;
- To use the protective system as a means of negotiation with foreign countries and as a safeguard against discrimination;
- To offer advantages to countries of the Empire in return to advantages given to us by them.

How IDAC was to work could only be seen from the guidance given in the Act. 'The Act constituted it to give advice and assistance to the Treasury by means of recommendations, but did not provide for it to receive instructions from the Government'.¹⁸⁶ IDAC were aware of the urgent need for protection for industry and were particularly conscious of the threat of 'dumping', especially from Germany and Belgium. Yet, at the same time, they knew that they were expected to consider in detail the merits of a tariff for particular industries. 'The Committee decided that the only thing to do was to act first and enquire afterwards. If a sensible tariff structure could be devised from its own resources, this could be adjusted at leisure where necessary, with the full aid of enquiry.'¹⁸⁷ IDAC decided to apply one standard rate to most wholly manufactured goods. An intermediate rate (between the standard rate and the general *ad valorem* rate) was to apply to a number of products: while luxuries would attract a higher rate of duty.¹⁸⁸ 'Meantime applications for additional duties came flooding in from the different sections of industry, followed, as the weeks passed, by reminders and appeals'.¹⁸⁹ Trade associations submitted many of these early applications.¹⁹⁰ When the initial scheme was decided there was a series of informal meetings with the Federation of British Industries [FBI], Associated British Chambers of Commerce

¹⁸⁶ Hutchinson *Tariff-Making* p.29

¹⁸⁷ Hutchinson *Tariff-Making* p.30

¹⁸⁸ The general rate was the 10% imposed under the Act, the standard rate was set at 20% with the intermediate rate of 15%. The higher rates of duty, for luxury goods and steel, ranged from 25% to 33¹/₃%.

¹⁸⁹ Hutchinson *Tariff-Making* p.32

¹⁹⁰ During the first week of March 1932, applications were received from fourteen different trade associations.

[ABCC], the National Union of Manufacturers [NUM], British Electrical and Allied Manufacturers Association [BEAMA] and National Federation of Iron and Steel Manufacturers [NFISM] to resolve any major problems at that stage.

IDAC completed the work in five weeks making their recommendations to the Treasury on 8th April 1932. The Treasury made an order (Cmd 4066) on 19th April and the duties came into force on 26th April.¹⁹¹ Over the next seven and a half years, IDAC worked on modifying the tariff. Generally, they waited for approaches from business to make amendments to the tariff, then considered these requests and made their decisions.¹⁹² In this way, the Committee formulated the tariff, developing tariff policy in a largely piecemeal fashion through time.

The Committee had responsibilities for additional duties, the free list, drawback and special machinery licensing (see Appendix 2.2). Additional Duties were applied mainly to finished and semi-manufactured goods. Items on the Free List were largely raw materials¹⁹³. Drawback was the method by which import duty could be reclaimed on items later re-exported. The machinery licensing scheme related to new machinery only being produced overseas upon which the Government did not want industry to have to pay duty.¹⁹⁴ Under the machinery licensing scheme, an importer had to apply for a license for each individual consignment of machinery.¹⁹⁵ Upon receipt, each application was referred by

¹⁹¹ Hutchinson *Tariff-Making* p.33

¹⁹² There are some examples of IDAC taking the lead and advertising particular goods for increased duties without receiving an application from the industry first but these are unusual.

¹⁹³ This was a list of goods not to be subject to duty. It was a limited one including only a few foodstuffs and raw materials and included some printed matter such as books, newspapers and periodicals. The Committee made additions to the Free List over time. These were mostly lesser raw materials for industry that had been omitted from the original list. Most foodstuffs were covered by the Horticultural Products Act, but large proportions of foodstuffs came from the Commonwealth and as such were exempt from duty (they were subsequently covered by the Ottawa Agreements). IDAC was happy to accept the *status quo* with these products and focus their efforts on industrial products.

¹⁹⁴ Decisions concerning which machines were eligible relied heavily on information that the trade associations could provide. In particular advice was sought from BEA, BEAMA and MTTA.

¹⁹⁵ This was the case until the system was reviewed in 1936; after this, for 'repeat' imports, i.e., the same type of machine, the license would simply be granted by IDAC. From this time, the

IDAC to the appropriate trade association for comment. The association would then confirm if the product, or similar, could be obtained in the country. Based on this information IDAC would either grant or refuse the license. Around a quarter of the imports of machinery each year came in free of duty under the scheme.¹⁹⁶ The machinery imported was, in the main: 'high-class machinery for special purposes, machinery which by its very nature calls for the highest skill in its design and construction and which sells at a very high price per ton'.¹⁹⁷

The Committee was also consulted over the implications of international trade treaties, at the negotiating stage, regarding information on conflicts likely to arise because of agreements raised elsewhere. Additionally, they were involved in a number of *ad hoc* enquiries, such as the review of the Dyestuffs Act, the investigation of queries concerning the Ottawa Agreements, an enquiry into the Iron and Steel industry, and the monitoring of price movements. From 1936, they also became responsible for the licensing of goods to be used in scientific research. They also monitored the importation of goods for a purpose connected with the advancement of learning, art or the promotion of sport.¹⁹⁸

The IDAC took on more functions than were originally laid down. It was called upon from time to time by the Chancellor of the Exchequer or the President of the Board of Trade to make special investigations. The Chancellor, in 1932, requested an investigation of the silk and artificial silk duties. The Committee conducted an enquiry into protection for the dyestuffs industry. It dealt with

responsibility was passed to the Associations to notify IDAC should production in these lines be commenced.

¹⁹⁶ Hutchinson *Tariff-making* p.64.

¹⁹⁷ Extract from an address by Mr. Bremner [Director], on January 11th, 1934 reported in the *BEA Bulletin* Volume XV 1934, February, pp.21-24.

¹⁹⁸ Responsibility was passed to IDAC when the Key Industries duty came up for renewal. According to Ashley, 'An Experiment' p.19, the number of applications made under this scheme were considerable, with about two-fifths of applications falling under the 'scientific research' category and being related largely to apparatus and preparations required for research in the medical field. A further two-fifths concerned the 'advancement of learning' and included special

complaints arising out of the Ottawa Agreements.¹⁹⁹ It acted in an advisory capacity when foreign trade treaties were being negotiated. And, in 1936, the Committee was requested by the Board of Trade to investigate the iron and steel industry.

How the Committee worked

Faced with the remit of producing a 'scientific' tariff, IDAC felt that they needed to:

- Consider the needs of all sectors of the economy, both producers and users;
- Provide a forum for all interested parties to air their views (as a system of arbitration, whereby users were given the opportunity to present their own side. If there were no opponents then the committee would assume that there were no problems);
- Weigh-up what was in the best-interests of any particular group and the likely affect on others;
- Use all available evidence to inform decision making;
- Take a 'balanced' view using 'best judgement';
- Consider not only price effects but also quality of products;
- Enable British industry to become more competitive (business needed to improve in order to face open market competition);
- Support and encourage the export trade.

In the case of Additional Duty applications, the Committee made decisions based on evidence received. Appendix 2.3 shows the details applicants were

cinematograph films, articles for various exhibitions, lecture lantern slides and special types of looms and weaving appliances for technical colleges.

¹⁹⁹ Canadians, regarding imports of Russian timber into Britain, made one such complaint.

required to submit. Similar information was required for applications for reduction of duty, additions or removals from the Free List, and for Drawback.

There were three divisions of the Committee, each dealing with different types of applications. The work was divided on a commodity-basis, the results of initial enquiries then being submitted to the full Committee. The first division dealt with iron and steel, machinery, non-ferrous metals, cutlery, hardware, implements and instruments. The second division dealt with cotton yarns and manufactures, woollen and worsted yarns and manufactures, silk yarns and manufactures, other textile manufactures, paper and cardboard. The third division dealt with: food, pottery, glass and abrasives, electrical goods and apparatus, chemical, drugs, oils and colours (dyes), oils, fats and resins, rubber manufactures, vehicles and miscellaneous manufactured items.²⁰⁰

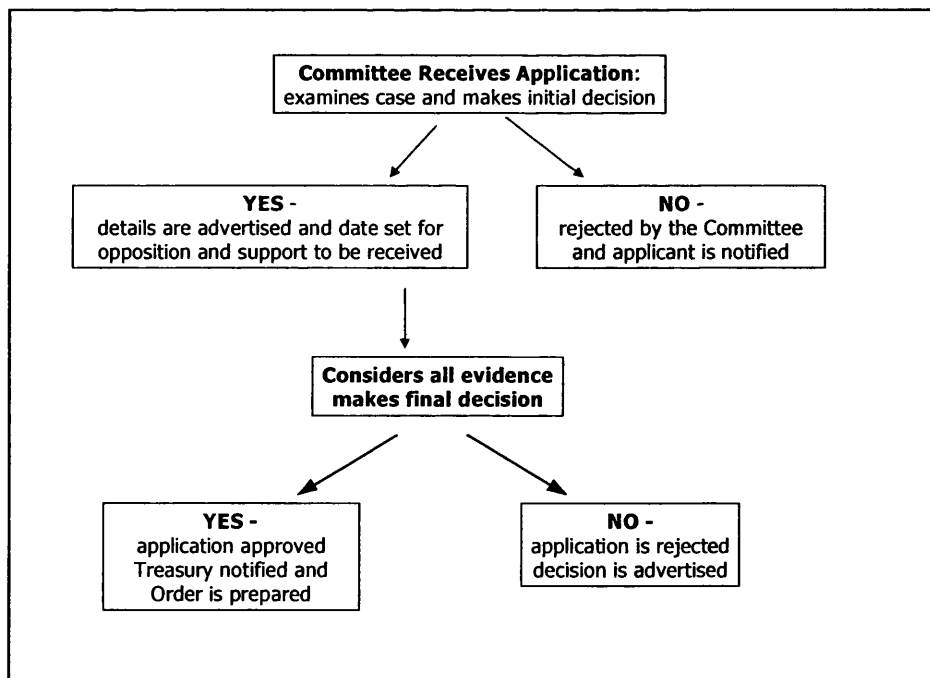
The approach adopted by the Committee saw each case proceeding in the following steps:

1. Application to be submitted in writing providing the details of the tariff change required and supplying evidence to support the case.
2. Application then sent to the appropriate division within IDAC for examination by the staff in light of statistical material and other relevant information
3. Applicants were asked (by letter or interview) to supply additional information and evidence as required.
4. The case was then passed to one of the three Committee Members who might also interview applicants or request additional information. Sir George May was responsible for Division I, Sir Sydney Chapman for Division II and Sir George Allan Powell for Division III. The Committee member would then present the application with his comments to the rest of the Committee.

²⁰⁰ PRO BT/10/110.

There is no evidence to suggest that this divisional split had more significance than for working practicalities. The divisions largely encompassed related industries. By focusing the work of the staff on a particular division, the staff were able to gain a deeper understanding of the industries and become more competent at handling the relevant statistical and qualitative data.

5. At this stage, the Committee decided whether a sufficient case had been made to warrant advertising. If so, the application was advertised in the Board of Trade Journal, the Daily press and appropriate trade periodicals; all interested parties were given a period within which to contact the Committee about the application.
6. Opponents would be provided with a summary of the case (without sensitive commercial details) and asked to provide their own case and evidence. This, in turn, would be passed to applicants for comment.
7. The responsible Committee member might then feel in a position to present conclusions to the rest of the Committee for decision. The Committee member might still feel it necessary to invite the applicants, opponents or both to meet him, either separately or together; he might think it best for such hearings of the parties, separately or together, to be heard by the whole Committee.
8. The final stage was the submittal to the Committee of a full review of the case and statement of conclusions. The Committee would then decide what recommendations to make to Treasury upon the case.



To sum up, once the Committee had initially approved an application it would be then advertised so that opponents could state their case and present evidence. Announcements of applications under consideration were made in the press for comment from the public and other interested parties. A final decision would then be made once these views could be reconciled. In some cases, the Committee would get opposing parties to negotiate amongst themselves and come up with a compromise which the Committee would then generally recommend.²⁰¹

Analysis shows that, when applications were received, the Committee preferred that they were received from a representative body of some kind. 'In accordance with the provisions of the Act, applications or counter-representation from individual concerns or persons were never ruled out, but efforts were continually made to secure that they should be put forward by representative bodies covering so far as possible all those concerned.'²⁰² Often the information initially received from applicants was insufficient. Owing to the detailed nature of submissions required, the size and structure of an organisation may have affected how well and how quickly the relevant information could be put before the committee. 'The matters on which a trade association or group might have to gather information and answer questions in pursuing a case with the Committee were liable to extend over a wide field, not only of fact but of policy in relation to prices, adequacy of capacity, efficiency, relations with its customers, exports, relations with its foreign competitors, and so forth.'²⁰³ Once all information was forthcoming, it would be compared with that already available from published or official sources (see Appendix 2.4 for details of some of the alternative sources of information IDAC used). Interviews would also be conducted with the applicants in order to produce a picture of the industry.

Efficiency of an industry was an important consideration, as was its pricing policy especially where the commodity was used in further manufacture by another

²⁰¹ An example of this can be found in Committee Paper 58/1935 relating to an application for additional duty on locks.

²⁰² Hutchinson *Tariff-Making* p.37.

²⁰³ Hutchinson *Tariff-making* p.77.

industry. There were several reasons why the Committee would grant additional duties: where the quantity of low-priced imports was rising, in the case of infant industries, or where an industry was re-equipping itself to meet demand at home or abroad, and, in some cases, to strengthen the position of British industry in negotiating international cartel agreements. Information concerning the extent of imports, their growth and their relation to home output was obtained largely from official trade returns provided to IDAC from H.M. Customs and Excise, and from the census of production supplied by the Board of Trade.²⁰⁴

The Treasury made the final policy-decision acting on the recommendations put forward by the Committee. However, it was normal practice for these recommendations to be accepted *in toto*.²⁰⁵ Recommendations of the Committee were not always a straightforward 'yes or no' to granting the additional duty: at times, a decision would effectively be deferred; there would be no outright refusal but an agreement to reconsider the position in *x* months time when the pattern of imports could again be examined. On other occasions there is evidence of additional duties being granted for a trial period.

Rarely were the recommendations of the Committee questioned by the Treasury: they were normally passed direct to formal orders. The Treasury Order then had to be voted upon in Parliament. In reality, the role of the Treasury and MPs was little more than a 'rubber-stamping' exercise because they were provided with insufficient information to be able to question the Orders. It is apparent that MPs were not always entirely happy with this procedure: they would have liked more information so that they could have formed an independent opinion on the matters. However: 'The Committee did not welcome anything which might tend to put the detailed discussion of particular tariff proposals back into the Parliamentary arena...'²⁰⁶ There were also practical difficulties in doing this because of the complexity of cases. As a result, the process was never

²⁰⁴ All of this information can be found within IDAC files

²⁰⁵ The Treasury, in any case, had limited powers it could not increase tariffs beyond that recommended by the Committee, nor could it set a tariff of less than 10 per cent without a recommendation from IDAC.

²⁰⁶ Hutchinson *Tariff-making* p.52

significantly changed. 'The Committee's task was to examine and weigh information which was frequently partial and incomplete and often conflicting, obtained from various sources and by various methods, and not uncommonly incapable of statement in statistical form; and to form conclusions on the balance of evidence'.²⁰⁷

What the two sides wanted from the tariff

For the government, there were a number of gains to be made from introducing the tariff. In the circumstances of the early 1930s, it was important for balancing the budget. By discouraging imports, the trade balance would be directly strengthened²⁰⁸ and the tariff raised tax revenue. Figures on the level of imports of manufactures show a substantial decline following the introduction of the tariff. Those products with the highest rate of duty saw a fall in the volume of imports of nearly 50% between 1930 and 1934.²⁰⁹ However, it is not possible to distinguish the effect of the tariff from the effects of the coincident devaluation and depression. The tariff did, without doubt, contribute as a revenue earner. In the financial years ending 1933, 1934 and 1935, it brought in £167, £179 and £185 millions respectively.²¹⁰

²⁰⁷ Hutchinson *Tariff-making* p.52

²⁰⁸ At the time, there was no discussion within government of the possible retaliatory effects on British exports.

²⁰⁹ Capie *Depression and Protectionism* p.100, cites the 1937 work of H. Leak, a statistician at the Board of Trade, this showed the reduction in imports of dutiable manufactures in 1933. In 1933, the volume of imports relative to 1930 was 36% and 53% in 1934. Capie notes that unfortunately, the estimates were simply one year's imports compared with another and that the reductions could be attributed to factors other than the tariff.

²¹⁰ Figures are taken from the 8th *Statistical Abstract for the United Kingdom* (1937). They show a significant increase on the average earnings from import duties in place prior to the introduction of the general tariff. These were in the region of £112 million a year between 1925 and 1931.

The relative price-effect of the tariff should also have diverted expenditure towards domestic goods. The increased domestic demand, should through multiplier effects, have stimulated the recovery and reduced unemployment.

The introduction of the tariff was also an act of retaliation against an increasingly protectionist international environment. With a tariff in place, the government had a bargaining tool which enabled it to enter trade negotiations with other nations. Mutually beneficial bilateral trade treaties could be agreed – a second best option when free trade was no longer viable. Britain in fact negotiated treaties with 16 other countries between 1932-1935.²¹¹ While these may not have altered patterns of trade in any significant direction, they were considered important at the time (sometimes more for diplomatic reasons than economic ones).

The tariff also provided government with the opportunity to bargain with industry, enabling intervention and promotion of industrial policy aims. At the outset, the Government's ambitions in this direction were limited, focusing mainly on notions of coercing rationalisation, particularly in those industries where earlier attempts had failed. Chamberlain, on the eve of his introduction of the Import Duties Bill, wrote that it:

'does provide us with such a lever as has never been possessed before by any government for inducing or, if you like, forcing industry to set its house in order. I have in my mind particularly iron and steel, and cotton; and my belief in the advantages of protection was not so fanatical as to close my eyes to the vital importance of a thorough reorganisation of such industries as these, if they are even to keep their heads above water in the future'.²¹²

IDAC went beyond this, seeing that they were in a position to manipulate industry to increase efficiency and competitiveness. 'In considering applications for

²¹¹ The series of treaties began with the Ottawa Conference agreements in 1932. Agreements with Argentina, Denmark, Sweden, Norway, Germany and Finland came in 1933. Agreements with France, Japan, Russia, Poland and the Baltic States followed in 1934. The final agreement was the Anglo-American treaty in November 1938. This followed four years of discussions. Attempts to negotiate with the US had not been made earlier because it was felt this would be pointless as the US government would not entertain decreasing its tariff whatever was offered.

A detailed analysis of the treaty negotiations can be found in Rooth *Protectionism*.

²¹² cited in, Beer *British politics* p.293

increased protection the Committee felt bound before making recommendations to assure themselves that the industry seeking aid was reasonably efficient, that is, that the additional protection, if granted, would not be a mere cloak of incompetence.²¹³

They believed that they had a responsibility to make the adjustment to the new economic conditions British industry faced as smoothly as possible, and saw a role for themselves in providing a stable framework within which industrialists could carry on their own work.

In the case of industry, what it wanted from tariff protection was more straightforward. It wanted a given level of protection. The concern was with effective rates: industry wanted to secure the highest possible levels on its own products and at the same time the lowest on its inputs.²¹⁴ Industry also hoped for inertia, wanting to change as little as possible.

Sources and approach

The work of IDAC may be analysed as follows. Original documentation from the applicants is not held in the main IDAC files, however, within Committee Papers there are detailed summaries of each case put forward. The Committee Papers also carry other useful information: regular updates on the position of outstanding applications; updates on the administration of machinery licence applications;²¹⁵ details of trade negotiations; record of meetings with, and copies of letters to, trade associations; trade figures; final reports to the Treasury, etc.

²¹³ Percy Ashley 'An Experiment' p.24

²¹⁴ There are exceptions to this but these, for obvious reasons, are likely to be rare.

²¹⁵ Committee papers provide quarterly reviews of the administration of this scheme. Lists are provided detailing recommendations made over the previous three months. This includes applications allowed, applications refused, and the grounds of refusal. The major reason for refusals was that similar machines were available in Britain. The information needed to arrive at these decisions was obtained from the trade associations.

An application appeared in more than one Committee Paper as it progresses. To follow any application through, therefore, it is necessary to trace all relevant Committee Papers. By doing this, the progress of an application from its receipt through to the Committee's decision and subsequent recommendation to the Treasury can be followed via various stages including the advertising of the case in the press and receiving notification of any opposition. The thesis analyses all applications to the IDAC for additional duty for all years 1932-39 at an aggregate level. A relational database has been created to record essential details of each application.

Of course, the motivation for requesting increased tariff rates on particular items, or adjustments to the Free-List, may not be straightforward. For example, there is evidence that applications were used as bargaining tools with international cartels.²¹⁶ Clearly, other interests will have motivated applicants: there may have been a wish to encourage change within particular industrial sectors; the applications may have assisted with agreeing domestic cartels; and, where the desired outcome was an additional duty, the initial claim may have been set high in anticipation of negotiating with opposition. Such motivations will need to be explored.²¹⁷ This may also produce evidence of collaboration amongst trade associations in submitting (or opposing) applications. Given the diversity of motivating forces, there were a range of satisfactory outcomes as far as the trade associations were concerned.

Before the in-depth analysis of applications was conducted, however, the decisions of the Committee were examined at a more general level. For the purposes of argument, applications were taken at 'face value', i.e., where a request was made for additional duty, it was assumed that this was the desired outcome. Decisions on applications were considered to identify whether any pattern emerged among refusals or recommendations. For example, applications from sectors of the

²¹⁶The notion that the tariff facilitated international cartel arrangements has thus far been neglected in considering the contribution of the tariff for the recovery.

²¹⁷ From the examination of both IDAC records and the records of selected Trade Associations, it should be possible to ascertain exactly how aware businessmen were of 'effective rates'.

economy considered important²¹⁸ may have accounted for relatively more of those recommended by IDAC. The time from initial application to introduction of any change in duty rates was also be calculated. This is important as the speed of the process could have determined the extent of potential benefits.

It is important to consider the extent to which IDAC's decisions reflect the changing economic environment and prevailing government policies. IDAC clearly was not oblivious to the government's rationalisation programmes in the case of the iron and steel industry. Its influence and attitude towards other sectors should also be considered. The government's Special Areas Development programme may also have influenced the Committee's judgement of certain cases. As war approached, the committee's criteria for approving applications may have altered. In particular, it may be observed that 'vital' industries received preferential treatment. The writings of IDAC will be used to draw out further inferences.

In conclusion, when considering the overall tariff structure, one might expect that tariffs were higher in the following circumstances:

1. In consumer goods industries. This would mirror the argument based on US tariff history, where consumer goods had high tariffs because consumers could not form an effective pressure group to lobby against their imposition;
2. In industries with large numbers of employees. This could be important because a large number of employees equated with a large number of potential voters (this was found to be true in the US case but given the differing political systems seems less likely to be true for Britain);
3. In industries where the rate of unemployment was high. This may be to protect against further job losses and in the hope of recreating jobs;
4. In low-skilled industries. Following the US literature, this may occur because these sectors had least comparative advantage and as such had the most to gain from protection;

²¹⁸ Strategically or because of levels of employment in the sector or infant industries arguments, for example.

5. In industries with high capital to labour ratios. High tariffs may have been required in these industries, so that investment continued and technological advances were maintained;
6. In industries which either made a large contribution to National Income or to export earnings. These may be viewed as most important for the recovery of the economy;
7. In the staple industries, such as cotton textiles iron and steel, and ship-building, which suffered from lack of competitiveness, but had traditionally been large employers (this relates to points 2, 3, and 6); and
8. In industries, predominantly located in Special Areas.

It would also be useful to examine those industries that never made applications for additional duty to IDAC. This may have occurred because an industry was not sufficiently organised to put forward a case, although evidence suggests that most sectors of the economy had representative trade associations. Alternatively, this may be because the industries did not need protection, or they believed the level of protection they were receiving was sufficient.²¹⁹ Any attempt to do this, however, would be constrained by the availability of data. That said, the issue is examined for one industry: that of building.

²¹⁹ If this was the case, it would be important to relate this to the issue of effective rates of protection and the contribution of the tariff to the recovery.

Hawke 'United States Tariff', found industries where legislative protection was of little significance relative to natural protection had low, or zero, rates of protection p.98.

Chapter 3. Additional duty applications 1932-39: Data Analysis

Documents produced by the IDAC are the primary source for this research. Original documentation from applicants is not held in IDAC files. However, within Committee Papers there are detailed summaries of each case put forward. These Committee papers provide a step-by-step summary and analysis of each case. Any particular application will appear in more than one Committee paper as the case progresses.

To follow a case through it was necessary to link together a number of papers over time. In all, this necessitated examining over 2,500 papers produced by the Committee during their seven years in operation. By doing this the progress of an application from its receipt through to the Committee's decision and subsequent recommendation to the Treasury could be followed via various stages, including the advertising of the case in the press and receiving notification of any opposition.

Any committee paper may cover more than one application if for instance, they involve similar cases, or if they only cover brief updates on cases. The papers vary in length and complexity, reflecting the cases they cover. Some papers were very brief: where the applicant puts forward little evidence and/or where their case was weak, the Committee could quickly reject the application having given it only cursory attention. Most papers consist of between ten and thirty foolscap pages of notes whilst the most complex papers may be up to 300 pages in length.

What is recorded in the Committee Papers?

The first paper for an application will usually provide the following details:

1. The change in the duty requested and details of the product for which the change was required
2. The name of the applicant(s)
3. Occasionally, some background details on the applicant and the state of the industry
4. The grounds upon which the application was being made
5. The Committee's impression/view of the case at that early stage. This would often include comments on whether there were known using interests and if there are any political factors to be considered.
6. 'Next Steps'.
 - 6.1. Whether the applicant was required to provide more information immediately
 - 6.2. Whether any third party needed to be consulted, this could either be an other government department (OGD) or a known opponent for instance
 - 6.3. Whether the case was to be advertised
 - 6.4. Whether the case was to be rejected immediately and the reasons for that decision.

Subsequent papers show the progress of the cases including details of any further information submitted by the applicant, the views of any opposition or support, and third party consultation. Finally, the Committee decision and the reasons for it were recorded.

From this wealth of material, basic information on all those applications submitted with requests for additional duty (and specific duty where this involves an increase in the level of protection) has been recorded. A relational database has been constructed containing information on all the additional duty applications made to IDAC. This database enables analysis of all the additional duty

application decisions the Committee made between 1932 and 1939.²²⁰ Providing an informed picture of the reasoning behind IDAC decisions (and, whether this changed through time), also shedding light upon whether the Committee members abided by the criteria they had set down.

Details of the database

For each application made to the Committee, a record has been entered to the database of:

1. Application – product name, date of first and last papers
2. Name of applicant(s)
3. Reason(s) for application
4. Name of opponent(s)
5. Name of supporter(s)
6. Three types of Committee decision – **Initial Rejection** (i.e. those applications that were turned down by the Committee even before advertising because a sufficient case had not been presented), **No** (applications that were turned down by the Committee after advertising and further consideration), **Yes** (applications where the Committee agreed to raise the duty after the case had been advertised and considered in depth)
7. Reasons for the Committee decision
8. Committee member making the decision.

A series of codes was devised to record the data in a manageable way. Each applicant was allocated an alphanumeric code. These differed in format according to whether the applicant was a representative body (Trade Association or Chamber of Commerce), or an individual business. Appendix 3.1 provides an example of these²²¹. Similar sets of codes were produced for both the opponents

²²⁰ A copy of the database and a report summarising the data for each application can be found on the accompanying CD-ROM.

²²¹ Full details of all data can be viewed in the 'Applicants' table of the Database.

and supporters of applications: examples of these can be found in Appendices 3.2 and 3.3 respectively. Details of the product for which the additional protection was required were entered in full and each application given a unique identifier.²²²

The applicants' reasons for applying for the duty fell into broadly similar grounds and a coded list of reasons (added to where necessary through time) was constructed to reflect this. The details of these reason codes are shown in Appendix 3.4. Most applicants gave a number of reasons for requesting the additional duty and separate codes were added for each reason mentioned.

Similarly, with the Committee's decisions, it was found that these were also broadly similar and coded lists were also produced. A coded list for each type of decision, i.e. those initially rejected, those that were 'No' after advertising and those that were 'Yes' after advertising, was produced. These are shown in Appendix 3.5, Appendix 3.6 and Appendix 3.7 respectively.

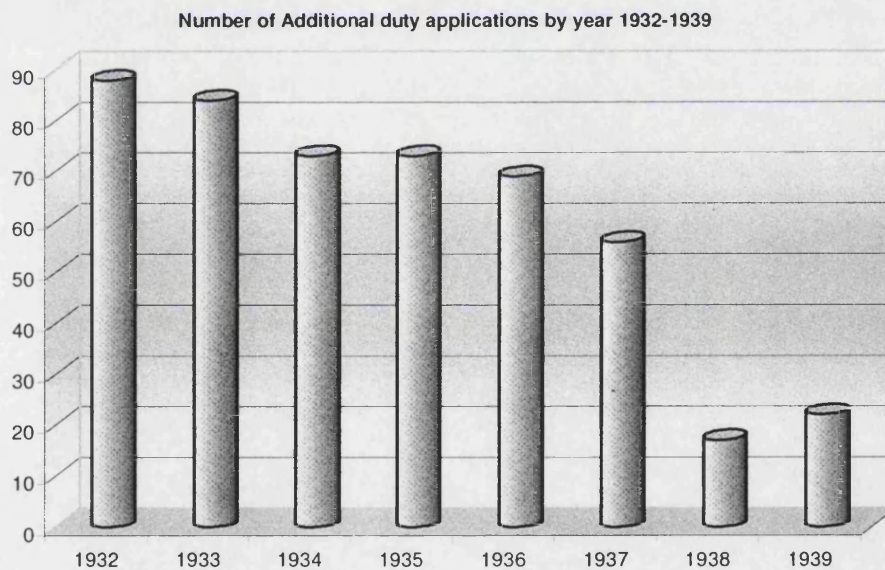
²²² The unique identifier was based upon the original Committee Paper Reference number. For technical reasons the year is shown first in the database, thus the details of Application reference ID. 36/161 would be found in Committee paper number 161/1936.

How many applications for additional duty were made to the Committee, and when?

Over the seven years, 1932-1939, IDAC considered 481 additional duty applications. The table and chart below show the number of additional duty applications received year on year.

Number of Additional Duty applications made each year

Year	1932	1933	1934	1935	1936	1937	1938	1939	
Number	88	84	72	73	69	56	17	22	481
Cumulative percentage	18.3	35.8	50.7	65.9	80.2	91.9	95.4	100	



As expected the Committee received a massive influx of applications in the first year. This level of applications was sustained in 1933, and only dropped by around 10% in 1934 and 1935. In 1936 and 1937 the number of applications fell a little further and then applications dropped off significantly during 1938 and

1939. By the end of 1934, the Committee had received a half of all the additional duty applications, and by the end of 1936 over 80%. ²²³

The gradual fall-off in the number of applications may have occurred for a number of reasons. It seems natural that most applicants would try to get in quickly to secure any benefits as early as possible, thus explaining the large number of applications in the early years. Application levels may then have been sustained as more and more sectors were affected by the depression. Retaliatory action by other nations began to bite (for instance, currency devaluations, access to export markets being restricted and, the dumping of goods in Britain) would also have had an impact. Three reasons may explain the fall-off in applications from 1936. First, the economy was beginning to recover from the depression. Second, even more obviously, once those needing additional protection had received it fewer applications would be necessary. Finally, applicants may have been deterred from submitting applications, as they became aware of how difficult it was to win a case. This may have acted as a deterrent particularly as the process could be time consuming and therefore, costly. Instead, they may have devoted their energies to the pursuit of alternative forms of protection such as restrictive trade practices at home, and the negotiation of international cartel agreements²²⁴.

²²³ Quarterly data on the number of applications made do not show any particular seasonal variations. This is unsurprising, as there does not seem a reason to expect this.

The only products where seasonal applications were received tended to be on some horticultural products such as strawberries, and these were requests for temporary variations in the duty rates. These were most often dealt with separately by the Committee and procedures followed were not the same as for other additional duty applications. In most cases, these have not therefore been included in the database of applications.

²²⁴ For further details on this see Chapter 6.

How many applications were successful?

In terms of the decisions made by the Committee, of the 481 applications, 189 (39.3%) were turned down at the initial stage. Of the remainder, the Committee, following advertisement and further consideration, refused to grant additional duty in 138 (28.7%) of cases. In the remaining 154 (32%) cases, the applicants were successful in gaining additional duty after further consideration by the Committee. Overall, therefore, an applicant only had a one in three chance of persuading the Committee to increase the duty rates on its products.

The pattern of Committee decisions year on year is shown in Appendix 3.8. This shows that the earlier an application was made, the greater was the chance of success. In 1932 just over 45% of applicants had their request for an additional duty granted, this fell to around 39% in 1933, around 28% in 1934, and rose to around 41% in 1935. In 1936, only a quarter of decisions favoured the applicant and in subsequent years, there was even less success for applicants – in 1937 as few as one in eight decisions went the way of the applicants. In the years 1937-1939, the proportion of successful applications did not rise above 18%. For those applications that were unsuccessful, in all years excepting 1932 and 1939²²⁵, they were more likely to be rejected at the initial stage rather than after advertising. In other words, in most instances the applicants were unable to present a sufficiently interesting case for the Committee to give it further consideration.

By the end of 1933, over 47% of all the applications that were to succeed had been made. This reached 60% by the end of 1934 and, by the end of 1936, over 90% of the successful applications had been made. From our detailed analysis of Committee Papers, it seems that the quality and strength (i.e. greatest need) of the applications must explain this, as there is no evidence to show that the Committee's requirements became more stringent.

²²⁵ With regards the Figures for 1939, the high proportion of 'no' decisions is in part explained by the ending of the Committee's activities due to war.

Time to make decisions

The length of time it took the Committee to process the additional duty requests may have been crucial for the industries concerned and have affected their ability to recover from the depression. Examination of the time it took IDAC to make their decisions this brings to light how time consuming the process could be for applicants – additional evidence of this is found when reviewing individual cases.

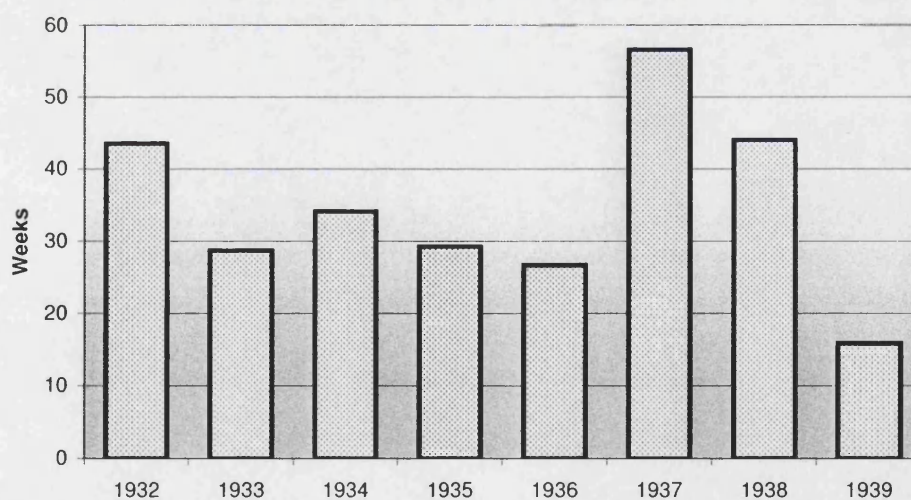
Calculations given here are based upon the dates of the first and last Committee papers (recorded in the database as 'Start date' and 'End date'). The first date is the date when the application details were initially noted and brought to the attention of the Committee. Most of the time the application was received earlier than this. However, as no original documentation from applicants survive it was not possible to get a more precise date. In some cases the time which elapsed between the applicant contacting the Committee and the appearance of that application in a Committee paper was considerable. However, the papers show that for the majority of cases the Committee action was more timely.

The date of the last paper was the date at which the Committee made its final decision and prepared its recommendation to the Treasury. This does not equate with the date that a Treasury Order was effected through Parliament, and does not reflect when the tariff would come into being. Any dates calculated here therefore, will be a minimum time and, could for a few cases, seriously underestimate the time taken from requesting an additional duty to receiving the benefit of a tariff increase.

During the period 1932-39, it took the Committee on average 139 days or 20 weeks to process an application. As can be seen from Column A of the following table, this varied considerably from year to year.

Table - Length of time it took IDAC to process applications for additional duty					
	All Applications		Only applications which were advertised		
	<u>Days - average</u>	COLUMN A <u>in weeks</u>		<u>Days - average</u>	COLUMN B <u>in weeks</u>
1932	256	36.6	1932	305	43.6
1933	115	16.4	1933	201	28.7
1934	130	18.6	1934	239	34.1
1935	110	15.7	1935	205	29.3
1936	78	11.1	1936	187	26.7
1937	155	22.1	1937	396	56.6
1938	181	25.9	1938	308	44.0
1939	91	13.0	1939	111	15.9
	1116	159.4		1952	278.9
overall average 1932-39	139	19.9	overall average 1932-39	244	34.9

Number of weeks to process additional duty applications (Col.B)



Initially, the process was very slow. In 1932, it took around 256 days or 37 weeks for IDAC to arrive at their decision. This lengthy process may have arisen because of the sheer weight and volume of applications; because IDAC had relatively few

staff²²⁶; those staff and the members of IDAC lacked experience and, at least initially, IDAC may have been more insistent about the exact nature of the information they required.²²⁷

Having had the chance to clear any backlog of applications in 1933 the average processing time fell considerably to around 115 days or 16½ weeks. The processing time only significantly rose again in 1937 and 1938, where applications took an average of 22 and 26 weeks respectively to process. At this time, IDAC staff were spending an increased amount of time on their other duties, such as the operation of the Machinery Licensing Scheme.²²⁸

An alternative way to consider the processing time is to exclude all those applications that were immediately refused ('Initial rejections'). In these cases the decision was immediate, i.e. start date and end date are identical. To consider only applications where applicants were kept waiting for decisions, the applications where the number of days taken to process was greater than zero were further analysed. The results of this analysis are shown in Column B of the table and graphically in the chart.

Having excluded those cases that were initially rejected, the average time to process an application 1932-39 was 244 days or 35 weeks, i.e., an applicant would have to wait around eight months before they discovered whether their application was successful. This lengthy process may have diminished any positive effects of gaining the additional protection. It may also have deterred applicants and/or encouraged business to look toward alternative solutions.

²²⁶ The numbers of IDAC staff were gradually increased

²²⁷ It is not obvious that this was the case as IDAC's approach was rigorous throughout the seven years. However, it is possible that the Committee learnt from the very early cases that some information was unlikely to be forthcoming and in later cases were willing to accept alternatives.

²²⁸ This coincides with the BEA withdrawing some of their assistance on the scheme to IDAC and the Committee then having to divert some of its own manpower to the schemes administration. Further details of this can be found in Chapter 5.

Again as with the processing time of all additional duty applications the process time varied year on year. The processing of applications was slowest in the years 1932, 1937 and 1938 at around 44 weeks, 57 weeks and 44 weeks respectively.²²⁹ This length of process, in 1937 having to wait over 12 months for the Committee's decisions, has to raise questions about the efficacy of the tariff. What happened to those industries whilst they awaited the additional protection they averred *they* so desperately needed? That said, the Committee was determined to examine cases thoroughly and it is clear that those applicants with the strongest overall cases²³⁰ did get their applications dealt with the most swiftly.

Who were the applicants?

The additional duty applications made to IDAC involved around 598 different applicants some collaborating to make joint applications. Of these applicants 350 were representative trade bodies and the remaining 248 were individual businesses. The applicants came from all parts of UK industry and made applications for additional duty on individual products rather than on the output of an industry or sector as a whole. Therefore, for instance, the UK textile industry did not make an application for additional duty on all textile goods. Instead branches of the industry made their own applications to the Committee for increased duty on specific items produced by them, for example, separate applications were made on carpets and rugs, handkerchiefs, gloves, blankets, stockings and fabric. This was necessary because the Committee required detailed information about the nature of the import competition that the applicants faced. In addition, because items needed to be easily identifiable to Customs Officers who had to administer the tariff on a day to day basis.

²²⁹ Again, the processing time in 1939 is affected by the cessation of the Committee's activities at the outbreak of War.

²³⁰ With the most pressing needed, or the most to be gained by being protected, those with little or no opposition and those able to present a robust and coherent case backed up by evidence.

Did it matter whether applications came from Trade Associations or individual firms?

It might be expected that applications that came from organised trade bodies, such as Trade Associations, Chambers of Commerce etc., would be more successful than those that came from 'unrepresentative' firms and businesses. Firstly, IDAC clearly publicised that they preferred to receive applications from 'Representative Bodies'. Secondly, the cost of submitting an application (particularly in terms of time needed to gather and collate information) could have placed organised bodies in a stronger position. They may also have had more experience in dealing and negotiating with government departments, and been practised and skilled at lobbying. An application with a large number of applicants (whether representative bodies or not) might also have been considered more favourably by the Committee.

Considering this latter point first, the following table shows how frequently groups of applicants submitted applications.²³¹ The table also shows the decisions reached according to the number of applicants.²³²

As can be seen, for the majority of applications there was only a single applicant. This was true in 312, or 65%, of the 481 cases submitted to the Committee. A further 76 cases (16%) had only two applicants, and 40 cases (8%) had three applicants. Only 11% of applications were made by more than three applicants.

²³¹ These could be a combination of Trade Associations, Trade Associations and individual firms, and groups of individual firms.

²³² In the following tables the abbreviation IREJ is used as a heading for those applications which were initially rejected, i.e. refused immediately.

Decisions reached according to the number of applicants (regardless of type)

No. of applicants	IREJ No. of cases	NO No. of cases	% FAILURE	YES No. of cases	% SUCCESS	TOTAL No. of cases
1	140	90	73.7	82	26.3	312 64.9%
2	24	16	52.6	36	47.4	76 15.8%
3	11	11	55.0	18	45.0	40 8.3%
4	8	5	68.4	6	31.6	19 4.0%
5+	6	16	64.7	12	35.3	34 7.1%
ALL	189	138	68.0	154	32.0	481

Looking at the applications that were successful (Yes decisions) it seems that having two or three applicants improved the chances of success compared to a single applicant submission.²³³ The success rate falls again, though, with more than three applicants.²³⁴

The number of applications received both from associations and individuals remained steady throughout the first five years of IDAC's operation. Neither seems to have been put off from applying for additional duties by any previous record of success or failure. Although it seems that applications involving individuals rather than associations were more likely to be rejected at the initial stage overall, this does not follow through into the overall success rates. Indeed, applications involving individual applicants were slightly more likely to be approved than those submitted involving associations (35% as against 33%).

²³³ This could be because of the work involved or because they were more representative of UK producers.

²³⁴ Possibly, because too many applicants made the application overly complex or they could not entirely agree on their needs.

Applications involving trade associations were roughly double the number of those involving individual firms. In some cases however trade associations and individual firms jointly submitted the applications. The next table, therefore, treats these joint applications as if associations submitted them so that a comparison can be made with those that *only* involved individual firms.

Breakdown of decisions by applicant type (treating those submitted jointly, by associations and firms together, as if by Associations)

	IREJ	% for app type	NO	% for app type	YES	% for app type	Total
Association	120	34.6%	113	32.6%	114	32.9%	347
Individual	69	51.5%	25	18.7%	40	29.9%	134
Total	189		138		154		481

Analysis of all the applications does not show a significant difference in the success or failure rates of applications submitted by trade associations vs. firms. Applications submitted by individual firms were more likely to be rejected at the initial stage than those involving associations were. This supports both the notion that the Committee favoured applications by representative bodies and that the difficulty of putting forward a satisfactory case may have handicapped individual firms. Firms may have been less adept at meeting the Committee's initial information requirements and may have lacked experienced in arguing their case. However, beyond the initial stage, those applications made involving associations were not significantly more successful (succeeding in 33% of cases rather than 30%).

Did the applicants who submitted more than one application become more successful?

A number of applicants were involved in the submission of more than one application. Some submitted two applications and a few applicants submitted several applications. These included the Association of British Chemical Manufacturers [ABCM] who was involved in the submission of twenty-two separate applications for additional duties (many of these were submitted on behalf of particular sectional interests within the association). The FBI was involved in twelve separate applications. The Quarry Manufacturers Association were also involved in eleven, the Indian Rubber Manufacturers' Association in nine, the NUM in thirteen, the Paper Makers' Association in five, the Tariff Committee of the Carpet industry in six, the Timber Trade Federation in fourteen, and the United Tanners' Federation in five. Bodies representing agricultural and horticultural interests were also prolific applicants: the Ulster Farmers Union being involved in five applications; the National Farmers Union of Scotland [NFUsc] in twelve; and NFU in thirty-three cases. The most prolific of the individual applicants was Imperial Chemical Industries [ICI] who were involved in eight separate applications for additional duty.

Examination of the applications submitted by these applicants does not show that they were especially successful, or that they learnt from their previous applications and dealings with IDAC.²³⁵ The case of the ABCM who submitted twenty-two separate applications and was successful in eight of them will be briefly examined here²³⁶.

²³⁵ The FBI and the NUM, being umbrella organisations, were involved in cases for heterogeneous products and direct comparisons cannot therefore, be drawn with the other associations detailed here that represented single industries. However, given that these umbrella organisations were hoping to act in the best interests of their members it is still disappointing that they did not seem to benefit from a close understanding of the Committee's methods.

²³⁶ The Association of British Chemical Manufacturers submitted the twenty-two applications on behalf of particular sectional interests within the association.

The table below shows when the applications were submitted and details the final decision given in each case.

Year	Initial Rejections	No	Yes	Total
1932		1	2	3
1933	1		3	4
1934	1			1
1935	3	1	1	5
1936	1	3	1	5
1937	1	2		3
1938			1	1
Total	7	7	8	22

This shows that the ABCM were successful in 36% of their applications. This is slightly higher than the 33% success rate achieved in applications submitted by associations overall. This was possibly because the Association had the resources enabling them to present a robust case to the Committee. Five of the eight successes relate to applications submitted in 1932 and 1933 where they are successful in five out of eight applications made (62.5%). Between 1934 and 1938 the remaining fifteen applications were submitted with only three being successful (20%). This does not suggest that their successes came because they had learnt what the committee wanted to see or how best to present a case.

What reasons were given for needing the additional duty? And, did the reasons change over time?

Next, we move on to an analysis of the reasons why the applicants said that they needed the additional protection.²³⁷ Appendix 3.4 shows that there were around forty-one different reasons given by applicants for them needing the additional protection. Some of these reasons were of a very general kind, such as that overseas producers had lower labour costs and could therefore supply products more cheaply.²³⁸ Other very general reasons included the claim that imports were continuing to rise in spite of the tariff (database reason code 22) or that the devaluation of foreign currencies had affected price competitiveness (database reason code 5). Other reasons given were much more specific to the application and the applicant's own circumstances. These include reasons such as that the industry was new or important (database reason code 12) and that with additional protection the industry could be improved and developed (database reason code 29). The applicants would usually give several reasons why they felt the needed (or deserved) the extra protection. The combinations of reasons given were specific to each application.²³⁹

Some reasons cited by applicants had very specific time-horizons. For example, in 1933 a number of applications were made where the applicants were applying for an additional duty because protection under 'Safeguarding' was due to come to an end at the end of that year [database reason code 41]. However, the database

²³⁷ As explained previously, the reasons cited by applicants fell into a number of broad categories and these were given reason codes as shown in the Appendix 3.4.

²³⁸ The lower labour costs could come about for a number of reasons including that wages were lower, that there were different working patterns including hours worked or shift working, or that labour regulations were less bureaucratic elsewhere.

²³⁹ This was another reason for the Committee to treat each case on its merits, as no two applications were alike.

