

THE TARIFF BILL

A Speech delivered in the House of
Commons on February 4th, 1932,

BY

THE RIGHT HON.
SIR HERBERT SAMUEL

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The Tariff Bill

SIR HERBERT SAMUEL said:—

THE House will have an opportunity within a few days of discussing fully the departure from the doctrine of collective responsibility which is marked by my appearance at this Box this afternoon, and I do not propose, therefore, to answer the question of the right hon. Gentleman the Member for Sparkbrook (Mr. Amery) with regard to the conditions of that departure. I would only say on that subject, that it was not at the suggestion of my two right hon. colleagues and myself, nor in accordance with any expectation of ours, that this agreement was come to, but it was on the initiative and at the proposal of the Prime Minister and the Lord President of the Council and the other Members of the Cabinet that this arrangement was made. If, to some hon. Members, it seems strange and even unseemly that a Member of the Government should rise to criticise one of the principal Measures of the Administration to which he belongs, let censure fall not upon my head alone but let it be equitably distributed all along this Bench. I trust that the House will grant me their indulgence, for I know that much, though I hope not all, that I shall have to say will be unwelcome to the majority of Members. I shall speak, of course, in no polemical spirit, but I should be doing less than my duty to my colleagues and myself, to the House and to the country, if I failed to state, fully and frankly, the reasons that have led us to dissent from the Measure which has been proposed to-day.

The Government went to the country with no definite pledge for or against a tariff. As the Chancellor of the Exchequer said,

we undertook to study these matters "with unprejudiced minds," but all of us were under the definite obligation to adopt any method, including, if need be, tariffs, which could be shown to be the necessary and the right way of redressing the unfavourable balance of trade and helping the nation in its present emergency. But, as the Chancellor of the Exchequer said this afternoon, this policy has in view seven purposes of which the redress of the balance of trade is only one. In his lucid and powerful speech he stated the case for a permanent scientific system of Protection. He made at the end of his speech a touching reference to Joseph Chamberlain, his illustrious father—a reference which woke a responsive chord in the hearts of all of us. But when Joseph Chamberlain 30 years ago initiated with so much vigour and enthusiasm his Tariff Reform campaign, that was not for the purpose of redressing an adverse balance of trade. The question was never heard of at that time. The right hon. Gentleman the Member for Sparkbrook tells us that for many years he has thrown himself into this struggle as, in his own words, "a mass of glowing enthusiasm," but I do not know that he ever did so in order to redress an adverse balance of trade. Let me say, in passing, that I thought the right hon. Gentleman's acceptance of these proposals was rather too qualified. He has been accustomed for so many years to dying in the last ditch that when, almost in the twinkling of an eye, the last ditch is converted into a triumphal and flower-bedecked highway, he is gratified and modulated, but he continues to vent the protests which have now become quite habitual to him.

Other Objects than the Trade Balance.

I will address myself to this simple question, in the first place: Is the case made out for these proposals on the ground of the necessity of redressing the balance of trade? First, I will take the 10 per cent. all-round tariff. Is that the natural, the necessary means of redressing an adverse balance of trade? If we look at this question from the outside, if we imagine some foreign country which was faced by a serious adverse balance of trade and sought to redress it by reducing its imports, we should be somewhat surprised if we heard that the course proposed by the Government of that country was to put a comparatively low 10 per cent. tariff over the whole range of those imports—not to seek to exclude masses of imports here and there which could be dispensed with, but to levy a tax upon 100 per cent. of imports in the hope or expectation that 5, 6 or 10 per cent. may chance to be excluded.