Details of the reasons given for any application can be found in either the database or the report summarising all applications.

shows these were the exception and generally similar reasons were given year after year by applicants. This suggests that the problems faced by industries remained more or less the same across the period. Additionally, it suggests that there was no process of learning by doing for the applicants, i.e., they did not learn what would lead to a successful outcome and present their case accordingly.²⁴⁰

Throughout the period 1932-39, the main reasons given by applicants, in rank order, were:

1. Dumping by overseas competitors;
2. Overseas competitors were selling at lower prices, although the applicants could give no reason for this occurring;
3. Overseas competitors were subject to lower labour costs and could therefore sell their products more cheaply;
4. The current tariff was ineffective at stemming imports as shown by rising import penetration;
5. A plea regarding the levels of unemployment in the industry, or a claim regarding employment creation.

Between them, these accounted for almost 42% of all reasons cited by applicants during the life of the Committee.

The next five most commonly used reasons to support an additional duty application were that:

6. the industry was working at low cost and/or that it was efficient and/or that it was modern;
7. overseas competitors had lower material (input) costs and could therefore sell their products more cheaply;

²⁴⁰ When IDAC gave their decisions to the applicants, they were quite explicit about the reasons why they were either approving or refusing an application. The public announcements of their decisions carried less information but even so, they should have given some indication to applicants of IDAC's point of view.

8. the industry was new and required infant-industry protection;
 9. the industry was under-utilising its existing capacity and production could be expanded if additional protection were given;
 10. overseas competitors were subsidised by foreign governments.
- These five reasons accounted for a further 22% of all reasons given.

An examination of reasons the applicants most frequently gave in each individual year 1932-39 showed little variation from the overall pattern of the seven years.

Were certain reasons more likely to convince the committee to approve the request for additional duty?

Taking all of the reason codes together, it is possible to identify, for all cases, where a particular reason was given whether or not the application was ultimately successful. For instance, of the 106 times lower labour costs overseas is cited, the application was initially rejected in 36 (34%) cases. In cases that were advertised, they were refused on 36 occasions (34%), and were a success in the remaining 34 (32%) of cases. A similar analysis could be performed for any of the reasons given by applicants.

However, for the reasons that were infrequently given by applicants there can be little gained from an analysis of these types of results. For example, only a single application was made because of the end of safeguarding (code 41): it was successful, with an additional duty being granted, but no wider inferences can be drawn from this unique event.

It is worth examining those reasons that were cited more frequently to establish if any patterns arose. To summarise, if we consider the reasons which were used the most by applicants in the years 1932 through to 1939, the following pattern emerges. The following table shows the ten most frequently used reasons over the

7½-year period and the relative success and failure rates of applications where those reasons were cited.

The fact that these were used most regularly does not suggest that industry had learnt that these were the most likely reasons to earn them their additional duty. Most could not be argued to be particularly successful. Exceptionally, where the applicants' stated that they were already working at low cost and were efficient and/or modern, the success rate was high. This was also true of the cases where the applicants claimed that they represented a new industry.

Reasons used most frequently by applicants 1932-39, and the associated decision

	Reason Code	Reason	Initial rej/ No %	Yes %
TOP FIVE	4	Dumping	61.10	38.69
	23	Lower Prices - reason unspecified	73.50	26.50
	1	Lower labour costs overseas	67.92	32.08
	22	Import penetration increasing in spite of existing tariff	71.28	28.72
	15	Employment/unemployment position of the industry	66.67	33.33
		<i>top five %</i>	<u>67.88</u>	<u>32.12</u>
TOP TEN	27	Industry is already low cost, efficient/modern	56.45	43.55
	2	Lower material (input) costs overseas	71.70	28.30
	12	New / important industry	54.72	45.28
	14	Under-utilisation of existing capacity	66.67	33.33
	3	Overseas companies subsidised by foreign governments	64.00	36.00
		<i>top ten %</i>	<u>62.45</u>	<u>37.55</u>

It is necessary to broaden the analysis slightly and look at other reasons given by applicants. Of the reasons that were used by applicants on more than twenty-five (5.2%) occasions the most 'successful' applications appear to be those where the applicant cited reasons relating to:

- 'new/important industry' (45%)
- 'ability to improve and develop with increased protection' (44%)
- 'industry working at low cost and was efficient/modern' (44%) and,
- 'The applicants promising not to pass on price increases' (43%).

It seems the Committee was swayed by arguments relating to industrial efficiency. These could be either in terms of the existing structure and organisation, or through promises to make improvements under the protection of the tariff. This was hardly surprising given the preoccupation, in both government and business circles, with ideas of rationalisation and reorganisation. Equally, 'new' industries were also viewed favourably by the Committee. Protection in these circumstances would have fitted within the established doctrine on 'infant-industry' protection. These issues are addressed in more detail in Chapter 6.

There are other reasons which we might have expected to be more successful. Given the Committee's positive view of cartels, it is surprising that, where an applicant stated the additional duty would assist cartel negotiations, this did not automatically lead to a positive outcome. Chapter 6 will also examine why these cases do not appear to have been particularly successful.

The Committee, given the economic and political climate, also might have been expected to favour claims made regarding under-utilisation of capacity and claims regarding employment in the industry: yet this was not the case at all. The specific mention of industrial location in a 'special area' also does not seem to have any positive influence over the Committee. This reason was given on six occasions: only once did the applicant receive the additional duty as requested.

Which reasons were less convincing?

The reasons that least likely to convince the Committee that additional protection was warranted include: the industry was facing lower prices (with the reason unspecified) - 74% of cases were refused; devaluation of foreign currencies affecting price competitiveness - 73% refused; lower material input costs overseas - 72% refused; and import penetration rising in spite of the existing tariff - 71% refused. This shows that IDAC did not intend Britain to become self-sufficient

through a virtual prohibition of imports: industry suffering from price-competition was not sufficient reason for the Committee to grant additional protection.

The least successful cases that were rejected at the initial stage were those giving the following reasons (again, where that reason was used on more than 25 occasions):

‘Devaluation of foreign currencies ... ‘	(48%)
‘Inferior quality of overseas product’	(47%)
‘Overseas companies subsidised ... ‘	(40%)
‘Ability to meet home demand’	(37%).

The least successful applications where a ‘No’ decision was reached following advertisement (again where they are cited on more than 25 occasions) were:

‘Lower material input costs overseas’	(40%)
‘Vital industry (national security)’	(40%)
‘Under-utilisation ... ‘	(39%)
‘Employment ... position of industry’	(36%).

Looking at the reasons that were more frequently associated with the applicant not receiving the additional duty, it is not immediately apparent why some of them should not have been favoured. Detailed examination of Committee papers shows, in fact, that with the ‘initial rejections’, it was often simply that the Committee did not believe that the problem was one of significant magnitude. Alternatively, there was insufficient evidence to support the applicants’ case. Lack of substantive evidence often affected the advertised applications also. A more detailed analysis of the Committee’s stated reasons for their decisions will be made however, in order to understand fully their motivations.

Who opposed additional duty applications?

One of the main purposes of the Committee advertising their consideration of an application for additional duty was to enable any person(s) opposing the request to

make their position known. In some cases, the Committee knew even before advertising that some applications would prompt opposition, often from the using interests.²⁴¹ In many other cases, however, they did not have sufficient experience or knowledge of the industry to be able to judge this. It was therefore necessary to provide this opportunity.²⁴²

The following table records the number of advertised cases where opposition was notified to, and registered by, the Committee.

	1932	1933	1934	1935	1936	1937	1938	1939	1932-39
Cases									
Opposed	28	31	22	27	17	9	3	4	141
% of all cases	32%	37%	31%	37%	25%	16%	18%	18%	29%

Of the 292 additional duty applications that progressed to advertisement 48.3% were opposed. Most opposition was received in response to applications that had been made in the first four years. This result was to be expected, as it was the period in which the majority of applications were received and advertised. A further reason for the high initial levels of opposition was an enthusiasm and impetus for taking action in the early stages of the Committee's operations. As time went on and more industries were already in receipt of higher protection the applications became of increasingly marginal interest.

²⁴¹ In some cases where the Committee decided to reject the application before advertising (i.e. initial rejection) they had already received notice of opposition. These were cases where opponents had 'heard' of the application being made and their details have been fully recorded in the database.

²⁴² The majority of opposition came from trade associations. The Committee registered 437 notifications of opposition, 276 (63%) of these came from representative bodies.

How successful were opponents in persuading the Committee to refuse applications for additional duty?

A number of additional duty applications were refused by the Committee members because of the strength of the opposition against them. However, the opposition rate of success overall was not that high. Of the 141 cases where opposition was received following advertisement only fifty-three (38%) of the applications were refused. In the remaining eighty-eight (62%) cases the application for additional duty was approved despite the opposition.

Number of opponents	No Number of cases	Yes Number of cases	Total Number of cases	No Percentage cases	Yes Percentage cases	Total Percentage cases
1	13	31	44	30%	70%	100%
2	17	15	32	53%	47%	100%
3	9	12	21	43%	57%	100%
4	6	11	17	35%	65%	100%
5+	8	19	27	30%	70%	100%
	53	88	141	38%	62%	100%

The volume of opposition received against an application also did not have much bearing on the Committee's decisions. The committee refused only 30% even when there were five or more opponents.

Evidence from Committee papers suggests that not all opposition was treated equally. For instance, at one extreme, opposition received from the Parliamentary Committee of the Co-operative Congress [PCCC] was disregarded. This was because the reason for their opposition was politically motivated and not because of the particulars of an application. The PCCC were opposed to tariffs in principal and took as many opportunities as possible to object to applications for additional

duty.²⁴³ The Committee also tended to ignore opposition when it was received from import agents. In other cases, whilst opposition was noted in the Committee papers, the Committee did not consider opposition serious where the opponents did not provide adequate arguments (or evidence) against the additional duty applications.

Some cases of opposition merited more serious consideration particularly where using industries were concerned or where opposition came from other members of the applicant industry (therefore the application was not wholly representative). In these cases, IDAC sometimes consulted with the opponents directly and in others, IDAC instructed the applicants and the opponents to negotiate amongst themselves before coming back to the committee to report the results of their discussions. Necessarily, these cases took a considerable length of time.

The strength of the opposition was specifically used by the Committee as a reason for rejecting an application in only twenty-five cases. As noted earlier, there were fifty-three applications that were refused where opposition had been registered. Thus, in the remaining 28 cases, the opposition was not a significant factor in the Committee's decision. The opposition may however, have contributed to the Committee's overall view of the application.

²⁴³ The PCCC wrote to the Committee opposing thirty-six applications for additional duty. Of these, twenty-five cases received additional duty and the Committee refused the other eleven cases.

As well as the PCCC there were a number of trade associations who opposed multiple applications, but no other body is so prolific in their opposition. The Allied Association of Bleachers, Dyers, Printers and Finishers opposed thirteen applications (8 of which were refused – 61%), the Chemical and Dyestuff Traders Association opposed seven (5 of which were refused – 71%), as did the Boot and Shoe Manufacturers Federation (4 of which were refused – 57%) and the Wholesale Textile Association (3 of which were refused – 43%).

Who supported the applications for additional duty?

Advertisement of additional duty applications by the Committee provided the opportunity for anyone to register their support of a request as well as for anyone to register their opposition. Examination of the Committee papers shows that support was much less forthcoming than opposition: hardly surprising, as those most affected were likely to be involved with the application if they were in agreement with it. Those not directly involved were unlikely to respond so long as they did not oppose the application.

In the years 1932-1939, the Committee only received notice of support in forty-nine cases (10%). Twenty-nine of the cases of support were in response to applications submitted in the first two years; support dwindled thereafter. Early support probably came because of the 'novelty' of the system and because of its attendant publicity and high profile. The fall off in support occurred as interested parties chose to become more directly involved in applications.

In the forty-nine cases where supporters contacted the Committee following the advertisement of the application, fourteen of them were turned down and thirty-five were approved. It would seem from this that where support was registered this improved chances of the application being successful, with 67% of these cases being given a 'Yes' decision. It is difficult to draw strong conclusions from this however, because of the small number of occurrences. Additionally, detailed examination of the papers shows that the Committee rarely followed up the views of supporters: most often, these simply registered the basic argument. It seems unlikely, therefore, that support influenced the Committee's decisions.²⁴⁴

²⁴⁴ The exception to this was where the support actually came from the using interest but this was rare, happening in only three cases where the Committee approved an additional duty request.

The Committees decisions

Decisions by individual Committee members

An initial approach to the analysis of decisions made by IDAC during its operation is to consider who was responsible for them. The Committee members all had different backgrounds, different training, skills and knowledge and, perhaps, therefore, viewpoints. While the manner in which the committee was to operate, and the requirements of applicants for additional duty, were jointly decided, this does not necessarily mean that all the Committee members practised in the same way. Analysis of the decisions reached by each member suggests that they did adopt the same procedures and approach, and that this is an indication of how rigorous they tried to make their decision making.

It is not obvious from the analysis of decisions by Committee members that any individual had a separate agenda or different way of approaching their decision making. The reasons that they gave for refusing or approving applications often coincided. Where decisions are rarely used, it seems it was because they fitted the specific cases rather than because a committee member had a particular approach or viewpoint.

It should be remembered that the Committee had a set of requirements that were to be met by applicants.²⁴⁵ In many of the Committee's decisions, there was an implicit assumption that if the case did not meet the initial criteria then it would fail. An examination of the Committee decisions, those where the requests for additional duty were refused and those where additional duty was recommended, will now be conducted.²⁴⁶

²⁴⁵ For full details of these see Chapter 2

²⁴⁶ As previously explained a series of codes were developed in order to categorise the reasons cited by the Committee for making its decisions. These were used to show the Committee's reasoning and as an explanation of each decision, they reached. A separate series of codes were

Why did the Committee refuse applications?

The immediate refusals (initial rejections)

Of all the 481 requests for additional duty the Committee received, 189 (39.3%) were rejected at the outset. The Committee used thirty-one different reasons for making these outright rejections. These included some where very little consideration or thought was needed because the applicant did not put forward any grounds upon which the Committee could consider the case, to more complex cases where an application might have jeopardised a cartel or trade agreement.

Examination of the database shows that the reason most commonly given by the Committee for the immediate rejection of an application was that levels of imports were too small. This was used on forty-six separate occasions (or in a little over 24% of all initial rejection cases). The Committee did have discussions on the point of what level of imports was considered to be large enough to pose a sufficient threat to home industries. Committee papers suggest they considered that imports of up to 10% of the home market were acceptable as a rule of thumb.²⁴⁷ This was a fairly straightforward decision for the Committee to make: either imports were significant or they were not. There are examples of cases, though, where the Committee was uncertain on this point. For instance, if there had been a sudden surge in the level of imports but the Committee was uncertain that it would be sustained. Similarly, in cases where the level of imports had been steadily rising and/or where other factors might additionally weigh in the applicants' favour. In these cases, the Committee on occasion, would notify the

established for each of the three types of decision. The codes for the Initial Rejections are shown in Appendix 3.5, those for 'No' decisions are in Appendix 3.6, and those for 'Yes' decisions can be found in Appendix 3.7.

²⁴⁷ Chapter 5 shows that the British Engineers Association were certainly led to believe by the Committee that 90% market share was a reasonable proportion of home production, and that with such high market share little additional protection was likely to be afforded.

applicant that, while the case was rejected at present, should the level of imports continue to rise or be sustained then the application would be reconsidered. In certain cases, the Committee also endeavoured to monitor the growth in imports themselves. This was a rare occurrence however, because of the Committee's workload.

The other most commonly used reasons include: the application was from too small an industry (21% of cases); there was insufficient evidence of foreign competition (21% of cases); and the committee did not believe an increase in the tariff would have the desired effect (20% of cases). An industry was considered too small where output was limited, e.g., where a single small firm was the only UK producer. Part of the reason for refusing these claims was that the Committee did not want to encourage applications for additional duty on very specific items when they could be covered more generally by the tariff. The reason of 'insufficient evidence' would often be used where the applicant failed to provide any evidence on foreign competition. The Committee gave the reason that the industry could not benefit from an increased tariff for a variety of reasons. Commonly, this was used because the tariff increase needed to combat low priced imports would be extremely high. Alternatively because the British producer simply was not producing as high a quality product as the competition and their product was also more expensive.

A number of reasons are only given once or twice in the whole period of IDAC's operation and obviously, therefore, relate to very specific cases. Reasons for their decision to immediately reject an application for additional duty which were only used once by the Committee include:

- That the home market was already protected (IR14) was used in 1935. This particular reason was used in rejecting an application for additional duty on *Ammonium Chloride*. A cartel agreement existed between ICI, the main producers of Ammonium Chloride, and German manufacturers. Consequently,

the Committee did not believe there could be any benefit from increasing the tariff.²⁴⁸

- That the competition was not on price but quality grounds (IR15) was used on one occasion in 1935. This related to an application for additional duty on *Tin Hurricane Lanterns*. The Committee rejected this application because the imported lamps were of a superior quality to those being produced by the applicants. As like was not being compared with like, the tariff would not, therefore, have had the desired effect. The Committee did not feel that they should support an inferior product when consumers could buy something of a higher quality from overseas.
- That additional protection for the industry would have little impact on employment (IR23) was used once in 1935. This was the case in a bid for additional duty on *Flat Wooden Ice Cream Spoons*. The Committee was able to reject this with very little consideration. The output of the applicant firm was steadily rising (IR18) and the Committee felt there would be little impact on employment (IR23) as this product involved only a small part of the company's output.
- The explanation that the loss of sales for the applicants was due to a fall-off in exports and not due to increased imports (IR25) was used in 1936 in a request for additional protection on *Dental burs*.²⁴⁹ The applicants claimed they were suffering because of German dumping that had come about because the German companies were being subsidised by their government. The Committee could find no evidence of the dumping or of increasing imports. Instead, they found that the company was suffering more from a loss of its export market. This, they felt, they could not help and so the application was immediately rejected.
- That the Committee did not want to encourage excess production (IR26) was used in 1936 in the case of *vegetables*. The Committee consulted with the Ministry of Agriculture and the Scottish Office and determined that the NFU did not have a case. The view of the other government departments (OGDs)

²⁴⁸ Details of other cases involving ICI and cartels are provided in Chapter 6

²⁴⁹ Specialist drills

was that agriculture did deserve some protection. However, since the country was *now* virtually self-supporting, the industry did not get additional protection as this might have encouraged over-production.

- The reasons that the prevalent low prices the applicants complained of were as a result of internal competition and not due to foreign competition (IR30) was used only in 1937. This was used in rejecting an application for additional duty on *Hemp Lines and Tow Yarns*. In investigating the industry's case, the Committee found little evidence of the price competition from foreign competitors. The Belgian industry was the major competitor at the time and the Committee found that they had not increased their share of the market. Indeed, the UK manufacturers had increased their own share. Low prices prevailed because of domestic competition and not competition from imports. Consequently, the Committee rejected the application.

Decisions, which were given on only two occasions, include:

- The home industry was already operating at full capacity (IR10) was used in 1933 and again in 1937. These were cases of *Tinsel Mitts or Glove Scourers* and, *Transparent Cellulose Wrapping*, respectively.
- Action would jeopardise a cartel/trade agreement (IR28) used in 1934 and in 1937. These cases were for additional duty on *Packeted Dates* and *Men's Fancy Hose*. The issue of cartels will be covered in more detail in Chapter 6.
- National security would not be adversely affected without the additional protection (IR29) was used in 1937 and in 1938. These cases were for additional duty on *Hemp Lines and Tow Yarns* (this is the same case as that recorded above for IR30) and for *Wood Split Pulleys*.
- The applicants agreed to withdraw part of the application/narrow definition (IR31) cropped up twice in 1932. Cases were for additional duty on *Handkerchiefs* and *Made-Up Goods for Household Purposes* – the same applicants submitted these at once. Since the products were distinct, however, the Committee treated them as two separate applications.

The cases refused by the Committee after advertising and in-depth consideration

As noted earlier, 138 (28.7%) applications resulted in the Committee refusing the request ('No' decisions) following in-depth consideration and after the case had been advertised. The Committee gave thirty-two different reasons when explaining why they had refused these applications for additional duty (see Appendix 3.6). Many of the reasons were similar to those given when the Committee rejected the applications at the initial stage, the main difference being that the initial cases were stronger and worthy of further consideration. It was only with this additional consideration that the Committee was able to form its view.

Examination of the database shows that the most common reason for refusal given by the Committee was that levels of imports were small in relation to the share of the home market. The Committee gave this reason on 29 separate occasions, or in a little over 21% of the cases that were turned down by the Committee. Other frequently used reasons include: strong opposition to the application used in 25 (18%) cases; and the tariff appeared to be working satisfactorily in 22 (16%) of cases. Most of the decisions given by the Committee were used continuously throughout the seven years from 1932-1939.

As with the initial rejection decisions, some of the reasons given ('No' codes) for refusing an application after it had been advertised were used infrequently by the Committee. Reasons given for refusing applications that were only used once include that:

- That the home industry was already operating at full capacity was used in 1935 in giving the decision on application number 34/135. This was an application for additional duty on *Felt Hats* submitted by a group of five trade associations.²⁵⁰ As further grounds for refusal the applicants were advised by Sir Allan Powell [AP] that the level of imports were too low (code N1).

²⁵⁰ The group of five included: the British Felt Hat Manufacturers' Federation; Hat Section - London Chamber of Commerce; London Millinery Manufacturers' Association; South of England Hat Manufacturers' Federation; and, the Wholesale Textile Association.

- Refusal to negotiate with a cartel was used by the Committee on a single occasion in 1937. Allen Athole G. (Stockholm) Ltd., for additional duty on Barium Chloride used it in turning down the application for additional duty (Ref. 36/118) made²⁵¹. Other reasons given to this applicant for the committee's refusal were codes N8 'Strong opposition to the application', and 'Worries that the home consumer would be adversely affected by home monopoly/price fixing' (N13).
- That the home industry was already protected in other senses was used by the Committee in refusing an application for additional duty on *Electrical Exploders for Shot-Firing in Mines*' (ref. 32/315). The committee also felt that the level of imports the industry faced was too small (N1).
- The Committee, when turning down an application from the British Keg and Drum Manufacturers' Association (Ref. 33/99), stated that the request might lead to a proliferation of demand from similar interests. They did not want to widen the scope of the tariff. The Association was also told that the application was unsuccessful because there was insufficient evidence of the foreign competition they claimed.
- That the applicants were unrepresentative of the industry was used as a reason by the Committee to the Association of Master Print Cutters Print Block and, the Roller and Stamp Cutters' Society (Ref. 34/313). These had jointly made an application requesting additional protection for *Surface Relief Blocks and Rollers for Printing Textiles etc.* The Committee also felt that increasing the tariff would be ineffective (N5).

Reasons given by the committee that were used on only two occasions include:

- The reason that the item was covered by another Act (N7) was used in rejecting the applications 32/301 *Pile Fabrics*, 34/160b *Cork slabs, and pipe sections*.
- That additional protection would have insignificant impact on employment in the industry (N15) was used in the case of 32/301 *Pile fabrics* and 34/121 *Briar pipes and bowls*. 'Employment/Unemployment position of the industry' (Reason code 15) had been advanced as justification for their additional duty

²⁵¹ Further details of this case can be found in Chapter 6.

application by the applicants in 32/301. However, the applicants in 34/121 had not specifically cited this reason.

- That there was insufficient evidence of dumping (N19) was used as a reason for rejecting the application for additional duty on *Asbestos Cement Products* (Ref.33/461) and on *Opal Glass Bottles and Jars*. In the latter case, the only reason that the applicants had given the committee in support of their request for additional duty was that of 'Dumping' (Reason code 4).

In some cases, the Committee felt that their actions were restricted because of existing trade treaties or agreements and gave this as their reason for refusing an application (N6). These treaties and agreements generally overrode any tariff activity by the partner countries. The Committee gave this reason on only five occasions during the seven years of its operation, which suggests that the constraint was not significant.²⁵² In only two cases this was the sole reason given by the Committee for rejecting the application. These were:

- Application ref. 32/362 – a request for additional duty on *Pressed Iron and Steel Hinges*. The committee held that these items were covered by the International Iron and Steel cartel;
- Application ref. 32/162b – a request for additional duty on *Wood and Timber – Boxboards*. In this particular case, the products were affected by the Ottawa agreements.

In the other three cases, there were additional reasons why the committee felt that the request for additional duty should be refused.²⁵³

The decision recorded in the database as 'no decision reached' (N30) only occurred in 1939 and appears for 13 cases. These 13 cases were all those where the Committee had not reached a final decision on the applications at the time of outbreak of war. The industries did not therefore gain the benefit of the additional protection they wanted at any stage.

²⁵² Some applicants would not have submitted an application because their products were explicitly covered in agreements.

²⁵³ These were application reference numbers 32/162c, 33/333, and 36/58.

Other reasons for refusing applications given by the Committee will be considered in more depth in Chapter 6 where the committee's attitudes towards certain policies and intervention in the economy are examined. These include reasons relating to the level of efficiency of industry, the ability of industry to meet home demand, the impact on the consumer, and those that suggest there were issues associated with cartels and monopolies.

Why did some applications succeed?

The Committee granted additional duty on 154 or 32% of the applications that they received. In the majority of cases this decision was reached following advertising thorough examination of the case put forward and in certain cases after extensive consultation with interested parties including other government departments [OGDs]. In agreeing to the imposition of additional duty, the committee used 33 basic reasons for explaining their decision. The codes allocated to these reasons are recorded in Appendix 3.7.

The Committee would often grant the additional duty requested where applicants were able to provide evidence that they were suffering from 'dumping', this was equally true if the applicants could show that the existing duty rates had not stemmed imports. The committee also favoured applications where they were happy that the tariff would not lead to increased prices affecting consumers. These reasons were given in over 20% of successful cases. As with the 'initial rejection' and the 'no' decisions the majority of the reasons for approving applications were used repeatedly in almost all of the years 1932-39.

Reasons infrequently given by the Committee when granting the additional duty included:

- That it was because of a trade treaty revision;
- That it would assist with international cartel negotiations or it was because of the breakdown of an international cartel;
- That the re-organisation of the industry was to be pursued as a condition of getting the additional duty.

Of those that were used infrequently, 'Trade Treaty Revision', was used in only one case in 1933. The Committee made reference to this because when they first were considering the application and advertising it they were concerned that it might conflict with the negotiation of a Trade Treaty with Canada. By the time of reaching their decision however, they were happy that this was not the case. This was an application from a group of trade associations representing farming interests for an additional duty on *Oat Products*, ref.33/150. They had requested the additional protection because overseas farmers were being subsidised by their governments and this meant that prices were generally lower.²⁵⁴

The reason that protection was given to assist with international cartel negotiations was used on only two occasions, as was that of helping following the breakdown of international cartel. These cases will be discussed in further detail in Chapter 6 when the issue of the Committee's attitude toward and promotion of cartels is considered. Cases where decisions relate to other aspects of the economy such as improving the efficiency of industry modernisation and technological improvements will also be examined in more depth later in Chapter 6.

The Committee used three reasons on only three times. These were where the re-organisation of the industry was to be pursued (as a condition imposed by the Committee), where the application had the support of the using industry, and to prevent UK assembly of goods avoiding the tariff. Those cases where decision to grant the additional duty was subject to reorganisation of the industry will be covered in more detail later in Chapter 6. The cases where the applicants had the support of the using industry included:

- Ref. 32/162g *Wood and Timber*;
- Ref. 35/131 *Wooden Hoops for Staves*;

²⁵⁴ This application also gave rise to one of the two uses of reason code 'factory in special area'. The Committee also used this reason when they agreed to grant additional protection on *Plywood* application Ref. 39/5.

- Ref. 35/214 *Manufactured Curled Hair*.

Cases where the Committee wanted to prevent the UK assembly of goods include:

- 33/362c *Typewriter Parts*;
- 33/374 *Metal spools for Typewriter*;
- 34/80 *Parts of Micrometers and Measuring Instruments*.

Overall, the Committee clearly had strong views, and worked to strict guidelines, on the eligibility for higher rates of protection. If they were not convinced that a case met their criteria, there seems little that business could do to convince them otherwise. They certainly would not agree to tariff increases simply because foreign competitors were able to sell at lower prices. The Committee were concerned with the share of the home market held by domestic producers, but believed a certain level of competition was necessary to encourage progress. Wherever possible, the Committee was keen to promote efficiency of industry.

Conclusions

From the database, it is possible to address a number of basic questions on the nature of the additional duty applications made to IDAC. It can be shown what happened to each case. A picture has been drawn of when applications were made, who the applicants were, and why they required additional protection. It is also possible to tell who opposed or supported applications, and when and how the Committee reached their decisions.

Analysis of the database has shown that of all the additional duty applications made to the Committee between 1932 and 1939 only around one-third led to the tariffs being raised. The Committee immediately refused almost a third of the applications received, in many cases this was because the applicants were unable to present a convincing story, backed up with evidence, to the Committee.

Since applications were made for additional duties on specific products rather than on output of sectors or entire industries it is not possible to draw inferences from the aggregate data to theories on what sectors might be expected to secure higher tariffs.

A significant difference in the success or failure of applications whether submitted by a Trade Association or submitted by firms has not been established. However, those submitted by firms alone were more likely to be refused immediately by the Committee. This suggests two possibilities. Firstly, that IDAC considered them less representative or too marginal to be worth addressing. Secondly, that the firms had been unable, for whatever reason (time or cost for example) to present sufficient evidence and information for IDAC's purposes.

Submitting more than one application for additional duty did not, on the whole, lead to success. This suggests that the applicants did not learn by doing, that they were not favoured by IDAC in any way, and that each case was treated on individual merit.

The reasons why the applicants claimed to need the additional protection did not substantially change during the seven years 1932-39, suggesting that the problems they faced did not fundamentally change. Rising imports in spite of the existing tariff, the impact of lower labour costs overseas, the employment position of the domestic industry and 'dumping' were repeatedly mentioned by applicants. This also suggests that applicants did not learn that certain reasons would perhaps gain them favour with IDAC. Nor were the reasons most commonly given the ones most likely to convince IDAC that a tariff was needed.

Cases that were likely to convince the committee were ones involving new industries, where the industry was modern and efficient or technically advance, or where they were willing to make improvements. On the other hand, the Committee would not support 'lame ducks': price competition alone was rarely a sufficient reason for the Committee to grant additional duty. It is apparent from the analysis of the aggregate data that no one reason would carry sufficient weight for the Committee to approve an additional tariff.

IDAC received opposition to get a balanced view of applications so that they could address the needs of using industries. Most of the opposition received was made against the early applications. However, less than a third of those applications the committee advertised were opposed. Opposition was not always effective but it could be. Even in cases where the Committee decided to grant an additional duty, the level was often moderated to compensate for users' needs. The process of advertising cases also enabled interested parties to write to the Committee in support of applications but this rarely occurred.

Although the process of reviewing applications for additional duty was a lengthy one the Committee was determined to keep it. Their approach was systematic and they hoped their careful deliberations would help them to achieve the goal of a 'scientific' tariff. That there were no signs of bias in the decisions taken by individual members also points to their approach being systematic.

Subsequent work examines selected cases in greater depth to provide deeper understanding and insight into the motivations of both the applicants and the Committee. In particular, cases where decisions relate to wider economic policy issues such as improving the efficiency of industry, modernisation and technological improvements and cartels will be examined in more depth during discussions of the Committee's wider role in the economy.

Chapter 4. IDAC and the Building industry.

As an insight into the work and motivations of IDAC the selection of the building industry for a case study is not an obvious choice given that the industry, by its very nature, could not be subject to foreign competition. Yet, there are a number of reasons for its selection here. The very fact that it is an oddity is itself relevant. It gives the opportunity to ascertain how IDAC responded to the needs of an industry that could not itself benefit from protection. Other industries may have qualified on this basis but there were additional reasons why building was important. As has been well document elsewhere²⁵⁵, it was a prominent industry during the 1930s important in accounting for large output and employment. It recovered early from the depression and may have been a vital stimulus for recovery in other sectors. In this respect the possible negative effects of the tariff on the industry have also received attention²⁵⁶. Further, it is of particular interest because of the government's policy on house building during the inter-war years. It sheds light on how cognisant IDAC were of this other area of concern to government. IDAC were clearly aware of its importance to government both politically and economically. Politically because of the governments commitment to improve the housing conditions of the nation. Economically because of the wealth it created both in terms of output and employment and the growth in both of these.

²⁵⁵ Aldcroft D.H. *The European Economy 1914-1990* third edition (London 1993), Bellman 'The Building Trades' p.407 in British Association for the Advancement of Science, Economic Science and Statistic Section Eds. *Britain in Recovery* (London, 1938), Benham F. *Great Britain Under Protection* (New York, 1941), Capie *Depression and Protectionism*, Richardson *Recovery in Britain*, et al

²⁵⁶ Capie for example *Depression and Protectionism*

The industry was important at this time for its contribution to output and employment.²⁵⁷ Building and contracting accounted for around 6% of gross output in 1930 and 1935.²⁵⁸ The sector was responsible for around 6.4% of all employment in 1930 and 6.9% in 1935.²⁵⁹ Growth in the sector was also significant both in terms of output and employment. Figures in Appendix 4.1 show that output grew by 11.1% and employment by 10.7% in this period. This compares with an average output growth across all trades of around 6% and average employment growth of a little over 2%.

The sector, especially house building, has been given credit for playing a part in the recovery from the depression.²⁶⁰ The degree to which it led to recovery may be argued, but it generally appears in the list of contributors.²⁶¹ As Eichengreen notes: 'Given the source of stimulus, it is not surprising that interest-rate-sensitive categories of spending led the recovery. Prominent among these were residential construction and consumer durables',²⁶² He further notes that 'House building stabilised in 1931-2, coincident with the initiation of recovery, even while other forms of fixed investment were continuing to fall. The increase in house building accounted for 17 per cent of the increase in GDP between 1932 and 1934. It stimulated output and employment in other sectors through its backward linkages to firms producing bricks, tiles, pipes and other construction

²⁵⁷ Capie, *Tariffs and Growth: Some illustrations from the world economy 1850-1940*

(Manchester, 1994) p.81 notes that it was the biggest sector of all, almost twice the size of the next largest, iron and steel manufacturing.

²⁵⁸ In 1930 the sector accounted for 5.77% and in 1935 6.06%, see Board of Trade 5th Census of Production, (1935).

²⁵⁹ These figures are taken from the 5th Census of Production (1935) and are supported by data in the Ministry of Labour Gazette which suggest average employment in the 1930s was around 7% of all insured workers.

²⁶⁰ This was argued around the time by Bellman 'The Building Trades' and more recently by Richardson *Economic Recovery* amongst others

²⁶¹ Forrest Capie *Depression and Protectionism*; Richardson *Economic Recovery*; B. Eichengreen 'The inter-war economy in a European mirror' in Floud & McCloskey eds *The Economic History of Britain since 1700: Volume 2 1860-1939* (second edition Cambridge 1994) pp.291-319; Mark Thomas 'The Macroeconomics of the inter-war years' in Floud & McCloskey eds *The Economic History of Britain since 1700: Volume 2 1860-1939* (second edition Cambridge 1994) pp.320-358

²⁶² Eichengreen, 'European mirror' p.310

materials. House building and associated trades accounted for 30 per cent of the increase in employment in the first three years of recovery'.²⁶³

Mark Thomas also argued that the most striking aspect of investment in the early thirties was the housing boom. 'Expenditure on the construction of dwellings rose by almost 50 per cent between 1932 and 1934. Housing starts were at the very forefront of recovery – building activity rose from November 1932, more or less coincident with the beginnings of the economy wide upturn. Housing accounted for 17 per cent of the increase in GDP in 1932-34 (it was 3 per cent of GDP in 1932)'.²⁶⁴

It was also important for recovery because of its linkages to other sectors which experienced significant growth on the back of the demand for housing. The most obvious of these being the sector providing the industry with its raw materials, i.e. 'Clay and Building Materials Manufacturers'. This sector accounted for over 2% of output and 3% of employment during the period. It also achieved high levels of output growth (18.3% and 11.1% respectively, see Appendix 4.1).

Bellman, noting the impact of the housing boom on its materials industry, stated: 'it is noteworthy that brick, tile, pipe, etc., manufacturers experienced a sudden increase in demand (either anticipatory or actual) in the earlier part of 1933, for the percentage unemployed fell sharply from an average of over 22 per cent for 1932 (and higher figures in the early months of 1933) to 15 per cent for June of that year; and the figures remained around this lower level for the rest of the year, with a fall to still lower levels in the middle of 1934. The figures for sawmilling, machined woodwork, etc., show a similar, if less pronounced trend'.²⁶⁵

A further sector to benefit was the consumer durables industry, especially the sale of domestic appliances and furnishings. The first '*Building Survey*' of January 1935 makes reference to the value of retail sales in Great Britain in the

²⁶³ Eichengreen 'European mirror' p.310

²⁶⁴ Mark Thomas 'The Macroeconomics of the inter-war years' p.350

²⁶⁵ Bellman 'The Building Trades' p.407

previous year noting: 'the direct influence of building development is further indicated by the fact that the greatest increase in any category was in the furnishings departments, for which an increase of 7.2 per cent over the corresponding period a year ago was recorded'.²⁶⁶

The industry is also of interest because of the government's wish to foster house building during the inter-war period. The extent, to which this influenced IDAC's approach, if at all, will be examined. It is not immediately apparent what role IDAC could play in supporting government policy by assisting the industry. Indeed, IDAC's treatment of it (because of their responsibility for the tariff) has since been argued to have been harmful, hindering this industry's progress and dampening the effects it could have on recovery from the depression. This is largely because while the industry itself could not have its output protected the materials used as inputs to the industry were protected.²⁶⁷

An examination of the construction industry will address wider issues about the motivations of IDAC. Such as, the extent to which they concerned themselves with the interests of using industries as well as producers. They needed to consider whether a duty would have a seriously adverse effect on employment, and growth and demand, in any other industry using the commodity in production. Evidence suggests that the Committee took their responsibility to industries and consumers of goods under the 1932 Act seriously.

While the industry did face rising material input costs I will argue that the tariff did not alter them significantly. The costs of materials rose more slowly than other inputs (both land and labour). In any case, the aggregate price rises did not

²⁶⁶ 'Building Survey' First edition, January 1935, p.10. The reference is made to statistics published by the Bank of England. The value of all retail sales was 4.2 per cent above the previous year.

²⁶⁷ These arguments are put forward most notably by Capie in his work *Depression and Protectionism*.

A calculation of a weighted tariff for the building industry based on the tariff in force in 1935 and the importance of products used by the building industry according to the Board of Trade is at Appendix 4.2.

dampen activity in the industry.²⁶⁸ Further, I will argue that IDAC were well aware of the possible problems for the industry and took this into account when making decisions that were likely to affect it. This however, was not confined to the building industry but one they adopted wherever possible. In doing so, the Committee acted responsibly using their best judgement to assess the evidence available to them.

I will begin by examining a number of additional duty applications before the committee that were likely to impact upon the industry. In doing this, I will consider the committee approach to, and understanding of, the needs of this using industry. I will look at when and why the industry contacted IDAC and consider whether it was likely to be satisfied with the outcome in these instances. I will also provide details of the industry's activities and performance during the 1930s and argue the industry was not hindered by the tariff. Indeed, the fact that the industry could not itself have protection, whilst the suppliers of building materials did, was irrelevant given the prevalent supply and demand conditions.

What was the Committee's approach?

Under the Safeguarding of Industries Act, 1921, the Board of Trade considered applications for protective duty. If the Board of Trade found that a prima facie case had been made out they would refer the matter to a Committee of enquiry. 'This committee was also charged to consider what effect imposing a duty might have on any other industry using the commodity as material, and whether the complainant industry was being carried on with reasonable efficiency

²⁶⁸ Government encouraged Local Authority house building and house building for private sale remained buoyant partly because of the wider availability of mortgages and the relatively low mortgage interest rates. Details of mortgage rates and monthly cost of housing can be found in Appendix 4.3. Bellman 'The Building trades' p.426 noted that considerable increases in output coincided with successive reductions in the building society mortgage rate. He also noted that increased competition amongst the building societies also led them to make advances over longer number of years, again making mortgages more affordable.

and economy'.²⁶⁹ IDAC followed the same approach as the Board of Trade had done in the 1920s. Hutchinson makes reference to this: 'To sum up, the experience of these enquiries was of value in providing guidance on methods of investigation, questions to be asked, and the reactions of human nature'.²⁷⁰ IDAC were able to take a similar approach but their remit was wider and they had additional ambitions.

In discussing how meetings with applicants were conducted Hutchinson notes: 'the stress was on meeting those concerned and discussing difficulties with them in the light of a knowledge of the industry and its conditions, and in the light of the interests of users of its products. In these discussions the questions of efficiency of the industry and of its price policy were kept to the fore, the latter particularly where the commodity was used in further manufacture by another industry'.²⁷¹

As noted earlier, the industry was important during the 1930s for its contribution to both output and employment. It recovered early from the depression and may have been acted as an important stimulus for recovery in other sectors. It was also important because of the government's policy towards house building. IDAC were well aware of this and while understanding that they were not in a position to affect the development of the industry recognised the impact the tariff on the industries inputs could have.

Although the building industry could not benefit from tariff protection it was not the case that its interests were of little import to the Committee. Cases that IDAC recognised could impact upon the industry reflect their approach to additional duty applications more generally, where they always endeavoured to balance the needs of the producing interests with those of the users. An examination of such applications shows how they considered cases and the factors that they took into account when arriving at their decisions. This included the

²⁶⁹ Hutchinson *Tariff-making* pp.14-15

²⁷⁰ Hutchinson *Tariff-making* p.17

²⁷¹ Hutchinson *Tariff-making* p.38

examination of relevant statistical data and consultation with other bodies. What becomes clear is that, just because the industry could not itself be protected the Committee members did not ignore its needs.

The Committee tried to ensure that the building industry was considered although contact with representatives of the industry was limited. There was no reason for the kind of relationship that the engineering industry, discussed in Chapter 5, had with the Committee to develop. The Committee did not need to use the industry's knowledge to assist it in its work, nor to bring about change in the sector²⁷². From the industry's point of view, the Committee had little to offer them. It could not approach IDAC to ask for additional protection. In any case, the industry did not have a strong, single, representative body co-ordinating its activities. This is confirmed by a comment made in the first edition of *The Survey*, published, for and by the industry, in January 1935: 'The *Survey* may be regarded as a milestone on the road to comprehensive organisation of perhaps the most diverse and in some ways the most complex industry in the country. Its very complexity is its greatest handicap in its efforts to reach the full benefits of organised co-ordination'.²⁷³

This did not mean however, that there was no contact between IDAC and the construction industry. Individual sectors of the trade particularly adversely affected by certain additional duty applications did voice their dissatisfaction to the Committee. This occurred rarely though, so it would appear that the construction industry were not on the whole unhappy with the position they were in. Nor did it mean that the interests of the sector failed to be represented. IDAC were at great pains to ascertain how applications might affect the trade. Where the trade itself did not approach them, IDAC saw fit to consult the Ministry of Health who acted as the 'guardians of the industry's interests.

²⁷² This was unnecessary in the case of the Building industry as it was not subject to external competition and the Ministry of Health was, in any case, already closely involved with the industry and monitoring its progress. The Ministry of Health had responsibility for the governments house building policy and programme throughout the inter-war years.

²⁷³ The Building Industries Survey, Vol. I. No. I., Special Quarterly Issue, January 1935, p.3

The Committee view

As discussed in Chapter 2, the Committee were held responsible for the introduction of a 'scientific tariff'. To them, this meant, amongst other things, considering the needs of all sectors of the economy, both producers and users. They needed to weigh-up what was in the 'best interests' of any particular group and assess the extent to which this affected others. Ultimately they sought to achieve a 'balance' of interests. The Committee not only considered the price effect on users but also the quality and quantity of home supplies available. IDAC were especially thorough when considering any applications that might affect the building industry because of its importance to the government. They endeavoured to establish what was in the best interests of the consumer even where the consumers had raised no objections to tariff proposals.

Over the seven years, 1932-39, a number of additional duty applications was submitted to IDAC where their decision could have affected the construction industry. These included applications for additional duty on: sheet and plate glass, bricks, builder's woodwork, roofing tiles, electrical accessories, wall and hearth tiles.²⁷⁴ In a number of these cases the Committee, in reaching their decision, explicitly examined the cost of material inputs for house building. In many of these, IDAC sought the advice of the Ministry of Health and its Building Prices Committee. In most cases the increased cost of materials likely to arise as a result of raising the tariff was considered to be insignificant both by the Ministry and IDAC. In other cases IDAC considered whether home produced items were of a satisfactory nature, quality and quantity, to meet the needs of the house builders.

²⁷⁴ The database references for all of these cases are: 32/59 doors and other builders woodwork, 90/32b Bricks, 32/162a wood and timber softwoods, 32/130b nails and staples, 32/162d wooden blocks for electrical fittings, 32/162g hardwood flooring strips and blocks, 32/162h wooden sanitary seats, 33/121 cast iron baths, 33/135 paper and board, 33/289 hardwood flooring and blocks, 34/138 wooden doors, 34/384 slates for roofing, 34/448 brass and copper tubes, 35/287 electrical accessories, 35/318 glazed hearth and wall tiles, 36/3 bricks, 36/60a wooden blocks for electrical fittings, 36/84a and pottery and clay products, 36/217 planed or dressed softwoods, 39/41 wooden blocks for electrical fittings, 39/78 sheet glass.

In making their initial recommendations, when the tariff was introduced in March 1932, the Committee at once showed their awareness of and interest in the building industry.²⁷⁵ In arriving at the 10% additional duty on bricks and refractory goods the Committee noted:

‘As regards bricks, the importation (202.8 million in 1930) is very small in relation to production (4,066 millions in 1924) and is mostly to districts where freight by sea from continental ports is very much cheaper than freight from manufacturing centres in England; on the other hand, bricks are of course very important material for house-building’.²⁷⁶

This shows the Committee were not overly concerned about the impact of the tariff on bricks despite this being a major input to the industry. They were unconcerned because imported bricks were insignificant in relation to home produced bricks; they were only imported to regions where home delivery costs would be substantial and c.i.f. imports were therefore cheaper.

The announcement of this 10 per cent., ad valorem duty did not satisfy the brick manufacturers however, and was quickly followed in June 1932 by an application, from the National Federation of Clay Industries, for an additional duty of $23\frac{1}{3}$ per cent.²⁷⁷ The Committee would not entertain this application because they believed that a certain levels of imports were healthy for an industry. As they record: ‘It is evident from the trade returns that, since the general ad valorem duty was imposed, importations of bricks have dropped considerably and forms now a very small proportion of the trade. Although the standard of efficiency prevailing in the home industry may be quite satisfactory and prices of British bricks are, on the whole, not unreasonable, there is always the risk that, under cover of a high protective tariff, the consumer may be exploited under a price fixing scheme. In this connection I am given to understand that the maintenance of a certain volume of importation is regarded as essential in the interests of housing. An increase of duty which would probably be prohibitive and might prevent the necessary internal competition is not recommended’.²⁷⁸

²⁷⁵ PRO BT/10/1 Committee Paper 18/1932

²⁷⁶ Imported bricks in 1930 represent less than 5% of British production of bricks in 1924

²⁷⁷ PRO BT/10/2 Committee Paper 90/1932, this would take the total duty up to $33\frac{1}{3}$ per cent ad valorem.

²⁷⁸ PRO BT/10/2 Committee Paper 90/1932

Importantly, this shows that IDAC would not impose a prohibitive tariff because: (a) they had a strong belief in the importance of competition (both internal²⁷⁹ and external) to foster developments and growth in industry, (b) they would not risk the possible damaging effects on the house building industry.

The Committee showed similar awareness of the building industries needs when in March 1932 they set the initial rate of duty for glass:

'The [Manufacturers'] Association have asked for a duty of $\frac{1}{8}$ d. per square foot on plate and sheet glass (which would be something over 20% ad valorem) and higher duties on plate glass, polished and silvered. ... In view of the importance of plate and sheet glass as a building material ... there seems no reason for a duty higher than 15%'.²⁸⁰

In this case, the Committee tried to take a balanced approach, weighing up the demands of the producers against the needs of the building industry and coming-up with a compromise tariff rate. Both sides must have been content with this outcome as neither side approached IDAC for an alteration in the rate of duty.²⁸¹ The Committee continued taking this type of approach, trying to balance the needs of the home manufacturer with those of the users, during the course of the next seven years.

Where IDAC believed any price rises resulting from changing the tariff would be insignificant they were willing to raise duty rates. This was so in the case of an application for additional duty on wire nails made in 1932.²⁸² The building trade²⁸³ wrote to IDAC opposing this application when they saw it advertised. However, it was estimated by the Committee that the use of 'tariff free' imported nails would only have saved the builder 10s 6d on a £500 house (around 0.1%). This sum was viewed by IDAC as insignificant and an additional

²⁷⁹ They were concerned to avoid the manufacturers having a home monopoly and using this position simply to raise their prices with price fixing agreements.

²⁸⁰ PRO BT/10/1 Committee Paper 18/1932

²⁸¹ The glass industry did eventually make an application for an additional duty but not until 1939 (Committee Paper 78/1939).

²⁸² PRO BT/10/3 Committee Paper 120/1932

²⁸³ The wire nails application was opposed by the National Federation of Building Trades Employees and by a number of individual building firms.

duty on nails was introduced.²⁸⁴ Similarly, an additional duty was granted in the case of an application for increased duty on brass and copper tubes²⁸⁵. This time, the application was not opposed by any representatives of the building industry and information IDAC received from the Ministry of Health Building Prices Committee confirmed: 'the contention of the applicants that the present 10 per cent. duty is ineffective in protecting the home industry, and that the use of British tubes for housing purposes will involve a negligible increase in the cost of building'.²⁸⁶

Aware that the general tariff had been imposed on the bulk of building materials it was not just the price of individual items that exercised the Committee's mind. In later years, they became concerned with the cumulative price effect of tariffs on the cost of house building. This is reflected in their decision not to increase duty on planed softwoods. The granting of additional duty in this case would have had the greatest impact on the house building industry. Whilst for most of its raw materials the industry used home supplies this was not the case with timber. Timber was the industry's main import with very little being supplied domestically. While the duty rate was set at the relatively low rate of 10% ad valorem this did not unduly affect the builders had it been increased however the impact would have been more significant. The Timber Trade Federation [TTF] in 1936 submitted the case requesting that the rate of duty be raised to 22.5% ad valorem²⁸⁷. The application was submitted at this time because a Trade Treaty with Sweden, which had conventionalised the duty on these products, was to be reviewed. The TTF advised IDAC that 'if the whole of the additional duty were passed on to the consumer, the extra cost of the floorings

²⁸⁴ A specific duty was imposed on the wire nails in February 1933. The Committee having made their decision in the January of that year, but this was met by drop in Continental prices by the amount of the duty and so did nothing to stem the imports. IDAC would not impose a further duty and this led to the industry negotiating a price and quota agreement with the continental producers. IDAC would have had no further involvement in this issue. They saw cartels as a 'second best' to free trade, rather than a tariff which was at most a 'third best' solution. Additionally, the ultimate responsibility for monitoring building prices lay with the Ministry of Health and not IDAC.

²⁸⁵ PRO BT/10/12 Committee Paper 448/1934

²⁸⁶ PRO BT/10/13, Committee Paper 67/1935

²⁸⁷ The range of 22.5 to 30 per cent was set to cover different products.

required for a Council House, say, would be less than £1'.²⁸⁸ The Committee did not simply accept the applicant's assurances on this and consulted the Ministry of Health as to their view. The amounts were disputed by the Ministry of Health who calculated that if all of the proposed duty were borne by the consumer this would lead to an increase of £1.7s.6d. per house.²⁸⁹

IDAC noted: 'the Ministry of Health (Building Prices Committee) view the application with concern, starting from the general basis that any proposal which might have the effect of increasing the cost of housing at a time when the Government's slum and overcrowding campaign is in full swing'.²⁹⁰ They further stated that they would only recommend the increase in the tariff if the home producers were willing to guarantee prices for the home users, and stressed the cumulative effects of the various duties upon the cost of house building. Other government departments also did not view the application favourably. The DSIR thought the industry was inefficient. The Forestry Commission doubted that there were sufficient home supplies to meet demand and the Foreign Office hoped that no increase would be made because they felt it would be harmful to relations with Sweden. The advice the committee received suggested on the one hand that a tariff would lead to an excessive price increase for the users. On the other, that the home industry could not in any case make adequate supplies (either quality or quantity). IDAC decided therefore that they would not agree to the requested increase in the duty.²⁹¹

²⁸⁸ PRO BT/10/22, Committee Paper 101/1937

²⁸⁹ Bellman, 'The Building Trades', found that on a house selling for £600 to build, the total cost of all materials was £279 or around 62% of total costs (excluding profit). In relation to this an increase of around £1 per house seems relatively small. Ministry of Health figures show that in 1936 the cost of building the more basic 3 bedroom non-parlour house was around £311, if material costs were approximately 62% this would be around £193. In this case, the possible cost increase is still less than 1%.

²⁹⁰ PRO BT/10/22, Committee Paper 101/1937

²⁹¹ Although, the case was weak and they were unwilling to increase the duty rate to 22.5% they decided that they would recommend an increase from the current 10% to 15% duty. Any such change though was subject to the Trade Treaty negotiations being conducted by the Board of Trade. They advised the Board of Trade that if the relevant part of the existing trade treaty were to

The final case that exercised the Committee members' minds regarding the price impact on the house builders was that of glass when in 1939 the manufacturers made a request for an additional duty.²⁹² The request was made for an increase in the rate of duty on sheet glass. The applicants wanted the existing 15% ad valorem duty to be replaced with a specific duty of ½d. per lb. or 15% whichever was higher. They argued that they needed the duty to be raised because of the breakdown of an international cartel and because the devaluation of the Belgian currency nullified the 15% duty. They also made the case that they were a modern and efficient industry operating at low cost and additionally they were located in a Special Area (further details on these aspects of the case are discussed in Chapter 6).

The Committee were particularly worried, by the possibility that an increased tariff might lead to price rises, because glass was an expensive element in house building. The total cost of glazing for an ordinary three-bedroom non-parlour type house was then estimated at between 50s and 60s.²⁹³ This application was however less straightforward than were some, the Committee could not reject it out of hand. The applicants had a strong case as they were considered to be highly efficient. Consequently the Committee advertised the application and continued their examination of the applicants' case. IDAC found that although there had been some recent price rises these were limited to certain regions only and that overall price remained lower than in 1930. The Committee viewed this application favourably and it seems likely that an additional duty would have been granted but a decision had not been made at the cessation of their activities in summer 1939.

Not only did IDAC consider the possible price effects on the building trade they also concerned themselves with the efficiency of home producers and

be modified than this new rate should be introduced, this did not happen however and the tariff remained conventionalised at 10%.

²⁹² PRO BT/10/29 Committee Paper 78/1939

²⁹³ In 1937 the average building cost of this type of house, according to the Ministry of Health, was £338 of which an estimated £210 would have been the cost of materials.

the quantity and quality of home supplies. As far as the Committee were concerned if home supplies were not of a sufficient standard *vis-à-vis* imports, an application for additional duty could be refused on those grounds. One such case was that of glazed wall and hearth tiles. In 1935, the British Pottery Manufacturers Federation made an application for an additional duty on tiles.²⁹⁴ Production of the industry had doubled since 1931 but market share had fallen, the applicants said that wherever possible they had lowered their prices. The tiles were already protected by a 30% duty but the industry argued that they needed specific duties equivalent to between 56 and 75% ad valorem (dependent on the exact product).

IDAC consulted both the Ministry of Health and the DSIR to enable their decision-making. They found that the demand for glazed tiles had increased considerably. This was in part because of rising volume of houses and also because of changes in fashion.²⁹⁵ At the same time though: 'the character of the demand has to some extent changed, owing to the use of tiles in cheaper houses than formerly'.²⁹⁶ The building industry, despite its increased use of the tiles, did not oppose the application. Evidence obtained by IDAC suggested that the industry had become more efficient during the 1930s and this was supported by the DSIR.²⁹⁷ The Committee then looked for evidence that the industry had reduced its prices and were disappointed to find that despite the improved efficiency these, they felt, had not fallen significantly. Prices had indeed fallen over the previous four years but IDAC felt that these could have fallen further.²⁹⁸ However, the Committee believed that prices would fall further because the trade had agreed to conduct further research and was committed to greater

²⁹⁴ The application number 318/1935 was made on behalf of the Federation's Tile Section.

²⁹⁵ It was noted that between 1931 and 1935 the number of houses built had increase by 122%. The number of houses built in England and Wales by private enterprise without State assistance was said to have expanded from 128,728 in the year ending March 1931 to 286,050 in the year ending March 31, 1935.

²⁹⁶ PRO BT/10/16 Committee Paper 318/1935

²⁹⁷ Whilst the DSIR were highly critical of the pottery industry as a whole they viewed the tile section as one of the most efficient.

²⁹⁸ They found some evidence of price-fixing in the industry and thought this was the likely cause.

modernisation if they received additional protection.²⁹⁹ Consequently, the application was successful with the Committee raising the level of specific duties on the tiles. In this case, the prospect of an increasingly competitive tile manufacturing industry for Britain was enough to outweigh any considerations of the impact on the house-building industry. This was particularly true as that industry had not taken the opportunity to air its views on the matter when the case had been advertised.

A similar justification had been given by IDAC when they decided, in 1932, to raise the duty on wooden doors. During IDAC's operation, two applications were submitted requesting additional duty on wooden doors. In considering these applications the Committee not only examined the question of prices for the building industry but also the type of product and the reliability of supply. The first was submitted in March 1932, and after investigation the Committee, in 1933, agreed to raise the duty on the wooden doors despite these being important to the building trade. In making their recommendation to the Treasury the Committee noted that: 'Prior to the War most doors used in this country were of home manufacture, but the greatly increased building activity of post-war years and the standardisation of door sizes resulted in considerable imports of mass-produced goods. Mass production plants are now in operation in this country and a considerable productive capacity, which can be readily extended is available. ... We are satisfied that an increase of duty such as we have suggested will not have an appreciable impact upon the cost of house building'.³⁰⁰ The Committee accepted that the British industry could not compete on price, as they faced higher costs both for raw materials and for labour, with their main US competitors where mass production methods were already well established. A

²⁹⁹ After the application was advertised, the Committee did not receive any significant opposition to it. Their only concern remained that of whether the industry could raise efficiency still further. As a result of discussions the industry agreed to establish a research association and arranged for the manufactures to provide finance of £10,000 per year for it. The DSIR, when notified by IDAC, were happy with this arrangement and were grateful for IDAC's intervention without which they believed nothing would have been done.

³⁰⁰ PRO BT/10/6 Committee Paper 202/1933, 12.5.33. The majority of the imported doors came in from the United States.

'Buy British' campaign had enabled the home industry to begin to modernise and mass production plants had been set-up. The Committee were keen to support these developments and stated that they were satisfied that the mass-production plants could, behind the protective tariff, increase production and derive economies of scale. They also felt that the developments would bring the cost of doors down in the medium-term and were unconcerned about the short-term impact upon the building industry.³⁰¹

In the next application for increased duty on wooden doors, made in 1934, rising costs for the building trade were again not an issue for the Committee they were more concerned with the development of the home door manufacturing industry. They felt that the low prices of American doors were hampering the development of the home industry. Hutchinson notes: 'In the case of doors the protection proved ineffective, imports from America continued to rise while little progress was made with mass production at home'.³⁰² In arriving at their decision to grant the tariff IDAC noted:

'On a review of the whole case as placed before us, I propose that the minimum specific duty of 2s. per door be increased to 2s.6d. The ad valorem incidence of such a duty would be 40 - 50 per cent. On American doors and about 30 per cent. On Swedish doors (taking as the base the average declared Customs values). This would be abnormally high in relation to the general level of protection afforded to most manufactured goods and to builders' woodwork in particular where the rate is 15 per cent. But the great bulk of the imports are from the U.S.A. and we are a good market to that country for a great deal of our raw material which our duties cannot therefore affect, and, indeed, the American trade with this country during the first nine months of 1934 has shown a remarkable steadiness. But it is not so much a question of cutting down imports as of getting a larger share of an increased demand for producers in this country. Relatively, of course, doors are a small matter. We can make them quite economically ourselves and production can be readily expanded.

We have been informed that the Minister of Health is very much concerned in the matter of supplies and prices of building materials because of Government policy in relation to housing and slum clearance, but we gather that the question of supplies rather than prices is more particularly engaging his attention. In any event the effect

³⁰¹ PRO BT/10/6 Committee Paper 188/1933

³⁰² Hutchinson *Tariff Making* p.100

on building costs of such an increase as is here proposed would be negligible - perhaps 5s. per house'.³⁰³

In a further case, concerning an application for additional duty on electrical accessories,³⁰⁴ the Committee members sought information from Local Housing Authorities not just on the comparative price of British and Foreign products but also on their quality. IDAC were provided with copies of reports from a number of housing authorities to inform their decision-making. These reports provided a very mixed picture: 'Some of these reports, e.g., from Manchester and Newcastle-on-Tyne, were to the effect that foreign accessories were not being used for the reason that British-made goods can successfully compete as regards price. In the report from Birmingham, prices were quoted which were stated to apply equally to British and foreign articles, and the quality of the latter was said to compare favourably with that of the British articles. From Leicester, on the other hand, it was reported that in regard to a number of articles covered by the application, e.g., adaptors, bells and buzzers, ceiling roses and connectors, the foreign prices were from 15 to 33¹/₃ per cent. lower than the British, while in regard to other areas there was either no foreign competition (e.g., connecting boxes and bases and fuse distribution boards) or the foreign articles (e.g., time switches) were equal in price to the British.'³⁰⁵

The shortage of home supplies rather than price issues were more of a concern for some products. This is true of brick supplies by 1936.³⁰⁶ The National Federation of Clay Industries submitted their second application for an additional duty on bricks arguing that because of lower labour costs overseas and the recent Belgian devaluation the industry had faced rising imports. This had been particularly noticeable in 1934 and 1935. However, IDAC recorded: 'We have been informed by the Ministry of Health, who have been consulted in the matter,

³⁰³ PRO BT/10/12, Committee Paper 432/1934

³⁰⁴ PRO BT/10/16 Committee Paper 287/1935 Electrical Accessories

³⁰⁵ PRO BT/10/16 Committee Paper 287/1935

³⁰⁶ An application for the free listing of roofing tiles made in December 1934 used the argument that there were inadequate supplies of British tiles for house building. The Ministry of Health refuted this however, advising IDAC that the British industry was able to supply the home market. The Committee consequently, turned down the application.

that the increased imports of these years may be largely explained by a shortage of home-made bricks, owing to a private enterprise building boom which caught the home brick manufacturers unawares'.³⁰⁷ Imports for 1935 were estimated at 250 million bricks compared to a home production estimated at 6,088 millions (4%). Most of this competition was felt by the brick makers in the South East. The Committee considered that the imports were negligible in relation to home supplies and were not therefore prepared to alter the tariff just to benefit the manufacturers in one particular region.

When did the building industry contact IDAC?

'It is the effective protection rate that shows by how much the value-added in an industry can exceed the value-added in the absence of protection. Since there was an awareness of this concept in the business world at the time, an examination of the effective tariff structure aids an understanding of the working of business groups in their pursuit of tariff legislation.'³⁰⁸

There is clear evidence amongst applications to IDAC that supports this view that businessmen were aware of effective protection.³⁰⁹ This being so, it is logical that the building trade would have protested vociferously at the tariff, and changes in it, that would significantly affect the price of their material inputs.³¹⁰ Yet, there are few cases of opposition from the building trade. This is possibly because they had nothing to complain about overall as prices of their raw materials fell in spite of the tariff.

³⁰⁷ PRO BT/10/17 Committee Paper 3/1936

³⁰⁸ Capie *Depression and Protectionism* p.139

³⁰⁹ From examination of Committee papers it can be seen that applicants discuss rising input costs generally and in a few cases, specifically mention the impact of the tariff on their inputs

³¹⁰ Of course, it could have been that they thought it would not make any difference.

The building trade rarely objected to additional duty applications affecting their trade.³¹¹ Where they did, this was not in those cases in which they would most obviously have had an interest, nor in the cases in which they were likely to have the most impact. They objected to applications for additional duty on:

- Wire nails (130/32b),
- Cast iron baths (33/121), and
- Paper and Board (33/135).

In the first case objections were raised because of the volume of wire nails used in building a house and over concerns about rising costs as British nails were in any case more expensive than imported nails. However, as noted earlier, IDAC did not consider these sufficient grounds for refusing the application. In the case of the cast iron baths opposition was received from the National Federation of Building Trade Employers, the London Housebuilders' Association, and four importers. The building trades feared that an increased duty would result in a scarcity of supplies and in price exploitation by the home producer. The importers argued that the present duty had already substantially reduced imports. Subsequently, a cartel agreement was reached and the application was withdrawn.³¹² IDAC therefore had no further involvement and did nothing to confirm the prices the building industry was to face. Supplies were guaranteed for the building industry even if prices were not. In the final case, the application was successful despite considerable opposition. In the main, IDAC agreed to raise the tariff to bring the product in-line with similar items. Additionally, the Committee felt there was some justification for a higher tariff because they believed the applicants would be able to improve performance with the benefit of additional tariff protection. Opponents had suggested that the home industry was inefficient but IDAC believed that it had shown progress since tariffs were first introduced and so agreed to an increase from 10% ad valorem to 20%.

³¹¹ Apart from the complaint regarding cement, they do not make any formal requests for the rates of duty on their inputs to be reduced.

³¹² Further details of the cartel negotiations are covered in Chapter 6.

In most cases where an increase in the tariff could affect the building trade the Committee were never approached by the industry and it could, therefore, be assumed that they had little complaint with IDAC. The only occasion where the building industry might have felt aggrieved at IDAC, for their *inaction*, was in relation to cement.³¹³ This did not relate to an additional duty application however. In later years, the cost of cement was something that concerned the building trade sufficiently for them to approach IDAC for assistance. In 1938 IDAC received a letter of complaint from the National Federation of Building Trades Employers regarding recent cement price increases they were experiencing and contract terms enforced by the Cement Makers' Federation.³¹⁴ The letter asked for an investigation into the industry and for the removal of both the import duty on cement and the specification of British produced cement in governmental building contracts. IDAC consulted the Ministry of Health and found they had experienced problems getting information from the Cement Makers' Federation. IDAC noted: 'the industry is a close monopoly and there seem to be prima facie grounds for an enquiry by someone into the relation between its cost and price.' IDAC did not feel however, that it was necessarily their responsibility to do this, instead they turned their attention to what most certainly did concern them and that was the tariff. IDAC decided to investigate the industry further and found that a cartel agreement had been reached in March 1937 between the British cement makers and the principal European suppliers. The cartel established price and quota restrictions in all of the principal European markets.³¹⁵ The Committee believed that consumers might be being charged excessively. However, they noted: 'A detailed investigation might or might not prove the increases to be warranted, but in view of the international agreement the removal of the duty would not be of any help to the consumers'.³¹⁶ The cement manufacturers supported the Committee's belief that the reduction or the removal of the duty on

³¹³ No complaint about IDAC over this issue appears in the trades' own journal, *The Survey*. It seems likely that the industry would have been more disappointed in the Ministry of Health for not exercising any control of the cement makers' prices.

³¹⁴ PRO BT/10/25 Committee Paper 37/1938 the letter was also sent to the Building Prices Committee at the Ministry of Health

³¹⁵ The International Cement Export Conference was set to run for a period of 5 years from 1/3/37.

³¹⁶ PRO BT/10/25 Committee Paper 47/1938

cement would have no effect on reducing prices for the domestic users. When the Committee approached them, they said that they had no objections to possible free-listing.³¹⁷ Because the Committee therefore, felt that any change to the tariff would be ineffective they did not take any further action. The Committee did write back to the National Federation, sending a copy to the Secretary of the Inter Departmental Committee on Building Material Prices, notifying them that they were unable to Act in this case.³¹⁸

Overall then, we see the Committee behaving responsibly and acting as far as possible to ensure a fair outcome that would not have a detrimental effect upon the building industry. They were rarely contacted by the building industry but attempts were made to take account of its interests.³¹⁹ The Committee did not only

³¹⁷ The Committee paper also notes that the Committee had only previously recommended free-listing if the products were essential materials of industry. They felt that this would not be a genuine case for free listing. There is also a note to the effect that the loss to the Exchequer of free listing would be about £23,000 a year for the next four years. This highlights the diversity of the necessary considerations.

³¹⁸ In 1930 250,000 tonnes of cement were imported, this was on a small scale in relation to home consumption of around 6 million tonnes - figures taken from the Board of Trade *Survey of International Cartels and Internal Cartels 1944-1946*.

The Board of Trade *Survey of cartels* also records that in early 1939 several questions were put in the House of Commons regarding the price of cement. The concern was raised that through the monopoly powers the industry was charging excessive price. The President of the Board of Trade answered these questions replying that there had been a rise in prices, but not an abnormal one. The Cement Maker's Federation had explained that one of the chief factors in the rise was the increased cost of coal. Following IDAC's decision not to act, the Inter-departmental Committee took the matter up with the Cement Makers Federation. They produced figures to show that the increase in their costs ranged from 3/3 to 4/4.5 per ton, or even more in some cases – against price rises of only 3/- in 1938, p163. The Committee accepted the figures as genuine but recommended that the Federation make some reduction in price in view of the economies being realised through the increased utilisation of cement-making capacity. The final outcome was that in June 1939 the Federation agreed to reduce the price of cement by 1/- per ton.

³¹⁹ Although, tariff changes are brought to the attention of the sector through its journal, *The Survey*, there are never any complaints made about them or their effects. This is contrary to the journals attitude to the Ministry of Health, and the government writ large, who it criticises for placing upward pressure on prices through their insistence on buying particular materials and particular contract requirements.

focus on price considerations. Where they could they also tried to aid the industry by trying to ensure that the quality and reliability of British supplies were of a high standard. Some additional duty applications were approved because any price increases were considered negligible; others were refused in part because of the likely cost implications. Where the tariff was not considered the underlying cause of price rises no action was taken.

Whenever possible the Committee endeavoured not to harm the building industry. However, it was not treated any more favourably than other using industries were because of its political importance. Where applicants for additional duty presented strong and convincing cases they were still awarded the higher tariff protection they needed. The domestic glass manufacturing industry would have been one such case. Despite sheet glass being a large input to house building the additional duty would have been granted because IDAC believed that they could have a materially positive impact on the development and progress of glass manufacturing.

The Committee did not face external pressures regarding the effect of the tariff on the building industry. Not only did the industry, on the whole, not oppose applications nor did the industry's press criticise IDAC's activities. The 'Building Survey' reported all tariff changes that were relevant to the sector yet it never criticised any tariff increases. This lack of concern reinforces the notion that the industry did not feel unduly affected by the tariff. The Committee did not attempt to calculate the elasticity of demand for housing. Nor was this specifically discussed, but they clearly believed that the small rise in prices resulting from the tariff would not slow or halt the boom in house building.

Building industry performance

We may use the analysis of the building industry in the Economist to examine data available to the IDAC. This tells us the nature of the information available to IDAC as well as to the wider business community.³²⁰ The Economist was, at that time, very pro free trade. Therefore, we would expect that any view that the building industry was suffering because of the General Tariff would be reported in its pages.

In 1935, the Economist ran a number of articles on the housing boom. In its first article, October 26, 1935, it was noted: 'There is an increasing consensus of opinion that the remarkable expansion of building activity during the past three years has been a major factor – indeed, *the* major factor in British economic recovery'.³²¹ There was no clear perception that the General tariff, which had been in operation for three and a half years, had started to squeeze this important sector of the economy. The Economist, being the arm of the press where free traders had their most effective outlet, it seems unlikely that they would have fought shy of damning the tariff's effects. The journal usually criticised the tariff and IDAC at every possible opportunity. In the case of building material tariffs although they remained critical because of free-trade principles, they did not criticise these particularly, because they were not in a position to show that they had had a negative effect on the industry.

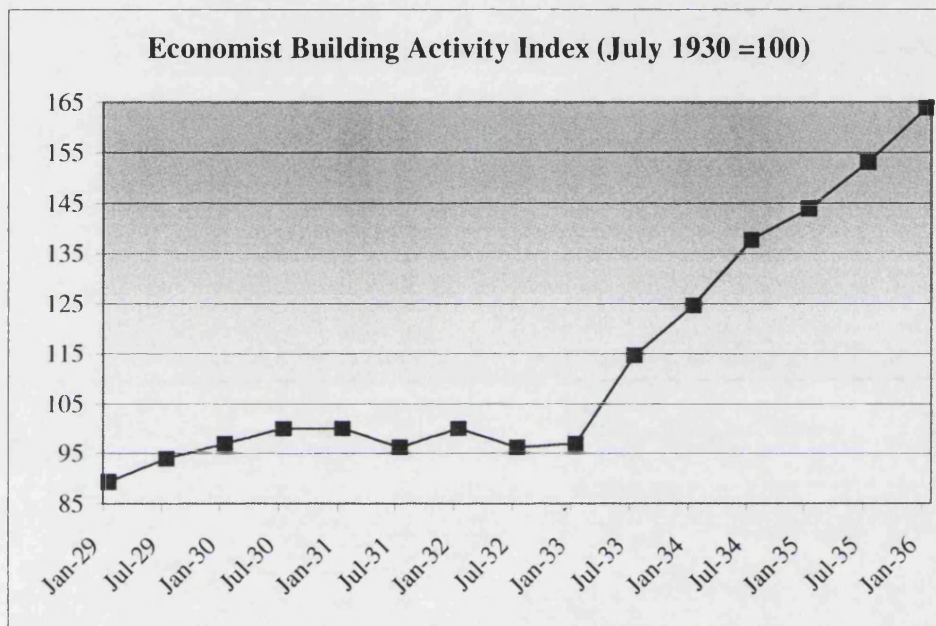
In the article, an attempt was made to analyse the cause of the house building boom. It was argued that it came about largely as a result of an unfulfilled demand. 'Cheap' money had some impact on the ability to buy new housing, as did falling food and clothing prices with improvements in the standard of living, but primarily it was because there had been an insufficient supply of housing. The Economist, therefore, predicted that activity in house building would diminish as excess demand became satiated. Until that time, the rate of building

³²⁰ It is important to use data that was produced at the time to understand the basis upon which IDAC formed their judgements and made their decisions.

³²¹ The Economist, October 26, 1935. *'The Housing Boom – I'* p.795

activity was unlikely to fade for **any** reason. Just as the Economist was in a position to make these observations so were the members of IDAC.

The Building activity index constructed by the Economist shows performance of the sector in the early part of the decade. This shows that activity in the industry began to rise from January 1933 and continued to grow thereafter.



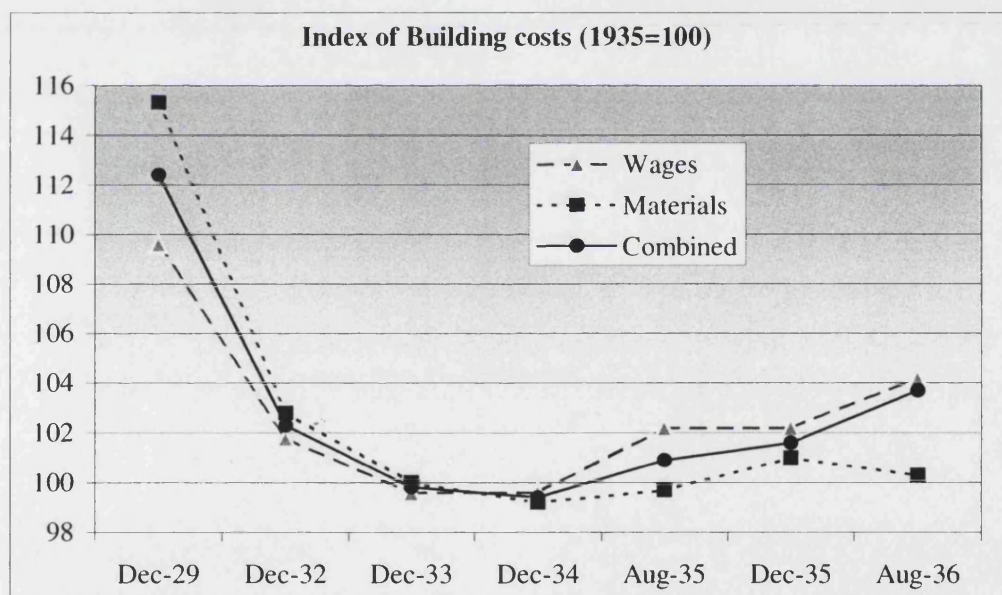
In a further article, the next month, The Economist noted that between 1929 and 1933 falling costs (despite the introduction of the tariff) had helped to stimulate the trade. An index was constructed of the building costs for the industry to enable an analysis of price changes. Wage rates were considered as were a sample of building materials. Finally, wages and materials were given a 50:50 weighting based on observations made of the industry in both 1924 and 1930 (see table below).³²² It was reported: 'Though building costs already show a slight

³²² Bellman suggested that based on a selling price of £600 that land and gross profit amounted to around 25% of the total (£150) and the rest being spent on materials and labour. Of this around 62% was for materials (£279) and 38 per cent on labour (£171). 'The Building Trades' p.407 If these proportions are applied to the cost indices then the combined cost index does not differ significantly from the figures calculated by the Economist using the 50:50 split.

upward tendency, following recent increases in wages, it is unlikely that changing costs will perceptibly influence the volume of building in the immediate future'.³²³ The inference being that increased wages were more significant than raw material costs.

Index of Building Costs (1935 = 100)

	Wages	Materials	Combined
Dec-29	109.6	115.3	112.4
Dec-32	101.8	102.8	102.3
Dec-33	99.6	100	99.8
Dec-34	99.6	99.2	99.4
Dec-35	102.2	101	101.6
Aug-35	102.2	99.7	100.9
Dec-35	102.2	101	101.6
Aug-36	104.2	100.3	103.7



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³²³ The Economist, November 2, 1935. 'The Housing Boom - II' p.844

³²⁴ The Economist, September 5, 1936 'Trend of Building Costs' p.430

The index of wages is based on those in London and Manchester and includes those of masons, bricklayers, carpenters and joiners, plasterers, slaters, plumbers, painters and labourers. The index of materials is based on London quotations for stone, bricks, wood, tiles, joists and girders, lead, paint and glass. The article notes that the Board of Trade's index of the price of Building materials,

Building costs were found to be lowest in early 1935. Subsequently, the index tended to gradually increase, partly as a result of rising wages and partly as a result of rising material costs. The indices show that it was rising wages bills, rather than increased material costs, that put pressure on overall costs for the industry. However, both wages and materials remained below pre-depression levels, and it was noted that: 'such a slight rise in costs as has occurred, however, was quite unlikely in itself to endanger the progress of the building boom'.

In 1936, *The Economist* again considered the path of the housing boom and its 'remarkable vitality'. They remained concerned though about demand falling off and the impact this would have on the economy as a whole.³²⁵ By the September, it was suggested that the housing boom had peaked but that new construction of workshops and factories had taken off.³²⁶ In particular, private house building had begun to fall but this had been offset by the combined increase in municipal house-building and commercial building.³²⁷

In July 1937, they note that building activity had been maintained at a high level and that no marked decline was expected in the near future. It was only in August 1937 that doubts were seriously expressed about the maintenance of high levels of activity for the sector. 'While there is no sign of early recession, the maintenance of operations on the present scale is problematical in view of recent movements in the plan figures. ... Although these figures do not take account of Government work, and may be open to qualification on other grounds, it appears unlikely that Government building will be sufficient to ensure the maintenance of the present level of activity after a comparatively short time has elapsed'.³²⁸

which is available only for a few years, moved closely with the *Economist* index over the 12 months to August 1936.

³²⁵ *The Economist*, July 25, 1936. *Trade Supplement No.158*, p.5

³²⁶ *The Economist*, September 5, 1936. '*Trend of Building costs*' p.430

³²⁷ *The Economist*, September 26, 1936. p.551

³²⁸ *The Economist* August 28, 1937 p.10

Certainly up to this point, there is no great cause for concern about the industry's fortunes, and its concerns about demand proved to be too pessimistic. At the same time though, it was noted that the industry was facing constraints because of labour shortages, especially shortages of bricklayers and other skilled workers. The Economist report for September 1937 is similar but adds that the industry is then experiencing difficulty in obtaining supplies of some essential materials.³²⁹ A fall in the level of activity had not occurred by December 1937.

In making their judgements about the construction industry IDAC had access to a variety of statistical information as well as that published in the press of the day. Information on all industries was regularly published in Board of Trade Journals and IDAC had first hand access to this information. One particularly useful figure would have been the data on the number of building plans approved each year by the local authorities.

Plans approved by 146 local authorities in GB estimated costs (1930 = 100)

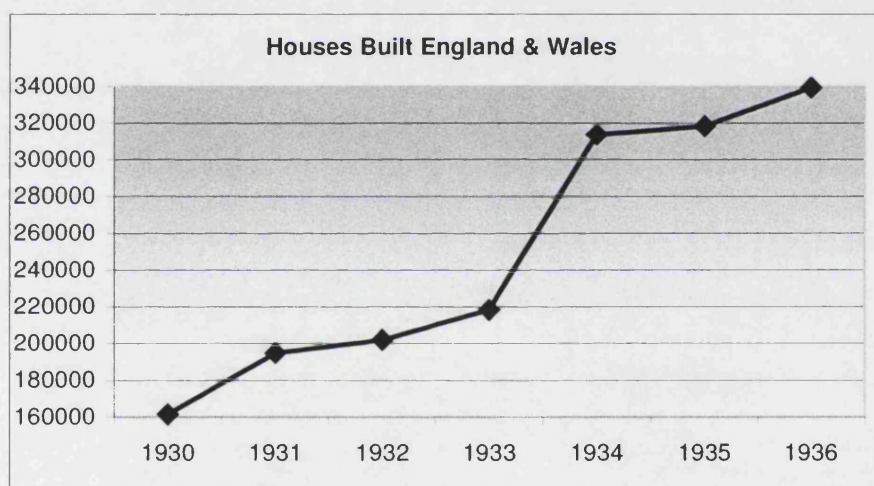
	1930	1933	1934	1935	1936	1937	1938
Dwelling houses	100	165.4	148.8	167.7	160.5	144.6	128.3
Other buildings	100	104.2	93.3	128.9	150.7	155.5	135

While, these could not guarantee future levels of production, or even accurate forecasting they would have reinforced beliefs about the sustainability of demand for construction. The table and chart below show the number of houses actually built in each year 1930 through to 1936. The apparent, continual growth would have encouraged IDAC in their belief that the industry was doing well.

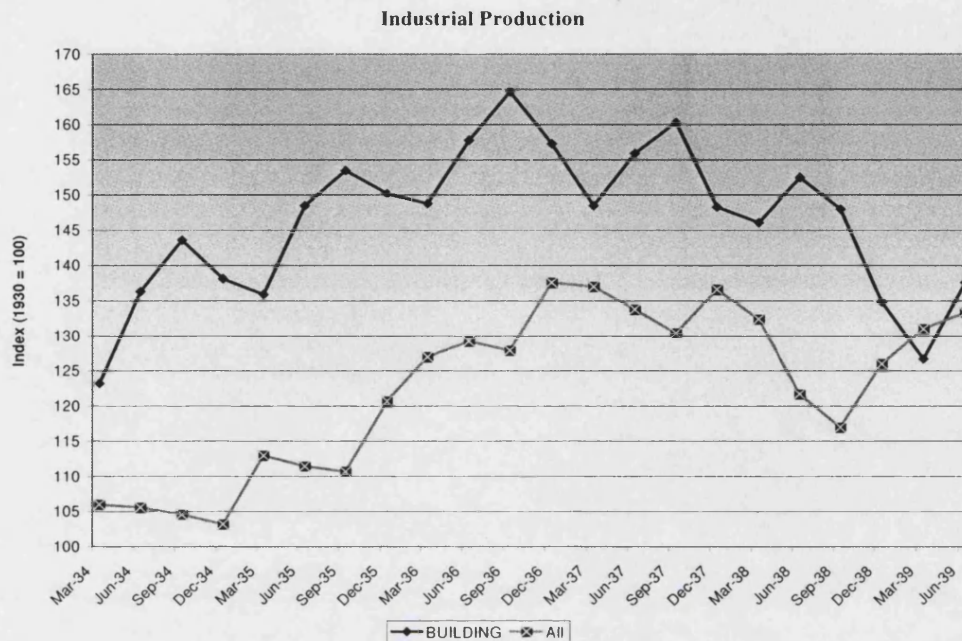
³²⁹ Although the report does not specify which materials it is certainly likely that the industry would have experienced shortages in supply of iron and steel products as did all other using industries by this time (see next chapter on Engineering industry).

Housing Output (England and Wales)				
Year ended 30th Sept	Private Enterprise	Local Authorities	Total	INDEX
1930	109682	52017	161699	100
1931	131656	63288	194944	121
1932	133486	68490	201976	125
1933	169100	49213	218313	135
1934	260327	53342	313669	194
1935	275299	43345	318644	197
1936	274654	64874	339528	210

Data from: Sir Harold Bellman, the Building Trades p.399 Table I



From the beginning of 1934, the Board of Trade also published data on levels of production in the economy, i.e. industrial output. Again, IDAC had early access to the data and used it to inform their decision-making. The chart below shows quarterly production indices for the building sector and 'all industry'.



As the chart shows there was a fall off in building activity from March 1938 but this began to rise again the following year. Both the economy as a whole, and the building industry, production was above 1930 levels throughout the period. For building however, its performance was relatively better than for all sectors and this was the case through to March 1939. Such data would not have given IDAC any indication that its activities were hampering the sector. Building activity was strong, as they expected.

As well as the data reported in the Economist, the Board of Trade published its own price indices to which IDAC had access. This data shown in Appendix 4.4 (Wholesale prices/prices) show that until 1937, the prices of building materials were lower than in 1930. This was in spite of the introduction of the tariff. The chart as well as showing the trend of building material prices also shows the indices of wholesales prices for all 'industrial materials' and 'all articles' over the same period. This shows that although the prices of building materials were lower than in 1930 they were more buoyant in the first part of the decade than industrial products, or all articles. This could be because of the tariff effects, both increasing the cost of imports to the industry and allowing home producers to increase their own prices by the amount of the tariff. However,

similar effects would be as likely to put pressure on prices in the other sectors too. It seems more likely, therefore, that the boom in demand for the building materials (and for some items shortages of supplies) bolstered prices. From 1936 when some of the demand pressures on construction were relieved and other sectors are themselves recovering the pattern is reversed.

The second Chart [Building Material Price Chart – wholesale prices by month Appendix 4.5] shows the index of prices by month from January 1932 through to April 1939. This shows that prices began to rise steadily from March through to October 1935. They then stabilised until the summer of 1936 when they again began to increase at a faster rate.

Other information available to the Committee came from the Ministry of Health. As we have seen, IDAC consulted the Ministry on specific applications that affected the building trades. More general information was available as well. Whilst it may seem that IDAC simply relied on the Ministry's word about possible price concerns of the industry, they themselves had access to the information on the price of houses. For instance, The Seventeenth Annual Report of the Ministry of Health³³⁰ in 1935-36 reported that the average price of a house was £310 compared with £299 in the previous years.³³¹ In discussing the reason for the price rises the Ministry noted: 'Rates of wages have advanced. The prices of some materials have risen though some have been reduced. Where increase of cost has occurred, no doubt a contributory factor has been the competition from private enterprise and public building works. The costs of house-building in there various aspects are kept under continuous scrutiny in the department'.³³² The availability of data on building costs enabled IDAC to make their own judgements in this regard.

As well as the Ministry scrutinising changes in building costs, in this report, they also refer to the type and affordability of housing being constructed.

³³⁰ Parliamentary Papers, Cmd. 5287

³³¹ This is the average building price of all non-parlour dwellings.

³³² Parliamentary Papers, Cmd. 5287, p.84

‘The large proportion of houses of low rateable value is an indication that the extensive activity of private enterprise has been of substantial benefit to members of the working classes. While most of the houses are for sale it is well known that the financial facilities are now so widely available enable persons of quite limited resources to purchase their houses.’³³³

‘The beneficial effect upon employment resulting from the great volume of house building in the last three years needs no emphasis. Unemployment in the building industry fell between March 1933 (before the activity of private enterprise began to expand to its present dimensions) and March 1936, from 27.2 per cent. to 14.8 per cent., although the number of insured workpeople increased by 120,000: the increase in the number of men at work was over 200,000. House building has played a major part in producing this result as is evident from the fact that during 1935, for example, dwelling-houses represented more than two-thirds of the estimated value of buildings for which plans were approved in 146 large towns which made returns to the Ministry of Labour.’³³⁴

Further information on house building could be found in a speech made by the Minister of Health, Sir Kingsley Wood, in the house to the Supply Committee on 8th June 1937.³³⁵ He opened: ‘I am glad to say we have had another successful house-building year, and if there is a housebuilding boom it dies hard. In fact the latest figures suggest much life and vigour, and apart from houses built there are continual demands for other kinds of buildings like factories and workshops’.³³⁶ This view prevalent within government would strengthen Committee opinion on the robustness of the sector. At no time would they have considered that the industry needed their particular assistance or special consideration.

In discussing costs, the Minister noted: ‘The largest single item in the rise in the cost of material used for ordinary cottages is due to the increased price of timber, a material of course, in regard to which we are dependent on world

³³³ Parliamentary Papers, Cmd. 5287, p.82

³³⁴ Parliamentary Papers, Cmd. 5287, p84

³³⁵ Hansard, 8th of June 1937 (Supply Committee)

³³⁶ Hansard, 8th of June 1937 (Supply Committee)col.1612

supplies and world prices. It should also be said that the prices of bricks and cement have generally remained steady ...'.³³⁷

House building costs had shown a significant increase in the twelve months to March 1937 and the Minister discussed this issue. He noted that in the quarter to March 1936 the average price of a non-parlour house with three-bedrooms had been £311 and this had risen to £338 by March 1937 – i.e. a 8.7% price increase over the twelve months. The Minister blamed the rise in material costs for most of this. However, the information he provided showed that the £27 price rise was made up of:

Increased price of materials	£8	= 29.6%
Increased price of labour	£3	= 11.1%
Increases, other (land and profits?)	£16	= 59.3%. ³³⁸

Sir Kingsley Wood noted: 'I suppose it must be said that the balance of the increase can only be assigned to excessive pressure on the industry and the uncertainty as to the ready availability of skilled labour and certain kinds of materials, but I emphasise again that any rise in the cost of building are a matter of concern ...'.³³⁹ The Minister noted that the building prices committee had investigated price changes in a number of cases, he also noted that the industry was experiencing difficulties, in certain cases, in securing sufficient skilled labour.³⁴⁰

The available information on the industry, provided by Government and non-Government data, suggests that the actions of IDAC and the imposition of a tariff on building materials did little to dampen its activities in the period. Prices did rise during the period but the price rise of materials put less pressure on the industry than the rising cost of labour. If anything were to dampen its activities it would be supply constraints, at certain times shortages of particular materials, and

³³⁷ Hansard 8th of June 1937 (Supply Committee)col.1618-1619

³³⁸ Hansard 8th of June 1937 (Supply Committee)col.1619

³³⁹ Hansard 8th of June 1937 (Supply Committee)col.1619

³⁴⁰ Hansard 8th of June 1937 (Supply Committee)col.1619

more crucially shortages of skilled labour. Where IDAC made the judgement that the building industry would not be harmed by slight price increases these were sound. If IDAC is to be criticised at all it might be argued that they gave undue attention to the needs of an industry that actually relied very little on imported materials. And they showed unnecessary concern over price rises for an industry where demand was so strong it seems likely they could have passed on any price rises to the final consumer. However, that this would not have been in-line with overall government policy, concerned to provide better-standard more affordable housing, and that they applied similar standards to the consideration of tariffs affecting other industries are reason enough to justify their actions.

Conclusions

IDAC did not need to contact the building industry yet they did not simply ignore the industry as they could have done. They were conscientious in their efforts to balance the needs of all using industries against those of producers in their bid to produce a scientific tariff.

In examining each of the additional duty applications relating to products that could be used by the building trade IDAC considered the using industries needs. In many cases this was achieved by consulting the Ministry of Health the department of government which had lead responsibility for monitoring the conditions of the industry.

Rarely did the building industry contact IDAC to oppose the applications that the Committee advertised they had under consideration. This led IDAC to believe that their actions were not harmful to the industry. The data on the trade and output of the building industry that IDAC were in a position to monitor also gave them no cause for concern. That the Economist, perhaps IDAC's most vociferous critic in the press, could find no cause for complaints about the tariffs impact on the building trade must also have bolstered their belief that they were getting the balance right.

Chapter 5. The IDAC and the British Engineers Association [BEA].

The British Engineers' Association, without any pretence whatever, can fairly lay claim to having played its appropriate active part in bringing about the change in the fiscal policy of this country; by the publication and utterance of facts, views and arguments, by participation in the deliberations of other industrial bodies and committees; by communications addressed to successive Governments and by evidence written and oral given to successive Government committees of enquiry into the safeguarding of the Iron and Steel industry.³⁴¹

The case of the engineering industry is useful to illustrate how Trade Associations worked with government at the time, and to consider which side was able to exercise power and gain the most from any developing relationship. The focus in this chapter will be on the relationship that developed between the IDAC and the BEA. This trade association was selected for study because it had (with the possible exception of the Iron and Steel Association) more contact with IDAC than any other trade body.

The tariff history of the engineering industry is an important area of study because its activities were important in the inter-war period.³⁴² Mechanical engineering formed one of the largest capital goods industries, accounting for about 6 per cent of manufacturing output and about 9 per cent of manufacturing

³⁴¹ BEA Bulletin Vol.13 No.3. April 1932 pp.46-47.

³⁴² Mechanical Engineering and Shipbuildings' share of Value Added in Manufacturing, amounted to 11.5% in 1924, and 11.8% in 1937. Matthews, R. C. O., Feinstein, C. H., & Odling-Smee, J.C. *British Economic Growth 1856-1973* (Oxford, 1982), p.239.

Data in Appendix 4.1 also showed that the sector was important both in terms of output and employment in the 1930s. In both 1930 and 1935 the sector was responsible for almost 14% of total output (output growth was slightly stronger than for all trades at around 7% between 1930 and 1935. Growth rates may have been dampened by the inclusion of shipbuilding in the sectoral analysis). The sector was also important as a large employer, employing around 15% of persons employed in both 1930 and 1935.

employment.³⁴³ The industry was highly diversified, with many small firms³⁴⁴, and a complex product range. Consequently, there were several trade associations aiming to pursue the interests of the industry and no single trade association was wholly representative.³⁴⁵

The British Engineers Association [BEA] was founded in 1912 by 'twenty prominent engineering firms'³⁴⁶. It's membership expanded thereafter but continued to represent the larger firms of the industry. This bias was noted by the BEA in 1932: 'from the point of view of capital assets and number of employees, the BEA is a much more important body than when considered in terms of number of firms, but while the fact must not be lost sight of that its membership contains a very considerable proportion of the pick of the engineering firms, the BEA could not claim to represent the whole of the engineering industry in regard to tariffs without the knowledge and consent of some of the people outside it whose interests might be materially affected.'³⁴⁷ However, the BEA was viewed by the IDAC as representative of the interests of the makers of all the following types of machinery: agricultural and dairy; battery making; textile; glass making; electric lamp and valve-making; chemical and soap-making; packaging and labelling; paper and board-making; printers machinery; foundry machinery; wire-working and wire-winding; testing machinery; presses; tobacco, cigar and cigarette-making; sterilizing and food preparation; brush-making; matchmaking; and, deep oil well machinery.³⁴⁸

³⁴³ Gourvish T.R. 'Mechanical Engineering', in Buxton N.K. & Aldcroft D.H. eds., *British Industry Between the Wars*. (London, 1979), p.129.

³⁴⁴ Gourvish 'Mechanical Engineering' p.129 notes that in 1935, over 85% of establishments with over 10 persons had a work force of less than 200.