Unless you exclude these imports, the balance of trade is not affected. Unless you exclude them, nothing is achieved to redress

your adverse balance, and how much will be excluded of the commodities that are to be taxed? What proportion? The Chancellor of the Exchequer gave us no figures, but I think he will not quarrel with an estimate that, with regard to foodstuffs, if some 6 per cent. of the articles taxed are shut out, that is the result that is likely to ensue; of raw materials 3 or 4 per cent.; of manufactures perhaps 10 per cent. I have not got the figures of the precise amount to which it is suggested the 10 per cent. tariff would apply, excluding the Dominions and Colonies, but it would probably be somewhere in the neighbourhood of £400,000,000 worth of goods, and the exclusion may be in the neighbourhood of £30,000,000 to £35,000,000. Some 8 per cent. of the whole will be excluded. So far as this 10 per cent. tariff is concerned, if it is to be justified, it can only be justified, over the whole field of its operations, as to 8 per cent. of that field from the point of view of balance of trade, and 92 per cent. must be justified on grounds of taxation or of Protection. That is entirely different from our Abnormal Importations Act, to which we gave our assent in the exceptional conditions of the time. There you had heavy prohibitive duties deliberately and successfully intended to shut imports out, but this Measure will tax 100 per cent. in order to exclude 8 per cent. That is the first argument I would address to the House.

Not an Emergency Measure.

The second is this: This measure, this 10 per cent. tariff, is not a temporary measure. It is not intended to endure merely for the time of the emergency, and has not been so advocated. The Chancellor of the Exchequer may say that the emergency requires this measure, is an additional reason for it; but he does not say that when the emergency is over this can be repealed. [HON. MEMBERS: "Hear, hear!"] That is agreed to, as I knew it would be. Indeed the fact is obvious that the policy of which it is a part requires that it should be permanent, for upon this 10 per cent. tariff is to be based a series of bargains or arrangements with our Dominions. If the Ottawa Conference succeeds, and if, on the basis of continued exemptions from the 10 per cent. tariff a series of agreements are made with the various parts of the Empire, then we shall not be free later to say that we intend, for reasons of our own, to repeal any of these duties.

Parliament would have the constitutional right, no doubt, to repeal any duty at any time, but having entered into treaties, so to speak, with the Dominions, we could not, without breach of those arrangements, repeal the duties which are now to be imposed. Furthermore, under this 10 per cent. tariff, interests will grow up, and there would be the most vehement protests, as there always

are in such cases, against any attempt to repeal it. Therefore, I submit that no Member will rise in the course of our Debates and say that this 10 per cent. tariff is going to be merely temporary, and that two, five, or 10 years hence it will be repealed. Although it may be alleged that it arises from, it is not a measure which is limited to, the present emergency or can be based upon the emergency arrangements needed at the present time. The Chancellor of the Exchequer said that we needed, to deal with the balance of trade, some fiscal duties which were—I quote his words—"tentative and flexible," able to be varied as changes of conditions required. That does not apply to the 10 per cent. tariff, and therefore, from that standpoint also, the case in relation to balance of trade has not been made out.

Taxes on Raw Materials.

We speak here in broad, general terms. We desire to adopt simple, one may say tidy, measures. An all-round 10 per cent. seems attractive, but let us translate that into the practical terms of everyday commercial life. Raw materials are not exempted under this tariff, except cotton and wool and maybe possibly some others which the Chancellor of the Exchequer did not mention—he mentioned cotton and wool alone—unless they come from the Colonies or the Dominions. The right hon. Gentleman said nothing as to drawbacks—not one word—in connection with the 10 per cent. duty. His reference to drawbacks related entirely to the surtaxes, and so far as the Committee has been informed, there is no proposal that these raw materials coming from foreign countries, which have paid 10 per cent. in duties, will be the subject of drawbacks if they are used in commodities which are to be re-exported. But even if they were, everyone knows that the system of claiming drawbacks based upon the amount of raw material in any particular article is exceedingly complicated and costly and is very much resented by manufacturers and industrialists, involving the control of officials in many of the details of their daily business.