³⁴⁵ These included: the British Engineers Association; British Electrical and Allied Manufacturers Association; Machine Tools Trade Association; Society of Motor Manufacturers and Traders; Steel Works Plant Association; Agricultural Engineers Association; Association of British Manufacturers of Printers' Machinery; British Chemical Plant Manufacturers Association; British Empire Sugar Machinery Manufacturers Association, and the Loom Makers' Association.

³⁴⁶ PEP *Industrial trade associations* p.9.

³⁴⁷ BEA Council Minutes, January 14th, 1932.

³⁴⁸ These were the classes of machinery which the BEA were called upon to advise IDAC in the operation of the Machinery Licensing Scheme.

From an examination of the archives of the BEA, it is clear that the association was involved with a number of government departments during the 1930s. As well as communicating directly with the Prime Minister, the Chancellor of the Exchequer, and the President of the Board of Trade, the association was involved with the Treasury, Board of Trade (BoT), Mines Department, Export Credits Guarantee Department, Department of Overseas Trade, and Ministry of Transport. The BEA also quickly established contact with the IDAC. It was one of the trade associations approached by IDAC in the early days of its work to discuss the tariff proposals. It continued to have a close relationship, particularly regarding the machinery licensing system.

In examining the BEA, it will be important to consider the applicability of the theoretical views on Trade Association and Government relations discussed in earlier chapters. The BEA is a particularly good case as the contact it had with IDAC was quite exceptional.³⁴⁹ The nature of the contact between the BEA and IDAC can be assessed to judge how formal this was, whether it became more formalised through the period, and to establish whether a process of bargaining and negotiation developed.

Corporatist notions of preferential status for certain groups are examined. From this viewpoint, the BEA would be expected to gain from any preferential status with IDAC compared to other associations where contact was more limited. Alternatively, benefits to the government department can be assessed, as can the extent to which the association became an instrument of IDAC policy. Other points are also reviewed. For instance, how well organised and representative of the engineering industry the BEA was, and how this influenced IDAC's consideration of them. The level of integration of the industry and its strength of organisation is vital in determining the limits of the BEA influence.

US tariff literature suggests that this industry would be expected to have secured high tariffs because it was an important employer³⁵⁰ and because it

³⁴⁹ It had more contact than any other trade association excluding the National Federation of Iron and Steel Manufacturers (NFISM), subsequently the British Iron and Steel Federation (BISF).

³⁵⁰ In 1937, there were some 12,327,000 insured persons in employment in industry and services, of which 614,000 (4.98%) were employed in 'General Engineering', the figure for 'All Engineering' was substantially higher at 1,977,000 (16%). - Ministry of Labour Gazette, cited in

employed a high capital to labour ratio.³⁵¹ The work of Capie considers factors important in shaping the British tariff structure at this time.³⁵² This suggests the engineering industry would have had a high tariff because it was not highly concentrated in size terms and, the industry was moderately regionally concentrated. Yet the industry did not secure high tariff rates. An understanding of why this was the case emerges from this study. It is also possible to uncover how aware the industry was of effective rates of protection and the extent to which it believed that protection assisted the recovery of the industry from depression.

The continuing relationship.

A review of Trade Association attitudes towards the tariff shows that the BEA had a long history of supporting protection. Before the Import Duties Act was introduced, the association began its own consideration of how such a system might be operated. The view that an independent tariff board should be established was put forward.³⁵³ The system they favoured did not differ significantly from that which was eventually introduced. The Association was quick to offer their assistance to the government in the development and operation of the tariff and they actively sought involvement/participation in administering the system. They had long considered the tariff needs of the industry and should have been well prepared to work with IDAC. They would have been in a position to make a strong case for the tariff that the industry wanted.

British Association, Section F: Economic Science & Statistics Research Committee, *Britain in Recovery* (London, 1938)

³⁵¹ Pincus 'Pressure Groups'; Baack & Ray 'Political Economy'; Hayford & Pasurka 'Fordney-McCumber'; and, Hawke 'United States Tariff'.

³⁵² Capie *Depression and Protectionism*

³⁵³ Sir Gilbert Vyle, Council Member, suggested the institution of an independent Import Control Board of some 7 or 8 paid experts to be appointed by Parliament to consider, advise or make recommendations or, better still, to be delegated with full powers to act in accordance with their judgement as and when necessary in the interests of a particular industry. BEA Council Minutes, Special meeting, November 19th, 1931.

Something similar had also been one of the FBI recommendations in its Fiscal Policy Report.

In November 1931, a special meeting of the BEA Council was called to consider what procedure should be followed about giving information to the Government concerning the tariff. The meeting was not to discuss whether the tariff was or was not necessary. It was taken as read that the majority of membership considered that a tariff was needed, just as they had done in both 1923 and in 1930.³⁵⁴ Part of the discussion revolved around how to approach government with their views. The decision was made that the best approach would be via government departments, and in particular through the Board of Trade [BoT]. 'Mr Bremner [BEA Director] said that the B.E.A. fortunately, had a locus standi with the Board of Trade, and he was sure that any appeal from the B.E.A. would be sympathetically received.'³⁵⁵

On the 23rd of November 1931, a letter was sent to the President of the Board of Trade noting: 'The services of the Association were freely and willingly placed at the disposal of the President of the Board of Trade in the task that now lay ahead in regard to tariffs and other matters affecting the engineering industry, of which the BEA was the representative organisation'.³⁵⁶ One Council Member, Mr. Louis Smith, MP., held the opinion that 'the BEA should get into close and constant contact with the BoT by conversations with officials and by following step by step the road from abnormal importations to a permanent tariff'.³⁵⁷

Soon after the IDAC was established, the Committee held meetings with a number of Trade Associations, of which the BEA was one, to elicit their opinions. The BEA President informed his Council that 'on the 23rd of March, at the invitation of Sir George May, the Chairman of IDAC, he and the Director had had a private interview with the IDAC for the purpose of an exchange of views on tariff matters, in the course of which some confidential information had been

³⁵⁴ BEA Council Minutes, Special meeting, November 19th, 1931.

The BEA Bulletin Vol.13. No.3., April 1932 p.47, notes that in 1923 81.8% of members were in favour of protection, in 1930 a similar survey found, of those replying, 96% were in favour of protection.

³⁵⁵ BEA Council Minutes Special meeting, November 19th, 1931.

In the case of this industry the Depression is not the cause of calls for protection.

³⁵⁶ BEA Council Minutes December 10th, 1931.

³⁵⁷ BEA Council Minutes December 10th, 1931.

By this stage it was taken for granted by the industry that a permanent tariff would be introduced.

given to them regarding the intentions of the Committee in respect of tariffs on certain commodities and also in respect of the products of the engineering industry'.³⁵⁸ From this point, forward the BEA was continuously in contact with the IDAC. A record of meetings with IDAC is shown in Appendix 5.1 (other types of contact were frequent: memoranda, telephone calls and informal meetings which were not formally recorded).

At the request of Percy Ashley of IDAC, Mr Bremner again visited the Committee on the 30th of March 1932. At the meeting, IDAC made it clear that they were concerned at the likely difficulties of dealing with the products of the engineering industry, especially those under the heading "machinery" in the BoT annual returns. The IDAC needed advice so they could decide what to do with this class of goods after the initial emergency tariff - so an additional duty on top of the 10% could be introduced. At Percy Ashley's request, Mr Bremner agreed to prepare a draft report on the views of the industry.

Problems in determining a suitable tariff for the engineering industry were not new. The Tariff Commission, established by Joseph Chamberlain in 1904, experienced considerable difficulties in arriving at an appropriate tariff for the engineering industry. The major problem was that the industry was far from uniform or unified.³⁵⁹ In 1906, the Tariff Commission found the attempt to collate information on the industry extremely difficult: 'The questionnaires had revealed "something like 500 groups of Engineering products in regard to which Foreign importation, and dumping, is [sic] complained of ... and [discovered] that most of these groups impinge on different industries, and that the Engineering industry is not one industry, but is really a large group of industries"'.³⁶⁰ The completion of industrial reports was complex, but that of the engineering industry proved particularly difficult. It was found to be impossible to order the data: the classification of engineering products adopted in official sources were found to be useless, both for drafting a tariff and for ascertaining the state of trade and the extent of foreign competition.³⁶¹

³⁵⁸ BEA Council Minutes April 14th, 1932.

³⁵⁹ Marrison *Protection* p.70

³⁶⁰ Tariff Commission Minute, 23 May 1907, cited in Marrison *Protection* pp.194-195

³⁶¹ Marrison *Protection* p.195

In a memorandum dated 5th April 1932, the BEA began to provide guidance for the Committee on how to develop a tariff system for machinery. At this stage, a list was provided of 2,200 products of the British engineering and allied trades.³⁶² In the BEA Bulletin of April 1932, the difficulties associated with establishing a satisfactory tariff for the industry were noted: 'it would be impossible to examine in detail the varied produce of engineering industry, even when reasonably grouped in classes with the object of determining different suitable and effective rates of import duties to be applied to them'.³⁶³ Machinery had 100 sub-divisions in the Import and Export Lists produced. Even this was not sufficiently delineated: the "all other sorts" class of machinery accounted for 27% of total machinery imports in 1930.³⁶⁴

The BEA was keen to ensure the industry gained a large protective tariff to stimulate new developments within the industry. 'The present flat rate revenue duty of 10% is insufficient to afford any effective protection and provide the stimulus required to stir our machinery manufacturing industry into new life'.³⁶⁵ Mr. Bremner, therefore, went on to request a rate of duty of 33¹/₃%: 'It is realised that, in some cases, a duty of 33¹/₃% will not provide fully effective protection to the home manufacture on the present price basis, but on the other hand there is good reason to believe that it will seldom be excessive'.³⁶⁶

Mr. Bremner, in his report to IDAC, suggested that special rules should be applied to machine tools and certain types of textile machinery. For these items, a scheme similar to that eventually introduced for all types of machinery was proposed. It was argued these should receive special treatment because many of them were unlikely to be manufactured in the country for some time. The suggestion followed that upon proof that articles could not be obtained in Britain

³⁶² BT/10/59 Memorandum, dated 5th of April 1932, from Mr. D. Bremner Director of the BEA. The full statistical appendices were not retained by IDAC as they were regarded as too bulky, nor do the documents survive in the archives of the BEA.

The contents of this memo are also reported in, BEA Bulletin Vol. 13. No.3., April, 1932. pp48-49

³⁶³ BEA Bulletin Vol. 13. No.3., April, 1932. p.48

³⁶⁴ BEA Bulletin Vol. 13. No.3., April, 1932. p.48

According to Hutchinson [p.19] the Government, in the House of Commons, had described the initial rate of duty as primarily for revenue purposes.

³⁶⁵ PRO BT/10/59 Memo dated 5th April, 1932, from Mr. D. Bremner.

³⁶⁶ PRO BT/10/59 Memo dated 5th April, 1932, from Mr. D. Bremner.

the items should be imported duty-free so that the user was not penalised for importing a necessary article. It was felt that adjudication of such cases should fall to the appropriate trade association. It is interesting here that the BEA did not suggest the same kind of exemptions for other types of machinery which their own members might want to produce in the future but were currently also unavailable in Britain.

The report, together with statistical information, was discussed with Percy Ashley on the 6th of April 1932. As a result of this discussion, Mr. Bremner told his Council that, whilst he was unable to give precise information, he thought that British engineering manufacturers would get a tariff which was satisfactory to them and he understood that the recommendations of the Advisory Committee would be made known in the near future.³⁶⁷ 'It was not quite as much as the BEA had hoped for, but he thought that, all things being considered, this protective duty should encourage manufactures to go forward.'³⁶⁸

This early contact was of a formal nature. It was 'direct' with the appropriate government department, rather than through informal processes such as lobbying. The Association was willing to work for/with IDAC because this was considered the most expeditious way to further its goals. Regarding the tariff it was believed that in advising IDAC there would be benefits: 'Mr. Ayton thought that the BEA had good reason to congratulate itself on the fact that the assistance which it had given was acknowledged in the report of the Import Duties Advisory Committee recently presented in the House of Commons, and that it was the only trade association mentioned therein. He thought it might be very useful in the recruitment of new members if this report could be published in the next Bulletin and extra copies printed and used for recruiting purposes'.³⁶⁹

The Association sought an industry wide duty of 33¹/₃%. The IDAC, in fact, introduced a tariff in line with that given to other industries.³⁷⁰ IDAC

³⁶⁷ BEA Council Minutes April 14th, 1932.

³⁶⁸ BEA Council Minutes April 14th, 1932.

³⁶⁹ BEA Council Minutes April 14th, 1932.

³⁷⁰ The tariff, as it related to the engineering industry, fell under Class III, Group VI, Schedule I.

The following *ad valorem* rates of duty were introduced:

Agricultural Machinery	total duty of	15%
All other machinery, and parts thereof	total duty of	20%

It was thought: 'that the Association might now be in a position to do very valuable work as a protagonist for the industry'.³⁷² It benefited from what may be termed "insider-information": information which it subsequently passed on to its members. IDAC, for its part gained from the expertise the BEA provided; similar arrangements were also held with the BEAMA and the MTTA.³⁷³ It was the BEA and the two other associations, which determined, in the first instance, whether the machinery in question was procurable in Britain. This greatly reduced the workload of the IDAC.

When the Committee began the work on the Machinery Licensing Scheme, they held a conference with the BEA, BEAMA and MTTA to discuss how a system of consultation with the industry might work.³⁷⁴ A day earlier, a Memorandum was sent to IDAC outlining proposals for the scheme: a copy of which can be found in Appendix 5.2. As a result of the meeting, it was decided that each trade association should have distinct areas of responsibility upon which they would be consulted. In practice, this meant that, in the majority of cases it was to be the BEA who IDAC

³⁷² BEA Council Meeting, March 13th, 1930. This comment refers to applications which could be put forward under the Safeguarding Act, but applies equally well to those under the Import Duties Act. The Association did not discuss the issue of 'free-riders'; additional duties gained as a result of their work could not have been restricted to protect members alone. There is little evidence to suggest that these activities did attract new members. As noted, in Chapter 6, even the work on the Machinery Licensing Scheme was unsuccessful in this respect.

³⁷³ The process was to be beneficial to the trade associations as well as to IDAC. The following letter shows that IDAC are willing to enhance the reputations of the associations [BT/10/59, part 3]:

25th March 1933, letter to MTTA

Dear Mr. Weight,

It has occurred to me that in communicating with British manufacturers of machinery whose names have been furnished to us by your Association, it might be of value if we said that we were advised of their names by the MTTA, and, if you are agreeable, we will do this.

Yours sincerely,

R. Herbert.

The IDAC file suggests that similar arrangements were to be made with the other trade associations involved, i.e. the BEA and BEAMA. This is noted in a BEA Council Meeting of 10th November 1932; IDAC, it was said, had promised to specifically refer to the BEA as their source of information in their communications with applicants and manufacturers.

³⁷⁴ BT/10/59 the meeting is held on 20.5.32

would consult.³⁷⁵ The Machine Importers Association (MIA) also offered its assistance to IDAC, but this was refused on the grounds that the Association, by its very nature, would be biased in favour of encouraging machinery imports under license.³⁷⁶

Early comments of the association suggest that they would want full protection to allow import substitution to progress: 'There can be no doubt that the balance of advantage will lie with the protection, stimulation and progressive development of machinery manufacture in this country'.³⁷⁷ However, it was later acknowledged that: 'we cannot expect to be completely self-sufficient and independent so far as machinery is concerned'.³⁷⁸ This recognised the ability to design and construct machinery at commercial prices in many countries. Much of what Gourvish writes on the machine tool trade may be used as an explanation of why the BEA were willing to accept the licensing scheme in principle. He notes that the diverse nature of demand encouraged the persistence of small firms, which tended to follow conservative methods.³⁷⁹ Specialist machinery was also more likely to be made in countries that had larger markets, such as the USA and Germany. The domestic market may have been too small and too fragmented to sustain competitiveness. The size of British businesses did not compare unfavourably to those of the American industry however. However, small size may have retarded the ability to conduct research and apply new technologies to production processes.³⁸⁰ The first report of the Committee also sheds some light on this issue noting that: 'while there were few classes of machinery of any magnitude that were not made in the United Kingdom in substantial quantity, the

³⁷⁵ BT/10/59 It was concluded that: Machine Tools and Wood-Working Machinery were to be dealt with by MTTA; Electric Furnace and Cable Making Machinery to be dealt with by BEAMA; all other types of machinery to be dealt with by BEA. The BEA, at a later stage, asked if they could also deal with Cable Making Machinery, but was informed by IDAC that it was happy with the arrangement with BEAMA.

³⁷⁶ BT/10/59

³⁷⁷ BEA Bulletin, Vol 13 no.3. April 1932 p.49.

³⁷⁸ BEA Bulletin, Vol 14 no.7. Nov-Dec 1933 p.129.

³⁷⁹ Gourvish 'Mechanical Engineering' p.141.

³⁸⁰ Gourvish 'Mechanical Engineering' pp.141-146.

imports comprised very specialised kinds not produced there, for some of which, indeed, the world demand was easily met by one factory'.³⁸¹

'Licensing individual consignments of imports was by no means a new idea, and had indeed been adopted in the United Kingdom to meet the dyestuffs problem since 1920'.³⁸² Application forms would be passed from IDAC, through the Board of Trade, to the Treasury, sending one copy to the importer and one copy to Customs. First, however, it was necessary to establish if the machinery in question was manufactured in Britain. This was the work performed by the trade association(s). IDAC supplied details of the types of machines for which licence applications had been received; the BEA would then ascertain the position of home manufacturing and inform IDAC of their results. 'If a British manufacturer claimed to be able to supply similar machinery, the Committee enquired further, with the advice of technical officers of the Board of Trade. Since scientific problems were sometimes involved, contact was maintained with the Department of Scientific and Industrial Research, and schedules of applications allowed and refused were sent to them'.³⁸³

When the scheme began, the Committee believed that they would, in time, be able to prepare more detailed schedules, either of machinery to be subject to additional duty or of machinery to be exempt or even possibly placed on the Free List. This never proved possible, however. The number of applications the Committee received for machinery licences considerably exceeded expectations and the workload involved for the trade association expanded rapidly.³⁸⁴ Details of the year-by-year number of applications for licences and the number granted are shown in Appendix 5.3. This shows that the number of applications rose every

³⁸¹ Hutchinson, *Tariff-making*, p.63.

³⁸² Hutchinson, *Tariff-Making* p.63

³⁸³ Hutchinson, *Tariff-Making* p.64

³⁸⁴ In a letter dated 13th Sept. 1932, the BEA noted that, up to 10th of September 1932, 952 applications had been referred to them. Action had been taken on 943 of these and work had been completed in 581 cases.

A letter from the Treasury, dated 16th September 1937, suggested that, in June 1932, they had expected the system to yield 5 or 6 licences a day; by the time of writing, it was noted that the volume was 4 times as great.

year: by 1937 almost as many applications were made in the first six months as had been made in the year to February 1933.

The course of the relationship did not always run smoothly, however. A meeting between IDAC and Mr. Bremner on the 22nd March 1933 was acrimonious. Mr. Bremner complained about cases where the trade association had advised that machines were procurable in the country but IDAC nevertheless issued licenses. The Committee defended their case suggesting that additional evidence was available to them.³⁸⁵ This was the main cause of disagreement at the meeting, culminating in the trade association threatening parliamentary action against the Committee: 'There was, [Bremner] he said, so much feeling in the Association that they contemplated asking Parliament to amend the Act to restrict the Committee's functions to the remission only of the additional duty on machinery: indeed, many members wished the Association to go farther than this and to urge the Parliament to repeal the Section entirely'.³⁸⁶ This suggests that where the association was not entirely happy with a government department, they were still prepared to use 'informal' methods to apply pressure.

The Committee, in response, came out fighting. Their disappointment at the attitude of the BEA was noted. Percy Ashley stated, 'The Committee hoped that the BEA's part would become increasingly important, but if the procedure resulted in a burden to them, which they now disliked, he would wish to review the whole situation'.³⁸⁷ Mr Ashley also pointed out to Mr. Bremner that, if the scheme were to be withdrawn, it was likely that machinery importers would insist that the rate of duty on all classes of machinery be reduced, leading to even more imports of machinery. Before this discussion it had been suggested that the Chairman of IDAC would like to address the members of the BEA on the subject of machinery licensing, something which Mr. Bremner welcomed. It was stated that the Chairman would not now, in the circumstances, want to attend a BEA Luncheon if the BEA had lost interest in the operation of the system and intended parliamentary action. Mr. Bremner then retracted many of his comments, arguing that he had been misconstrued. In these ways IDAC exerted pressure to convince the association, not

³⁸⁵ This was often the case because IDAC found that there were quality, or slight specification differences in the types of machinery, they therefore supported the case of the importers.

³⁸⁶ BT/10/59 "Notes of A Discussion with Mr. Bremner on 22nd March, 1933."

³⁸⁷ BT/10/59 "Notes of A Discussion with Mr. Bremner on 22nd March, 1933."

only of the validity of the system, but also to continue to work on the Committee's behalf.

Criticism of the scheme remained within the membership of the BEA. At various times it was suggested by members that the BEA should push for IDAC to scrap the exemption scheme. On a number of occasions concern was expressed that IDAC issued licenses where quick delivery could not be guaranteed and not just when machines were not procurable in Britain. IDAC were quick to defend themselves against such complaints and made clear that in the early years of the scheme, this was certainly not the case.³⁸⁸ In November 1933, Mr. Bremner reported he had had a recent interview with Percy Ashley, who said he had made a recent examination of the scheme during the whole period of operation of the Act and found that, in respect of licences granted for free import, no allegation had been made by any party whatsoever to the effect that the machinery in question was procurable in the UK of UK manufacture in 85% of the cases.³⁸⁹

At this time Mr Bremner informed Percy Ashley that there was a growing restiveness amongst the machinery manufacturers in regarding exemptions. There were a number of manufacturers who had said that, so long as exemption licences were granted, they were not prepared to undertake the very large amount of effort and the serious financial risks involved in initiating a new line of manufacture. Percy Ashley had reminded Mr. Bremner: 'At the present time there was a relatively high duty of 20%, and in ordinary fairness to the purchaser and user exemption licences were granted if the desired machine were unobtainable in this country, but if exemption licences were entirely abolished then there would have to be a much lower rate of duty than the 20% at present in force. He therefore advised manufacturers to have due regard to this when considering their attitude towards exemptions'.³⁹⁰ Percy Ashley also said he would be very glad if the BEA would compile evidence in respect of half a dozen cases where manufacturers had actually said they were prepared to initiate a new line of manufacture if the

³⁸⁸ It was only in the later years, under the pressures of rearmament, that 'delivery time' became a criteria upon which licences might be issued.

³⁸⁹ BEA Council Minutes 14th November, 1933.

³⁹⁰ BEA Council Minutes 14th November, 1933.

exemption condition were removed.³⁹¹ The BEA was unable to respond to this, however.

The attitude changed somewhat after this, becoming more moderate. On the 25th January 1934, a further meeting was held between the BEA and the IDAC to discuss the workings of the Committee.³⁹² Regarding machinery licensing: 'The representatives of the Association stated that their members were well satisfied with the administration of the licensing system for machinery. There was a feeling on the part of a considerable number of their members that the remission of duty was wrong in principle and that, alternatively, if it was to be made it should be limited to the additional duty. There was cumulative evidence that, the fact that, machines were admitted free of duty until they were produced in this country had a deterrent psychological effect on members who might be considering putting down plant. On the other hand, the Association admitted that the licensing system was furnishing information otherwise unavailable as to gaps in British production which might be economically filled. They were endeavouring to induce British manufacturers to take up the manufacture of machines not hitherto made here, and they felt that as time went on this would take place to a growing extent.'³⁹³

In time, the process of determining eligibility for licensing was refined. The number of applications made rose steadily through the period and without adaptation the process would have become too unwieldy. In later years, the BEA withdrew, to an extent, from the process. The work was time-consuming and the BEA decided that the benefits no longer outweighed the costs. The BEA had spent £600 per annum, in the first four years, on work regarding IDAC and had not benefited as much as they had hoped through increased membership. By the summer of 1936, the BEA wanted to move onto new work on foreign tariffs and exchanges, which would mean a switch in funding. It was, therefore, decided that the matter would be discussed with IDAC and a meeting was subsequently arranged.³⁹⁴

³⁹¹ BEA Council Minutes 14th November, 1933.

³⁹² PRO BT/10/31 Signed Minutes. Similar meetings were held with the AoBCC, the FBI, the NUM, the ABCM and the League of Industry during January 1934.

³⁹³ PRO BT/10/31 paper no. 128, 25/1/34.

³⁹⁴ BEA Council Minutes 11th June, 1936.

At the meeting with IDAC, it was suggested that, to cut down the work of the BEA, only new types of machinery licenses would be referred to them. In the case of regular machine imports, IDAC would leave it to the BEA, or the manufacturer, to notify them should production be started in the UK. It was suggested that the Committee could now do much of the work itself, and that the BEA would be happy to be consulted in exceptional cases.³⁹⁵ Following this, officers of IDAC went to the offices of the BEA on 8th June 1936 to ask the advice of the man who had been doing this work.

Following the meeting with IDAC: 'In reply to the Chairman's question as to whether Sir Percy Ashley had agreed to the suggested discontinuation of this work, the Director said that naturally a Government Department would not be pleased at the possible loss of such valuable gratuitous services, which were fully appreciated, but in view of the friendly relations between the BEA and the IDAC Sir Percy had recognised that it would be expecting a great deal to ask the Association to continue spending money on this scale indefinitely'.³⁹⁶ There was some concern expressed that the association might lose prestige, and favour, with the Committee.³⁹⁷ According to the Director: 'Its value to the prestige of the association had to be very largely measured by its effects on the efforts to recruit new members, and approximately only twelve new members in the last four years could be attributed to contacts with these firms through the work of IDAC'.³⁹⁸

The President of the BEA, at a Council Meeting on 9th July 1936, suggested that the Council should revise its attitude to the IDAC to the extent that, while it would be quite easy for the IDAC to do the ordinary rank-and-file work, the BEA should continue to be at the service of the IDAC to advise on special applications, and that the division of the work should be agreed by the Director and Sir Percy Ashley.³⁹⁹ The new arrangement was confirmed in writing in a letter from the BEA dated 28th July 1936. Once the renewed procedure has been agreed between IDAC

³⁹⁵ Minutes of meeting with Mr Bremner on 3.6.36 (dated 5.6.36)

³⁹⁶ BEA Council Minutes 11th June, 1936.

³⁹⁷ BEA Council Minutes 11th June, 1936.

³⁹⁸ BEA Council Minutes 11th June, 1936.

³⁹⁹ BEA Council Minutes 9th July, 1936.

and the BEA, it was estimated that the workload of the BEA would be cut by 25%.⁴⁰⁰

The value of the associations' work for IDAC became clear at the time when the BEA decided to reduce their involvement in the scheme. 'In addition to saving us a considerable amount of work, one substantial advantage of the present system is that criticism of the amount of machinery licensed is to a large extent vitiated by the fact that we have consulted an advisory Association covering practically the whole of the industry'.⁴⁰¹

Given the close contact established between IDAC and the BEA over the issue of machinery licensing and the benefits accruing to IDAC⁴⁰², it could be expected that the BEA were in a favoured position in regard to other issues it pursued with the Committee. This can be considered by examining the case of the BEA's own additional duty requirements and the influence the BEA had on the iron and steel and other tariffs.

The Engineering Industries Tariff

At a meeting with the BEA in February 1934, IDAC expressed the opinion that they had expected to receive claims for additional duties from some sectors of the industry. They thought that the devaluation of the dollar, the subsidisation of German export trade and evidence of price cutting campaigns amongst some Continental manufacturers would have prompted applications.⁴⁰³ Consequently,

⁴⁰⁰ BEA Council Minutes 10th Sept., 1936.

⁴⁰¹ BT/10/50, part 5. internal memo dated 24.5.36. This discusses how the Committee would proceed if the BEA withdrew their assistance. Listed are some alternative associations which might have been consulted for specialist products; they also thought that they had gained sufficient knowledge in certain areas but recognised they would probably have had to employ extra staff to deal with the work. It was also pointed out that the BEA might have lost members if they withdrew from the arrangement.

⁴⁰² The BEA undertook a time consuming, and costly, job for IDAC. It also conferred approval on the system.

⁴⁰³ BEA Council Minutes 8th February 1934.

An earlier case of IDAC taking a proactive role exists when in 1933 the Committee prompted an investigation into the need for an additional duty. The scope of this was much more limited

perhaps, additional duties were discussed for the first time by the BEA at the next Council meeting held on 8th of February 1934.⁴⁰⁴ The Council discussed whether applications should be made for individual types of machinery or for machinery in *toto*. Mr Bremner advised that the latter would be better because he believed this would be preferred by IDAC because many different rates would be difficult to administer. Further, if one group of manufacturers got an increase in duty this would lead to other applications.⁴⁰⁵

It was not until November 1934, nine months after initial talks, that the matter of additional duty on machinery was again discussed. Mr Louis Smith, of the BEA, said that there was a good case for an increased duty on machinery. He reminded the meeting that a long time would elapse before any new order could come into operation, even if an application were granted, and suggested that an early start should be made to prepare a case for submission to the IDAC. 'He thought that the present time would appear to be opportune as certain sections of the Iron and Steel industry were now asking for increased duties, and a point in favour of the engineering industry would be that, while the finished machinery was subject to a duty of only 20%, there were many classes of semi-finished material on which the duty was higher than 20%'.⁴⁰⁶

In the December 1934 Council meeting it was noted that Mr Bremner would shortly meet Percy Ashley to discuss an application for increased duties. At this meeting, the Council decided it would be wise for Mr. Bremner to obtain the views of as many as possible of the leading machinery manufacturers on the effectiveness of the present rate of duty on imported machinery. They would also try to get the MTTA to put in the application with them: 'it having been thought that the co-operation of the two bodies would strengthen the position of the BEA *vis-a-vis* the Government in making its application.'⁴⁰⁷ A short article would also be put in the next issue of the BEA bulletin, stating a few of the leading points

though, relating as it did to "Dental, Surgical, Medical and Veterinary Instruments and Appliances". The result, in this case, was that the rate of duty was increased from 10 to 20 per cent.

⁴⁰⁴ By this time many additional duty applications had been made by other industries.

⁴⁰⁵ BEA Council Minutes 8th February, 1934.

⁴⁰⁶ BEA Council Minutes 15th November, 1934.

⁴⁰⁷ BEA Council Minutes 13th December, 1934.

and, inviting members to write to the Association if they had any definite views on the subject.⁴⁰⁸

Mr. Bremner met Percy Ashley on 17th December and discussed the proposed application for additional duty on all types of machinery. Percy Ashley had been relieved to hear the BEA proposed a general application. The Committee had felt embarrassed by one or two of sections of the machinery industry approaching them individually: 'The IDAC would naturally prefer to have one collective representative case submitted by a representative association, and he had gathered that the Committee would await the action of the Council of the BEA in this respect. ... Sir Percy Ashley had agreed that the interests of the importing user were sufficiently guarded by the provisions for controlled exemptions, which simplified the position and would help us when the time came for the application to be considered.'⁴⁰⁹

In February of 1935, Mr Bremner informed the Council that no progress on the tariff question had been possible because of the lack of financial resources.⁴¹⁰ In March 1935, it had become apparent the MTTA would not be able to support the BEA's application, in the main because of the diversity of its membership which included machinery importers.⁴¹¹ In April, an application still had not been submitted. Mr. Bremner had not had time to compile all the necessary information. He noted that the increased duties for iron and steel should enhance their case when it was submitted.⁴¹² The Association understood effective rates of protection and they wanted to use the fact that the duties were rising on their own inputs in their request for additional protection, it should have been a powerful argument.

Mr. Bremner subsequently discussed the proposed additional duty application with Sir Alfred Hurst. At the meeting, it emerged that the Association was faced with a number of difficulties in view of its comparatively small

⁴⁰⁸ BEA Council Minutes 13th December, 1934.

⁴⁰⁹ BEA Council Minutes 10th January, 1935.

⁴¹⁰ BEA Council Minutes 14th February, 1935.

⁴¹¹ BEA Council Minutes 14th March, 1935.

⁴¹² BEA Council Minutes 11th April, 1935.

membership, the existence of various sectional engineering associations⁴¹³, and the fact that the IDAC would need to be satisfied that a willing buyer would not only be able to obtain in this country the machine that he wanted without having to pay excessive prices, but also to obtain delivery in a time approximating to that in which he could get the machine from abroad.⁴¹⁴ It was agreed that it was not practical to devise a graded tariff: at best, a flat rate increase of duty from the present 20% to 33¹/₃% could be expected. The Council decided that: 'When the application had been presented he, (Mr Bremner) would seek an opportunity of addressing a meeting of interested Members of Parliament on the subject, so that when the matter came up for discussion they would speak with a full knowledge of the facts'.⁴¹⁵

Concern over whether IDAC would view them as representative enough of the industry remained. In discussing their application it was noted:

The situation was somewhat complicated by the existence of various sectional trade associations, of which the Steel Works Plant Association was one, but Mr. Bremner pointed out that his investigations had shown that the B.E.A. does, in fact, represent well over 50% of the different classes of machinery imported and could, therefore, speak with considerable authority. The B.E.A. was undoubtedly the organisation most competent to deal with a general application for increased duties on imported machinery; moreover, they had been in touch with the I.D.A.C. since the Import Duties Act had come into operation, by reason of the fact that they had been, and were still, the official advisers to the I.D.A.C., on applications for exemptions from duty of imported machinery.⁴¹⁶

In a meeting with IDAC, on 31st December 1935, the following statement emerged: '... for the lack of an engineering trade association with a larger and

⁴¹³ Sir Alfred Hurst had eventually agreed to accepting an application from the BEA as being representative of the industry

BEA Council Minutes 13th June, 1935.

⁴¹⁴ BEA Council Minutes 13th June, 1935

⁴¹⁵ BEA Council Minutes 13th June, 1935

This was regarded as a valuable measure which could be taken to back-up the formal procedure, although IDAC had made it clear that they were not receptive to demands from MPs.

⁴¹⁶ BEA Council Minutes 12th December, 1935.

It is evident from this comment that the BEA did have expectations of receiving preferential treatment from IDAC.

more varied membership than that of the BEA, it is probable that the IDAC will accept and give consideration to an application from the BEA for a general increase in the duties on machinery, though regret was expressed that the engineering industry had not thought fit to coagulate more than it had done, but had preferred to maintain in existence a considerable number of bodies which in many respects do not cooperate, and this is a source of embarrassment to the Government Departments and to the IDAC'.⁴¹⁷ IDAC were concerned that should a general application be made it would lead to the emergence of many sectional interests. This meant that they would not be able to consider the application all together but in a sectionalised way. Each specialist trade association would have to be consulted and their approval sought. 'Therefore, it was quite apparent that, at the minimum, about two years must elapse before the increased duties, if granted, could be imposed'.⁴¹⁸ In light of this, the Council discussed whether, like with the Steel Works Plant Association, it would be better if sectional applications were made to IDAC.⁴¹⁹

The Steel Works Plant Association had decided they wanted to make their own separate application to IDAC for additional duty on Steel Works Plant. They had proceeded with the application alone because they had already started this action and spent some time on it, because they felt their industry had its own peculiar conditions, and because they regarded their case as of great urgency owing to the fact that the iron and steel industry was spending considerable sums of money on new equipment which could not go on indefinitely.⁴²⁰

A few years earlier it had been reported that when a case had been prepared for an application for increased duty on imported Grain Milling Machinery, the grain-milling machinery makers had been of the opinion that there

⁴¹⁷ BEA Council Minutes 9th January, 1936.

⁴¹⁸ BEA Council Minutes 9th January, 1936.

⁴¹⁹ BEA Council Minutes 9th January, 1936.

⁴²⁰ This sectional application succeeded in gaining an additional duty for the industry. The issues raised in this case show that simple discussions of effective rates could fail to take account of positive linkages between industries. Although the iron and steel industry had a higher rate of protection than that afforded to the products of this association, i.e., they received a negative rate of protection, it was the knock-on effect of protection of the iron and steel industry which had boosted demand for Steel Works Plant.

was a strong case for an increased duty. However, on discussing the matter with Mr Bremner who had had a special interview on the subject with the appropriate official at the IDAC, 'they had come to the conclusion that it might be better to drop the application for the time being, more especially in view of the fact that the Council of the BEA had it in mind to put in an application for an increase in duty on all classes of machinery'.⁴²¹ The Council, having discussed these cases, decided that sectional applications were less desirable than a general application and continued with their original policy.

In a subsequent conversation with IDAC, Percy Ashley had agreed that: 'the best way to meet the difficulties which would beset the application would be to confront the sectional organisations with a draft application and request them to be in readiness to rebut any objections which might emanate from interested parties in their section of the industry'.⁴²² At the Council Meeting of March 1936 it was, therefore, decided that an application for additional duty up to 33¹/₃% should be immediately submitted, some two years after this was originally proposed.

In May 1936, the application was still not ready for submission, needing to be updated for the 1934 trade figures.⁴²³ 'The figures given in the report for 1934 show that in 1934 no less than 86.5% of the UK machinery requirements were met by home machinery production, leaving a balance of only 13.5% to be accounted for by imports'.⁴²⁴ The IDAC representatives had made it clear that they were more concerned with import penetration and changes in the market share of imports than in the levels of imports *per se*. Imports had been rising, but so had home consumption.

All this necessitated a shift in the emphasis of the BEA argument, because it had already been stated that, in the opinion of the Council of the BEA, anything like 100% self-supplying capacity would be undesirable, and if such were the case

⁴²¹ BEA Council Minutes 13th September 1934.

⁴²² BEA Council Minutes 13th February 1936. The organisations it was thought necessary to consult included: Agricultural Engineers Association; Association of British Manufacturers of Printers' Machinery; British Chemical Plant Manufacturers Association; BEAMA; British Empire Sugar Machinery Manufacturers Association; Loom Makers' Association; MTTA; and Steel Works Plant Association.

⁴²³ BEA Council Minutes 14th May 1936.

⁴²⁴ BEA Council Minutes 14th May 1936.

British manufacturers might be cut off from the benefit of the results of the application of brains and skills abroad, which helped to keep them up to date in the export markets of the world. Therefore, the point had been reached when the IDAC would ask what was considered to be a reasonable home production. It would be difficult to say anything more than 90%, ... Therefore, the BEA was about to ask for an increase of 13,1/3% in the rate of duty to raise it to 33,1/3% in order to increase our total output of machinery by 2.7%.⁴²⁵

In June 1936, an application still had not been submitted and, because of the complexities, Mr. Bremner stated he was no longer prepared to take the sole responsibility for submitting the application. Consequently, a small Committee was set up to deal with the matter.⁴²⁶ In November 1936, it was finally decided that no application for additional duty on machinery would be made. The position at that time was even more unfavourable than that which had existed a few months before. More and more machinery exemptions were being granted because machines could not be supplied in Britain within a reasonable time. Whilst machinery could be obtained from abroad in three or four months in Britain this would take twelve to eighteen months. 'Deliveries had broken down very largely under the stress of the Defence Program added to the recovery of the ordinary manufacturing prosperity of this country.'⁴²⁷

In November 1936, 'He [the Director] stated it would be impossible to make application for the further protection of individual classes of machinery, first of all owing to the fact that machinery must be taken as a whole, and secondly owing to the tremendous opposition which would be raised by other sections of the industry which had not received the added protection. His advice, therefore, was that in view of the figures he had quoted, the present time would be inopportune to put forward an application which would receive very little consideration, having regard to the pressure of events and the machinery requirements of this country.'⁴²⁸

The Director had a further meeting with Percy Ashley on the 2nd of March 1937.

⁴²⁵ BEA Council Minutes 14th May, 1936.

⁴²⁶ BEA Council Minutes 11th June, 1936.

⁴²⁷ BEA Council Minutes 12th November, 1936.

⁴²⁸ BEA Council Minutes 12th November, 1936.

The net result of the somewhat long discussion had been that, when they went through the different categories of machinery and studied the value of the imports and then related them not only to the production figure but the sectional figures which were also published in the 1934 Census, it was found that there were really no good and sufficient grounds for representing to HM Government, or asking the IDAC to recommend that the import duty on machinery should be increased. Furthermore, on account of the relationship between imports and production of machinery section by section, it was suggested to him that it would be inadvisable to put forward an application in favour of increased protection on any particular class or classes, having regard to the fact that it had been concluded that discrimination was out of the question.⁴²⁹

Hence the BEA failed to secure an additional duty on its products for a variety of reasons. The BEA had felt that it would need to unite with the MTTA if it were to stand a good chance of convincing IDAC to introduce the tariff but they could not convince the MTTA to work with them. The policy of submitting a 'general' application, which the Council decided to adopt, was costly. They chose to do this because they believed it was what IDAC expected and was more likely to get IDAC approval than many separate applications.⁴³⁰ However, it was virtually impossible to derive a single rate of duty for all types of machinery. In the long-term it determined that no formal application for additional duty was submitted. The attitude of IDAC was also unhelpful. As far as the operation of the machinery licensing system went, IDAC were keen to view the BEA as representative of the engineering industry. When it came to the additional duty application it was a different story, however: IDAC made it clear that, in this case, they would only reluctantly afford the BEA this status.

The slowness of the BEA's actions also proved significant. In attempting to provide the IDAC with a very solid case the BEA lost valuable time: other

⁴²⁹ BEA Council Minutes 11th March, 1937.

⁴³⁰ IDAC had agreed that it should be one general application for the industry. This was despite the Committee members knowing of the complexities of the industry. From IDAC's discussions, it seems likely that they wanted to avoid the alternative which was separate applications on hundreds of product lines rather than because they were actively trying to deter the industry. After all, they had raised the issue in the first place.

industries were less conscientious. Had the BEA not been so closely involved with the IDAC, the application may not have received such painstaking attention. By the time the BEA was ready to submit an application, the best time to submit it had passed. The recovery of the industry was well established, and their case was weakened by the strength of the rearmament boom and the industry's inability to meet home demand. The BEA managed to talk themselves out of making an application, rather than putting one before the Committee formally and awaiting their consideration. Thus the application was only discussed informally with two members of the Committee, Percy Ashley and Alfred Hurst, and was not heard by the Committee as a whole.

Protection of the Iron and Steel Industry, and Iron and Steel Pricing

The protection of the iron and steel industry warrants attention in this study of the IDAC, because the engineering industry represented a large consuming interest of iron and steel products. Under the Import Duties Act, April 1932, most products of the iron and steel industry were subject to ad valorem duties of $33\frac{1}{3}\%$. Import duties were increased in March 1935 to 50% to place the industry in a more favourable bargaining position with the International Steel Cartel. The Cartel negotiations were concluded in August 1935 and a quota system agreed upon.⁴³¹ Duties on quota imports were reduced to 20% from November 1936; duties on non-quota imports⁴³² were to return to $33\frac{1}{3}\%$.

The Cartel agreement was drawn up at a time when British supply exceeded demand and the quotas agreed upon were therefore low. Under the rearmament boom, beginning in the autumn of 1936, demand began to outstrip supply. The quotas were increased but, between September 1936 and the summer of 1937, the other Cartel countries could not meet the demand either because they

⁴³¹ The quota system was controlled by the BISF through a system of licensing of individual consignments.

⁴³² Non-quota imports were those imports coming from countries which did not belong to the Cartel, the main country being the US. Imports from non-cartel countries were limited to 100% of the 1934 level.

were faced with similar demand conditions at home.⁴³³ This led to a boom in domestic prices. From summer 1937 other Cartel countries were able to increase supply. The following table details the percentage of iron and steel imports received from the Cartel countries⁴³⁴:

Month av. 1936	Month av. 1937	January 1938	March 1938	June 1938
71%	57%	62%	60%	40%

Before the introduction of the Cartel, imports from cartel countries averaged between 60 and 70% of total iron and steel imports.⁴³⁵ In March 1937, the tariff on quota imports was reduced further to 10%⁴³⁶. However, because the proportion of non-quota imports was rising, consuming interests were unable to reap the full benefits of the fall in duty rates.⁴³⁷ Prices of steel products rose greatly, especially during 1936 and 1937, although imports may have retarded the price boom to an extent. However: 'When consumption was falling during 1938 prices of steel were maintained at the boom levels while other prices were falling, and this can be largely attributed to the monopoly power which control of imports gave to the British Steel Industry'.⁴³⁸

In the early years of the tariff the engineering industry was willing to support the protection of the iron and steel industry. The support of the industry stemmed from before the passing of the Import Duties Act of 1932. The BEA decided that they would support the iron and steel industry if they applied for protection under Safeguarding. This was regardless of the likely impact on the

⁴³³ The National Institute of Economic and Social Research (NIESR) *Trade Regulations & Commercial Policy of the United Kingdom* (Cambridge, 1943) p.148

⁴³⁴ NIESR *Trade Regulations* p.149, extract from table.

⁴³⁵ NIESR *Trade Regulations* p.148

⁴³⁶ Hutchinson *Tariff-Making* p.144 argues that the prices being quoted by other cartel countries increased significantly. The tariff was reduced to stabilise prices in Britain.

⁴³⁷ The rates, for both quota and non-quota imports, were temporarily reduced further in June 1937 (to 2½% and 12½% respectively) in an attempt to meet the necessary demand. In March 1938, quota import duties were increased to 10% and specific duties were introduced for non-quota imports.

⁴³⁸ NIESR *Trade Regulations* p.149.

cost of its own material inputs. The BEA believed that once protection was awarded to iron and steel it would force the government to widen tariff coverage and, in fact, it would introduce a general tariff.⁴³⁹ The BEA felt that this was the most likely route by which they could get protection for their own industry. This feeling was strong enough that, at a meeting of the Industrial Group of Members of Parliament in the House of Commons, the support of the engineering industry was expressed.⁴⁴⁰

However, by 1934 unease was being felt at the extent of protection being granted to the industry. In June 1934 an application for additional duty on iron and steel bars, rods, angles, etc., was advertised by the IDAC in the Board of Trade Journal. The application was discussed at a BEA Council Meeting. Although greatly concerned because these were the raw materials of the engineering industry, the BEA took no action. The Association did not write in opposition to the application, believing that it was better to 'leave it to the IDAC to decide what was a desirable and suitable application'.⁴⁴¹

Another year on and the BEA began to express considerable concern at the increases in duty on iron and steel products because guarantees that prices would not rise were not met.⁴⁴² In this regard, the President felt that IDAC should be informed of their opinion that: 'while they were in sympathy with any steps taken by another industry to regain a reasonable amount of prosperity, any increase which would raise the price of iron and steel to the consumer would be strongly resented'.⁴⁴³

The engineering industry had attempted, on several occasions since the introduction of the tariff, to negotiate with the British Iron and Steel Federation (BISF)⁴⁴⁴ for a 'rebate' scheme on steel purchased and used in manufacture for export. An agreement had not been reached and it was felt that: 'The time had now arrived, however, when the engineering industry could no longer maintain an

⁴³⁹ BEA Council Minutes Special meeting, November 19th, 1931.

⁴⁴⁰ BEA Council Minutes 10th December 1931.

⁴⁴¹ BEA Council Minutes 14th June 1934.

⁴⁴² The matter is discussed in depth at Council Meetings in March, April and May 1935.

⁴⁴³ BEA Council Minutes 14th March 1935.

⁴⁴⁴ Before June 1934, the negotiations had been with the National Federation of Iron and Steel Manufacturers (NFISM).

attitude of “benevolent neutrality” in the face of the very great reliefs which had come to the iron and steel industry and the demands now being made for still further increased duties. It would now be quite unthinkable, ... , that the iron and steel industry should be allowed any further to handicap the machinery export trade which was in just as dire straits as ever the iron and steel industry had been in’.⁴⁴⁵ It was decided that Mr. Bremner should prepare a case for the protection of the engineering industry against a rise in material costs in the event of another additional duty being granted to the iron and steel industry.⁴⁴⁶ ‘The President cited a case of his own experience of an attempt by a firm of steel merchants to increase their charges by 25% on a repeat order in anticipation [sic] of a rise in the price of steel owing to the increased duties’.⁴⁴⁷

A meeting was arranged between the Director and Sir Alfred Hurst of IDAC. Mr. Bremner reminded Sir Alfred that the BEA had thus far supported the safeguarding and protection of the Iron and Steel Industry based on definite assurances that the engineering industry need not fear excessive steel prices.⁴⁴⁸ ‘Sir Alfred had made it quite clear that he and his Committee sympathetically recognised the interests of the engineering industry as a large consumer of iron and steel, and its value as a contributor to British Export Trade, and that they were conscious of the weight of their responsibility that no encouragement would be given to use the increased protection merely to increase prices and swell the profits of the iron and steel industry’.⁴⁴⁹ At Sir Alfred’s request, Mr. Bremner agreed to collate information in respect of steel prices.⁴⁵⁰

The matter of rising prices was discussed, in 1936, with the BISF. The BEA were informed that detailed investigations were conducted by the Federation into price increases, and results of these investigations were then passed on to IDAC from time to time. The IDAC advised Departments purchasing war materials of the reason for rises in the price of steel, whether it was fair and reasonable and whether it was unavoidable. Without IDAC approval, price rises

⁴⁴⁵ BEA Council Minutes 14th March 1935.

⁴⁴⁶ BEA Council Minutes 14th March 1935.

⁴⁴⁷ BEA Council Minutes 11th April 1935.

⁴⁴⁸ BEA Council Minutes 11th April 1935.

⁴⁴⁹ BEA Council Minutes 11th April 1935.

⁴⁵⁰ BEA Council Minutes 11th April 1935.

were not accepted by the government departments.⁴⁵¹ This procedure was then verified by Sir Alfred Hurst.⁴⁵²

A letter was sent to IDAC, on the 24th of November 1936, stating the BEA's views on the iron and steel industry. Subsequently, IDAC invited the BEA to give oral evidence on 'Iron and steel prices and allied questions', a meeting taking place on 2nd February, 1937.⁴⁵³ IDAC were of the opinion that rising prices had been justified by increased costs for the steel works: 'Lord May, had assured then that no price increases had taken place since the imposition of the tariff without the cognisance of the IDAC who, furthermore, had been allowed to send competent chartered accounts to the different works involved in any proposed increases for the purpose of investigating costs and submitting a report to the IDAC ...'.⁴⁵⁴ The BEA remained concerned because this meant consumers of steel had no idea of the likely extent or limit of price increases.⁴⁵⁵

Sir Alfred Hurst suggested that engineering firms should just put up their prices. Mr. Reavell had pointed out that 'this was a thing which manufacturing engineers with some sense of economics were disinclined to do - although some had been forced to increase prices - and they did not view with equanimity the idea of taking part in a vicious spiral of continually raising prices to compensate increased costs, with results which, in the interests of the nation, should be avoided'.⁴⁵⁶

⁴⁵¹ BEA Council Minutes 9th April 1936.

According to Tolliday, *Business, Banking and Politics* p.319, it emerged that IDAC did not review the accounts of individual firms but relied on the cost investigations of the BSIF's accountant. In 1938 IDAC began to employ their own accountant, he found that estimated costs had always been "conjectural".

⁴⁵² BEA Council Minutes 11th June 1936.

⁴⁵³ BEA Council Minutes 11th February 1937.

This was conducted as part of IDAC's investigation of the Iron and Steel Industry begun in 1936 at the request of the President of the Board of Trade.

⁴⁵⁴ BEA Council Minutes 11th February 1937

The BEA were not entirely happy with this, however, noting that some of the largest steel producers were also colliery owners and, therefore, to a large extent controlled their own cost increases. Whilst IDAC were certifying the increase steel prices they were doing nothing to certify the increased costs of the inputs to the steel industry.

⁴⁵⁵ BEA Council Minutes 11th February, 1937

⁴⁵⁶ BEA Council Minutes 11th February, 1937

At the meeting, the BEA requested a rebate system for steel used in the manufacture of exports but, disappointingly, no further progress was made on this issue.⁴⁵⁷ The engineering industry had instead come under attack from IDAC: the organisation and efficiency of the industry had been questioned by the Committee. The BEA's views on these matters was brought out in a letter sent to the IDAC on 8th February, shown at Appendix 5.4. In discussion, at the Council Meeting, Louis Smith argued that the BEA should keep in closer contact with the IDAC on these issues: 'He rather felt that if the BEA were to prosecute its claims on this point more frequently, the IDAC would become more *au fait* with the difficulties of the engineering industry, and they would be more in sympathy with engineers when dealing with claims from other industries which vitally affected the engineering industry.'⁴⁵⁸

'So that Members of Council should not feel that the meeting had been a disappointment entirely, the Director said he was convinced that considerable good had been done by the discussion with the IDAC in that they had been able to present to their minds certain features of the position from the consumers' point of view, which the Committee might not otherwise have seen in their proper relationship and perspective'.⁴⁵⁹

The attitude of the IDAC to the BEA's argument is best summed up by Hutchinson, where it appears that the case of the engineering industry was not taken particularly seriously: 'The response to the public invitation did not reveal any strong antagonism from outside to the developments that had taken place in the industry. Consumers such as the British Engineers Association viewed with satisfaction its recovery and growth, with the *caveat* of some apprehension that its

⁴⁵⁷BEA Council Minutes 11th February, 1937

Having been unable to negotiate such a system direct with BISF, the BEA hoped this could be introduced under the direction of IDAC.

⁴⁵⁸BEA Council Minutes 11th February, 1937

⁴⁵⁹BEA Council Minutes 11th February, 1937

These comments suggest a lack of awareness of how IDAC operated. Although, IDAC did try to consider interests of 'other parties' when examining additional duty applications, ultimately they had to rely on opposition being lodged officially.

strength should put them at a disadvantage, and a doubt, natural to buyers, whether its prices were not too high'.⁴⁶⁰

Until 1936, IDAC had been optimistic that price levels would be reduced as the iron and steel industry was reorganised. The position altered in 1937 with the changed supply and demand conditions. These forced the more inefficient British plants back into service, thereby increasing costs.⁴⁶¹ Prices were high, but the case of the BEA either was not made forcefully enough, or the industry was regarded as less vital than iron and steel. The IDAC, after all, had an additional responsibility for the iron and steel industry. The engineering industry was booming in the late thirties regardless of the prices of its raw materials. Furthermore, given the industry's inability to meet home demands under rearmament, argument along the lines of high-pricing impairing export competitiveness lost much of its weight.

The tariff and the recovery of the engineering industry

In its Bulletin, the Association provided information to its members, both on its own activities and on economic factors affecting the engineering trade. Each year the 'Statistics and Economic Intelligence Section' reviewed the state of the economy and considered the industry's prospects. From an examination of these reviews it is possible to ascertain the industry's views on recovery.

The review of the year ending December 1933 notes: 'The year witnessed a progressive recovery in industry and trade generally, and to this the engineering industry was no exception. ... The prospects for engineering industry next year are distinctly encouraging, although there is still a vast amount of lost ground to be recovered'.⁴⁶² Continued signs of recovery were noted throughout 1934. Statistics of employment in the industry are used as an important indicator of this. It was noted that most of the improvement was in the home market rather than in the

⁴⁶⁰ Hutchinson *Tariff-Making* p.146

⁴⁶¹ Tolliday *Business, Banking and Politics* p.313.

⁴⁶² BEA Bulletin Volume XV 1934, January 1934 No.1. page 12.

At this stage the recovery should be seen as essentially an home recovery. Exports of machinery had only begun a very slow recovery during 1933.

export trade of the industry.⁴⁶³ From July 1935 the export sector also began to recover. At the same time, however, a “disturbing tendency” for the imports of machinery to have risen in spite of the tariff was noted.⁴⁶⁴ This became a recurring theme, the rise of imported machinery into the country being regularly brought to the attention of the industry through these reports. In the October 1935 issue, it was noted that, in the first three-quarters of the year, exports had expanded (equal to 72.1% of the corresponding value in 1930), but that imports also continued to increase (equal to about two-thirds the 1930 value).⁴⁶⁵

In October 1935, the report of the section had a more gloomy tone about future prospects: ‘Although since our last issue international complications have become more acute, there is as yet no definite indication of deleterious effect on our industry and commerce. It is to be feared, however, that adverse developments may retard and even prevent the economic progress which had been expected right up to the end of the year.’⁴⁶⁶ Despite this, October and November were both good months for the industry with order books being in their best position since the beginning of the depression. In the annual review of 1935, the steady recovery was noted with anticipation that progress would continue throughout 1936.

From the summer of 1936, the impact of the re-armament programme began to be felt: home production increased, exports fell, and imports rose. ‘In most directions the engineering industry is now operating at or near full capacity; and it has become clear that, as the Government’s requirements increase, the satisfaction of normal demand, and particularly of export trade, may be subordinated, a situation not altogether without its dangers.’⁴⁶⁷ From this point, the high levels of demand facing the industry remained until the outbreak of war in September 1939.⁴⁶⁸

⁴⁶³ BEA Bulletin Volume XV 1934, May-June 1934, No.4. p71.

⁴⁶⁴ BEA Bulletin Volume XV 1934, May-June 1934, No.4. p71.

They were still lower than pre-tariff levels though.

⁴⁶⁵ BEA Bulletin Volume XVI 1935, October 1935, p118.

⁴⁶⁶ BEA Bulletin Volume XVI 1935, October 1935, page 118.

⁴⁶⁷ BEA Bulletin Volume XVIII 1937, Feb.-March 1937, page 32.

⁴⁶⁸ This rise in home demand coincided, unfortunately, with the BEA’s consideration of an additional duty application and, as discussed, in part explained why the application was never formally submitted.

The engineering industry was one of those industries which recovered relatively early from the depression in Britain. The recovery progressed at a steady pace from 1933.⁴⁶⁹ Beginning in the domestic market by 1935 it had progressed to the export sector. The contribution of the tariff to the recovery is uncertain, especially given the rising trend of machinery imports which were, in later years, exacerbated by the rearmament programme. The opinion of the industry itself can be gauged, however, from comments made during BEA Council meetings and from reports to the membership. These show that the industry perceived the tariff as being vital to the recovery, even though in later years the tariff level was insufficient to prevent high levels of machinery importations.⁴⁷⁰

At the BEA President's Luncheon Address in October 1935, his views on the recovery are expressed: 'As you all know, looking at the matter broadly, our home trade has grown, largely due to the application of duties on machinery, and also due to duties on many other articles, including the primary products of iron and steel, and the increased turnover which these manufacturers are obtaining has, in turn, increased their requirements for all classes of machinery which our member firms manufacture.'⁴⁷¹ The President also suggests that the recovery had arisen in part from the reorganisation of the industry, but it mainly resulted from improved conditions stimulated by tariff protection.

In March-April 1936 edition of the Bulletin, extracts from the Import Duties Act Inquiry (1933) report, just published, were provided for the information of members. Highlighted is the extent to which the engineering industry was able to extend its coverage of the home market. The article notes:

⁴⁶⁹ E. Allen, 'The Engineering Trades' in British Association eds. *Britain in Recovery*, argues that, based on trends in unemployment figures, the recovery was well underway in all branches of the engineering trade by 1934.

G. C. Allen, in *British Industries and their Organization* (London, 1951) p.127, notes that the index of production by 1934 had returned to the pre-depression levels and from then on the advance was rapid. Between 1934 and 1937 output rose by 45%.

⁴⁷⁰ Given the exceptional demand conditions, machinery imports would have continued whatever the tariff-level set.

⁴⁷¹ BEA Bulletin Volume XVI 1935, October 1935, p.106.

‘These definite increases in the proportions of the home market supplied by our own production are all the more satisfactory as having been achieved in a year of depression and very restricted activity, but they certainly could not have been achieved without the assistance of the tariff in checking imports.’⁴⁷²

Conclusion

The BEA had been established for twenty years by the time the General Tariff was introduced in 1932. While it did not represent the whole of the engineering sector, it was the largest trade association and it represented a diversity of interests. IDAC recognised the importance of this association early on and consulted it upon the initial tariff introduction. The Association had a long history of supporting protection and had considered how a tariff might be introduced and operated. In the initial discussions with IDAC it hoped that the engineering industry would be granted a duty of 33 $\frac{1}{3}$ % on all products but in this it was to be disappointed. Yet, because the association had been involved in this discussion process from the outset, they felt that not only did they have to accept the duty given but that they needed to ‘sell’ the outcome as positive to their membership. The IDAC thereby received tacit approval for the level of tariff it granted.

The BEA had established credentials as an organisation with experience of working with government. It swiftly became apparent that IDAC would need to call upon the knowledge and expertise of the BEA in to operate its machinery licensing scheme successfully. Under the machinery licensing scheme, the BEA performed work which otherwise would have been left to the IDAC. It thus reduced the manpower requirements of the Committee. By involving the trade association, the Committee also received an implied endorsement of the system. The BEA, despite being uncomfortable with the system, gained from enhanced knowledge of gaps in British production, allowing the introduction of new lines of production. This helped to modernise the industry and assisted with its recovery.

⁴⁷² BEA Bulletin Volume XVII 1936, March-April 1936, p.36.

Given its involvement in the machinery licensing scheme if any trade association was in a position to influence IDAC and gain favours, it was the BEA. Yet it appears that the close involvement of the BEA with IDAC did not confer privileges to the association in other areas. The BEA did not receive more favourable treatment than other trade association as a result of a 'corporatist' style relationship with the IDAC. Conversely, it seems that, far from strengthening the BEA's position, the intimate knowledge IDAC was able to gain of the organisation worked against it. The BEA was unable to extract from IDAC any additional protection when it was needed. For the association, it was unfortunate that when considering the machinery licensing system, they were accepted as representative of the industry but, in the case of the additional duty application they were criticised for not being representative enough. This stands in stark contrast to the iron and steel industry which, through a strong trade association, gained all it wanted from IDAC without having to make any real concessions.

Nor was the BEA granted special favours when the association made complaints about the pricing and the tariffs of the iron and steel industry.⁴⁷³ The discussions between BEA and IDAC on iron and steel pricing show that they were aware of effective rates of protection. It is clear that the industry sought to ensure that the tariff on outputs compensated for tariffs on inputs, although quantitative estimates of effective rates were not calculated. In considering the engineering industry, IDAC remained aware that it was an important 'using' industry of the products of the iron and steel industry that were, on the whole, subject to the highest rates of duty. IDAC monitored rising iron and steel prices but felt that they were all justified. Unlike the building industry, the engineering industry was not in the position to pass on costs to customers. Therefore, its profits were squeezed by the increasing costs of its inputs. IDAC seems to have been unsympathetic in this regard. However, like building, the industry was facing booming demand and its real problem was that it could not supply enough to meet demand.

⁴⁷³ Of course, the 'sponsoring' role the IDAC had with the iron and steel industry makes this issue more complicated.

While the BEA was an important and large industry, its diversity acted against it. The BEA was a fragmented and disjointed organisation mirroring its wide and disparate membership and their heterogeneous interests. Consequently, it was indecisive and decided too late to apply for additional protection. The Committee with its close working knowledge of the Trade Association was well placed to criticise the Association for its weak organisation. The BEA did not receive additional tariff protection when it believed this was necessary. Nor, in its opinion, were the prices of its raw materials controlled adequately by IDAC. Yet the industry still perceived the tariff as being valuable in assisting its recovery. As with other industries, the tariff may have benefited the industry insofar as it encouraged investment and by providing an element of certainty in what were uncertain times.

Chapter 6: IDAC and the wider policy environment

This part of the thesis will examine the role of IDAC and wider policy issues. This shows that IDAC's interests were wide ranging and were not limited to the implementation and administration of the General tariff. The Committee was pro-active in their support of other government policy objectives and worked co-operatively with other government departments. To put this aspect of the Committee's work into context a brief history of government's involvement with, and intervention in, industry in the decade and a half before the Committee began their work will be provided before moving on to the study of IDAC's own activities.

After the First World War, the government sought to take some direction over the economy. Recognising that the transitional period from war to peacetime production could be a painful one, and seeing the dire need for change and modernisation in some of the nation's larger industries. Spurred on by its close liaison with business, through the trade associations, during wartime, the government aimed, in the early post-war period, to reorganise and rationalise industry. This was at first to be co-ordinated through the operation of the Ministry of Reconstruction. The achievements of this body were strictly limited however the level of co-operation exhibited by business during the war was no longer so strong, and the urgency for change dwindled with the ensuing post-war boom.⁴⁷⁴

Throughout the 1920s the government did continue, by various means, to pursue the goal of rationalisation of industry. Rationalisation as applied to industry had two major components. First, questions of industrial structure particularly concerned the size of firms and integration so that economies of scale could be achieved. Second, this concerned the internal organisation of firms, and in particular their management techniques.⁴⁷⁵ Terms 'rationalisation' and 'reorganisation' were synonymous, although neither had a clear definition

⁴⁷⁴ See Kirby & Rose 'Competitive Failure' pp. 20-39

⁴⁷⁵ Tomlinson J. *Government and the enterprise since 1900: the changing problem of efficiency*. (Oxford, 1994) p.105

contemporaries used the terms in many different ways.⁴⁷⁶ Lucas, notes: 'In fact, the process of reorganization has taken so many direction and has been so little crystallised that it is hardly correct to dignify it all as a coherent movement'.⁴⁷⁷ The process of rationalisation varied from industry to industry. In the case of the steel industry, Tolliday suggests: 'The term was often used imprecisely, but it generally implied reorganising the industry through amalgamations which would eliminate excess capacity, concentrate production, and realize economies of scale and best-practice methods'.⁴⁷⁸

In most instances reorganisation was left to the industry itself, the government only participated when industry was incapable or unwilling to act.⁴⁷⁹ Attempts were made to encourage the voluntary re-organisation of a number of key industries, in particular the coal mines, the iron and steel industry, and the cotton industry, all with little success. Indirectly, the rationalisation of the cotton and the iron and steel industry was pursued by the government under the aegis of the Bank of England and its Bankers Industrial Development Corporation (BIDC) and Securities Management Trust (SMT).⁴⁸⁰ The literature on the subject shows that these activities were only partially successful.⁴⁸¹

The view held by government that many industries still required significant modernisation meant that the desire for rationalisation, in some form, did not significantly alter throughout the inter-war period. The governments of the 1930s were in favour of industrial 'self-regulation'. It was believed that through the trade associations, industries would reorganise themselves and direct

⁴⁷⁶ As Leslie Hannah points out, 'Rationalization' lacked any precise meaning. To some, it just meant horizontal amalgamation, others saw a wider meaning which included the application of scientific methods. There were calls for experimentation in new forms of industrial organisation within firms, and for mergers of companies.

Hannah Leslie *The Rise of the Corporate Economy* (2nd Ed) (London 1983) pp.29-30

⁴⁷⁷ Lucas A.F. *Industrial Reconstruction and the Control of Competition*. (London, 1937) pp.26-27

⁴⁷⁸ Tolliday S. 'Steel and Rationalization Policies, 1918-1950', in Elbaum & Lazonick eds. *The Decline of the British Economy: an institutional perspective* (Oxford, 1986), p.82

⁴⁷⁹ Lucas, *Industrial Reconstruction*. p.27

⁴⁸⁰ The Bank of England was willing to take on the role in part because it fears that the alternative will be for the Government to nationalise the cotton industry, something to which the directors of the Bank are strongly opposed.

⁴⁸¹ see Tolliday *Business, Banking and Politics*

government intervention would be unnecessary. The associations were, in many cases, responsible for the introduction of restrictive practices or cartels. Again, Lucas notes: 'Not only has cooperative action in general become an integral part of the reorganization programme it has been utilized expressly to suppress competition'.⁴⁸² Governments traditionally had mixed views on such arrangements. Early anti-trust action by the government was half-hearted though. The report of the Committee on Trusts, and the ensuing enquiries under the Profiteering Act (1919), were hardly more than a sop to labour unrest.⁴⁸³ Whilst, wishing to diffuse possible labour unrest, equally important claims could be made for the business side whose confidence needed to be maintained to ensure the revival of British business.⁴⁸⁴ However, cartelisation came to be intimately linked with notions of improved industrial organisation.⁴⁸⁵ As was the case with Iron and Steel,⁴⁸⁶ it was believed that rationalisation would emerge out of the protective framework of a cartel. Later legislation was, therefore, more supportive of these types of activities.

'Government reports on aspects of industrial combination and organisation gave a clear green light to rationalisation and cartelisation. Most significant was the report of the Balfour Committee on Industry and Trade of 1929, which not only saw no case for immediate legislation to restrain possible abuses resulting from combines, but urged further rationalisation by industrialists'.⁴⁸⁷ Cartels gained the seal of approval because they were closely associated with rationalisation. Reflecting this, in 1935, the government introduced an Industrial Reorganisation (Enabling) Bill. This would have given statutory powers to the majority of producers in an industry to coerce any recalcitrant minority into accepting plans for reorganisation.⁴⁸⁸ Also in the 1935 Finance Act the

⁴⁸² Lucas, *Industrial Reconstruction*, p.29.

⁴⁸³ Mercer *Competitive order* p.44-45. Work under the Profiteering Act went ahead in 1919 and 1920, but the Act was allowed to lapse in 1921.

⁴⁸⁴ Mercer *Competitive order* p.45

⁴⁸⁵ This in part stemmed from a report by the Ministry of Reconstruction's Committee on Commercial and Industrial Policy. See, Mercer *Competitive order* p.47

⁴⁸⁶ Wurm *International Relations* p.74

⁴⁸⁷ Mercer *Competitive order* p.48

⁴⁸⁸ Winch, 'A Managed Economy?' p.63

Government stated: 'if a scheme of organisation covering the majority of an industry had been certified by the Board of Trade as being of assistance in reducing excess capacity, contributions to it might be deducted from income for tax purposes'.⁴⁸⁹ The courts also tended to support such restrictive practices.⁴⁹⁰

Other examples exist of the government directly influencing the development path of certain industries, such as the Shipping Assistance Act of 1935. Early protective measures, the maintenance of the McKenna Duties (1915), the Dyestuffs Act (1920) and Safeguarding of Industries (1921), also promoted the development of selective industries in the economy. Industry was not the only area of the economy subject to increasing government control. A number of marketing and re-organisation boards were introduced controlling the agricultural sector of the economy.⁴⁹¹ In 1930, the Coal Mines Act introduced a compulsory cartel scheme for the industry.⁴⁹² Checkland argues, through this Act, the government opted to enforce rationalisation and market regulation. It introduced production quotas and a regulated schedule of prices. Amalgamation schemes were also to be carried through under the Act.⁴⁹³ The government also intervened directly in 1936 with the Cotton Industry Reorganisation Act.

Governments also established research committees to examine the state of the economy. In 1919 Lloyd George set-up the National Industrial Conference⁴⁹⁴, in 1924 the Labour Government proposed a Committee of Economic Inquiry and the Conservative government established a Committee of Civil Research⁴⁹⁵. In 1929, Ramsay MacDonald established the Economic Advisory Council (EAC). It was against this background and in this environment that IDAC were to conduct their work.

⁴⁸⁹ PEP *Industrial Trade Associations* p.29

⁴⁹⁰ Mercer *Competitive order* p.48

⁴⁹¹ Agricultural Credits Act 1923; Agricultural Wages Regulation Act, 1924; Wheat Act, 1932; Agricultural Marketing Acts 1931 and 1933; Milk Marketing Board 1933; Bacon and Pig Board 1933-34; Potato Marketing Board 1933; Sugar Industry Reorganisation Act 1935.

⁴⁹² Pollard S. *The Development of the British Economy* (London 1983) p.106

⁴⁹³ Checkland S., *British public policy 1776-1939* p.317

⁴⁹⁴ This was concerned with labour employer relations

⁴⁹⁵ This concerned science and industry.

IDAC and wider policy issues

‘Protection provided the government with a bargaining weapon in its relations with industrialists which it attempted to use to induce them to undertake measures of reorganisation’.⁴⁹⁶

The involvement of IDAC in the rationalisation of the iron and steel industry is well known and well documented.⁴⁹⁷ Less is known however, concerning other interventionist activities of IDAC. These include rationalisation and reorganisation of other industries, the promotion of business organisations (trade associations and cartels), promotion of research and development, technology transfers and new product development. Examination of IDAC papers allows an exploration of their activities in these areas.

Apart from rationalisation of iron and steel, IDAC involved themselves with other industries. In the case of iron and steel, IDAC grants the concession of the tariff having received certain assurances from the industry. However, agreement by business was ‘theoretical’, and, as is well known, the industry was able to avoid meeting their side of the bargain. Nevertheless, in the case of other industries, these may have had to reorganise (even if only on a small scale) before a tariff was introduced.⁴⁹⁸ IDAC promoted the government’s rationalisation program by directly making the granting of additional duties conditional upon some reorganisation of the industry concerned.⁴⁹⁹

⁴⁹⁶ Winch, ‘A Managed Economy?’ p.59

⁴⁹⁷ See for instance the work of Tolliday ‘Tariffs and Steel’ and Wurm *International Relations*. The relationship between this industry and the government provides a good example of “capture”. Involvement of government generally, and IDAC more specifically, is regarded as a failure. The rationalisation of the industry is pursued to no avail whilst the industry is successful in getting additional protection. Tolliday shows that the Iron and Steel industry was able to resist pressure and only limited reorganisation took place, but the government could hardly take away the protection because of high levels of unemployment already being experienced.

⁴⁹⁸ The industries where IDAC specifically relate granting of additional duty to rationalisation are: Agriculture (and especially horticulture), iron and steel, cutlery, cotton, women’s boot and shoe industry, the leather glove industry, the hemp industry, and the keg and drum industry.

⁴⁹⁹ Unlike the case of the steel industry, some industries are asked to ‘put their house in order’ before they get increased tariff protection. One example of this is the cutlery industry. IDAC

IDAC also sought to encourage innovation and improved efficiency within industry. They became closely involved with other government departments in a bid to bring British industry up to the standards of their overseas competitors. IDAC tied in granting additional duty with the levels of efficiency and research and development in an industry. A 'research-criteria' was not introduced in a formal sense into the Committee's consideration of applications. However, it did take into account the views of other government departments, especially those of the Department for Scientific and Industrial Research (DSIR), when considering applications for additional duty. Examples can also be found where requests for free listing were turned down because IDAC were trying to encourage the home production of particular items. Like other departments and the government itself, IDAC was greatly concerned with industrial efficiency and the question of efficiency was **explicitly** considered in reviewing all applications. In rewarding the 'efficient' by recommending applications and refusing the 'inefficient', IDAC pushed through policy: to improve efficiency, using a carrot and stick approach.⁵⁰⁰

IDAC's interest in industrial performance was not limited to the extensiveness of research and development provisions; they had a much wider ranging interest in industrial efficiency. IDAC in aiming to introduce a scientific tariff focused closely on industrial performance. They were of like mind with the government, in that, they believed British industry needed to improve in order to be prepared to face free market competition once more. They were in an unprecedented position to either help or coerce industries to achieve this.

IDAC did not have a fixed opinion about how industry should improve but considered a number of approaches. For some industries, failure of marketing was considered a problem and this is taken account of when the Committee made their decisions about applications. For industries where other government departments

refused to grant an additional duty for a period of five years. If at the end of the time the industry had rationalised and reorganised then IDAC would grant them the extra protection they wanted.

⁵⁰⁰ The governments steer was to improve the competitive strength of British industry. IDAC chose to address this by considering efficiency and research capability and took forward policy in this direction.

had a specific interest, i.e. the Ministry of Agriculture's responsibility for marketing schemes, any action was largely left to the responsible Department.

In other areas of government policy, such as the 'Special Areas' and unemployment, IDAC were less likely to become involved. IDAC did not believe that such policies were in their purview and they therefore did not take a proactive approach. These issues were important to the government but they did not essentially have a bearing on the efficiency of British industries. IDAC believed that employment problems would be resolved once industry revived itself. This was certainly the case in the high growth sectors such as engineering and building, both of which during this period suffered from a lack of skilled labour. The Committee discussed the employment position of an industry or area in those cases where it was drawn to their attention. But, as noted earlier [see chapter 3] they were not considered sufficient reason, in themselves, to sway the Committee's decisions one way or another.

Re-organisation/rationalisation

The Committee's approach towards industry vis-à-vis industrial reorganisation and in respect of efficiency and technical standards is complex. On the one hand, it is apparent from their discussions that they held strong views about the necessity for many industries to reorganise, to modernise and to invest in research and development. Yet, at the same time, they were wary of using their powers to enforce such activities or to become too closely involved in the processes.

IDAC were clearly aware of the powers they held in this respect and knew that actions they took in this direction would have government backing.⁵⁰¹

Chamberlain on the eve of his introduction of the Import Duties Bill wrote that it:

'does provide us with such a lever as has never been possessed before by any government for inducing or, if you like, forcing industry to set its house in order. I have in my mind particularly iron and steel, and cotton; and my belief in the

⁵⁰¹ A file exists of newspaper cuttings on the topic, along with a copy of the PEP booklet "Industrial Self-Government".

advantages of protection was not so fanatical as to close my eyes to the vital importance of a thorough reorganisation of such industries as these, if they are even to keep their heads above water in the future'.⁵⁰²

The minutes of one of the Committee's earliest meetings note: 'The Committee are alive to the fact that in some industries the re-establishment of an industry upon a satisfactory basis may be dependent quite as much on its proper reorganisation and equipment as on the degree of protection to be accorded, and it was to be anticipated that this consideration will be in their minds in their subsequent proceedings'.⁵⁰³

The close connection between IDAC and the Iron and Steel industry was detailed in the work of both Tolliday and Wurm.⁵⁰⁴ They make clear that IDAC in agreeing to additional protection for the industry attempted to further this policy objective of the government. Hutchinson notes that IDAC sought unofficially approval from the Chancellor of the Exchequer concerning its approach to the industry. This was forthcoming.⁵⁰⁵ In 1936, the committee produced a report on the state of the industry for the Board of Trade. In response to this, the President of the Board of Trade informed the Committee that the Government thought it essential that the Committee should continue to 'oversee' the industry on its behalf.⁵⁰⁶

IDAC attempted to enforce rationalisation of the industry. In April 1932 tariff levels on iron and steel products were increased to between 15 and 33¹/₃%, but for a limited time only. 'The time-limit, abolished in June 1934, was intended as a means of putting pressure on the industry to rationalise and to work out a reorganisation plan and secure its acceptance by its members'.⁵⁰⁷ Tolliday shows that the Iron and Steel Industry was able to resist these pressures and only limited reorganisation took place. Once the tariff was introduced no reorganisation of the industry took place, but the protection could hardly be removed because of the

⁵⁰² cited in, Beer *British politics* p.293

⁵⁰³ PRO BT/10/1 Committee Paper 46. Draft article on the recommendations, 20.4.32.

⁵⁰⁴ Tolliday 'Tariffs and Steel', Wurm, *International Relations*.

⁵⁰⁵ Hutchinson *Tariff-making* p.147

⁵⁰⁶ Hutchinson *Tariff-making* p.147

⁵⁰⁷ Wurm *International Relations* p.56

high levels of unemployment already being experienced and the importance of the industry to the nation. The National Government developed a relationship with the BISF, so that it acted as an intermediary between them and the industry. The argument goes as follows: 'These slowly developing underlying changes were laying the basis for a new relationship between government and industrialists during and after the war. Government was slowly permeating and being permeated by the industrial milieu with which it had for so long been unfamiliar'.⁵⁰⁸ IDAC did not recommend additional duties merely on economic grounds, declaring: 'the maintenance of a prosperous iron and steel industry in the highest degree of efficiency was essential to the economic progress of the country, while from the point of view of national security it must still be regarded as vital'.⁵⁰⁹

Thereafter, the Committee tended to draw back from close involvement in any re-organisation/rationalisation planning by applicant industries. The Committee's enforced involvement in the re-organisation of the Iron and Steel Industry, a responsibility placed upon them by the Government, had more than a little impact upon this. The involvement of IDAC here, as detailed above, had limited results. It was also time consuming making the Committee wary of such close involvement with others. In any case, they held the general view that where re-organisation or rationalisation was necessary the industry itself was always best positioned to identify what changes were appropriate.

Whenever possible though IDAC sought to promote and encourage such changes. In twenty-three cases, an additional duty was granted because additional protection would lead to improvements. This was either through the reorganisation of the industry or because the industry would be able to capture economies of scale or because it would allow the industry to make technical and/or scientific advances.⁵¹⁰

⁵⁰⁸ Tolliday 'Tariffs and Steel' p.74

⁵⁰⁹ Wurm *International Relations* p.60

⁵¹⁰ This is 23 out of 154 successful applications, or around 15%.

As far as IDAC were concerned a successful outcome could take a variety of forms.⁵¹¹ Co-operative organisation of an otherwise dis-aggregated industry was considered by IDAC to be vital. They believed change and progress in an industry was best coming from within and was most likely to be forthcoming through some form of institutional body established by that industry.

Ideally though the Committee would have liked to have seen their assistance having more profound and direct effects. If appropriate in individual cases, IDAC would have liked to have seen the closure of idle and inefficient plants and the amalgamation and integration (horizontal or vertical) of plants and firms to enable production on a large-scale and foster economies of scale. In addition, they hoped to see the introduction of new methods of production and the introduction of effective marketing systems.

Some of these issues were brought to light in the case of the Cotton Weft Pile producers.⁵¹² An exceptionally high rate of duty was granted for a temporary period to the end of 1937, on the understanding that the industry would be improved. In making their decision, the Committee reviewed the existing organisation within the industry, which was poor.⁵¹³ The industry had recognised in the late 1920s that it needed to reorganise and plans had been mooted for a vertical combine. In 1930, the manufacturers went to the Government's Chief Industrial Adviser, Sir Horace Wilson, for assistance. Discussions took place among manufacturers, merchants and dyers but without success. IDAC, being aware of this, tried to spark this process off again and therefore decided to grant the additional duty for a fixed period only. Informal talks were held with the applicants to prompt them into action.

⁵¹¹ In the case of the Iron and Steel industry, they saw the establishment of a national trade body as an end in itself, and in this at least there was a successful outcome.

⁵¹² An application for additional duty was made in March 1936 by the Cotton Weft Pile Industry

⁵¹³ 'The Lancashire industry – which directly employs some 1,700 operatives – is at present in a state of great uncertainty, and in the circumstances I am of the opinion that an increased duty on cut pile velveteen, whether further processed or not, should be imposed at the earliest possible date'. Further, they noted: 'It is clear that the weft pile industry is organised in a way which is unsuited to present conditions, and is handicapped by the existence of a large quantity of idle plant. Attempts were made some years ago to effect a reorganisation, but came to nothing'.

When, some months after taking the decision, the Committee re-examined the industry they noted: 'It is evident that, as we anticipated, the path of reorganisation is not likely to be smooth, and will only be entered upon with reluctance by the various parties ... It is clearly, however, those concerned in the industry, and not we, who should formulate any scheme of reorganisation...'.⁵¹⁴ However, the Committee followed this up by writing to the newly established Velveteen Duties Committee to express their opinion of the industry and suggest they would like to be kept informed of plans and progress (see copy letter in Appendix 6.1)⁵¹⁵.

At further review was undertaken in 1937, when the Committee found that the industry had been organised into four sectional associations. Each of these associations had delegates on the newly formed 'Velvet Council Association', which had been established to direct industrial policy.⁵¹⁶ The Committee found that re-organisation thus far had led to an 'improved spirit' in the trade. They believed the industry especially the weaving section where voluntary price agreements had been reached had taken their advice to heart. The Committee concluded: 'Altogether, the present position of the velvet industry as a whole must be very much better than it was before the Committee intervened in its affairs'.⁵¹⁷ Consequently, the Committee felt that they could not withdraw the high rate of duty without undoing the good already done and therefore recommend a further extension of the duty for 12 months. At this stage, the Committee considers this a successful outcome.

In 1938, the Velvet Council again requested a further continuation of the duty for two years from 31/12/38. By this time however, IDAC found the new voluntary organisation of the industry had begun to crumble under increased

⁵¹⁴ PRO BT/10/20 Committee paper 248/1936 page 2

⁵¹⁵ No threats were made in the letter to alter duty rates or in any way force the reorganisation, it was more a note of encouragement.

⁵¹⁶ In June 1937, the Committee was informed that the industry was working more co-operatively. It was establishing, in stages, close sectional organisations and they formed a central body to co-ordinate policy. The cutting and dyeing sections of the industry were already well organised, and the weaving section was willing to join an association that would have the power to control prices, output and quality.

⁵¹⁷ PRO BT/10/24 Committee paper 246/1937 page 6

external pressure. Consequently, this meant that progress towards reorganisation had faltered. They advised the Velvet Council that they would need to provide more evidence on how re-organisation was progressing. The report back from the Velvet Council was, overall, unsatisfactory from IDAC's point of view. With the industry in a worse position than it had been twelve months before. However, the Committee agreed to a further twelve-month extension of the duty as they felt that there would be no possibility of re-organisation otherwise.

In early 1939 the Committee asked for detailed evidence of reorganisation if the duty was to be extended again. A case was eventually submitted in August, it showed little development in the industry, but claimed that continuance of the duty was essential in order that they could progress. Hutchinson noted: 'A little inconsistently it was also claimed that the weft-pile industry could not be expected to embark upon the reorganisation that was conceded to be necessary unless assured of a very high rate of import duty on a permanent basis. At this point in the story, the war intervened'.⁵¹⁸

This case clearly has similarities with that of the Iron and Steel industry. IDAC gave the additional duty in good faith to allow the industry to re-organise, and while the initial signs were promising the developments prove not to be sustainable. Yet, IDAC did not feel in a position to withdraw the extra protection. They were 'hostages to fortune'. Believing that they must continue the protection if there was to be any chance of the industry improving yet they were powerless to instigate any real change.

In the case of the Scissor industry⁵¹⁹ an additional duty was granted in order for the industry to reorganise its production methods. The applicants claimed that under Safeguarding Duty (1926-30, duty rate 33¹/₃%) and Abnormal Importations Duty they had made attempts to reorganise and modernise. IDAC

⁵¹⁸ Hutchinson *Tariff-making* pp.129-130

⁵¹⁹ PRO BT/10/2 paper 131/1932.

The application was considered, by the Committee, alongside an application for increased duty on cutlery. The cutlery application was refused, largely because an international agreement covering stainless steel meant that there was little foreign competition. The Committee also believed that in reorganising scissor production a reorganisation of the cutlery industry would be promoted and this would increase its competitiveness.

viewed the extent of reorganisation as disappointing and remained critical of the industry structure: 'The system pursued, however, is still one of local competitive individualism, and even the more enterprising manufacturers are unwilling to merge their identity in a joint venture for securing economies of a large scale output on mass production lines'.⁵²⁰ However, they were willing to grant the additional duty because:

'Although the response to the Committee's efforts at securing a greater measure of co-operation on the part of the Sheffield manufacturers for a policy of joint mass production which would aim not only at recovering the control of the home market but also at building up a strong export trade, is somewhat disappointing, it is considered that the potentialities of development of the cheap scissors industry are so great, that it would be unwise to withhold the encouragement of an increase in the additional duty from those individual firms which are, in fact, pursuing a progressive policy on the traditional and more restricted lines of the single unit system. The presence in Sheffield of a newly arrived German firm of scissors manufacturers, who are now engaged in installing a complete equipment of up-to-date German machinery, should have a stimulating influence upon this progressive tendency.'⁵²¹

The additional protection is given to stimulate a new line of production, but at the same time the Committee welcome the recent foreign direct investment by a German firm as a stimulus to the development of the home industry. IDAC noted: 'In order to give the industry a sufficient degree of assurance to undertake the necessary reorganization of its methods of production we desire to state that, subject to the adequate development of the industry and to the pursuance of a strongly competitive policy, we do not contemplate recommending any alteration in the rates of duty now proposed for a period of five years'.⁵²² The Committee hoped that by giving the industry certainty on the tariff position this would provide the necessary stimulus and confidence to invest in new production.

Other examples of applications where problems with the organisation of the industry were noted are shown in Appendix 6.2. For some of these, IDAC noted on record that the industries were simply poorly organised. There were also

⁵²⁰PRO BT/10/02 Committee Paper 131/1932 pages 2-3

⁵²¹PRO BT/10/02 Committee Paper 131/1932 pages 2-3

⁵²²PRO BT/10/01 Committee Paper 182/1932, Draft Recommendation to the Treasury, 5/8/32

many other cases where rationalisation or reorganisation was discussed in Committee even if not specifically cited as a deciding factor by IDAC. This was the case in a number of applications from the agriculture and horticulture trades. For this sector, the main problems related to poor marketing methods and systems. When, in 1932, the Committee considered what action to take upon expiry of the Horticultural Products Act [HPAct] these problems were acknowledged by both the Ministry of Agriculture and the National Farmers Union of England and Wales [NFU]. They argued that there was much room for improvement to raise productivity in the industry. It was felt that high rates of duty had allowed this process to begin, with the current rates of duty having given home producers encouragement to enlarge their operations.⁵²³ At the time of the review, it was too early for firm conclusions to be drawn on the effectiveness of the existing rates. However, it was agreed that duties equivalent to those in force under the HPAct would be introduced by IDAC. These rates were to be subject to review after two years. IDAC while giving the industry the opportunity to increase productivity behind the tariff wall were keen to safeguard the interests of the consumer. In making their recommendation they stated: 'Committee will recommend immediate removal should prospects of home production fall short of what may be properly expected in quality, quantity, and price, but otherwise does not intend to recommend alteration before autumn 1934'.⁵²⁴ When the case was reviewed in August 1934 this led to further increases in duty for some vegetables. The Committee noted: 'General review shows consensus of evidence as to rise in production and advance in marketing methods, and no suggestion that prices affected to detriment of consumers'.

In all of these cases, IDAC would grant additional protection as a 'carrot' to enable industry to reorganise behind the shield of the tariff. On the whole, it must be said, IDAC were repeatedly disappointed by the lack of progress of British industry in reorganising or placing themselves on a more competitive footing. Despite this the Committee did not give up but persisted in their attempts

⁵²³ PRO BT/10/01 Committee Paper 32/1932

⁵²⁴ Additional Duty Order 5.32 Cmd. 4145, July 1932 Horticultural Products (see Hutchinson *Tariff-making* p201)

to encourage change within industries. The rationalisation programme was also promoted by IDAC through more subtle means. The methods included the promotion of trade associations; by assisting in the formation of cartel arrangements, both domestic and international; by encouraging efficiency of industry; and, through inducing manufacturers to introduce new lines of production.

Encouragement of Business Organisations

Increased collusion within industry, through formation of Trade Associations and cartels, was seen as a way that business could get out of the depression. Government saw these as 'positive' institutions that would encourage knowledge sharing. They could also co-ordinate their production and marketing efforts thereby improving efficiency. It was believed that, in this way, Britain's international competitive position would be improved.⁵²⁵

Growth of Trade Associations

For the Government, there were a number of benefits from the promotion of trade associations. The associations had proved to be of significant assistance to government departments in both the planning and practical application of Government policies as they affected industry. The associations were linked with the formation of trading agreements that controlled price and/or quality. In some cases they encouraged collaborative research, and/or prevented wasteful duplication of efforts in this direction. The potential use of trade associations in the re-organisation of industry was regarded as significant.

The way in which the Committee set up the procedures for making applications encouraged the formation of business organisations. IDAC quickly

⁵²⁵ Instead they helped to prolong the life of inefficient firms and restricted new entrants to the market.

made known that it preferred to deal with 'representative bodies' rather than individual concerns:

... applications should be entertained as a rule only when made by representative associations or groups formed ad hoc - except where individual concerns are solely or predominantly concerned: subject to that exception, individual applicants should be advised to endeavour to get any other concerns affected to co-operate with them to (at any rate) such an extent as will satisfy the Committee that the application has a substantial measure of support. It should be made clear that unless that was the case the application will not be allowed.⁵²⁶

They did not entirely succeed, in that applications for additional duty were still made by individual firms. However, as was noted in Chapter 3 there was a tendency for firms to come together to make applications even if they were not formally made by Trade Associations. There is also clear evidence on communication between trade Associations prior to submission of applications. From records, it can be seen that applicant associations have elicited the support of other trade associations before submitting their applications. This proves particularly helpful as far as IDAC are concerned, especially in cases when the supporting association represents the consuming interests.⁵²⁷

Members of the Committee also gave addresses on such matters. At a BEA luncheon, Percy Ashley made the following address: '... Firstly, I wish to express the thanks of my Committee, the Import Duties Advisory Committee, and my Department, and our very high appreciation of the ready, constant wise help and advice we have had from your Director. ... With the approval of various Presidents of the Board of Trade, I have been, for a good many years preaching wherever I had the opportunity, the advantage, indeed the necessity, of having thoroughly comprehensive, responsible and representative trade Associations. They can be of immense value to the trades and to the Government and Government Departments.'⁵²⁸

⁵²⁶ PRO BT/10/1 Committee Paper 40/1932. IDAC future procedure - Memorandum by the Secretary, Sir Percy Ashley, 9.4.32.

⁵²⁷ One example of this was found in the BEA supporting the Iron and Steel industry applications for additional duty. Others exist such as the applications for additional duty on: Rubber footwear (committee paper 79/1932); and, Ceramic transfers (committee paper 133/1932).

⁵²⁸ MSS 267/4/1/14 BEA *Bulletin* Volume XV 1934, February pp.21-25.

The actions of the Committee may have stimulated the growth in both scope and coverage of associations, i.e., expansion of existing associations and formation of new associations. Expansion of membership is difficult to document, however. There are no records in IDAC archives, and information gained from trade associations would not in any case establish a direct causal link.⁵²⁹ The introduction of protection and the possibilities for negotiating with IDAC may have provided renewed justification for the costs of membership.⁵³⁰

⁵²⁹ There are comments on the impact of IDAC on membership of the BEA but this relates more specifically to the special relationship that develops between the BEA and the IDAC over the operation of the machinery licensing scheme. Even here there is little direct evidence that IDAC led to increased membership (see Chapter 5 on the engineering industry).

This was generally the case, but the involvement of the IDAC in the formation of the BISF has been clearly documented. See Wurm, *International Relations*, and Tolliday, 'Steel and Rationalization'.

⁵³⁰ If, anything, it seems more likely that the effect would have been to have halted declining membership. It was clear from examination of both BEA and the BEAMA archives that from 1929 the associations are struggling financially. The problem arose due to bankruptcies amongst their membership, and by businessmen choosing not to renew their membership because they felt they could no longer justify the expenditure given financial constraints. These pressures did however, ease somewhat from 1933.

Formation of Cartels

The Import Duties Advisory Committee was at one with opinion generally in the conviction that the first need of the economy was a degree of assurance and stability. Nor did the Committee hold this view in relation to import duties only. It equally favoured what are nowadays condemned as restrictive trade practices, both internally and externally, ...⁵³¹

‘There was little doubt that the number of schemes entailing state encouragement of industrial combination increased after 1931, and that protection and the Import Duties Advisory Council were useful in support of them’.⁵³² As Mercer notes: ‘The IDAC supposedly independent of government but in fact closely allied to Treasury policy through its method of appointment and financing, did not simply acquiesce in British involvement in international cartelisation, it saw involvement as a positive policy to combat foreign competition by less aggressive means than tariffs’.⁵³³

The Committee saw that domestic cartels could perform an important function in making domestic industry more competitive.⁵³⁴ They saw internal cartels as efficacious in getting industry to rid itself of ‘dead-wood’ and focus on greater productive efficiency. They also saw an important role for cartels in organising marketing more effectively. This perspective of the Committees can be gleaned from the writings of Sir Sydney Chapman:

‘Immediate gains may be reaped from centralized management on both the industrial and commercial sides of a business. On the industrial side economies are speedily effected by shutting down antiquated or badly situated works, or by enlarging others and adding thereby to internal specialization, or by specializing the several works. The same improvements might be brought about eventually under competition, but only in a far-away

⁵³¹ Hutchinson *Tariff-making* p.69

⁵³² Winch ‘Managed Economy?’ p.60

⁵³³ Mercer *Competitive order* p.50

⁵³⁴ Although this view now seems difficult to comprehend it was not unusual at the time and was taken for granted by the Committee members.

future. On the commercial side, the trust, as with the kartel which has a central sales association, corrects the overlapping of arrangements for selling.⁵³⁵

Hutchinson supports this: 'The Committee was not so naïve as to suppose that assurance and stability would cause industries or firms to become efficient, but held that they were necessary to create conditions in which reform became practicable.'⁵³⁶

International cartels had an equally important role to play and there is evidence that the Committee encouraged both domestic and international agreements. Hutchinson noted: 'In a number of instances an increased duty was recommended to strengthen the hands of the British industry in negotiating with a Continental cartel, whose members were already well protected in their own home markets.'⁵³⁷ Leith-Ross also noted the value of international cartels in 1936. In a budget report on the 'Expansion of Exports' he argued that a helpful approach would be to promote industrial agreements with competitors, including those in Germany and Japan. He stated: 'The Iron and Steel cartel has shown the way and every effort should be made, as opportunity occurs, to negotiate similar agreements between other industries'⁵³⁸. In this way, he argued, cut-throat competition could be avoided.