Of these raw materials that are to be taxed there came into this country for 1930—the figures for last year are not yet available—£250,000,000, of which two-thirds, £160,000,000, came from foreign countries, and, with the exception of cotton and wool, so far as we know the whole of that £160,000,000 of raw materials of manufacture is to be subjected to a 10 per cent. duty. In addition, in Class III in the Board of Trade returns, which are usually called manufactured articles, but which, in the terms of the publication, are "articles wholly or mainly manufactured," there are a whole range of materials which are in substance raw materials and only technically or statistically are manufactured

goods. For instance, copper bars, sheet lead, tin blocks, yarns, leather, oils, steel plates, blooms, bars, and angles. Of these things there are between £100,000,000 and £150,000,000 that come in each year, the great bulk of them from foreign countries. All of these are to be taxed 10 per cent. Is that the way to assist British industry? Is that to be welcomed by our manufacturers? The right hon. Gentleman exempts cotton and wool. If it is right to exempt cotton and wool, presumably for the reason that to tax them would be an interference with our industry and a burden on our manufacturers, why is it wrong to exempt flax, hemp, jute, all of which will be taxed?

Heavier Burdens on Industry.

I do not know if the right hon. Gentleman is intending to exempt iron ore or not, but copper, manganese, tin—these ores are twice as valuable as the amount of iron ore that we import into this country. I have pointed out that two-thirds of our imports in Class II, and much more of a large volume of our imports in Class III, are raw materials which come from foreign countries, and are to be subjected to this tax. Why should the boot and shoe industry and the leather trades have to pay 10 per cent. on their hides, skins, and leather, half of which comes from foreign countries? Why should the furniture trade and the building trade be taxed 10 per cent. on the timber, 90 per cent. of which comes from foreign countries? The manufacturers of this country, practical business men, who are accustomed week by week, year after year, to purchase these articles in the produce markets will, I think, read with considerable astonishment to-morrow that these commodities are to be taxed 10 per cent.

Our great industrialists complain to this House of the heavy handicap to which they are subjected on account of the conditions in this country compared with those of many of their rivals. They point to our higher wages, to our social services, to the heavy burden of taxation, to the high Bank rate that we have here, and they ask the Government to relieve them so that they can reduce their costs of manufacture and compete more equally in the markets of the world; and the very first measure proposed by the Government is to put a tax of 10 per cent. on the greater part of the raw materials which they use. If it be said that this holds out a prospect that there will be a lower Income Tax, that would be, of course, very welcome. But Income Tax is a tax upon profits which are realised, when there are any, but a tax upon raw materials is a tax upon production, whether there are profits or not.

And the effect upon trade is far greater than the actual burden and is not measured by the receipts into the Exchequer.

Every day of the week there are competitions for tenders for foreign contracts in which our industrialists are engaged in a keen international competition. Two or three per cent. added to the price makes the difference between getting or losing the whole order. Put an additional charge of two or three per cent. on the cost of these articles through your tax upon raw materials, and perhaps for the sake of a £1,000 tax received by the Exchequer the manufacturer may lose a contract for £50,000. Repeat that hundreds of times throughout the country, and over the whole range of our industries, and you will get some measure of the injury that is likely to be dealt to British trade from this tax upon raw materials. Hon. Members may say, "Well, let our manufacturers turn to the home markets, which are now to be reserved to them in greater degree," but, if we are to abandon our foreign trade and to say it is of no account that we should maintain and increase the volume of our export trade, how are we to pay for the raw material of our industries and for all the foodstuffs that are needed? How can we maintain our vast and crowded population on this small island?

Dearer Houses.

There is another aspect of this matter, which I think will be of great interest to many hon. Members, touching a subject to which Parliament of recent years has given constant and close attention; that is, the housing of the people. There will be a 10 per cent. tax on many of the raw materials of the building industry. We know quite well that the costs of building in this country are far too high. It is not only a question of wages; it is a question of the height, the often artificially raised height, of the cost of builders' materials; there are rings and combinations, and the building trade is only kept to reason by the prospect of the importation of foreign raw materials. To the extent of 10 per cent., the price of bricks, tiles, timber, iron pipes, and everything the price of which is kept down by the possibility of foreign competition, will be raised, and all the efforts made by the Minister of Health to keep down the cost of housing in order to reduce the State subsidies and to provide more and better accommodation for the working-classes, may be undone at a stroke by this tax which is to be levied upon these raw materials of the industry.