IDAC viewed these as positive institutions that would encourage knowledge sharing. They also saw them both crucial for the self-government of industry fundamentally believing that it was important for industry to develop its own solutions to problems it faced. The organisations were viewed favourably because they could also co-ordinate their production and marketing efforts thereby

⁵³⁵ Sydney Chapman *Outlines of Political Economy* Second edition (London, 1929)p.144

⁵³⁶ Hutchinson *Tariff-making* p.69

⁵³⁷ Hutchinson *Tariff-making* p.44

⁵³⁸ PRO BT/10/20 Committee Paper 274/1936 'Budget 'Report re expansion of exports''. Sir F.W.Leith-Ross (27/11/36) prepared this detailed report for submission to the President of the Board of Trade. The paper provided a detailed analysis of exports; covered the effects of economic revival in the domestic market and the effects of re-armament. It went on to make recommendations on how exports could be promoted, including this recommendation on forming international cartel agreements. This was a follow-up paper to one written earlier the same month on the Balance of Payments.

improving efficiency. It was believed that in this way Britain's international competitive position would be improved.

The Annual Report of the Committee for year ending February 1937, notes a number of cartel and trade agreements negotiated as a result of the Committee's work. 'In a number of cases besides iron and steel, agreements have been concluded between British producers and those in foreign countries in connexion with, and usually as an alternative to, proposals for increasing the rates of duty. These agreements provide for quantitative limitation of imports into this country, frequently accompanied with an arrangement as to prices and sometimes also for the division of outside markets. In certain cases the position of the consumer has been safeguarded by a declaration as to prices on the part of the British manufacturers.'⁵³⁹

The cases that the Committee came across where a cartel was involved in some way will be examined from three perspectives. The first, it could be argued where IDAC actively supported or even promoted cartelisation (including cases where applications were refused because an applicant refused to negotiate with a cartel).⁵⁴⁰ Second, those cases where an additional duty was granted because the industry making the application was suffering from problems associated with cartels. In addition, thirdly, we will examine the opinions of IDAC more generally, i.e. in cases where there is evidence of cartel activities such as price-rings and price fixing.

Of all the 481 applications made to the Committee there were only sixteen cases where issues connected with cartels were given as an explicit reason why the applicant was requesting the additional duty. In nine of these cases, the applicants requested the additional duty to 'assist them with cartel negotiations'.

⁵³⁹ PRO BT/10/84, Annual Report 1937, paragraph 22 p.15.

⁵⁴⁰ These cases also need to be considered from the angle of what the applicants wanted. In some cases, it is apparent that the applicants only applied for protection to enhance the prospects of successful negotiations with international cartels – with the support of IDAC they had a greater bargaining tool. It will also be considered how successful an applicants attempts to gain additional protection were when they needed to resist IDAC pressure for them to negotiate with a cartel.

In eight cases the applicants were requesting additional protection because of the breakdown of an international cartel and the increased competition that resulted.⁵⁴¹ Summary details of these applications can be found in Appendix 6.3.

Examination of these sixteen cases shows that in only seven cases did the applicants receive an additional duty, the other nine cases were rejected at some stage in the process. This could lead to the conclusion that the Committee did not particularly favour cartels, but this conclusion would be incorrect. It needs to be remembered that in some cases the application will not have led to the granting of an additional duty precisely because the applicants were successful in their cartel negotiations. A more detailed analysis of a number of cases is required to understand IDAC's position.

In a number of cases, an additional duty was not granted because a tariff agreement was reached obviating the need for any extra protection. Details of these applications are shown in Appendix 6.4 below.

In one such case, the Committee, in July 1934, received an application for additional duty on nitrogenous fertilisers. This was submitted jointly by the Sulphate of Ammonia Association and Imperial Chemical Industries Ltd., (ICI)⁵⁴². The application was requested to 'assist with cartel negotiations' and did not lead to the imposition of an additional duty. Following advertisement, the applicant withdrew the application because a cartel agreement had successfully been reached.⁵⁴³ In considering this application however, the Committee discussed 'points of principle' in approaching cases of this type.

The primary object of the application, according to the applicants, was to strengthen their hands in their negotiations with the Continental and Chilean

⁵⁴¹ One applicant used both of these arguments to support their case for additional duty. Only two applications for additional duty were granted on the grounds that this would assist with cartel negotiations. These were the application for additional duty on Nitrogenous fertilisers (Application reference 35/46), and that for additional duty on Aluminium foils (Application Reference 33/423). Two applications for additional duty were approved because of the breakdown of an international cartel. These were applications in respect of Wood screws (Application Reference 32/85), Condensed milk, and other milk products (Application Reference 36/99).

⁵⁴² Application reference 34/278

⁵⁴³ There were two applications made relating to nitrogenous fertilisers, in both the applicants requested the additional duty to 'assist them with cartel negotiations'. The first application did not lead to an increase in the tariff, the second did.

producers. The applicants requested a specific duty equivalent to 250% ad valorem.⁵⁴⁴ The Committee in its preliminary discussions of this case noted that the synthetic nitrogen industry 'represents one of the great advances of chemical industry; it has been taken up (largely under pressure of war conditions) in a number of countries on a very large scale, with the result that the world capacity of production enormously exceeds potential consumption for some very considerable time to come.'⁵⁴⁵ The industry was already attempting to operate under a cartel agreement. This had been in operation since 1930 but was not working particularly well. The applicants were expecting the agreement to end when they would 'come under attack from continental manufacturers'.⁵⁴⁶ At the same time, they were willing to enter into price undertakings with consuming interests.

The Committee noted that the British producers were facing unfair competition: 'In every case the Continental producers have had their home markets secured to them, by a prohibition of importation except under licence; should they attack the insufficiently protected United Kingdom market the British producers cannot retaliate by attacking the home markets of the Continental makers'.⁵⁴⁷ They could import at not much above the cost of raw materials.

'The application is not only an important one in itself but its presentation at this time raises a substantial question of principle'.⁵⁴⁸ The Committee was faced with a dilemma because the industry is not suffering from import competition at the time of making the application.

'The condition hitherto required by the Committee to be fulfilled in order to establish a *prima facie* case, i.e., evidence as to the actual existence of serious competition, is not fulfilled in this case, and consequently if that principle be adhered to the application must be rejected, at least for the time being. But in all the circumstances the Committee may be

⁵⁴⁴ They had wanted a total prohibition of imports except under licence, but IDAC said the government was unlikely to pass legislation for this, especially as the predicted collapse of the cartel agreement not yet happened.

⁵⁴⁵ PRO BT/10/11 Paper 278/1934

⁵⁴⁶ PRO BT/10/11 paper 278/1934

⁵⁴⁷ PRO BT/10/11 paper 278/1934

⁵⁴⁸ PRO BT/10/11 Paper 278/1934

disposed to give such assistance as they can to the British producers in their efforts to bring about the continuance and strengthening of the international agreement.⁵⁴⁹

The Committee, on these grounds, agreed to advertise the application. This established a principle and determined their approach in other similar cases.

Percy Ashley noted: 'The Committee authorised me to inform Imperial Chemical Industries that they would be prepared to advertise the application at an appropriate time, and after advertisement to come to an early decision. I have no knowledge as to how that intimation was used in the course of the negotiations which were then taking place, or if it was used at all, but before the end of July an Agreement between the European interests and the Chilean producers was initialled.'⁵⁵⁰ With the success of the negotiations, the additional tariff protection was no longer necessary.⁵⁵¹

A further case was an application for additional duty on Cast Iron Porcelain and Enamelled Baths submitted by the British Bath Manufacturers Association in March 1933.⁵⁵² They asked for the duty of 15% to be raised to 33¹/₃%. The applicants argued they needed the additional protection because of the end of safeguarding and because import penetration was rising in spite of the

⁵⁴⁹ PRO BT/10/11 Paper 278/1934

⁵⁵⁰ PRO BT/10/11 Paper 338/1934

⁵⁵¹ There was a second application for an additional duty on nitrogenous fertilisers, which did lead, to an increase in the tariff. The British Sulphate of Ammonia Federation, Ltd., and ICI Ltd., again submitted the application, made in 1935. The main object, as before, was helping them with renewed international cartel negotiations as the Chile cartel was to be renegotiated at the end of June 1935. IDAC expected opposition from the NFU but the applicants had already consulted them. The applicants had agreed not to increase prices during the seasons 34/35, 35/36, 36/37, without the consent of the NFU. Unless there occurred increases in the cost of labour and/or raw materials, when no price increases would be put into effect without receiving approval of the Committee.

Because of this, the Committee decided to advertise the application immediately. When no opposition came to the application the Committee decided to grant the additional duty. They felt that the granting of the duty would assist the industry in the cartel negotiations, it was a strategic industry and the applicants had reached price agreements with the using interests thus it was deserving of their assistance.

⁵⁵² Application reference 33/121

tariff. At this stage, the applicants did not raise the subject of cartels although one existed in the domestic market.

Strong opposition to the application was sent from the building trade to the Committee following advertisement.⁵⁵³ When reviewing the evidence from both sides, the Committee found the situation for the industry had changed rapidly since submission of the application with the break-up of a price-fixing agreement between the bath manufacturers in Britain. The cost of British baths on the home market had fallen substantially and had become cheaper than German imports against which the main complaint was directed. The boom in the building trade had then led to the price of baths increasing again. Consequently, an agreement was reached between the British and German manufacturers to a quota system (both having recognised the damaging effects of price competition).⁵⁵⁴ The applicants then withdrew this application.

In May 1935, a second application was made in respect of Cast Iron Porcelain and Enamelled Baths⁵⁵⁵. An additional duty of 50% was requested because the applicants were then experiencing problems with the international cartel. The applicants stated that the application was made with a view to strengthening their hands for the negotiation of a new agreement with the German bath manufacturers. They argued that the agreement, under which the International Bath Association had been working since September 1933, had not proved satisfactory. This was owing to evasion by importers (who were agents for a German manufacturer) of the clauses relating to prices and quotas. The Committee agreed to advertise the application but **only** to help with the cartel negotiations⁵⁵⁶. The Committee duly advertised that they had the application

⁵⁵³ As noted in Chapter 4 this is one of the few occasions when the building trade did contact IDAC to register their opposition to an application.

⁵⁵⁴ It appears in this case that lower prices through increased domestic competition, along with the proposed tariff protection encouraged the German manufacturers to negotiate with the British firms. In this case, though it had not been IDAC's intention at the outset to promote a cartel agreement this is the result. They regard it as a very satisfactory conclusion.

⁵⁵⁵ The British Bath Manufacturers Association [BBMA] again submitted this application, reference 35/146.

⁵⁵⁶ The Committee would not have been willing to introduce such a high tariff had the cartel negotiations been successful.

under consideration. This caused some immediate problems with German manufacturers and their import agents.

‘The following morning, before it appeared, the Chairman of the International Bath Association, who had made the formal application on behalf of the British Bath Manufacturers’ Association, telephoned to say that he had seen the German manufacturers in Berlin; that they were perturbed at the application for higher duties, and had immediately undertaken to meet the demands of the B.B.M.A, to regulate and control more closely the supply of German baths through importers in this country; and that they were most anxious that the application should not be given publicity in view of the explanations which would be demanded by their Government from them’.⁵⁵⁷

The Committee subsequently arranged a meeting with Mr Donald of the International Bath Association. ‘He agreed that the Germans had been thoroughly frightened by the application and that he had secured agreement to all his demands. He indicated that as soon as the new agreement was completed the application would be withdrawn. This case was a good illustration of the effect on the continental psychology of our action in regard to the iron and steel duties’.⁵⁵⁸ Advertising the case had led to the conclusion of an agreement. The applicants were able to reach an agreement with the German manufactures and the application was withdrawn in writing. As with the earlier application, this did not lead to the granting of an additional duty because cartel negotiations were successful in obviating the need for additional protection.⁵⁵⁹

⁵⁵⁷ PRO BT/10/15, Committee Paper 182/1935 p1.

⁵⁵⁸ PRO BT/10/15, Committee Paper 182/1935

⁵⁵⁹ An interesting case that was not recorded, by IDAC, as an application for additional duty was a submission made by ICI in 1936. ICI asked for additional duties on a number of alkali products of which they accounted for around 90% of home production. They asked for a specific duty of £3 per ton (approximately 65% ad valorem) on Sodium Carbonate (Soda Ash); £6 per ton (approximately 48%) on Caustic Soda (Sodium hydroxide); and, £5 per ton (approximately 45%) on Bicarbonate of Soda. These commodities had widespread industrial use in glass, textile, soap, chemical and paper trades. Some 90% of world trade was controlled by international agreements, which reserved home markets and regulated exports. ICI had approached the Committee at this time because there were problems with the Anglo-US cartel agreement that was up for renewal, and this was the sole reason for the application. The committee advised ICI that this would not be formally treated as an additional duty application and would not be advertised. Instead, they

A further case where additional protection became unnecessary because of a cartel agreement was that of an application in respect of Celluloid in sheets, rods and tubes.⁵⁶⁰ This was submitted in June 1936 by The Association of British Chemical Manufacturers [ABCM], on behalf of British Xylonite Co., Ltd.,. Reasons given for needing the tariff increase were that the home industry was already working at low cost (i.e. efficiently) yet despite this the foreign goods (mainly Japanese) were still priced lower. Additionally, the applicants promised that if the additional duty were granted they would not pass on price increases to the consumer because of their monopoly powers. At this stage, there was no suggestion of a cartel agreement. The Committee advertised this case on the 24 June 1936. Consequently, of this the Committee were approached by the Japanese Commercial Counsellor proposing a trade agreement be negotiated.⁵⁶¹ An agreement was eventually reached between the UK producers, the Japanese and the Germans for voluntary restriction of imports. The applicants then withdrew the application in April 1937. In this instance, the unexpected result was not simply to enable negotiations with an existing cartel but provoked the establishment of a new agreement.

A final case worth mentioning briefly is that of an application for additional duty on sodium phosphates submitted by The Association of British Chemical Manufacturers [ABCM] on behalf of three members in June 1935⁵⁶². IDAC were particularly proactive in this case. They made a point of talking to international, as well as domestic, firms in order to promote an agreement. This was a second request for additional duty on the product but the applicants complained of German dumping preventing the expansion of home production.

provided ICI with a letter acknowledging the application for use in the negotiations. The Committee did not refer to the matter again, nor did ICI come back to them, so it can be assumed that the tactic worked successfully. The details appear in Committee Paper 102/1936, PRO BT/10/18

⁵⁶⁰ Application reference 36/125

⁵⁶¹ The Counsellor approached the Board of Trade and they passed on the information to IDAC.

⁵⁶² Application reference 35/164. The three companies were Brotherton & Co., Ltd., Holliday L.B. & Co., Ltd., and Wilkinson J.B.

The Committee was not prepared to make a decision at the time, choosing to wait for six months until new UK plant was bought into operation. Later in the year the Committee decided to advertise this case. After receiving opposition from a number of sources, the Committee decided to investigate the matter further. Trade negotiations had been taking place with the main German firm: 'In these circumstances, and in view of the desirability of obviating, if possible, very high duties on quasi raw materials, we discussed the matter with both parties, ... we succeeded in reopening negotiations between them ...'.⁵⁶³ The agreement between the German and English firm was made for a period of twelve months from 1/10/36 and was reached largely because of the Committee's intervention.

A number of other cases show that IDAC did not view favourably applicants who were unwilling to negotiate with international cartels or who by their actions were likely to place at risk existing cartel agreements.

There was also only one case where an application for additional duty was rejected at the initial stage because the action would jeopardise a cartel agreement. In 1937, The Windsor Hosiery Company Limited applied for an additional duty on men's fancy half hose⁵⁶⁴. This company was the only substantial UK producer and had complained to the Committee of low priced Japanese socks. The Committee, however, knew that negotiations for limiting Japanese imports had been proceeding since 1934 between the Association of Importers of Japanese Knitwear and the National Federation of hosiery Manufacturers' Association. IDAC were aware, through the Board of Trade that an agreement had been reached between these two associations but not yet signed. The Committee believed that, if advertised, this application might jeopardise the success of the agreement and felt that the applicants themselves were likely to gain substantially from the agreement. The Committee therefore, rejected the application.⁵⁶⁵ This episode supports Hutchinson's belief that IDAC saw 'agreement' as preferable to tariffs.

⁵⁶³ PRO BT/10/20 Committee Paper 261/1936 p.3

⁵⁶⁴ Application reference 37/73

⁵⁶⁵ The applicants in making their case only gave the one reason "lower prices" (reason code 23), when the Committee in turn gave its decision the only reason was "Action would jeopardise cartel" (decision identifier IR28).

One applicant was persuaded by IDAC to withdraw its application for additional duty, which the Committee believed, threatened an agreement. The application for additional duty on Sodium Chlorate was submitted by the ABCM, on behalf of Staveley Coal and Iron Co Ltd, in September 1936.⁵⁶⁶ Sodium Chlorate had received protection of 10% in 1932, with this level being formalised under the Anglo-Swedish Trade Agreement. This Trade Agreement was due for revision and the applicants had taken the opportunity to put forward their case requesting a specific duty of 8s per cwt. (between 33¹/₃ and 40 per cent ad valorem). The company were erecting a plant to begin UK production and: 'The application is made ... against the intensive Continental price cutting and dumping which invariably arise when the manufacture of a product is initiated in this country ...'.⁵⁶⁷ The applicants also stated that they would guarantee that prices would not increase above those prevailing. The Committee did not believe this was a convincing case. There was no evidence of price-cutting, although they noted that a price war seemed to exist amongst foreign producers already. They decided to advertise the case bearing in mind the re-negotiations of the Swedish Trade Treaty. The case was discussed again in April 1937. It was noted that attempts had been made to widen an international cartel and that an agreement had been reached. This agreement would collapse if the levels of duty were increased, despite this the applicants at first argued that they still wished to proceed. After further discussion with IDAC, they took the decision to withdraw their application.

There was also one case where an application was refused following advertisement because the applicants would not negotiate with a cartel. This decision was reached in respect of an application for additional duty on Barium Chloride made by Allen Athole G. (Stockholm) Ltd., in June 1936.⁵⁶⁸ They were

⁵⁶⁶ Application reference 36/204

⁵⁶⁷ PRO BT/10/19 Committee Paper 204/1936 p2.

⁵⁶⁸ The application reference is 36/118. This company had originally approached the Committee in 1933 but they could provide no information and were told by the committee what info they would need to submit before the case was considered. The Committee did not hear from them again until May 1935 and the fully detailed case was not submitted until April 1936. This is a very good example of how difficult presenting a case could be for some applicants.

the only manufacturers of the commercial grade product in the UK and this was a new industry, which had begun production in 1930. Allen Athole was a small firm with ten employees and was not a member of the Association of British Chemical Manufacturers [ABCM]. At the time of making the application, Barium Chloride was protected by the 10% general tariff. They requested a specific duty of £5 per ton, which the Committee estimated to be the equivalent of 60-70% ad valorem. The company argued that the additional duty was needed because of foreign price-cutting and because they felt that they could extend their production behind a protective barrier, and that, this would lead to economies of scale.

The case was advertised by the Committee in June 1936 but was not dealt with again until December 1937. The intervening time had been taken up with cartel negotiations. The company had been approached by the Continental Cartel in March 1936 but from the first, it had been reluctant to negotiate. The Committee felt that the latest in a series of offers made by this cartel seemed reasonable and that Allen's own demands were, in turn, unreasonable. Consequently, the Committee decided not to grant the additional duty. This decision was taken despite the Committee earlier noting a number of reasons in favour of the applicant's claim.⁵⁶⁹ The Committee was not prepared to grant the additional duty because they felt that the solution to the company's problems lay in their own hands and yet they refused to take the necessary action.⁵⁷⁰

Despite IDAC's evident support for cartel agreements as recorded in these cases they did not fail to act in industry's favour where they saw negative impact of cartels or where cartels simply could not be negotiated. The Committee also strove to ensure that the benefits of cartelisation (rationalisation, reorganisation,

⁵⁶⁹ The Committee, despite the extremely high level of tariff requested, had been happy to advertise the case for a number of reasons. They were aware that the company could not then meet all home demand, but knew that the company had been carrying out research and had installed new plant and machinery. It was also noted: "These works were acquired under the hammer a few years ago and their continued operation confers some small benefit on the "Special Area" of the North East." PRO BT/10/18 Committee Paper 118/1936 page 6.

⁵⁷⁰ The application was also refused because there had been strong opposition and ironically, given that most cartels fixed prices, because the Committee was concerned that the home consumer might be harmed by high pricing because of what was a home monopoly.

marketing, etc) where not outweighed by negative effects such as price fixing and the exercise of monopoly powers.

In 1936, the Committee received an application for additional duty on condensed milk and other milk products.⁵⁷¹ The UK manufacturers, on the suggestion of the Board of Trade, in January 1935 had approached the Dutch manufacturers of these products to agree prices and quotas. Negotiations had however, proved unsuccessful and the British interests were suffering from import competition. The Committee did not advertise this case but made the decision directly having consulted affected interests. The consuming industries⁵⁷² only objected to the application if it meant an increase in their raw material costs. The Distributing interests were anxious only to ensure price stability in the range of goods that were for direct supply to consumers. The applicants were willing to agree set prices with these bodies. The Committee therefore assessed which items needed the additional duty, base on evidence of levels of imports, and agreed to raise duties in accordance with the applicants' requests.⁵⁷³ In this case, despite the best efforts of the home industry to establish a cartel they were unsuccessful. Faced with evidence of the competition the industry faced IDAC therefore expedited increased duties for them.

IDAC also responded rapidly to help the home industry when the Shoe Rivet manufacturers Association applied for an additional duty on nails.⁵⁷⁴ In response to a previous increase in additional duty, a Belgian syndicate, IWECO, had reduced prices to compensate exactly for the increase.

⁵⁷¹ PRO BT/10/18, Committee Paper 99/1936, the applicants were the Amalgamated Master Dairyman, the National Federation of Creamery Proprietors, the National Federation of Dairyman's Associations, and the NFU.

⁵⁷² The Manufacturing Confectioners' Alliance and the Bakery and Allied Traders were consulted by IDAC.

This was generally the case but, as chapter 5 on the engineering industry showed, was not always true.

⁵⁷³ There were only two items where an additional duty was not agreed to. The first was 'Block Milk' where there was no import competition. The second was 'Cream' where again the present duty appeared to be working effectively.

⁵⁷⁴ PRO BT/10/9 114/1934, (Application reference 34/114)

'It appears clear that the present Continental prices of nails for this country can show no profit to the Continental manufacturer and in some cases must involve actual loss, and that they represent a deliberate attempt to retain a footing in this market at all costs, as a matter of policy. ...

It is clearly unsatisfactory that the Committee's efforts to afford reasonable protection to an important British industry should be deliberately and immediately frustrated in this way, and there appears to be a clear justification for recommending a further increase in the duties to restore the position which the Committee intended to produce ...'

The Committee therefore decided to consult other sections of the industry with a view to immediately increasing specific rates. This, rather than advertising in order to save time.

Price-fixing and monopolies

While the Committee were willing to support and encourage cartel agreements this did not mean they were unconcerned by monopoly powers. As part of their remit they remained keen to ensure that consuming interests, both business and public alike, did not suffer as a result of monopoly pricing. In considering many applications for additional duty questions were raised, often by those opposing applications, about possible price-fixing or monopoly powers. These claims were not always substantiated or were not always considered to be serious by IDAC. Appendix 6.5 records some of the cases where concerns were raised.

As noted above in the discussion on cartels the Committee turned down some applications for additional duties because they had concerns about monopoly pricing. This was so in respect of ten applications for additional duty which the Committee had advertised (for further details see Appendix 6.6).⁵⁷⁵ Some applications were rejected even without advertising because IDAC had concerns.

⁵⁷⁵ These were all cases that were refused by the Committee after they had been advertised. Evidence found of price fixing in a number of other cases is shown at Appendix 6.5.

In considering an application for additional duty on Linoleum and cork carpet⁵⁷⁶ the Committee noted: 'The application is in effect a request for an increase in duty in order that the British manufacturers, who act in close association may retain a complete monopoly of the home market without any effort on their part'. Unsurprisingly, in this case the Committee had no sympathy for the applicants and the request was rejected without the application being advertised. IDAC rejected the application because of their concerns about the home monopoly/price fixing (and the belief that the industry would benefit from competition) and because in any case the industry was small.

In other cases, before agreeing to grant additional duties the Committee required assurances from the applicants regarding their future prices.⁵⁷⁷ One case where the applicants gave price assurances was in an application for additional duty on wood screws.⁵⁷⁸ The application submitted in June 1932 requested an increase in the duty from 20 to 50 per cent ad valorem. Until the end of 1931 the applicants had been party to an international cartel which had controlled the distribution of wood screws. The cartel had broken down however. The Committee noted: 'The application, therefore, is not for a measure of temporary high protection in order to enable a depressed industry to re-organise itself on a more efficient basis. The case put forward is that a tariff is necessary to enable the industry to realise the full advantage of its efficiency. It is claimed that the potential output capacity would provide for the whole of the existing home consumption and, in addition, enable a very considerable extension of export trade to be made. The applicants are prepared to give an undertaking that the price to the home consumer will not be raised. On the contrary, they think that the

⁵⁷⁶ PRO BT/10/28 Committee Paper 26/1939

⁵⁷⁷ The Committee did not have legal powers to regulate prices once the tariff was granted however. Hutchinson notes that the Treasury Solicitor advised them that their Statute did not grant them powers to settle disputes between manufacturers and consumers – *Tariff-Making* p.73

⁵⁷⁸ Application reference 32/85

The applicants were Messrs. Guest, Keen and Nettlefolds Ltd., the British Screw Company Ltd., and Messrs Henry Cox Screw Company Ltd., who claimed to represent all screw makers in the country.

reduction in producing costs which they would derive from a larger turnover would enable them to reduce their home prices.⁵⁷⁹

‘The imposition of a higher tariff in this case would not appear to be attended with any serious disadvantages to set off against the advantages of increased employment and increased export trade. The only home interests adversely affected would be those of the importer and retail seller, and any injury to the latter could not be considerable. It is recommended, therefore, that the application should be advertised.’⁵⁸⁰

When making their final recommendation to the Treasury the committee noted: ‘We fully recognise the objections which may be raised to the grant of a high degree of protection to an industry which is under unified control in this country and we propose to watch the interests of the home consumer’.⁵⁸¹

Another such case was in the application for additional duty on condensed milk and other milk products. We noted earlier the applicants by giving price assurances were able to satisfy consumers and IDAC that rising prices would not affect the users and they were granted the additional duties they needed. Other products where price undertakings were given when applications for additional duty were made, include: Linseed oil; Sodium Nitrate; Copper Wares; Spectacle frames; Boot and Shoe laces; Superphosphates; Nitrogenous fertilisers; and Fabric of woven paper yarn.⁵⁸²

In some cases, the Committee was contacted with requests that they investigate price-rings. The case of the Cement industry has already been noted in chapter 4. In this instance there was nothing the Committee could do. In a further example, in April 1936, the Committee was approached by a number of large concerns to investigate a ‘price-ring’ in pencils.⁵⁸³ The concerns had asked for tenders from abroad due to the price-ring that existed in the UK. ‘In July, 1935, the import duty on these pencils meanwhile having increased from 20 per cent to

⁵⁷⁹ PRO BT/10/02 Committee Paper 85/1932

⁵⁸⁰ PRO BT/10/02 Committee Paper 85/1932

⁵⁸¹ PRO BT/10/03 Committee Paper 182/1932

⁵⁸² PRO BT/10/17 Committee Paper 14/1936

⁵⁸³ These included the London Chamber of Commerce. PRO BT/10/18 Committee paper 78/1936

over 40 per cent., tenders were again invited. All offers received from British manufacturers were again identical, and were 28 and 35 per cent respectively above the foreign offers, despite the doubling of the duty.’ The committee considered whether prices were reasonable and found that members of the price ring had not pushed up prices as a result of additional protection, prices had in fact stayed the same.⁵⁸⁴

IDAC were not only keen to mitigate the effect of cartels on prices but wished to monitor price changes more widely. In its first Report the Committee stated that it would in its recommendations endeavour to deal with any attempts to exploit the consumer, either industrial or private, under cover of the protection to be afforded by the Act. This is why, from autumn 1933, the Committee attempted to track the movement of prices on a number of products (see Appendix 6.7 for full details of what the Committee proposed and the products they planned to monitor). On the subject of this monitoring Hutchinson notes: ‘The aim as expressed was to cover sufficient ground to warrant the statement at any time that the effect of the tariff on prices was being kept under constant review – though in fact what was done would hardly have justified such a claim, if the question had ever been raised’.⁵⁸⁵ The Committee’s work in this direction was limited for reasons of practicality. Prices were collected quarterly either from Trade Associations or from a number of producers.⁵⁸⁶ The Committee found it was not always easy to get comparable or representative data and the process, even for a relatively small list of items, was time consuming. To have extended the review would have not been practicable, and after all, it was not what the Committee was there to do.

⁵⁸⁴ The price-ring members took the opportunity to ask for additional duty but the committee felt that they were making reasonable profits and there was no call for any further action at that time.

⁵⁸⁵ Hutchinson *Tariff Making* p.70

⁵⁸⁶ Hutchinson notes that the information was supplied voluntarily and that the Committee did not need to exercise its powers to force disclosure. *Tariff Making* p.71

The data that the Committee collected did however allay any fears they had that the tariff would lead to general price rises⁵⁸⁷. A summary of the position up to the end of 1937 is shown in Appendix 6.8. Again Hutchinson notes: 'Any serious or widespread complaint of exploitation, either of industrial or private customers, continued to be conspicuously absent, but the collection of the returns from the same list of articles, with additions from time to time, was persevered with, and an Annual report rendered to the Committee of the results, up to the autumn of 1938'.⁵⁸⁸

Efficiency through research and innovation

The technological lag of British industry, which was observed during the First World War, had led the government to create the Department of Scientific and Industrial Research (DSIR) in 1916. The DSIR, along with industrial research associations, was partially funded by government. It was established to foster industrial research, and to facilitate a more innovative approach to technology. Although the importance of these institutions may be exaggerated,⁵⁸⁹ the governments concern with technology in industry did not dwindle. Encouraging the development of new techniques and the modernisation of existing plant remained a priority throughout the inter-war period. IDAC showed a similar interest in encouraging research. As discussed earlier, IDAC were keen to promote Research and Development and technical efficiency within industry. They saw these developments as vital for future success and a return to competitiveness of British industry.

At various stages, other arms of government formally contacted IDAC with concerns on industrial research. In July 1932 the Committee was approached

⁵⁸⁷ PRO BT/10/16 Committee Paper 306/35, in December 1935 it was recorded that apart from Linseed oil there had been little change in the general level of prices since the Committee had increased rates of duty.

⁵⁸⁸ Hutchinson *Tariff Making* p.71

⁵⁸⁹ See, Edgerton DEH & Horrocks SM, 'British industrial research and development before 1945', *Economic History Review*, XLVII, 2(1994), pp.215-217

by the Chairman of the Industrial Grants Committee, who was anxious to assist the Committee on questions relating to the efficiency of particular industries as evidenced by research associations.⁵⁹⁰ In autumn 1932, the Committee received a deputation from the Research Grants Committee. This was ‘... to discuss the suggestion that in connection with applications for increased duties an endeavour should be made to encourage the development of effective research associations in industries’.⁵⁹¹

The Committee was urged by the DSIR to make a consideration of industrial efficiency and research a pre-requisite of granting any additional duties: ‘representatives of the Department of Scientific and Industrial Research suggested “when industries approach” the Committee “for the imposition or the continuance of protective duties, regard should be paid to the steps taken by them to promote efficiency by the encouragement of research...”’.⁵⁹² The Committee though was reluctant to go so far. ‘This being the position, it remains to consider what the Import Duties Advisory Committee can take to stimulate the movement for which the Research Department stands. It is I think, impossible for the Committee to lay down the proposition that a condition precedent to the recommendation of additional duties for any industry shall be the making by that industry of adequate provision for research. The main determining considerations must be economic. But the efficiency of the industry - both present and future - is a material consideration; and it would, I think, be quite proper, in the examination of any application for increased duties, for the Committee (a) to enquire as to the extent to which the industry is efficient (in a broad sense), and research, as a contributory factor to such efficiency, is being carried on...’.⁵⁹³

The Committee tried to be as thorough in their approach as they were over other questions. Wherever possible, in considering the relative efficiency of industries, they would consult other government departments, such as the DSIR and Ministry of Agriculture [MinAg], as to the organisational efficiency and technical development of a particular sector. In some cases they employed a

⁵⁹⁰ PRO BT/10/30 No.43, 26.7.32.

⁵⁹¹ PRO BT/10/30, No.59, 9.11.32.

⁵⁹² PRO BT/10/04, Committee paper 338/32

⁵⁹³ PRO BT/10/04, Committee paper 338/32

technical officer (Mr Morgan) who was given the task of visiting the premises of applicants and then reporting back to the Committee on his findings.⁵⁹⁴ The information garnered from all of these sources was used to support the Committee's decisions.

We can see that the Committee did not take a simplistic approach to their decision making. If they had been insistent when considering price changes, cartelisation etc, it seems likely that very few industries would have received additional duties. But additional duty applications were granted in twenty-four cases because IDAC considered the applicant industries to be well organised and/or efficient⁵⁹⁵. Details of these are shown in Appendix 6.9. In sixteen cases, applications were rejected because the applicant industry was viewed as inefficient (details are again noted in Appendix 6.9).⁵⁹⁶

One application where the industries' poor research record influenced IDAC to reject the application for additional duty was the Boot and Shoe industry. In 1937, an application was made for an increase in the duty on women's boots, shoes and slippers. The applicants claimed they were facing rising imports and especially needed protection against US goods. The US shoes were relatively expensive but of a much higher quality than British products. British consumers

⁵⁹⁴ PRO BT/10/23 Committee Paper 141/37, details one such series of visits. IDAC conduct their own detailed investigations in the case of Zinc Sheet producing firms. Mr Morgan, the technical officer, visited a number of firms involved in the processing of Zinc and his findings were reported back to the Committee. 'The zinc rolling department of Messrs. Thomas Bolton was visited some months ago by the Committee's Technical Officer (Mr Morgan) with a view to obtaining information as to the conditions under which the production of these sheets is carried on. In his report, Mr Morgan states that, in his opinion, the general conduct and efficiency of the department are very high and that the firm has obviously devoted itself to the production of the right quality article'. The firm was viewed to have gone to a great deal of trouble and incurred capital expenditure in setting up this specialised trade: 'Zinc rolling, however, has been but recently developed in this country, and it is perhaps to be expected that technical difficulties would be encountered in the early stages and there is evidence that these are being overcome'.

⁵⁹⁵ This was 24 out of the total of 154, representing 15.6% of successful applications

⁵⁹⁶ as with reorganisation/rationalisation the matter of efficiency was discussed in many cases by IDAC where it was not specifically mentioned in their decision but it did form part of the process of assessing an application

were said to be increasingly demanding the higher quality goods and the British manufacturers needed to reorganise along US lines. They stated that this process had already begun but further capital investment was needed and it would take time to come on-stream. During this period, they required additional tariff protection. IDAC found that despite their claims, the industry still held around 96% of the home market and already benefited from a relatively high duty rate of 20% therefore they were disinclined to grant them the duty. IDAC also found that the industry had a poor research record and had been unwilling to work collaboratively in the past.⁵⁹⁷ The Committee were unconvinced that the reorganisation necessary, to enable competition with the US product, would take place if there was a higher tariff barrier and so the application was turned down.

Nor would IDAC grant an additional duty purely on the grounds that an applicant claimed that they were efficient and well organised. This is clear from their reaction to an application, made in 1934, by the British Plastic Moulding Trade Association.⁵⁹⁸ The Committee noted: 'If the British plastic moulding industry is so well organised and so efficiently equipped as the applicants claim it to be, further improvements and economies should be possible without the artificial aid of additional protection'.⁵⁹⁹ They go on to add: 'The applicants' plea for the exclusion of the competing plastic products from the British market, considered in relation to their claims regarding the home industry's efficiency of organisation and technique, is symptomatic of a very unsatisfactory attitude towards the question of protection'.⁶⁰⁰

⁵⁹⁷ PRO BT/10/22 Committee Paper 95/37 – The DSIR had previously agreed with the industry that it would make an annual grant for research of £5,000 as long as at least £7,000 was found annually by the Trade Association. The amount was successfully raised in 1935 but there was a shortfall in 1936. The Trade Association said that they planned in future to obtain subs for a Research Fund on a levy basis even at the risk of losing members. The DSIR pointed out however, that the industry did not have a history of co-operative research.

⁵⁹⁸ The application, reference 34/13, was for an increase in the duty on Plastic materials and products made therefrom. The Committee rejected the application at the initial stage for several reasons.

⁵⁹⁹ PRO BT/10/9 Committee paper 13/1934, p.18

⁶⁰⁰ PRO BT/10/9 Committee paper 13/1934, p.19

In some instances however, IDAC seem to grant the additional duties as a reward for achievements so far. One example where the applicants are rewarded by IDAC for their efforts to improve is shown in the application for an additional duty on Steel Works Plant Rolling Mills.⁶⁰¹ The Committee in reviewing this application noted: 'While it appears to be true that a few years ago the British product did not possess the refinements and accuracy of the foreign machines for certain special purposes, the advances they have since made and the arrangements by which they are now able to utilise US and German (Leowy) experience in design make it very doubtful whether this charge now has any force'.⁶⁰² In the four years prior to making the application the industry had spent substantial amount on re-equipment. The Committee finally noted: 'While it is, perhaps, doubtful whether the applicants are even yet seeking efficiency in its broadest sense with all the energy and single-mindedness that could be desired, on the whole it is felt that sufficient progress has been made to justify the conclusion that the industry can now be given further protection without any danger of it leading to stagnation'.⁶⁰³ The applicants are effectively rewarded for their move towards modernisation, for innovation and technology transfer.

Two industries regarded favourably by IDAC, were Lithopone⁶⁰⁴ production and the glass industry. In 1936, the British Chemical Manufacturers Association in submitting an application for additional duty on Lithopone argued for an additional duty to protect them against recent currency devaluations that had prompted rising imports. In reviewing the industry IDAC were impressed with developments made in the industry that had been achieved behind the existing tariff protection with consequent positive knock-on effects to consumers.

⁶⁰¹ PRO BT/10/26 Committee paper 125/1938, database application reference 38/125a

⁶⁰² PRO BT/10/26 Committee Paper 125/1938 p.4

⁶⁰³ PRO BT/10/26 Committee Paper 125/1938 p.9

⁶⁰⁴ Lithopone is a white pigment (consisting of a mixture of zinc sulphide, zinc oxide and barium sulphate) used in making paints and linoleum.

This was a relatively new industry, which had managed to expand production, but Belgian devaluation had led to the rising imports.

‘The development of the industry in consequence of the original protection has resulted, it is said, in substantial reductions in the price to the UK consumers’.⁶⁰⁵

The applicants pointed out to the Committee that they conducted research and were already modern and efficient. They also said that they would give price assurances to using industries. Their request was for either a specific duty of £3.5s or 20% whichever was the greater. The Committee noted that: ‘this case seems to be an excellent example of benefits accruing to both producers and consumers as a result of protection for a particular commodity. Production has expanded, new plant has been installed, exports have grown, employment has increased and unit production costs have been substantially lowered (chiefly, it seem, as a result of the greater output) with the consequence that consumers have benefited by an appreciable reduction in price’.⁶⁰⁶

In deciding to grant the additional duty, it is clear that this carried weight with the Committee. As they note: ‘The British manufacturers clearly enjoy an excellent reputation in regard to price policy with consumers, only some of whom have opposed and that in an unimpressive manner. ... The manufacturers also enjoy a good reputation with the DSIR, and have clearly spared no effort to meet trade requirements.’⁶⁰⁷ The Committee try to take decisions in ‘the round’ considering not just R&D or efficiency but the impact on consumers.⁶⁰⁸

IDAC were also particularly impressed by the domestic glass industry. In 1933 an application was made for the free listing of Vitralite Glass Cycle Reflectors⁶⁰⁹, the duty rate on the product was 33¹/₃%. Free-listing was requested because red lenses of this type could not be produced in the UK. However, so confident were IDAC in the capabilities of the home industry that it contacted the British Scientific Instrument Research Association [BISRA] to enquire as to the possibilities of home manufacture. IDAC were advised that Pilkington’s had been carrying out experimental work, they had laid down plant, and it was expected that they would be able to begin production in the near future. The BISRA, therefore, expressed

⁶⁰⁵ PRO BT/10/20 Committee Paper 280/1936

⁶⁰⁶ PRO BT/10/20 Paper 280/1936

⁶⁰⁷ PRO BT/10/24 Committee Paper 232/1937, pp.17-18

⁶⁰⁸ In this way, the tariff is as ‘scientific’ as they could make it.

⁶⁰⁹ PRO BT/10/8 Committee Paper 464/1933

the hope that IDAC would encourage Pilkington's by refusing the free-listing and this is what IDAC did.⁶¹⁰

When the Sheet and Plate Glass manufacturers Association later came to make an application for additional duty on sheet glass the industry was again regarded favourably by IDAC.⁶¹¹ The applicants had a strong case as they were considered by IDAC to be highly efficient. The applicants asserted that the additional duty was essential to ensure that all existing plant could remain viable and be kept open. Established plants were in St. Helens and Queensborough and a new plant had been opened in Pontypool South Wales by arrangement with Special Areas Reconstruction Association [SARA]. Between these three plants it would be possible to supply all home demand and maintain exports. However, the output of the new works, in Pontypool, could only be sold if imports were reduced. In 1938, they held a 54% share of the home market and had a substantial export trade.

On investigating the industry, IDAC found that there had been a large increase in production after 1932. This had been achieved through:

- The deliberate restriction of uneconomic production in the early years;
- Massive capital investment in new processes; and the acquisition by Pilkingtons of the Queensborough works.

The applicants claimed to be the most progressive glass manufacturers in the world, with an exceptionally strong base of technical staff and significant investment in research and development. The DSIR fully supported all of these claims. From the evidence they gathered IDAC viewed them as 'A model of efficiency' (further details can be found in Appendix 6.10).⁶¹²

⁶¹⁰ PRO BT/10/17 Committee Paper 64/36 This is similar to actions with machinery manufacturing where IDAC are promoting new lines of production, this will be discussed in more detail later.

⁶¹¹ PRO BT/10/29 Committee Paper 78/39 – a decision was not reached in this case by the outbreak of war but it seems likely from the tone of the Committee's comments that an additional duty would have been granted.

⁶¹² As was noted in Chapter 4, despite sheet glass being an important input for the building trade it seems likely that the Committee would have approved the increased duty had time allowed. They

New Industry and New Lines of Production.

In a number of cases, the Committee was willing to support applications for additional duty where the applicants represented a new industry in the UK, or where new lines of production were being introduced.⁶¹³ There were a number of cases, where they believed it would help British firms to acquire a reputation and thus overcome the goodwill of the established overseas firms. In addition, where IDAC could see that overseas competitors had clear advantages, for example through the size of their home markets, they were willing to raise rates of duty.⁶¹⁴

In the case of an application for additional duty on decolourising and activated carbons, the Committee considered there were two very important reasons for advertising. First, that this would be a new industry and second that the industry would be of strategic importance.

‘Other firms are seriously contemplating manufacture, and, apart from the stimulus which the imposition of an additional duty would provide, they will be encouraged to do so by the interest at present being taken in the subject by the Chemical Defence Research Department of the War Office.

The applicants stress the point that the whole of the raw materials used by the British producers is British, that labour accounts for a high percentage of the cost of manufacture, and that the application is supported by their consuming members. The industry appears to be actually and potentially an important one, with both the means of and the opportunity for considerable expansion under the protection of a higher duty. In these circumstances, it is suggested that a *prima facie* case has been established, and that the application should be advertised.’⁶¹⁵

were impressed by the existing condition of the industry and would have wanted to encourage its further development.

⁶¹³ Not only did the introduction of the tariff encourage home producers to set-up new factories or establish new product lines it also encouraged foreign direct investment. The links have been noted in the work of Scott & Rooth in ‘Foreign-based enterprises’ pp. 495-515

⁶¹⁴ This was particularly true with firms based in the US where the Committee argued that the industry had the benefit of such a large domestic market allowing firms to achieve economies through large scale and mass production techniques.

⁶¹⁵ PRO BT/10/4 Committee Paper 292/1932 Carbons decolourising and activated other than animal

Subsequently the Committee recommended the additional duty.⁶¹⁶

Other cases where the applicants made a point of claiming it was a new industry that needed protection or, that new lines of production were being introduced are detailed in Appendix 6.11. IDAC's willingness to consider applications in order to stimulate new developments continued throughout the years of its operation⁶¹⁷. In 1935, it was a fundamental part of the Committee's discussions in the case of an application relating to agricultural track-laying tractors⁶¹⁸. In this case, it was noted that the British industry was 'embryonic'. It was a post-war industry that had only made limited progress to that point. The main obstacle for this new industry was competition from US manufacturers. The IDAC noted, in the US, with the benefits of a large domestic market, mass production techniques were possible and hence costs of production were lower than in the UK. 'This is a new industry, faced with considerable difficulties in establishing itself in this country against American competition, and it felt that there is no room for a compromise with the United States in regard to a tariff and that any concession is likely to lead to the collapse of the British industry'. Additionally they noted that while the GB market was relatively small they expected the home industry could expand and

⁶¹⁶ When announcing the reasons for their decision the Committee did not emphasise the new industry aspect but did focus on its strategic importance and the fact that it was considered efficient. Additionally there had been no opposition to the application.

⁶¹⁷ In 1936, the Committee, at its own instigation, decided to conduct a review of miscellaneous wrought iron and steel products. They decided to consider increasing the duties on iron and steel products that were only subject to 10% duty. They had in mind to increase duties to 20% and contacted the home industry to assess the case. The products were decorative wrought ironwork and steel wool and shavings; this latter industry was new to the country. 'The manufacture of steel wool on an appreciable scale commenced in this country two or three years ago ... this new industry has been established in this country at considerable cost, and that the amount of capital in the form of machinery, tools and experimental work invested by them is quite considerable. They say that an expansion of business is essential if their plants are to be worked on a commercial basis'. The home manufacturers held around 50% of the home market. After a full review of the case, IDAC decided that it was appropriate to raise the rate of duty on these products. They stated that the industry warranted the additional protection because it was a 'new industry', because there would be positive linkages to other industries and there was no opposition.

PRO BT/10/19 Committee Paper 128/36

⁶¹⁸ PRO BT/10/16 Committee Paper 262/1935 Agricultural Track-Laying Tractors.

bring down its own prices if the home market initially was protected and this enabled them to get a foothold. When later reviewing the case, the Committee wrote: 'It seems clear now that allowing for the economy in running, the English machines are not far from being competitive with the American and that an increase of duty from 15 per cent to 33¹/₃ per cent ... should put the British manufacturer on a reasonable basis of price'.⁶¹⁹ Before making a decision the Committee first confirmed with the NFU that the users were satisfied with the quality and the range of models being produced by the British industry, they then decided to grant the additional duty.

The typewriter industry was another new industry to Britain that IDAC needed to consider when an application for additional duty was made in 1932. In discussing the application the Committee noted: 'The English companies have shown commendable enterprise in combating the strong American companies. The machines produced are reputed to be excellent in all respects, but they are confined to the ordinary type ... there are upwards of 1,500 parts to a typewriter, the production of which entails the installation of a great number of jigs and tools. It is clear, therefore, that the production in this country offers scope for much employment, and the industry is one which is worthy of fostering, not only with a view to supplying the home market, but on account of the potential export trade, particularly to the Empire.'⁶²⁰

In 1936, a second application relating to typewriters and typewriter parts was submitted to the committee.⁶²¹ An increasing volume of imports suggested to the Committee an increased consumption of all types of machines. This they felt was to be expected given the general improvements in trade but they noted with concern that the British manufacturers had not been able to share in this improvement. Following the previous increase in duty, US firms had reduced their prices to counteract it.

While the Committee felt that the British product was almost as high a quality as the equivalent US product, they found that the selling and service

⁶¹⁹ PRO BT/10/18 Committee Paper 103/1936

⁶²⁰ PRO BT/10/9 Committee Paper 106/1934. In this case, the applicants were granted an additional duty on new typewriters.

⁶²¹ PRO BT/10/18 Committee Paper 79/1936

arrangements were considerably better for the US product. Hutchinson noted that: 'There was no evidence of any spirit of co-operation among the manufacturers, and I accordingly discussed the possibility of common or co-ordinated action on such matters as advertising, supplies to State-aided schools and to local authorities, the interchange of technical information, co-operation on service and selling, and a price or production quota arrangement'. Additionally, it was felt that 'goodwill' remained a significant problem for the British firms.

To assess this new application visits were conducted to the British factories. 'In going round the factories Mr Archer and I [AWH] have been impressed by the vast number of operations necessary to produce a typewriter, and by the wide range of machinery and intricate organisation required to carry out on a mass production basis'.

In 1935, the companies were not in a position to expand their production but by 1936, they were. The contemplated production of the British manufacturers was then far in excess of home demand. A new factory had been opened which would enable the British industry to produce a new product in the mid-price range. It was noted that initially parts would be imported from Switzerland for further manufacture. This, it was said, would enable workers to be trained and the necessary plant for making parts to be installed over a six-month period.

The application was opposed, mainly by agents selling German and US products, and by representatives of the second-hand typewriter industry. Despite this, the Committee did decide to increase the rate of duty on standard typewriters.⁶²² The Committee felt: 'The British manufacturers would, I think, definitely suffer in prestige if their application was wholly rejected, and having regard to the stage of development which has been reached, the case appears to be one to which a rate of $33\frac{1}{3}$ per cent. is definitely appropriate.'⁶²³ The additional duty is awarded by IDAC because of the efforts and progress made in the industry, which they considered well organised and efficient. The additional protection was viewed as necessary because of rising imports and the need to overcome 'goodwill' of the overseas product.

⁶²² In the case of portable and second-hand machines, the Committee turned down the request for additional duty.

⁶²³ PRO BT/10/19 Committee Paper 144/1936

Machinery Licensing

The scheme of machinery licensing provides the clearest example of deliberate intervention in the economy by IDAC. The purpose of the scheme was quite clear. It was to allow into the country essential items of equipment, which were unavailable in the home market. This was the only task which fell within IDAC's purview, however, they took it upon themselves to use the system to the greater advantage of British industry. In time, IDAC acquired knowledge of machinery which was not produced at home and set about encouraging the home engineering industry to commence production. The Committee did this in a number of ways. Firstly, it provided information as to the machinery imported through the scheme⁶²⁴ on a regular basis to the trade associations (BEA, BEAMA, and MTTA). Who, it had been agreed, would disseminate this information to their members. Secondly, they contacted possible home manufacturers directly, and finally in cases that were more complex they encouraged the involvement of the DSIR. Hutchinson makes only a brief reference to this activity in his work, but it deserves more attention than this. The work was important in terms of expenditure of IDAC's energies. In 1937 it was noted that 60 out of the total 146 staff, or some 41 per cent., were employed on the operation of the scheme.⁶²⁵

This was not a story of a failed attempt by IDAC to intervene in the economy, as with the re-organisation of the Iron and Steel Industry. The policy meets with success. There was evidence, within IDAC files, that new products came into production in Britain as a result of these activities. In some instances, overseas companies established manufacturing outlets in Britain, here the profits may have been returning overseas, but importantly employment was increased.⁶²⁶

⁶²⁴ This details machinery type, value, volume, etc.

⁶²⁵ PRO BT/10/84, Annual Report for 1937. Seventeen extra staff were employed in this year, most additions to the clerical and typing staff were to work on the machinery scheme. This coincides with the reduced involvement of the BEA in the operation of the scheme.

⁶²⁶ An example of this was the "Cincinnati" hydramatic milling machines. A couple of requests were made (one by Ford Motor Co. Ltd in Nov 1932 and one by Charles Churchill & Co., Ltd., in Dec 1932) for licences to import the machines. It was argued that these machines were different

The policy evolved over time as a close relationship was established between the Committee and the industry. As early as 19.7.32 IDAC receives a request from the MTTA that they publish their decisions. At this stage IDAC responds negatively, suggesting that such publications would be the responsibility of the Treasury should they choose to do so. A letter was received from BEAMA, dated 26.9.32., also requesting information. BEAMA request information, to circulate to their members, on items for which IDAC were unable to find British manufacturers. The idea being to give members the opportunity to consider starting up new lines. IDAC responds by stating that this they feel was a quite reasonable request and something which the Committee already have under discussion. The next step taken by IDAC was to inform the MTTA, in a letter dated 11.10.32., that they may disclose to their members the details of items where the MTTA could not find British makers.⁶²⁷ BEAMA receives a similar notification on 16.12.32. The BEA asks the IDAC also to provide information on the number, and not just the type, of machines imported so those prospective manufacturers are better informed. This it was agreed would be supplied from

because they had hydraulic rather than the mechanical feed found on the British equivalents. The Committee's technical officer examined both the Cincinnati and the British machines. He concluded, that while there were differences, in the majority of cases the British mechanically operated machines were fully satisfactory. Licences for the Cincinnati machines were not therefore approved. This subsequently led in 1933 to a proposal by the manufacturers of the Cincinnati machine to set-up a plant in the UK, and with the new plant being built in Birmingham the following year.

This issue received attention from Peter Scott and Tim Rooth, in 'Foreign-based enterprises'. They noted that tariffs and other trade barriers acted as an important stimulus to foreign direct investment (FDI). This had been true for other nations during the nineteenth century and was true for Britain in the interwar period. The sectoral incidence of early British tariff acts, such as the McKenna duties, had proved a powerful inducement for foreign firms to establish production in Britain. The Abnormal Importations Act had stimulated FDI, and the Import Duties Act of 1932 continued to do so. Between, May 1932 and April 1933, 252 firms set up in Britain. Employment in new foreign plants by the end of April 1933 had reached almost 11,000. There could also be important multiplier effects. FDI was also important for stimulating competition in the domestic market, and helped to diffuse technology and management techniques.

⁶²⁷ PRO BT/10/59, part 2.

January 1933.⁶²⁸ It was not until a later stage, that information on all machinery imports was passed on to the three trade associations.

IDAC believed the British Engineering Industry to be weak and complacent. Consequently, the matter was not left there. They took an interest in how the trade associations passed on the information to their members. The Committee described as 'a typical illustration of the gaps in British machinery production', the case of factory garment making machinery. Sir Percy Ashley, discussed this matter directly with the Director of the BEA.⁶²⁹ The Director was asked how it was proposed to run a propaganda campaign to induce production in the country. The normal procedure of the association was to advertise in trade journals. Ashley suggested: 'that as a first step his Association should seek conversations with the big users of such machinery; the probability was that it was highly inconvenient and expensive to them to obtain their machines from American sources and that they would be glad enough to co-operate in ensuring a source of supply in this country'. The BEA adopted this proposal.

The DSIR are not only keen for IDAC to involve themselves in these developments, but also to participate themselves, see Appendix 6.12. IDAC were willing to comply with the wishes of the DSIR on this matter. The Committee noted however, that in their experience: 'the difficulties in manufacture here of the machinery for which licensed importation was granted, are rather of an economic than a scientific kind'.⁶³⁰

The intricate involvement of IDAC in encouraging British manufacture can be elicited from the internal memorandum detailed below:

... When two or more manufacturers show interest in the same machine the difficulty arises as to the necessity for disclosing to each of them the interest of the other. The experiment was tried in the case of dealing with packaging machinery, of getting all the interested manufacturers at the IDAC for a general discussion of the issues involved. The idea was that it might be possible for them

⁶²⁸ PRO BT/10/59, part 2.

⁶²⁹ The discussion took place at the offices of IDAC on 17th of November 1933.

⁶³⁰ PRO BT/10/59, part 3. This forms part of 'Notes on points for discussion with Mr. Bremner [Director of the BEA], at 3pm on 22 March, 33'.

to reach some agreement amongst themselves as to sub-division of the work involved in producing machinery to displace that subject to importation. ...⁶³¹

This highlights how pro-active IDAC were in the matter.

In another internal memorandum concerning the encouragement of manufacture in the country it was noted:

We are now proceeding by way of making direct touch with individual manufacturers, who we may know, either by interviewing at the office or by visits of Mr. Morgan to the works, to have facilities at their works to handle some particular line which was at present being imported. For example, only yesterday a Staff Officer of the Division learned in conversation with a manufacturer that he could handle a particular kind of electrical tool which we had licensed in considerable numbers during the past eight or nine months. The manufacturer was made aware of the market and we shall maintain touch with him.⁶³²

The only concern that was noted about this procedure was that the Committee might be accused of favouring certain firms, but it was believed it was the only practical way that the work could be conducted. 'In his travels through the country Mr. Morgan gains a first-hand knowledge of different works and can form a very shrewd judgement of what they can do. I propose to analyse the list of licences that have been granted, to sub-classify them so far as was possible, and to ensure at every opportunity that the information was placed in the quarters which are most likely to benefit from it.'⁶³³

These activities are successful. Appendix 6.13 provides a list of some of the items of machinery where production began as a direct result of IDAC's involvement. The list was sent to the Director of the BEA on the 2nd December 1933, and was said to be a few examples. Many others were said to be in the pipeline, but it was too early for them to be disclosed. Percy Ashley, comments: 'I may add that it was our frequent practice to ask of an applicant user of machinery that he should allow facilities to British engineers whose names we have had from

⁶³¹ PRO BT/10/59, part 3. Internal Memo dated 10th June 1933 Re: Production of Machinery not previously produced in UK.

⁶³² PRO BT/10/59, part 3. Memorandum - "Notes on Points for Discussion with Mr. Bremner at 3pm on 22 March, 33".

⁶³³ PRO BT/10/59, part 3. Memorandum - "Notes on Points for Discussion with Mr. Bremner at 3pm on 22 March, 33".

you to inspect the imported machine, and such facilities are nearly always readily given'.⁶³⁴

Cases exist of machinery being imported under license solely for the purpose of copying by British manufacturers. In discussions with the BEA in November 1933, it was pointed out: 'that in a great number of cases, particularly of copying foreign machines, plans were in an embryonic state and that it would clearly be undesirable to refer to such cases until something definite had emerged'.⁶³⁵ There are also examples of agreements being made, with foreign manufacturers, for machinery to be produced under license in this country. Details of which may be found in Appendix 6.13. In this case, production was undertaken immediately without incurring expenses of design and product testing.

IDAC in supplying the information, and guaranteeing that licences would be refused once production commences in Britain, provided manufacturers with the incentive to invest. Their actions effectively overcame obstacles which otherwise existed in the market place. They brought together buyers and, prospective suppliers. They tried to ensure that effort was not duplicated. The licensing system, in the way IDAC chose to operate it, furnished information otherwise unavailable as to gaps in British production. Its actions were sufficient to induce manufacturers to incur the heavy expenditure and risk attending the initiation of a new branch of manufacture. The engineering industry was thus able to make up lost ground, especially in the manufacture of high-class machinery.

⁶³⁴ PRO BT/10/59, part 4.

⁶³⁵ PRO BT/10/59, part 4.

Conclusion

Although, the official remit of the Committees was the tariff, it pursued industrial rationalisation and it encouraged of cartels (both domestic and international). Hence, IDAC took on a wider significance. The IDAC also involved itself in the encouragement of modernisation and development of technology. This activity was particularly significant in terms of the recovery and the longer-term competitiveness of British industry. The engineering industry was able to improve its competitive position whilst protected. The industry introduced new lines of production, which it had hitherto been too risk averse to contemplate. The IDAC was able to significantly reduce the risk involved, and thereby stimulates the recovery of a vital industry. Such activities suggest, if we consider IDAC only for the tariffs that it introduced, its role is seriously understated.

Chapter 7 Conclusion

Business government relationships.

The task IDAC had been set was a mammoth one and one which without the assistance of industry it could not hope to achieve. Had the task been merely to introduce a general tariff there would not have been a need for such an institution. The need to make the tariff 'scientific' which should be adjusted to meet the various needs and circumstances of industry was what made the institution, and in turn its close involvement with industry, necessary.

IDAC could not hope, on its own, to make a robust decision on what level of protection any particular industry needed. Instead, it relied on industry to voice its needs. The Committee quickly established, and published, a system by which an industry could notify them of these needs.

The reliance of the Committee on industry did not end there. While the Committee had access to a variety of official statistics and data held by other government departments these were not sufficient. They needed more detailed information to be supplied by the applicants themselves. Much of this information was sensitive, such as price and production cost data. IDAC was not able to verify this from alternative sources so that they relied, in this respect, entirely on the information that was provided by applicants.

The Committee members were well aware of the risks associated with having to rely so heavily on the applicants themselves. To try to combat the risks involved the Committee approached the consideration of requests for changes to duty rates in the following way. First, they had an understanding themselves of why an industry might need or 'deserve' additional protection and they had established within the committee criteria to judge applications by. Second, they tried to gather as much information from elsewhere as possible. Not only did they use official data sources wherever possible they consulted other government departments that were likely to have a view or understanding of the industry concerned. Finally, there was the process of advertising any proposed change in the duty. This gave the opportunity for others, especially those who opposed

applications, to present their own case and their own information. These sources could help the Committee to check the veracity of applicants' claims.

There are only a few examples in the seven years the Committee operated of industry, as represented by trade associations, maintaining regular contact. Consequently, a continuing process of bargaining and negotiations did not develop to any great extent. For most trade associations, their contact with IDAC was a one-off. Most submitted only one application for additional duty, would have dealings with IDAC for the duration of the review process and then no more. Those who submitted more than one application did not, on the whole, benefit from having worked with IDAC before - as measured by the success of additional duty applications. They did not persuade IDAC to treat applications from them more favourably. Nor do they learn what IDAC wanted and how to deal with them more effectively. IDAC always published a brief outline of why it was granting additional duties yet there is no evidence that applicants changed their approach in response to this. The reasons for wanting additional duties remained similar throughout the seven-year period suggesting that the problems faced by industry did not fundamentally change. IDAC would therefore have been dealing with similar arguments throughout.

Each case put before IDAC was viewed on its own merit. The ABCM, who submitted several applications had a slightly higher than average success rate. This was more a reflection of them having sufficient resources to present a robust case, and additionally that they were representing members that in some way were efficient, modern, technically advanced or 'new' and possibly 'strategic'. There is no evidence that it was because they had developed a special relationship with the Committee.

Close and continuous relationships between IDAC and trade associations really developed in only two cases. These were the Iron and Steel industry trade association, NFISM, and the engineering trade association, the BEA. What emerged in each case was different. It was necessary for IDAC to become closely involved with the Iron and Steel Federation to conduct the review of the sector at the government's request. The subsequent story of IDAC failing to secure any change of substance in the industry while at the same time giving the industry the highest possible levels of protection is well known. This is an example of a heterogeneous industry (size and scale of firms, production techniques, products

etc) that nevertheless was able to present a united front toward government. The Federation wanted to resist change and to resist interference from government and in this, it was successful. The iron and steel industry was well practised having resisted previous government attempts to bring about change in the 1920s and early 1930s. IDAC was not alone in failing to make them change.

The engineering industry, and in particular the BEA, became closely involved with IDAC to assist them in the operation of the machinery licensing scheme. IDAC needed the association's expert knowledge to enable it to run the scheme effectively. In the way, that IDAC chose to run the scheme the BEA and its members were able to benefit from improved knowledge of British industry's machinery requirements and technology transfers. It cannot be shown to have led to a sea change for engineering, nor can it be shown to have been vital to the ensuing recovery (it is not possible to distinguish the effects from those of the rearmament boom). However, it was crucial because IDAC successfully removed barriers to innovation and encouraged entrepreneurship. In this way the scheme contributed in a vital way to the future health of the engineering industry. Thus, both sides gained from the relationship.

The BEA had also hoped that, by assisting IDAC in this way, when they applied for additional duties their case would be viewed more favourably. This was not the case however, the good work they had done on the scheme did not help their application. If anything, it diminished their chances of success. Because IDAC had gained an intimate knowledge of how the industry, and the Trade Association, operated they saw the application as less credible. They knew that the industry was not only heterogeneous but also lacked any organisational unity. This made them more critical about the application for additional duties.

The example of the IDAC working with the BEA also shows that IDAC could benefit from the 'transparency' of the system it established for considering additional duties. When the Committee announced the initial rates of duty in 1932, the BEA was disappointed. The rates of duty given to the industry were not as high as they had hoped. Because they had been involved in the initial process with the committee however, they did not feel in a position to complain. Instead, they felt that they needed to 'sell' the outcome as a positive one to their membership. Again, with the Trade Association involvement in the decision making and operation of the machinery licensing scheme IDAC was confident

that this publicly appeared that they had secured the approval of the home industry. This thereby blunted any criticisms of the scheme. A similar story can be applied to the consideration of all the applications taken by IDAC. Because business was intimately involved in the process, it was more difficult for them to be critical, or argue, about the decisions that IDAC reached.

Why were certain sectors more likely to get the additional duties that they requested?

There is no direct relationship between successful applications for additional duty and the sectors or industries that theory predicts were likely to benefit from higher tariffs. This is because the additional duties were not made at the industry or sector level but were made for individual product lines. When IDAC made their initial decisions on the introduction of the tariff this was constructed on an industry basis using existing broad Customs classifications and different rates were thereby given to different sectors. Thereafter, this was not so much a concern of IDAC as they had a general understanding of the industry that put forward a particular application. However, beyond that, judgements would be taken based on the strength of the argument for a particular product line.

Theory suggests that amongst others, consumer industries would gain higher rates of tariff but IDAC's concern with 'using interests' both business and private mitigated this. IDAC refused a number of additional duty applications because they were concerned over price effects. Moreover, the size of an industry only mattered to IDAC where they considered it was 'too small' to warrant individual treatment.

What did matter to the Committee was that applications were as representative as possible. This did not mean that they favoured applications submitted by formal institutions, such as Trade Associations, over others. Applications made by groups of firms that had come together for that purpose and who also represented the majority of UK production were equally successful. Applications made by individual firms tended to be turned down unless the firm was responsible for the majority of UK production and the product line was not insignificant.

No particular trade association, or other body, received preferential treatment from IDAC. The quality of information and the strength of the argument presented counted more with the committee than who was making it. Conversely, if an application was poorly presented and lacked sufficient evidence (particularly where it could not clearly be established that there were problems caused by the level of imports) then it stood little chance of even getting to the stage where the Committee would advertise it.

The Committee did not stress the point but in examining cases, it is clear that they did have concerns regarding applications that related to strategic industries and strategic products. They were explicit in their defence of, and the necessity for, the high rates of protection given to the iron and steel industry because of its position as a strategic industry. Similar concerns were shown toward other strategic industries such as the nitrogenous fertiliser producers, and the producers of de-colourising and activated carbons.

Although the Committee did not establish eligibility criteria that had to be met by applicants, there were certain key issues that concerned them. These included efficiency of the applicants and their willingness to change. Some industries were rewarded for being progressive whilst others received the additional duty requests to enable them to improve. Other cases that were likely to convince IDAC were ones that involved new industries or new lines of production. IDAC would not willingly support 'lame ducks' and would never act to prohibit imports entirely.

No one thing would convince the Committee that an additional duty was necessary. It was the weight of the argument *in toto* (taking account of wider issues) that would persuade them.

What did the Committee want to achieve?

The Committee strongly believed that British industry needed to take the opportunity afforded by protection to improve their performance and longer-term competitiveness. They felt that industry needed to raise its game for when it would again face open market competition.

While they recognised that all was not well with home industry, they were not in a position to prescribe a cure. They took the view that the position of every industry was different with different problems and solutions. They therefore avoided taking a one-size fits all approach to considering applications that came before them.

Fundamentally, the Committee believed that industrialists themselves were best placed to both identify their problems and devise solutions. Businessmen had a much more intimate knowledge of their own industry than the Committee could ever hope to attain. Yet, they knew from recent history and previous government attempts to change industry, that industry was often unwilling or incapable of making changes. They therefore felt that they should use their position to try to stimulate positive developments and progress in industry.

In indicating that they preferred to hear representations from organised bodies, they hoped to stimulate co-operation within industries. If firms came together to submit a tariff application they might be more willing to discuss with one another what changes were needed and also work together to achieve them. This also goes a long way toward explaining the Committee's attitude towards cartels.

The Committee supported domestic cartels because they shared the widely held view across government that these institutions were linked with rationalisation and reorganisation. They believed that cartels could be a force for the good, that they could foster knowledge sharing and best practice as well as promoting wider industrial change. They were institutions that brought together otherwise individualistic businessmen to co-operate. As with everything else though, the Committee tried to take a balance approached toward cartels. Whilst they favoured them they did not approve of monopoly price fixing as it affected consumers.

International cartels were equally favoured, the Committee believing that it was better for businessmen to find a solution to international trade competition rather than having a tariff imposed upon them. In this way, the cartels were believed to be more efficient than a tariff ever could be.

In turning down applications for additional duty because an industry was inefficient or poorly organised they were sending clear signals that the tariff was not there to protect the weak and unworthy. In awarding additional duties on

grounds such as that industry was modern, efficient and well organised, or that the industry would improve with the assistance of additional protection, they hoped to encourage others to make moves in this direction.

In some cases, the actions of the Committee were stronger than simple 'signalling' what it was that they approved of. As has been noted some duties were granted with conditions imposed. Even if the outcome was unsuccessful, i.e. significant change was not brought about, at least the Committee's intent was clear. The committee pursued their ambitions more actively in other ways. They did not feel that they were in a position to use their powers to enforce change. They could not force an industry to reorganise or rationalise but they could cajole. They could not force industry to conduct research, or introduce new techniques but they could encourage such developments.

IDAC recognised the role that they could play in providing the necessary conditions to encourage capital investment. Cheap money policy meant that business could afford to finance investment. Tariff policy, in the way that IDAC chose to implement it, meant that industry could be confident that they would get a return on their investment. For example, in the case of the scissor industry IDAC granted an additional duty for a period of five years to enable the industry to reorganisation its production methods with surety about the conditions it would be facing.

IDAC would award additional duties to help overcome obstacles. They provided certainty to facilitate investment and reorganisation and to encourage research and development within industry. They provided (infant industry) protection to encourage the introduction of new industry and new lines of production, and to overcome established goodwill and reputation held by foreign producers. With the machinery-licensing scheme the Committee provided information to overcome imperfect knowledge and guaranteed tariff protection if the British manufacturers produced new lines of machinery.

If the Committee were convinced that a home industry could become more competitive as a result of granting an additional duty, and at the same time there were no complaints voiced by using industries, then an additional duty would

invariably be granted. IDAC believed that research into new products, new technology and the adoption of new production, distribution and marketing systems were all crucial for the revitalisation and progress of British industry. They therefore chose to encourage those that were already grasping the nettle. They would not prohibit imports believing that an element of competition was healthy for industry, this is noted in the cases of the British Plastic Moulding industry, the scissor industry and in linoleum and cork carpet production.

The Committee made mistakes along the way. Granting additional duties before change took place in industry being the most obvious example. However, this was a new way of working and the Committee did not have an example to follow.

The approach

To be scientific the tariff needed to take account of the needs of one industry, without harming using industries or consumers, and benefiting the national economy. In order to construct a 'scientific' tariff the Committee needed to understand the impact upon users, and the wider economy, of any proposed changes. While the impact on the wider economy would always be difficult to assess, they were able to take a view on the impact on users. The views of using interests were necessary for IDAC to take a balanced view of any application. Consequently the Committee set-up the system of publishing details of applications under consideration and allowing time for others to submit their views to them.

Opposition to an application could lead the Committee to decide that additional duties were not appropriate, or that a more moderate rate of additional duty could be given. Just as an applicant needed to provide evidence to support their case so would any opponents. This did not always need to be as robust as that requested from the applicants but it always provided the Committee with a countervailing view of what was happening. Less than a third of applications that the Committee advertised were actually opposed, suggesting that in the main

industry was happy with the effective rates of protection that it benefited from. The system also enabled supporters to write in once an application had been advertised. This happened only rarely because those to whom an additional duty was likely to be important would already be involved.

The apparent lack of bias in the decisions made by each of the Committee Members supports the argument that they took a systematic approach to their decision making. They Committee members did not show that they had specific agendas or different approaches to examining cases. The individual member was responsible for presenting a case, findings and a proposed recommendation but the decision on what would be recommended to the Treasury was taken at full committee meetings.

Although the Committee's approach to reviewing the additional duty applications was systematic, this did not mean that it was inflexible. When cases arose that required different treatment, the Committee was adaptive. This is highlighted in the case of the nitrogen fertiliser application where they were faced with a new situation. They discussed what to do and then determined their approach and policy for similar cases that arose subsequently. The Committee always tried to take decisions in the round, balancing and weighing-up differing sides of the argument.

Problems with the approach?

The extent of the information that applicants needed to provide meant that the process could be time consuming. Though it was a time consuming process, this was because IDAC were determined to be thorough. The original duty rates, they were the first to acknowledge, had been pushed through in a hurry. It was always recognised that these would need to be modified. IDAC wanted to give each request for a modification careful consideration and be able to take the time to weigh up the pros and cons of a case as far as they could be ascertained. The 'Heads of Information to be Supplied' performed two functions. First, it signalled to industry what the Committee wanted from them. Second, it helped the

Committee apply a consistent approach to their review of each application that came before them.

The Committee could be criticised because the time it took them to make decisions might have been harmful to industry. With decisions, on average, taking about eight months industries might be struggling while they waited to hear the results of their application. This reflected the time needed for applicants to produce evidence, for IDAC to gather and consider evidence from other sources, for consultation and possibly negotiation with opposition, and then for the Committee to make its judgement. The Committee would have defended their actions and argued that it would not be appropriate to rush into decisions which might be still more harmful. The initial tariff was aimed at affording all sectors with some degree of protection at least. Modifications needed to consider much more. IDAC had to make decisions based on imperfect knowledge but they did the best that they could.

Scientific tariff and the Committee approach

The Committee's approach to the building industry reflects the systematic method they adopted in their endeavours to introduce a scientific tariff. The building industry could not itself benefit from protection and its needs could easily have been overlooked. However, the Committee took seriously their remit to account for the needs of consumers. They therefore strove to protect the interests of what they knew was a very important industry (both politically and economically) as far as was possible. They also knew that the industry had important linkages to other sectors such as the building materials industry and consumer durables. Therefore, it was not simply about examining the needs of building alone but also considering the wider knock-on effects.

It might be argued that the only reason for IDAC efforts that were directed towards the building sector were because of their knowledge of the government house-building programme. Yet, equally it can be argued that it did not affect their approach. The thoroughness with which the Committee examined issues, its collation and use of available data and its consultation of interested parties mirrored its approach in all other cases.

IDAC has been criticised for the tariff that affected the materials of this industry suggesting that it, necessarily, dampened activity in a sector which was vital to the recovery. Yet, IDAC on the whole seem unconcerned, but not unaware (as we can see from the discussions on brick and glass duties, for example) of the possible repercussions and impact of raising tariff rates on the materials. Their lack of concern can be justified. It was the case that while the price of building materials rose, they did not rise by as much as did those of other inputs (land, labour and profits). For much of the period, they also remained below 1932 levels. Additionally, rising house prices (if anything house building was constrained by labour supply shortages) did not stifle demand. As with all other cases, IDAC had to work under the, not unreasonable, assumption that if the using industries did not contact them regarding additional duty applications then they could have no objections to the proposals and therefore no problems with additional duties. In fact, representatives of the building trade rarely contacted IDAC. This gave the Committee the confidence that their approach was not harmful.

Their work with the building industry also shows that their concern for users was not limited to the price effects of the tariff. Taking a wider view they were also concerned with the quality of British products and the reliability of supplies. An example of their concern with the quality and reliability of British products was when the Committee consulted the users regarding Agricultural Track laying tractors. The Committee would not support industries that produced sub-standard products, nor would they try to prohibit the importation of products which were clearly of a superior quality. IDAC wanted home industry to be competitive but would not penalise users when they could only guarantee quality products from overseas. In any case, the committee believed that competition was necessary for home industry.

The case of the glass industry highlights how difficult IDAC's task could be at times. While clearly aware that sheet glass was an important raw material for the building trade they had to try to balance this with the needs of the glass producing industry. The Committee felt that, purely on its own merit, the glass industry should be granted additional protection. The industry was already modern, efficient and technically advanced yet with the benefit of additional protection it would be able to move up another gear and become even more competitive. This case was not resolved before the outbreak of War but it seems

likely that the needs of the glass industry would have prevailed. On the one hand building did not appear to be constrained thus far by rising material prices, and on the other the glass industry epitomised what IDAC hoped to see elsewhere, it was a 'flagship' industry.

IDAC were justified in paying attention to an industry that it could not protect because their remit required them to consider the interests of all users. It was part of their systematic and consistent approach to all additional duty applications and took account of the implications of wider government policy. Yet, this also shows the limits to how far IDAC could hope to take their scientific approach. It was one thing to consider the impact on the immediate using industry but another to think of the wider implications for the national economy as a whole.

The fact that IDAC refused some applications for additional duties because of their concerns over pricing, and in others insisted on price-agreements being reached, also confirms their commitment to the remit of providing a scientific tariff. Their attempts to track the movement of prices of a number of products was an attempt to ensure that the consumer was not being exploited. Their work in this area served to allay fears that the tariff would lead to price increases.

How aware were IDAC of wider government policy aims, and how co-ordinated was policy across government?

The attitude of IDAC to the building industry not only reflects their desire to produce a scientific tariff it also shows their awareness of wider government policy. They were fully cognisant of the government's house building policy and well aware of the limitations on what contribution they could make towards it. They chose to make what contributions they could in close liaison with the department of government that truly was responsible for this policy area, i.e. the Ministry of Health.

IDAC regularly sought the advice of the Ministry of Labour and its Building Prices Committee. It also consulted local housing authorities regarding

the quality of British produced materials, the DSIR, the Forestry Commission (re timber) and the Foreign Office (re timber).

The discussions on cement prices show that IDAC were clear about their limited ability to effect change or policy for the industry when responsibility and power was clearly held by another government department. The Ministry of Health had powers to control Building materials prices and IDAC could do nothing to assist the building industry itself because of an international price agreement which neutralised any tariff action. This issue also shows that IDAC knew that the tariff could not always be used as a solution. Where foreign producers were able to counteract the tariff by reducing their prices, or where an international cartel agreement was in place, it rendered the tariff ineffectual.

The Committee remained aware of when and where other government departments had lead responsibility and therefore would be better placed to exercise power and control over policy and change. For example, while they are concerned with the issue of poor marketing by British businessmen this was not pursued in the case of Horticultural and Agricultural products. They consulted with the Ministry of Agriculture on what and how duties could help the industry but they left it to the Ministry to act to improve the marketing position.

Where IDAC felt they could make little contribution to other areas of policy they are less concerned with the issue when examining applications for additional duties. The Committee recorded when applicants were located in Special Areas but they made no exceptions to the way in which they treated the cases and did not accord them preferential status over and above other applications. The application for additional duty on Barium Chloride shows this. The factories were located in a special area and the applicants made a big point of this when they wrote to the Committee. Nevertheless, on the balance of the evidence the Committee turned the application down.

Often, the Committee took note of the employment position of an industry. However, they believed this was an area where they could not make a direct contribution to policy. It was clear to the Committee that the impact of the tariff on employment could be many fold. Initially, the increased demand for British

produced goods, and new work created through foreign direct investments made in response to the tariff, could have a positive effect on employment. Thereafter, the policies of IDAC (at least in the short-term) might have a negative impact on employment. If rationalisation or reorganisation of industry were to take place, to put the economy on a sound footing, this would entail the release of labour from areas with excess capacity and raise unemployment, at least in the short-term. Equally, if new methods of production and new labour saving technology were introduced into British business the impact on employment would again be negative. This was an area in which they felt unable to make a positive contribution. In the long-term they believed that placing industry on a sound footing would provide the solution through a natural correcting mechanism, and this was evidenced by the examples of the building and engineering industries.

The Committee clearly understood where IDAC sat in relation to other government departments and what and how they could contribute to wider government policy aims. This ensures that their actions are not inconsistent with policies being pursued elsewhere in government. They were equally sure about their own responsibilities and areas of control. While they were happy to consult with other government departments (seeking advice where necessary) they would not let others make their decisions for them. This is borne out by the example of IDAC refusing to make 'research' a requirement of additional duty applications as the DSIR requested. While IDAC were keen to see research undertaken they did not believe that such criteria was appropriate.

The way that IDAC worked, often in consultation with other government departments, and always aware of what they might be able to contribute to wider government policy indicates that government, at this time, was less fragmentary than has been previously suggested. In fact, IDAC was no mere administrator of the Tariff alone: it played a key role in the attempt to reorganise and revitalise a British industrial and manufacturing sector left behind by international competitors, depressed by the worldwide economic slump and struggling to come to terms with the end of global free-trade. In this, IDAC acted in accordance with its 'scientific' remit: namely, to act consistently, across this sector, to encourage and assist in the reorganisation of British business structures for the benefit of

British capital, consumers and labour in the changed market conditions of the 1930s.

The picture a study of IDAC in the wider policy environment gives is of a body not administering the tariff, but of using it to achieve certain 'scientific' ends in its remit: efficient industry, consumer protection and wider employment opportunities. Not all IDAC's interventions were wholly successful. However, a clear, concerted goal is still evident: one that, in the context and preconceptions of its time, IDAC either achieved or was on the road to achieving. In this, IDAC was following not only its own line, but also stated government policy as it had evolved by the time Chamberlain, as Chancellor of the Exchequer and prime-mover in the National Government of the 1930s, brought forward in his Import Duties Bill. In its own terms, IDAC was a 'scientific' organisation that upheld these aims to which tariffs themselves were only a means to an end, and not always the favoured ones. In so doing, IDAC was a key plank in a government economic-policy platform going well beyond the simple implementation of the tariff.

This work supports the literature which argues that government intervention was increasing in the 1930s, and that intervention was effective at the time. IDAC chose to intervene and showed that intervention could be useful and successful. The Committee did not make the mistake of believing that it was best placed to identify and correct weaknesses in particular industries and companies. Instead, it intervened to encourage entrepreneurship and innovation by focusing attention on obstacles to higher productivity and where possible helping industry to overcome them. Their work clearly shows that government was very interested in industrial modernisation in the 1930s and aspired to intervene at a micro-level in the economy. The recognition by IDAC that government had a useful role to play in assisting industry by removing obstacles to change should have provided a vital lesson for future intervention.

* * *

Appendix 1.1

History of Tariff Protection in the Twentieth Century

Pre-war budget duties

- Specific duties (up to the equivalent of 100% *ad valorem*)
 - On alcohol, tobacco, sugar, coffee, cocoa, etc.,

McKenna duties 1915

- 33¹/₃ percent
 - on luxuries – motor cars, clocks and watches, musical instruments,
 - Objective was ‘to maintain our foreign exchanges and to cut down expenditure on imported luxuries’ [House of Commons]. Played part as important revenue earners.
 - renewed annually
 - briefly repealed in 1924, reintroduced in 1925 (as a permanent feature) then ran through until 1938

Dyestuffs (Import Regulation) Act 1920

- Protection extended to cover a range of chemical products
- Prohibited import of certain synthetic and dyestuff products except under licence

Safeguarding of Industries Act 1921

- 33¹/₃ percent
 - protection for ‘key’ industries
 - 6,500 goods of ‘strategic importance’
 - enacted for 5 years, and in 1926 extended for 10 years
 - from 1926 could apply for protection against unfair competition due to currency depreciation; subsidies, bounties, or other artificial advantages; or inferior conditions of employment

Silk Duties 1925

- Specific and *ad valorem* (up to $33\frac{1}{3}$ percent)
- Imposed for revenue purposes
- On grounds of luxury – artificial and natural silk, and their products

Hydrocarbon Oils Duty 1928

- Imposed for revenue purposes

Abnormal Importations (Customs Duties) Act 1931

- 50% *ad valorem*
- Stop extraordinarily imports prior to the introduction of a tariff and to strengthen the exchanges
- Imposed until 19th May 1932

Horticultural Products (Emergency Customs Duties) Act 1931

- Specific rates
- Stop extraordinarily imports prior to the introduction of a tariff and to strengthen the exchanges
- Imposed until 10th December 1932

Import Duties Act 1932

Appendix 2.1

Committee Members

Sir George May (Chairman)

- Business background – insurance (Prudential Assurance Co.)
- Manager of the American Dollar Securities Committee during WWI
- Director of the British Overseas Bank until 1931
- Chairmen of the Committee on National Expenditure (Economic Advisory Council), 1931-1932, (known as the May Report)
- EDUCATION – Cranleigh
- Responsible for considering additional duty applications falling under Division I

Sir Sydney Chapman

- Lecturer in Economic and Political Science, Cardiff 1899-1901
- Professor of Political Economy, Manchester University College, 1901-1917
- Dean of Faculty of Commerce and Administration, Manchester University College, 1904-1917
- Vice President Royal Statistical Society 1916
- Permanent Secretary Board of Trade, 1920-1927
- Chief Economic Adviser at the Board of Trade 1927-1932
- Committee on Unemployment Benefits (Economic Advisory Council), 1930
- EDUCATION – Manchester Grammar School; Owen's College Manchester; Trinity College Cambridge
- Responsible for considering additional duty applications falling under Division II

Sir George Allan Powell

- Barrister-at-Law, Gray's Inn
- Held various public positions during WWI (Chairmen of Food Council 1929-1932)
- Served on a number of government enquiries inter-war (Royal commission on Food Prices, 1924-1925; Night Baking Committee 1925)
- CBE as a result of his work in Refugee camp (Resident Officer in charge)
- Member of Committee on Key Industries Duties, 1935
- EDUCATION – Bancroft's School; King's College, London.
- Responsible for considering additional duty applications falling under Division III

Percy Ashley (Secretary)

- Formerly Lecturer in History and Public Administration, LSE
- Joint Secretary, Committee on Commercial and Industrial Policy, 1916-1917
- Assistant Secretary, Board of Trade 1918-1923
- Principal Assistant Secretary, Department of Industries and Manufactures, Board of Trade 1923-1932
- EDUCATION – Lincoln College, Oxford

Herbert Hutchinson (Assistant Secretary)

- Assistant Secretary, Board of Trade
- Committee on the Cotton Industry (Economic Advisory Council), 1929
- EDUCATION – St. Dunstan's College; University College London

Sir Alfred Hurst (until 1936 only)

- On secondment from the Treasury (joined 1907)
- Secretary to Local Taxation Committee 1911-1914
- Member of Royal Commission on wheat Supplies 1921-1925
- Chairman of London Builders' Conference from 1936
- EDUCATION – Market Bosworth; Emmanuel College, Cambridge
- Assisted Sir George May with applications under Division I

Appendix 2.2

Responsibilities of IDAC

- Scientific Tariff
 - Additional Duties
 - These were applied in to finished and semi-manufactured goods – ranged from 10 to 33.33%
 - Free-listing
 - Largely raw materials and foodstuffs (list was expanded through time)
 - Drawback
 - Method by which import duty could be reclaimed on items later re-exported
- Machinery Licensing Scheme
 - To allow imports of new machinery only being produced overseas – govt did not want industry to have to pay duty
 - The importer applied for licence for individual consignments of machinery
 - IDAC consulted with engineering trade associations to confirm that substitute machinery not produced in the UK
 - **Around 25%** of all machinery imports each year came in **duty free** under license
- Licensing of consignments for research, learning, art and sport
- Advised the Foreign Office when Trade treaties where negotiated
- Special Investigations
- Silk and artificial silk duties 1932
- Dyestuffs
- Iron and Steel Industry 1936
- Responsibility to deal with complaints arising out of the Ottawa Agreements
- Also monitored price movements

Appendix 2.3

Heads of Information eventually to be supplied so far as Possible By Bodies making Representations for Additional Duties.

Taken from: Sir Herbert Hutchinson *Tariff Making*, Appendix B

1. Name or Names of Association, Firms or Firm making the application.
2. Precise definition of the article or articles to which the application relates.
3. Rate or rates of duties asked for by Applicants and reasons therefore.
4. (a) Volume of United Kingdom production (estimated if necessary) in 1930, and any data showing trend or production in recent years [The exact source of the statistics or basis of the estimates should be given.]
(b) Number of concerns engaged in production (1930 or 1931) and number of people employed (1930 or 1931).
(c) Estimated proportion of production represented by applicants [basis of estimate should be stated.]
(d) Estimated present productive capacity of United Kingdom manufacturers [basis of estimate to be stated] and extent to which that production can be increased, with indications of any limiting factors.
(e) Probable effect of increased output on cost of production.
(f) Nature and sources of chief materials used, and proportion of their cost to value of finished product.
5. (a) Volume of imports for latest year or which data are available, and any data showing trend of importation in recent years.
(b) Countries from which the imports come.
(c) Nature of foreign competition, and any differences between foreign countries in this respect.
(Where the competition is in respect of price comparative British and foreign quotations – where possible in both the United Kingdom and foreign markets – should be given.)
6. Volume of exports, and countries to which directed.
7. Extent to which the commodities to which the application relates are used by other industries, and, if they are so used, nature of industries using them.

8. (a) Particulars showing extent to which scientific research is conducted either co-operatively by the industry or by individual firms, and amount of annual expenditure thereupon.
- (b) Number and types of persons having scientific qualifications employed in the industry.
- (c) Information as to technical advances in methods of production made in recent years as a result of work within the industry.

Appendix 2.4

Sources of Information used by IDAC other than from the applicants themselves

Other Government Departments

1. Board of Trade – provided census data, data as printed in their journals (i.e. data on building plans approved by Local Authorities, and from 1934 data on levels of production across the economy and price indices).
2. Customs & Excise – Import and Export Statistics, and consulted widely to help with definitions of articles for the Customs list and to discuss the practicalities of identifying separate product lines.
3. Treasury – Financial reports and economic advice.
4. DSIR – consulted regarding the research capabilities of specific industries, (also encouraged particular industries to work with the DSIR).
5. Foreign Office – consulted regarding the effects of the tariff on various nations.
6. Ministry of Health – main contact was with the Building Prices Committee (House price data and other general information relating to the building industry)
7. Forestry Commission – consulted in relation to Timber trade applications
8. Ministry of Labour – data on employment (especially in the Building industry)
9. Mines Department
10. Ministry of Defence

Other sources of information

1. Local Housing Authorities – consulted in relation to the building industry, on quality, quantity and price of building materials
2. Technical Officer Visits – *ad hoc* reports on specific industries to provide additional information to facilitate decisions
3. BEA, BEAMA, MTTA – necessary information on machinery production, this enabled IDAC to operate the Machinery Licensing Scheme.
4. BEA – collated information on Iron and Steel prices

5. BISF and others – price data, to enable IDAC to monitor the movement of prices.

Appendix 3.1

Sample details of Applicants as recorded in database (full details can be viewed in database on CD-ROM provided)

<i>Applicant ID</i>	<i>Applicant Description</i>
a27	Association of Umbrella Rib Manufacturers
a28	Association of Vegetable Canners of Great Britain.
b5	Birmingham Chamber of Commerce on behalf of three firms
b17	British Blow Lamp Makers' Association
b18	British Brazil Nut Shellers' Association
b19	British Bristle Trade Section of the London Chamber of Commerce
b20	British Brush Manufacturers' Association
co.2	1 small group of Ironwork firms
co.3	15 pipe manufacturers in association
co.4	19 small manufacturers'
co.5	2 Individual firms, manufacturers of blinds
co.8	3 manufacturers of stationers' sundries
co.D7	Dunlop Rubber Co.,
co.E1	Eagle Pencil Co., Ltd
co.E2	Eclipse Peat Co.,
co.E3	Energen Foods Ltd.,
co.E4	Enfield Rolling Mills, Ltd.,
co.E5	English Stoneware Manufacturers
co.E6	English Textilose Manufacturing Co.,
co.E7	Evans William & Co., (Hereford and Devon) Ltd.,

Appendix 3.2

Sample details of Opponents as recorded in database (full details can be viewed in database on CD-ROM provided)

<i>Opponent ID</i>	<i>Opponent Description</i>
Ass.1	20 county or district associations of wholesale or retail distributors
a2	Associated Book-Edge Gilders (London)
a3	Association of British Importers of Wall and Insulated Boards
a9	Association of Iron and Steel Stockholders
a10	Association of Oriental Carpet Traders London
b1	Bacon Development Board
b3	Belfast Chamber of Commerce
b4	Belfast Wholesale Merchants' and Manufacturers' Association Ltd.,
b7	Boot and Shoe Lace Importers' Association
b20	British Plastics Federation
c1	Co-operative Society
c2	Corset Trade Association
e1	Electrical Importers' and Traders' Association
e2	Employers' Federation of Cane and Willow Workers Association
e4	Ethical Pharmaceutical Association
co.I3	Individual farmers
co.L1	Legge Brothers
co.L2	London firm of curers
co.L3	Lots of individual firms who are consumers of carbons
co.L4	Loughton Bag Manufacturing Co.,
co.M1	Marks & Spencer Ltd.,

Appendix 3.3

Sample details of Supporters as recorded in database (full details can be viewed in database on CD-ROM provided)

<i>Supporter ID</i>	<i>Supporter Description</i>
co.T2	Thames Plywood Manufacturers Ltd.,
z1	Employees in the Iron and Steel wire industry
z3	Individual manufacturers in the Iron and Steel wire industry
l2a	League of Industry - 8 branches
co.E2	Ever Ready (Co) GB
co.B7	Bosch company of Germany
f2	Fellmongers Association
s5	Skinners' Association of Scotland
f3	Federation of Hide, Gelatine and Glue manufacturers
a3	Amalgamated society of Leather Workers & kindred trades
NONE	No support registered
g1	Glasgow and West of Scotland Potato Trade Association
s6	South Lincolnshire Wholesale Potato Merchants' Association
n7	National Association of Corn and Agricultural Merchants (Scottish Council)
a1	Association of British Chemical Manufacturers
b1	Bridgewater Incorporated Chamber of Commerce, Shipping and Agriculture
b2	British Aluminium Hollow-Ware Manufacturers' Association
b3	British Chemical Plant Manufacturers' Association
b4	British Electrical and Allied Manufacturers' Association (BEAMA)
b5	British Federation of Master Printers
b6	British Pot and Pearl Barley Millers' Association
f1	Furniture Trades Association
h1	Hosiery Manufacturers' Section of the Leicester Chamber of Commerce
i2	Incorporated National Federation of Boot Trades' Associations,

Appendix 3.4 Reasons given by applicants

Reason ID	Application Reason Description
1	Lower labour costs overseas [lower wages, different work patterns including working hours/shift working, labour regulations, etc.,]
2	Lower material (input) costs overseas
3	Overseas companies subsidised by foreign governments
4	Dumping
5	Devaluation of foreign currencies affecting price competitiveness
6	Compliance with other GB Acts, increasing domestic costs of production [e.g. Mines Act, Wheat Act, etc.,]
7	Inferior quality of overseas product
8	Overseas firms setting up in Britain to avoid tax on the finished product (where raw materials are imported duty free)
9	Other countries tariffs are impeding trade (tariffs are diverting trade/restricting export markets)
10	Cartel negotiations
11	Vital industry (national security)
12	'New' / important industry
13	Ability to meet home demand
14	Under-utilisation of existing capacity
15	Employment/Unemployment position of the industry
16	Extension of production, behind protective barrier, will lead to economies of scale and thereby to reduced prices for consumers
17	Permit British brand to establish its 'reputation
18	Promise made not to pass on to the customer any price increases via monopoly powers
19	Uniformity of treatment with similar items
20	to circumvent a trade treaty
21	seasonal factors
22	import penetration increasing in spite of existing tariff
23	lower prices - reason unspecified
24	Breakdown of international cartel - increased competition
25	Competition with similar home product
26	Industry uses inputs from another GB industry which in turn would suffer
27	Industry is already working at low cost/is efficient/is modern
28	Problems related to the Irish Free State (loss of market)
29	Ability to improve and develop industry with increased protection
30	Important export industry
31	Effective protection - discuss tariff on inputs
32	Luxury goods
33	To increase the internal price level of the goods
34	Benefits (through linkages) to other GB industry
35	Special Area
36	Uncertainty
37	Rising cost of raw materials
38	Sentimental - GB made
39	To prohibit all imports
40	worried that overseas companies will set-up in Britain to avoid tariff
41	end of safeguarding

Appendix 3.5

'Initial Rejection' (without advertising) database codes

Initial

Rej ID	Initial Rejection Description
IR1	Level of imports small
IR2	Insufficient evidence of foreign competition
IR3	Protective tariff in place appears to be working satisfactorily
IR4	Do not believe an increase in the tariff would have the desired effect
IR5	Application received from an individual
IR6	Application conflicts with existing Trade Treaty
IR7	Expectation of strong opposition to application
IR8	Home industry is considered to be inefficient
IR9	Home industry is not capable of meeting home demand - either in terms of product quality or volume.
IR10	Home industry already operating at full capacity.
IR11	Administrative difficulties for Customs and Excise
IR12	Worries that home consumer will be adversely affected by home monopoly/ price fixing (belief that the industry will benefit from competition)
IR13	Competition cited, is actually for a differentiated product and therefore NOT competition, serving different customers.
IR14	home market already protected (in other sense)
IR15	competition not on price but on quality grounds
IR16	evidence unreliable/unsubstantiated
IR17	Advice of other government department
IR18	Home trade/production has risen
IR19	Too small an industry
IR20	Reconsideration of previous application - no change
IR21	Will increase costs of inputs to another industry
IR22	May lead to a proliferation or demands/requests from similar industries
IR23	Will have little impact on employment
IR24	Do not wish to make an exception to a wider class of goods
IR25	Loss of sales due to fall-off in exports and not due to increased imports
IR26	Do not want to encourage excess production
IR27	No grounds for consideration
IR28	Action would jeopardise Cartel/Trade Agreement
IR29	Will not affect National Security
IR30	Low price as a result of internal competition
IR31	Applicants agree to withdraw this part of the application/narrow definition

Appendix 3.6

'No' (after advertising) database codes

No ID	Committee No Description
N1	Level of imports small - re: share of home market
N2	Imports in such small quantities that it is not considered important enough to pursue
N3	Insufficient evidence of foreign competition
N4	Protective tariff in place appears to be working satisfactorily
N5	Do not believe an increase in the tariff would have the desired effect
N6	Application conflicts with existing Trade Treaty
N7	Item is covered by other Law, e.g., McKenna Duties, and therefore, not within the remit of the Committee.
N8	Strong opposition to application
N9	Home industry is considered to be inefficient
N10	Home industry is not capable of meeting home demand - either in terms of product quality or, volume.
N11	Home industry already operating at full capacity.
N12	Administrative difficulties for Customs and Excise
N13	Worries that home consumer will be adversely affected by home monopoly/price fixing (belief that industry will benefit from competition)
N14	Competition cited, is actually for a differentiated product and therefore NOT competition, serving different customers.
N15	Would have insignificant impact on increasing employment
N16	Application withdrawn by applicant
N17	Imperial preference restricts action
N18	Input to another industry
N19	Insufficient evidence of dumping
N20	Home trade/production has increased
N21	Industry has a strong/improving export trade
N22	Evidence unreliable/insufficient
N23	Cartel agreement reached
N24	Refusal to negotiate with cartel
N25	Home industry already protected in other senses
N26	May lead to a proliferation of demand from similar interests/ do not want to widen the scope of the tariff
N27	Too small an industry
N28	Advice of OGD
N29	Unrepresentative of industry
N30-N32	No decision for various reasons (lapsed, awaiting information, outbreak of War)

Appendix 3.7

'Yes' (approved after advertising) database codes

Yes ID	Committee Yes Description
Y1	No opposition to the application
Y2	To bring uniformity of treatment with other similar items (correct for omission in the initial Act)
Y3	To assist with international Cartel negotiations
Y4	New industry
Y5	Strategic industry
Y6	Re-organisation of the industry to be pursued (as a condition imposed by the Committee)
Y7	Employment factors
Y8	Protection will allow economies of scale
Y9	Will allow scientific/technological advances
Y10	The current rate of duty has not stemmed imports
Y11	factory in 'special area'
Y12	increased prices will not affect consuming interests
Y13	unfair competition - government subsidies
Y14	Committee is satisfied the industry is well organised
Y15	on advice of OGD
Y16	protection will promote improvements in the organisation of the industry
Y17	dumping
Y18	efficient industry
Y19	accept applicant's claims
Y20	Price agreements reached with using interests
Y21	Home demand can be fully met
Y22	duty increased to protect cheapest end of market where current rates are not effective
Y23	Has the support of the using industry
Y24	Users do not oppose
Y25	Fear that the trade will otherwise disappear
Y26	Industry is facing rising input costs
Y27	Positive linkages to other industries
Y28	Trade treaty revision
Y29	To overcome foreign manufacturers 'goodwill'
Y30	To prevent UK assembly avoiding tariff on finished article
Y31	Luxury item
Y32	Breakdown of International Cartel

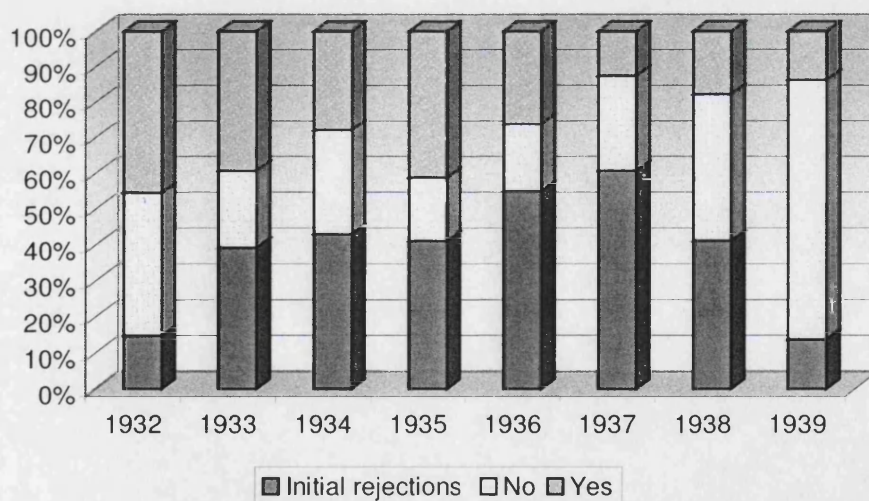
Appendix 3.8

Decisions made each year

Number of decisions in each year

	Initial rejections	No	Yes	Total
1932	13	35	40	88
1933	33	18	33	84
1934	31	21	20	72
1935	30	13	30	73
1936	38	13	18	69
1937	34	15	7	56
1938	7	7	3	17
1939	3	16	3	22
	189	138	154	481

Decisions made each year - percentage



Appendix 4.1

Part A. Output and growth of output 1930-1935

- Taken from Board of Trade Fifth Census of Production

Trade Group	1935		1930		Growth output 1930-1935
	Gross Output	% of total	Gross Output	% of total	
	£'000		£'000		
Factory trades: -					
Iron & Steel	280585	7.87%	237912	7.06%	17.94%
Engineering, Shipbuilding & Vehicles	491,418	13.79%	460,391	13.66%	6.74%
Timber	78,670	2.21%	68,660	2.04%	14.58%
Clay and Building materials	84,935	2.38%	71,784	2.13%	18.32%
<i>total - Factory trades</i>	2,837,124	79.59%	2,676,558	79.41%	6.00%
Non-factory trades:-					
Building and Contracting	215,957	6.06%	194,318	5.77%	11.14%
<i>total - non-factory trades</i>	727,514	20.41%	693,958	20.59%	4.84%
Total - All Trades	3,564,638	100%	3,370,516	100%	5.76%

Appendix 4.1

Part B. Employment and growth of employment 1930-1935

- Taken from Board of Trade Fifth Census of Production

Trade Group	1935		1930		Growth employment 1930-1935
	Average number of persons employed	% of total	Average number of persons employed	% of total	
Factory trades: -					
Iron & Steel	539,270	7.38%	494,328	6.92%	9.09%
Engineering, Shipbuilding & Vehicles	1,104,363	15.12%	1,073,488	15.03%	2.88%
Timber	194,894	2.67%	167,668	2.35%	16.24%
Clay and Building materials	249,438	3.41%	224,464	3.14%	11.13%
<i>total - Factory trades</i>	5,157,587	70.60%	4,875,333	68.27%	5.79%
Non-factory trades:-					
Building and Contracting	502,278	6.88%	453,566	6.35%	10.74%
<i>total - non-factory trades</i>	2,147,923	29.40%	2,265,781	31.73%	-5.20%
Total - All Trades	7,305,510	100%	7,141,114	100%	2.30%

Appendix 4.2 -

Weighted tariff for the building industry in 1935

Product	Weight %	Tariff %	Weighted Tariff
Iron & Steel	18.75	33.33*	6.25
Timber	12.5	15*	1.875
Bricks	12.5	20	2.5
Slates & tiles	6.25	15	0.938
Stone	6.25	15	0.938
Cement, sand, etc.	12.5	20	2.5
Paint	18.75	20*	3.75
Glass	6.25	15	0.938
Lead & earthenware	6.25	15	0.938
ALL PRODUCTS	100		20.627

The weighting for the products is based upon weightings adopted by the Board of Trade for their calculation of wholesale prices for the building industry. Their weighting was based on the relative importance of the products used in building work. (BTJ Vol. CXXXIV NO.1990 January 24, 1935)

This weighting therefore reflects use of materials by the building trade and not the use of imported materials by the trade. The major imported material for the trade was timber so the tariff on the industry's raw material inputs is likely to have been nearer to a duty rate of 15%.

*Some of the iron and steel products used by the trade only carried a tariff of 20%. The tariff on paint products ranged from 15 to 20% duty. On timber, a Treaty with Sweden where most imports came from covered the majority of timber products and the rate of duty was 10%, there were higher rates on some timber products that the building industry used however. The 'weighted tariff' calculated here would therefore be at the upper end of the scale.

Appendix 4.3

Table 1 – Housing output and mortgage interest rates, 1930 to 1936

year	Housing Output Thousands	Rate of interest	
1930	110	6%	
1931	132	6%	
1932	133	6 and 5.5%	From 1/9/32 = 5.5%
1933	169	5.5 and 5%	From 1/6/33 = 5%
1934	260	5%	From 10.4.35 = 4.5%
1935	275	5 and 4.5%	
1936	275	4.5%	

Table 2 – Monthly repayments per £100, According to varying terms of years and rates of interest

Repayment term (years)	Monthly (Calendar) repayment per £100 Borrowed at: Percentage			
	6	5.5	5	4.5
	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>
16	16 6	16 0	15 5	14 11
20	14 7	14 0	13 5	12 10
23	13 7	13 0	12 5	11 10
25	13 1	12 6	11 10	11 3

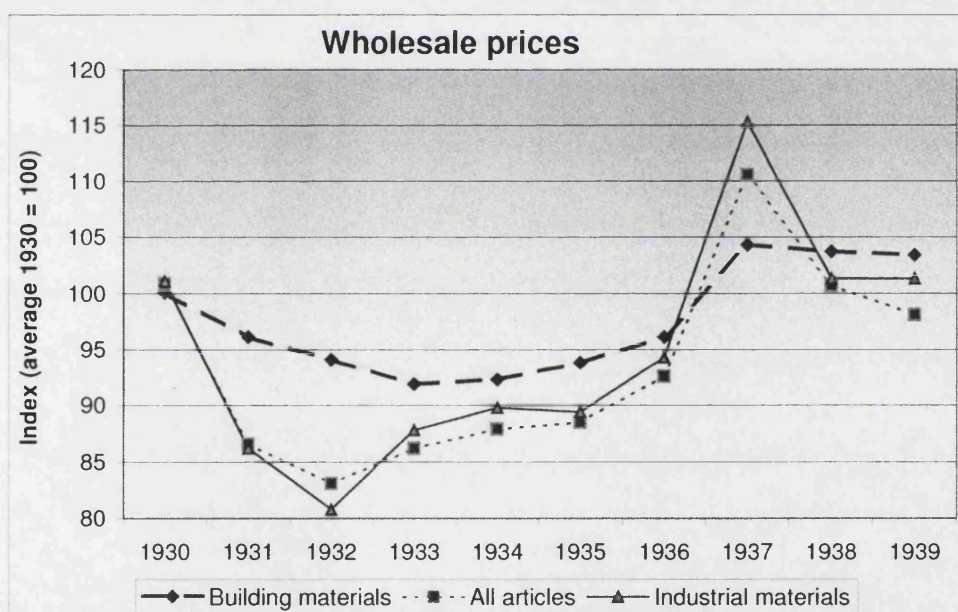
Tables from Sir Harold Bellman, 'The Building Trades' pages 426 and 427.

Appendix 4.4

Wholesale prices

WHOLESALE PRICES.

INDEX NUMBERS, AVERAGE FOR THE YEAR 1930 = 100			
	BUILDING MATERIALS	ALL ARTICLES	INDUSTRIAL MATERIALS AND MANUFACTURES
JUNE			
1930	100.1	100.9	101.1
1931	96.1	86.6	86.2
1932	94.1	83.1	80.8
1933	91.9	86.2	87.8
1934	92.3	87.9	89.8
1935	93.8	88.5	89.4
1936	96.1	92.6	94.3
1937	104.3	110.6	115.3
1938	103.7	100.7	101.3
1939	103.4	98.1	101.3



The index figures for building materials include 16 items.

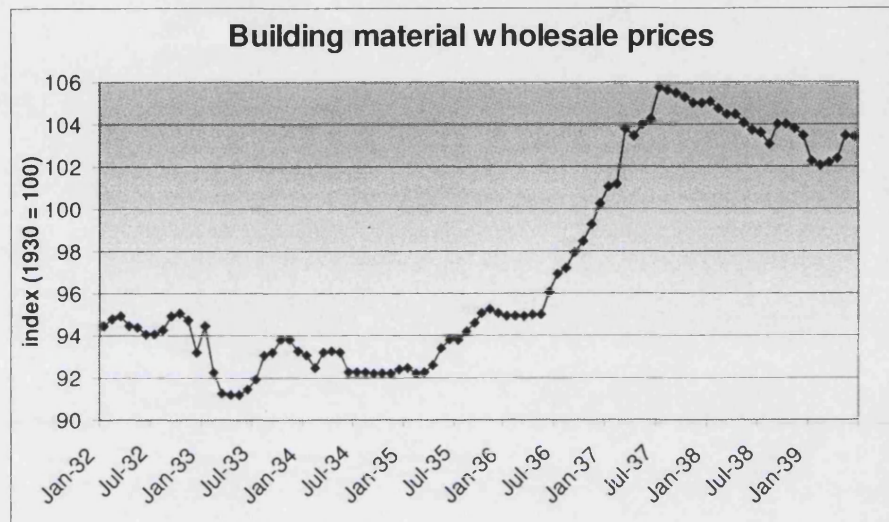
The index figures for industrial materials and manufactures include 132 items

the index figures for all articles includes 200 items.

Details taken from the Board of Trade Journal (produced each July, 1935-1939).

Appendix 4.5

Chart of building material wholesale prices



Appendix 5.1

Meetings between the BEA and IDAC

- 23.3.32 meeting, at invitation of Sir George May, to discuss initial proposals for the operation of the Tariff.
- 30.3.32 further meeting at the request of Sir Percy Ashley.
- 6.4.32 further meeting with Sir Percy Ashley
- June 32 two meetings to discuss the machinery licensing scheme
- 10.11.32
- 9.3.33 Meeting with Sir Percy Ashley
- 11.33 Meeting with Sir Percy Ashley
- 17.11.33 Meeting with Sir Percy Ashley
- 2.34 meeting at IDAC re: machinery licensing
- 17.12.34 meeting with Sir Percy Ashley, to discuss additional duty application
- 19.3.35 meeting with Sir Alfred Hurst, to discuss steel duties and steel prices
- 31.12.35 meeting with Sir Percy Ashley, Sir Alfred Hurst, and Mr Hutchinson to discuss additional duty application.
- 6.36 meeting with Sir Alfred Hurst, to discuss IDAC's responsibility re: monitoring of iron and steel prices.
- 15.1.37 evidence to IDAC, re: Iron and Steel inquiry
- 2.3.37 meeting with Sir Percy Ashley, Re: imports of machinery
- June 38 meeting with J C Carr (IDAC Assistant Secretary) re: machinery licensing.

Appendix 5.2

Memo 19.5.32 from BEA re: exemption of certain machinery

'The purpose of this memorandum is to suggest how the necessary expert judgement and discriminative control might be exercised in giving administrative effect to Part I, Section 9 of the Finance Bill ...

It will be evident that detailed expert knowledge of the numerous branches of machinery manufacture and use will be required in making decisions,

The range and variety of special technical and trade knowledge required could not be supplied by a departmental committee or by an extra departmental advisory committee of workable size.

Any such Committee would find it necessary from time to time to appeal to the engineering industry itself for information and advice. The most direct and effective way of doing this would be to approach the appropriate engineering trade organisations. In fact this would be the only proper course, because such a Committee could not with propriety take its information and advice from a number of selected firms ... In these circumstances, there would appear to be every advantage in the Advisory Committee having direct contact with the engineering industry through its organised bodies ... If the Import Duties Advisory Committee should think fit to adopt this policy, it would no doubt be found inconvenient and unsatisfactory to have to consult a number of different engineering trade organisations, or to take the responsibility of selecting themselves the trade association to be consulted on any particular subject.

It is, therefore, suggested that the quickest and smoothest working arrangement might be for the principal engineering trade associations to form a small joint standing committee ...

This Advisory Committee on Machinery would have at its command the services of the engineering trade associations and, through them access to the vast stock of varied expert trade and technical knowledge contained within the industry.

... we would suggest that the practical requirements be met in the first instance by the formation of a small advisory committee by the:-

British Engineers Association
British Electrical And Allied Manufacturers' Association
Machine Tools Trade Association
etc.,

DA Bremner, Director.

Appendix 5.3

Machinery Licences

<u>Machinery Licenses</u>					
	1933	1934	1935	1936	1937*
Number granted	3820 (55.8%)	4843 (66.7%)	5804 (70.6%)	6294 (64.1%)	4131 (62.3%)
Number refused	3021	2414	2417	3520	2498
Total Applications	6841	7257	8221	9814	6629
Index of total applications	100	106	120	144	

*1937 figures are for the first six months only

source: PRO BT/10/59

Appendix 5.4

Letter to Percy Ashley, written on the 8th of February, 1937.

“ My dear Ashley,

While our impression of what transpired at our meeting with your Committee are fresh, I feel impelled to write you about one or two of the major points which arose during the discussion. But I wish first to express through you to your Committee our delegation's appreciation of the patient and considerate hearing given to their evidence, some of which was unavoidably of a controversial nature.

We came not only to state our own case but also to learn what might either confirm, modify or refute it, and we are grateful to Lord May and his colleagues for the valuable information given to assist us to exercise a sound judgement on the questions at issue.

Perhaps, however, I may be permitted to say frankly that we were a little surprised at the trend of our examination in its early stages. We felt that we were at once placed on the defensive by examination in regard to suggested defective organisation of the industry we represented.

It is broadly true that the mechanical engineering industry in common with others of the older and more individualistic industries, has yet some distance to go in the direction of perfecting its organisation and increasing its average efficiency. But within the engineering industry are some of the brightest examples of up to date technique and efficiency. The Census of Production for the year 1930 showed that the engineering industry excluding motors, cycles and aircraft, had an output of £234.3 millions. The results of the 1935 Census are not yet available. In 1936, our exports of machinery had a value of £41,183,000. and represented in value 9.4% of our total exports.

An industry producing and exporting on this scale cannot be regarded as effete, nor can its interests be unimportant to the national economy as a whole.

So far as the possibility of collective organisation and price control are concerned, a parallel cannot be drawn between the iron and steel industry and the general engineering industry, the diversity of the products of the latter being incomparably greater and the producers many fold more numerous.

In any case, whatever may be the remediable shortcomings of the engineering industry, the possibility of betterment will certainly not be increased by an additional burden of raw material costs which cannot be passed on to the export markets, for our products.

Another point which I referred to in my evidence and now want to emphasise is that so long as iron and steel prices are increased in some proportion to increases in the prices of iron ore, scrap, coal, coke and fluxes, which prices are not under control, the rise in iron and steel prices which the consumers have to envisage is quite indeterminate. Authentic cost accounts can always be produced to show that the cost of production had increased owing to increased prices of raw materials. Furthermore, many of the bigger iron and steel manufacturers either own or control coal and/or iron ore and probably also fluxes, and they themselves can therefore decide or influence the prices of their own raw materials. In these circumstances, there is nothing to stop the rise of iron and steel prices, based on cost accounts, before serious injury has been done to the consumer and in the longer run to the iron and steel industry itself.

I need scarcely assure you that this letter is not written in a barren controversial spirit, but with the definite object of assisting your Committee and yourself to comprehend more clearly some of the views and arguments which may have been imperfectly addressed when we had the honour of giving evidence before your Committee.

I am,

Yours sincerely,

D.A. Bremner, Director. ⁶³⁶

⁶³⁶BEA Council Minutes 11th February, 1937

Appendix 6.1

Letter sent to the Chairman of the Velvet Duties Committee, November 1936

Sir,

I am directed by the Import Duties Advisory Committee to say that they learned with satisfaction from your letter of the 14th September of the good immediate results of an increased duty on cotton velvets. They were also glad to learn from you that your Committee had been commissioned by the trade as a whole to take up the matter of reorganisation of this section of the cotton industry, towards which several unsuccessful efforts have been made in the past, and to the necessity of which IDAC drew attention in their report to the Treasury recommending that for a period the increased duty should be imposed.

Lord May and his colleagues have been much impressed with the unsatisfactory position in which the cotton velvet industry as a whole, and each part of it, finds itself today, quite apart from any question of exceptionally low-priced foreign competition, and with the necessity that prompt and sufficient measures should be taken by those concerned for the recommendation is to be justified. It appears to them that much closer integration of the industry than exists at present is essential if it is to regain a sound and profitable position. The measures required must clearly be formulated and taken by those in the industry, and they are gratified that your Committee has so promptly been commissioned to proceed with the matter.

They would be glad to meet the Velvet Duties Committee in order to learn particulars of the scheme of reorganisation that has resulted from your committee's deliberations, and I am to enquire whether it would be convenient for you and your colleagues to attend this office on the xxx December, at 3pm, for this purpose.

I am, Sir,

Your Obedient Servant,

Appendix 6.2

Cases where the committee discussed the organisation of the industry:

- Committee Paper 280/33 - Dead poultry industry
- Committee Paper 171/37 - eggs in shell
- Committee Paper 40/37 - metal pot scourers
- Committee Paper 74/36 - typewriters
- Committee Paper 78/36 - milk products
- Committee Paper 159/37 - hydro-sulphites
- Committee Paper 245/37 - hemp line
- Committee Paper 17/39 - Leather glove industry

Appendix 6.3

Applications where issues with cartels were given as a specific reason for the application⁶³⁷

- Application Reference 32/130c Wire netting and wire mesh – An additional duty was granted by the Committee in this case because there was no opposition to the application and because the current rate of duty had not stemmed imports;
- Application Reference 34/278 Nitrogenous fertilisers – this application did not lead to the imposition of an additional duty. Following advertisement, the applicant withdrew the application because a cartel agreement had successfully been reached;
- Application Reference 35/146 Cast Iron porcelain enamelled baths –As with 34/278 Nitrogenous fertilisers this application did not lead to the granting of an additional duty because cartel negotiations were successful and the applicants withdrew the application;
- Application Reference 35/234 Sodium and potassium bicromates – This application was successful with an additional duty being granted because the Committee accepted the applicants claims and the using industry did not oppose. In August 1935 the Association of British Chemical Manufacturers on behalf of three member firms made an application for additional duty on Sodium and Potassium Bichromate.⁶³⁸ These three firms had their own UK price agreement and were also part of an international convention with US,

⁶³⁷ Database applicant reason code identifier 10. The Application reference given here is that used as the application identifier in the database. It can also be used to identify the Committee paper where the application was first recorded. As noted in Chapter 3 above for technical reasons the year identifier is shown first in the database, thus application reference 36/161 would be found in committee paper 161/1936 for example.

⁶³⁸ Application reference 35/234

Germany, France and Italy. Russian and Japanese firms were outside of this agreement. The convention was proving increasingly difficult to operate and the British industry was in a particularly weak position because unlike them the US and German firms had fully protected home markets. The industry was also facing rising competition from Russia. The Committee therefore, decides to advertise this application.

- The Committee next discusses this case in February 1936 by this time a new cartel agreement had been reached. However, the Committee notes that the cartel was coming under further pressure from Russian competition and decided to recommend the additional duty. The application had received opposition but none from the users.
- Application Reference 35/272 Spokes and nipples for pedal cycles – This application did not lead to the imposition of an additional duty. The applicants were asked by the committee to provide additional information in support of their application, this was never forthcoming and the application was considered to be lapsed;
- Application Reference 35/46 Nitrogenous fertilisers – This application led to the imposition of an additional duty by the Committee. They felt that the granting of the duty would assist the industry in international cartel negotiations, there was also no opposition to the application, it was a strategic industry and the applicants had reached price agreements with the using interests;
- Application Reference 36/161 Super-phosphate of lime – The Committee immediately rejected this application because there was insufficient evidence of foreign competition. Additionally, IDAC expected to receive strong opposition to the application, they were worried that home consumers would be affected by price fixing, and they took advice from another government department;

- Application Reference 36/272 Cased tubes. The committee reached no decision in this case; The Cased Tube Association submitted a request for additional duty in December 1936.⁶³⁹ The Association represented 8 firms in the industry who manufactured 80% of the domestic produce of cased tubes. The existing duty on the tubes was 20% and the applicants were requesting an increase to a specific duty of ½d. per foot. They made the application on the grounds that international competitors were dumping their products on the English market. Also, because they stated they were able to meet home demand and finally, to assist them with cartel negotiations. Additionally, they gave a price undertaking on the basis of which they had gained the support of the most important users. The majority of the competition came from Germany whose industry was accused of dumping. IDAC suggested that the applicants should first try to reach agreement with the German industry. Negotiations were opened in January 1936, but by June a response from the Germans had not been forthcoming. The Board of Trade, on behalf of IDAC, contacted the German Ambassador who said that the German industry saw no benefits to themselves in reaching an agreement with the British manufacturers. The applicants were encouraged however, to continue to try to negotiate and progress in this case was kept under review by the Committee. At the end of July 1939, the Committee noted that they had not proceeded with any action in this case, in part because the level of imports fell after the application was submitted, and no doubt because the applicants themselves did not pursue the application with them.
- Application Reference 37/159 Hydro-sulphites – This application was immediately rejected by the Committee because the levels of imports were small, the evidence the applicant provided was unreliable and home trade/production had increased.

⁶³⁹ Application reference 36/272

Applications made where the applicants stated they needed additional protection because of the breakdown of a cartel⁶⁴⁰.

- Application Reference 32/85 Wood screws – this was a successful application with the additional duty being granted on the grounds that this would allow economies of scale, any increased prices would not affect consuming interests, the competition they faced was regarded as unfair because competitors benefited from government subsidies and because the international cartel had broken down⁶⁴¹;
- Application Reference 35/146 Cast Iron porcelain enamelled baths – see above;
- Application Reference 35/295 Metallic Capsules – this application was successful. The Committee granting the additional duty because the applicants were suffering as a result of dumping, because any increased prices would not affect consuming interests and because the users did not oppose. In 1935 three British producers submitted an application for additional duty on metallic capsules⁶⁴², requesting a specific duty of 5d per lb. on the capsules. The existence of a continental cartel regulating prices in their home markets was noted by IDAC. The British producers had been approached to join but the Continental producers had wanted a guaranteed third of the British market in exchange for price guarantees. The British manufacturers rejected this offer. The Committee noted that: ‘Since then competition has become intensified and the applicants seem convinced that the Continental manufacturers are definitely aiming at the destruction of the British industry’.⁶⁴³ The Committee in their deliberations also noted: ‘Detailed particulars are given in the

⁶⁴⁰ Database applicant reason code identifier 24.

⁶⁴¹ In 1937, a provisional cartel agreement had been reached regulating the import of screws into the country and covering certain export markets. This led the Committee to consider whether a reduction in the rate of duty should be implemented. PRO BT/10/84

⁶⁴² Application reference 35/295

⁶⁴³ PRO BT/10/16 Committee paper 295/1935 page 8

application of technical advances in the industry and the steps taken to promote scientific research. ... There seems no reason to doubt that the manufacture of capsules in this country is efficiently conducted'. On these grounds the decision was taken to advertise the application. The application received some opposition but the Committee decided that this was not significant, largely because it was not the using interests that oppose but in the main import agents, and agree to the applicants request for the additional duty. They accept claims about the competition, about dumping and do not believe that consuming interests will be affected by price rises.

- Application Reference 35/73 Wrought iron and steel tubes and pipes – was another successful application. In this case, the Committee approved the application because this was a new industry, users did not oppose and there existed positive linkages to other industries. In March 1935 a group of companies made an application for additional duty on wrought iron and steel tubes and pipes.⁶⁴⁴ The companies stated that they were responsible for 70% of UK production and that a Trade Association did not exist for the industry. They requested a duty of either £6 per ton or 50% ad valorem (whichever was higher). They asserted that the additional protection was needed because of the breakdown of the International Tube Cartel. Since then, the German industry had been given heavy export subsidies by their government. All of this intensified the competition

The Committee discussed this case with Customs who argued that the product could not be differentiated from other similar items that were covered by a Trade Treaty with Sweden. It was suggested therefore, that the applicants should try and reach an agreement with the Swedish industry. The industry managed to reach a provisional agreement; the Committee deferred making a decision. Eventually it was agreed that the Swedish Trade Treaty would be amended to assist the position of this industry.

'With regard to the merits of the application, while the main countries, formerly in the Cartel, have mutually agreed to respect each other's home markets

⁶⁴⁴ Messrs Stewarts & Lloyds, Ltd., and Tube Investments, Ltd., and associated firms made the application, reference 35/73.

until 30th June next, to afford an opportunity for revision of tariff barriers, cut-throat competition in the export markets has already commenced. ... A concerted attack on the British home market in the absence of further protection would be an obvious way of crippling our industry in the export market, and a clear case for higher protection appears to be established.⁶⁴⁵

- Application Reference 36/99 Condensed milk, milk powder and certain other milk products – an additional duty was granted in this case because increased prices would not affect consuming interests, because the applicants were suffering as a result of dumping, the applicants were capable of meeting home demand and because of the breakdown of the international cartel;
- Application Reference 37/52 Potassium and sodium ferro-cyanides – This application was rejected by the committee following advertisement because the home industry was considered to be inefficient and they were also concerned that the home consumer would be affected by monopoly pricing;
- Application Reference 39/69 Mechanical lighter flints – a decision had not been made by the Committee at the end of its operation; In May 1939 the British Flint and Cerium Manufacturers Ltd submitted an application for increased duty on lighter flints.⁶⁴⁶ They requested a specific duty on the flints of 20s per lb. The firm were the sole UK manufacturers of flints, and their case was supported by the Mines Department who were anxious that there should be a British source of supply. There were a number of reasons why the applicant requested the additional duty, one of which was that the international cartel, of which they had been a member, had broken down and they would be faced with increased competition. The application was advertised but the Committee made no decision by the outbreak of war.

⁶⁴⁵ PRO BT/10/14 Committee paper 139/1935 p3

⁶⁴⁶ Application reference 39/69

- Application Reference 39/78 Sheet Glass – As with mechanical lighter flints, the Committee had not reached a decision in this case by July 1939 when its work ended.

Appendix 6.4

Applications for additional duty where the tariff increase became unnecessary when international cartel agreements were reached.

- Application Reference 33/121 Cast Iron Porcelain and Enamelled Baths submitted by the British Bath Manufacturers Association in March 1933. Agreement was reached with German manufacturers;
- Application Reference 34/209 Steel bars, rods, angles, strip etc., submitted by the National Association for Rolled and Re-rolled Steel Products in May 1934
- Application Reference 34/278 Nitrogenous fertilisers submitted jointly by the Sulphate of Ammonia Association and Imperial Chemical Industries Ltd., (ICI) in July 1934. Agreement reached with Chilean producers and the Continental Cartel;
- Application Reference 35/146 a second application in respect of Cast Iron Porcelain and Enamelled Baths submitted by the British Bath Manufacturers Association in May 1935;
- Application Reference 35/164 Di-sodium and Tri-sodium Phosphate submitted by the Association of British Chemical Manufacturers, on behalf Brotherton & Co., Ltd., Holliday L.B. & Co., Ltd., and Wilkinson J.B. in June 1935. Agreement reached with German manufacturers. Negotiations had broken down before the application was submitted, but contact was re-established and an agreement reached, the application was then withdrawn.
- Application Reference 35/210 Ice cream freezer and carrying cans submitted by two companies, TF & IM Braime Ltd., and Joseph Sankey & Sons. Following advertising of this application, Danish producers opened negotiations upon the conclusion of which the application was withdrawn.
- Application Reference 36/125 Celluloid in the form of sheets, rods, and tubes, submitted by the Association of British Chemical Manufacturers, on behalf of British Xylonite Co., Ltd., in June 1936. The agreement was reached with German and Japanese producers.

- Application Reference 36/255 Potassium Permanganate submitted by the Association of British Chemical Manufacturers, on behalf of Boots Pure Drug Co., in November 1936.
- Application Reference 37/165 Hand Hair Clippers submitted by an individual firm, Burman & Sons, in July 1937; and
- Application Reference 38/14 Mattress Chain and Hooks submitted jointly by the Jack Chain Association and an individual firm, Armistead & Grimshaw, in January 1938.

Appendix 6.5

Cases where there is evidence of price-fixing and/or monopoly concerns:

- Committee Paper 90/32 IDAC were concerned were concerned that if they increased the tariff on bricks then home users could suffer through price fixing
- Committee Paper 170/33 concerns were expressed about a monopoly in the glass light industry, this concerned a restriction on the supply of light bulbs to firms that were not members of the trade association, The Electric Lamp Manufacturers Association
- Committee Paper 170/34 there were allegations of a cartel in the home Vacuum salt industry operating to fix prices
- Committee Paper 77/36 application for additional duty on Sticky flycatchers made by the two British manufacturers who have a price agreement. The Committee without advertising immediately rejected this application because they considered that the industry was too small and imports were also small.
- Committee Paper 78/36 Pencils – the Committee were asked to investigate price-fixing in the industry.
- Committee Paper 84/36 Pottery and other clay products – this records that the British Pottery Manufacturer's Confederation had a price agreement on sinks (sinks account for 80% of the home production). Additionally prices were fixed for member firms in the case of earthenware.
- Committee Paper 128/37 'Scheme for the regulation of prices of artificial silk hose' - The National Federation of Hosiery Manufacturers' Association had drawn up a scheme for price-fixing within their industry and this was submitted to IDAC for comment. The Committee felt that they could not express approval of the scheme because it appeared to be a scheme completely prohibiting production by independent manufacturers (i.e. non-members of the Association). The Committee felt that the monopoly position the Association was proposing was unacceptable.
- Committee Paper 232/37 although the application for additional duty on Lithopone was successful opponents to the application had expressed concern about monopoly powers.

- Committee Paper 138/38 Lactose was one of the products whose prices were monitored by the Committee. In this paper, the Committee noted: 'A commercial process of the manufacture of lactose was devised with the aid of public money some years ago to enable cheese factories to get rid of an embarrassing effluent, and with the aid of the duty recommended by the Committee the commercial production has been successfully established by the U.D.C. The virtual exclusion of competition had enabled the price to be raised to a point at which very high profits are being made'.
- Committee Paper 26/39 Linoleum and cork carpet – see main body of chapter

Appendix 6.6

Applications refused because the Committee had concerns about monopoly pricing.

- 32/72b Fabric gloves The joint applicants were National Association of Fabric Glove Manufacturers of GB and Joint Industrial Council of the Glove-making Industry
- 32/91 Superphosphate and compound fertiliser - Fertiliser Manufacturers' Association Ltd
- 32/253 Fish - The application was submitted by the British Trawlers' Federation
- 33/189 Strawberries - National Farmers Union of England and Wales
- 33/237 Semi-manufactured forms of copper, brass, nickel and alloys containing these metals – submitted by the Joint Committee of the Brass, Copper and Nickel Silver Industries
- 34/121 Briar pipes and bowls - 15 pipe manufacturers in association
- 34/202a Canned and bottled fruit and vegetables - Association of Vegetable Canners of Great Britain.
- 36/118 Barium chloride - Allen Athole G. (Stockholm) Ltd.,
- 37/52 Potassium and sodium ferro-cyanides – application made by ABCM on behalf of 3 firms

Appendix 6.7

*Extract from: IDAC Second Annual Report, March 1st 1933 - February 28th 1934*⁶⁴⁷

Movement of Prices

14. In the course of their recommendations in a number of cases the Committee have stated that they intended to keep watch over the prices of a number of commodities forming the object of protection. In pursuance of this intention, arrangements were made for a systematic review of the prices of a number of commodities, and this is now part of the regular service of the Statistics and Information Section. The goods selected for this purpose at the outset are goods of kinds (a) which are now subject to duties higher than the standard 20 per cent, ad valorem, (b) which are more or less standardised and (c) which are monopoly or quasi-monopoly products or otherwise subject to regulation of prices in one way or another, and particulars are now being obtained at regular intervals respecting the following:- yeast; tomatoes; potatoes; glue; gelatine and osseine; lactose (sugar of milk); bleached cotton linters; aluminium hydrate and aluminium sulphate; linseed oil; rubber footwear; razor blades; scissors; wire; wire nails and wire netting. Other goods will be added to the list as occasion may require. It should be added that, although the Committee have statutory power to obtain this information, they have preferred to obtain it by the voluntary co-operation of associations or large firms representative of the industries concerned and it should be placed on record that in every case the co-operation desired has been readily forthcoming, in many cases to a greater extent than what was required for the immediate purposes of ascertaining the trend of prices.

⁶⁴⁷ PRO BT/10/81

Appendix 6.8

*Movement in Prices at the end of 1937*⁶⁴⁸

The Committee noted that there was a general upward trend in prices. This they found was due to rising labour and raw material costs.

On individual items the committee recorded the following positions:

Increased prices on	Wood screws, artificial teeth, linseed oil, lactose, aluminium hydrate, hide gelatine, bone gelatine, glue, di-sodium phosphate, lead acetate, photographic paper and woven paper fabric.
Little change to prices on	Scissors, safety razor blades and blanks, yeast, aluminium sulphate, and tri-sodium phosphate.
No change in prices	Slide fasteners, rubber footwear, sodium nitrate, and rice starch.
Seasonal changes on	Tomatoes.

⁶⁴⁸ PRO BT/10/24 Committee paper 251/37

Appendix 6.9

Part A. cases where the additional duty was granted because the applicants were well organised and/or efficient.

Application Reference	Item description
32/162f	Wood and timber - cooperage materials
32/162g	Wood and timber - hardwood flooring
32/292	Carbons de-colouring and activated, other than animal
32/59	Doors, and other builders woodwork
32/72a	Leather gloves
32/79	Rubber footwear
33/290	Dental goods - artificial teeth
34/138	Doors (wooden)
34/234a	Bifurcated rivets of iron or steel
34/234b	Tubular rivets of iron or steel
34/325	Spectacle frames
34/414	Fibre insulated staples
35/162	Box and willow calf leather
35/193	Spring beard hosiery needles
35/262	Agricultural track laying tractors
35/318	Glazed wall and hearth tiles
36/13e	Aprons and overalls made wholly or partly of rubber
36/214	Hand sewing needles
36/280	Lithopone
36/79a	Typewriters - Standard
37/169a	Cycle bells and parts
37/205a	Steel works plant - rolling mills
37/40	Metal pot scourers and wire mesh used in their manufacture
37/45	Celluloid dolls and rattles

Appendix 6.9

Part B. cases that were rejected because the industry was viewed as inefficient by the Committee

Application Reference	Item description
<i>Initial Rejections</i>	
34/443	Brass wire
36/199	Capped earthenware pots
35/98	Fabric Gloves
37/222a	Granite setts and kerbs
34/433	Transparent Cellulose wrapping
38/183	Wood split pulleys
<i>No after advertising</i>	
32/162a	Wood and timber - softwoods
33/95	Dead poultry (excluding turkeys, and guinea fowl) and eggs
38/185	Skin Wool
34/202a	Canned and bottled fruit and vegetables
32/162c	Wood and timber - hardwoods (including logs)
35/143	Pencil strips
35/314	Dressed and dyed rabbit skins
36/217	Planed or dressed softwoods, boxboards, wood flour
37/52	Potassium and sodium ferrocyanides
32/72b	Fabric gloves

Appendix 6.10

REPORT ON THE SHEET GLASS INDUSTRY

‘The British sheet and plate glass manufacturers claim to be regarded as the most progressive glass manufacturers in the world. They are said to keep in close touch with manufacturing developments in Europe and America. As better methods of production become available, less up to date methods are abandoned. As regards both sheet and plate glass they say they have scrapped large and expensive glass plants long before they had become worn out, e.g., in a large sheet glass manufacturing unit built in 1926 for the cylinder process at cost of £200,000, plant which cost £110,000 was wholly destroyed and the remaining £90,000 of capital outlay was adapted at an additional cost of £100,000 for the flat drawn process. £450,000 is said to have been spent during the last ten years on new plant for sheet glass production, apart from £130,000 on the new factory at Pontypool.

In their chief factory at St. Helens, the applicants use, under licence, the American Pittsburg process which they claim to have improved. The Queensborough Works is equipped for production by the Fourcault process, the cost of conversion for the Pittsburg process not being regarded as justified by the difference in the quality of the product. The applicants are satisfied that the Pittsburg process produces the best glass.

It is claimed that a strong technical staff has always been employed by the British manufacturers. The present technical organisation of Pilkington Brothers includes a department of technical development, working in conjunction with a research department. The budgeted expenditure for the next twelve months on research and technical development apart from capital expenditure is £40,000. The applicants give substantial financial support to the Society of Glass Technology, and co-operate with the British Scientific Research Association, the British Standards Institute and the Building Research Station. It may be added that the Department of Scientific and Industrial Research, who have been consulted on this aspect of the case, agree that the representations made by Messrs. Pilkington in regard to their attitude towards research and application of up to date scientific methods in the production of their products are well founded. They say there is no

doubt that the firm have shown a lively interest in the importance of science to their manufactures. So far as the scientific side of the application is concerned the Department is in a position to endorse the contentions of the applicants.⁶⁴⁹

⁶⁴⁹ Committee Paper 78/39, PRO BT/10/29 pp.27-28

Appendix 6.11

Applications where applicants claimed that theirs was either a new industry needing additional protection or that new lines of production were being introduced.

- 189/34 Bent wire goods
- 278/34 Nitrogenous fertiliser industry
- 74/35 Spectacle frames
- 198/35 fabric in the piece - application in part advertised because new industry
- 212/35 proposed new chemical plant
- 225/35 Paper dress shirt fronts - production began in April 1935
- 280/35 cotton carpets
- 163/36 Toilet Tweezers - new plant installed in 1934 and production commenced in 1935
- 182/36 Pen and pocketknives - new industry to Sheffield. £16,000 invested in new plant.
- 204/36 new plant to be erected to produce Sodium Chlorate
- 255/36 Boots to establish a new plant to produce potassium permanganate - new plant to be erected in Nottingham at a cost of £50,000, expected to employ 25-30
- 267/36 Gaboon Mahogany Plywood - new plant planned - to be located in Jarrow. Intended to use mass-production techniques. The applicants stress the Special Area impact. Will employ about 250 people, 80% of them men. Sales to shipbuilding industry guaranteed.
- 45/37 Celluloid dolls - new industry with large scale capital outlay
- 155/37 Trailer Caravans - new industry - competition from the US where large market allows lower pricing
- 58/38 40 Ruti Silk Looms and Ancillary Machinery - details application submitted, part refusal, appeal by applicant, and eventually agree to licence. Take into account the establishment of a new industry in areas where have employment problems.
- 79/38 Track-laying tractors

- 120/38 New Steel Works - Jarrow
- 16/39 Proposal to set-up new factory to produce rubber can-seals.
- 49/39 Women's stockings.

Appendix 6.12

DSIR Meeting Minutes

After a meeting with officers of the DSIR, the following Minutes are reported:

‘At the meeting in December last with Messrs. Hetherington and Evans representing the DSIR it was suggested:

a) That it might be a good plan if arrangements were made for representatives of the Department to be present at any Meetings which the Committee might arrange from time to time with the BEA or other appropriate body, to discuss the question of the manufacture of particular groups of machinery in this country. In this way, the Department’s representatives might be able to make suggestions where research was likely to prove beneficial.

b) In other cases where it has emerged in the consideration of a particular license application that a potential individual manufacturer was hampered by lack of technical knowledge, reference might be made to the Department for such advice and assistance it could give. Mr. Hetherington suggested that possibly Mr. Bremner [Director of the BEA] might sometimes find it useful to call at the Department for a talk as to the direction in which the Department might be able to assist the British industry.⁶⁵⁰

⁶⁵⁰ PRO BT/10/59, part 3. Memorandum - “Notes on Points for Discussion with Mr. Bremner at 3pm on 22 March, 33”.

Appendix 6.13

Document marked "Confidential" - undated

Certain Cases in which manufacture in this country of machinery hitherto imported has been undertaken.

1. Textile looms - mentions 4 new types of looms, 'These developments are all due to information and facilities made available as a result of the licensing system'.
2. Hand Flat Knitting Machines
3. Warp Knitting Machines
4. Buttner patent turbo dryers
5. Copper Resin Still - in this case a foreign machine was imported duty free specifically for the purposes of copying.
6. Machinery for manufacture of a certain patent food - similar to 5.
7. Machine Tools: Forst Vertical Breaching Machines; Cone-automatics; Cleveland gear hobbing machines; Lorenz gear shapers; OK Cutters; Fay lathes.

Other Cases

'The following types of machines were formerly made only on the continent and many have been imported duty-free in the past in accordance with recommendations made by the Committee. Foreign manufacturers have, however, now made agreements with suitable British machinery makers for their manufacture in this country and the Committee are putting applicants for duty-free importation in touch with these British concerns:-

- (i) Ste Colombe plain and automatic looms for silk and rayon fabrics.
- (ii) Staubli dobbies of the lag operated type.

(iii) Spinning jets for Rayon.⁶⁵¹

Further, as a result of co-operation on the part of users at the instigation of the Committee, British manufacturers are now producing the following types of machines hitherto imported duty free:-

Decatising machines.

3-roller padding machines.

Viscose Lubricated spinning pumps.

High speed warp looms.⁶⁵²

Further examples are provided in this report: a machine for the production of full-fashioned hose; wax spraying plant. Discussions are also said to have taken place regarding the transfer of complete plants to Britain but it was noted no such transfer had actually taken place during the year.⁶⁵³

⁶⁵¹ PRO BT/10/84 paragraph 13, page 10.

⁶⁵² PRO BT/10/84 paragraph 14, page 10.

⁶⁵³ PRO BT/10/84 paragraph 18, page 11.

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MSS.23791 Machinery Users Association

MSS.16607 Electrical Traders Association

MSS.16615 Fancy Goods and Allied Trades Association

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