The Ports and Re-exports.

Furthermore, this country has long enjoyed a great re-export and transshipment trade. Last year it was of the value of £86,000,000, and in ordinary years it is over £100,000,000. The Port of London, which has increased the volume of its trade by nearly 50 per cent. since the War, does a trade of £49,000,000

in transshipment and re-export, Southampton does £9,000,000. Less than one-third of this is trade in bond. All this will be hindered and hampered by the necessity of paying this 10 per cent. Customs Duty, and higher duties on many particular articles, as they pass through our ports. Large quantities of articles are imported into this country to go through some finishing processes here and to be re-exported. It will not pay to do that with a 10 per cent. duty, which may or may not be recouped in the way of drawbacks. All this trade gives to numbers of our people employment and profit; it is of value to our shipping, docks, warehouses and commission houses, and this 10 per cent. duty will be a grave injury to that branch of our commerce.

The Food Taxes.

I turn to the tax upon foodstuffs. Again we have had no figures. The range which is to be taxed is enormous. Wheat is left out, but it is to be dealt with under the quota. It is true that there will be free imports of wheat at world prices—a very important consideration—but still quota arrangements will involve an increase in the price of the loaf by perhaps one halfpenny on the 4lb. loaf. Of the flour which is to be taxed 10 per cent., nearly half comes from foreign countries; of rice, two-thirds; and of butter, cheese and eggs, more than one-half comes from foreign countries. Condensed milk, lard, margarine, canned fruit are to be taxed; fresh and dried fruit also, of which four-fifths comes from foreign countries. These are all new burdens placed directly upon the people. Not only that, but the importation of feeding stuffs for cattle, and poultry, directly affects, of course, the price of human food. Home-grown meat, pig products, milk, butter, poultry and eggs—the price of these grown at home depends very largely upon the cost of feeding stuffs. All feeding stuffs not coming from the Dominions or Colonies are to be taxed 10 per cent. Of all our feeding stuffs, five-sixths of the barley, four-fifths of the oats, and four-fifths of the maize, come from foreign countries. Then there is oil cake for cattle, with regard to which I have not separate figures.

These taxes upon necessaries of life must be fairly and squarely envisaged by the Committee before it gives consent to them. We know how much poverty there is in the country. For years and generations this House, local authorities, trade unions and all kinds of social agencies have been endeavouring to raise the standard of life of the people, and there has been a vast improvement in our lifetime in wages, hours, education, health and social services. But we have in these days a new feature which we had not a generation ago—2,500,000 of working people unemployed, as well as a

vast number working short time. Upon this class, this Government has felt itself compelled to impose fresh sacrifices. I was a party to it, but it was with profound reluctance for all of us that we were obliged to cut down the allowances given to this vast number of unemployed, until now a man and wife and three children have to subsist upon 29s. 3d. a week—about 3s. a day for food for five persons. What is the position of that family in relation to this proposal? Its tea is untaxed, its bacon is untaxed, but its sugar is already taxed more than its value, its bread will be raised in price one halfpenny for the 4lb. loaf under the quota scheme, and now 10 per cent. is to be added to the cost of flour, rice, margarine, condensed milk, tinned salmon and all those things which are the day-to-day food of the working-class people.

Effect on Prices.

It is true that the prices of commodities in recent months have not risen, but that is because the same world causes which, during the last two years, have led to the catastrophic fall in commodity prices, have still been operating; and since Great Britain went off the Gold Standard in September last world prices in terms of gold have fallen 6 per cent. That is why prices have not gone up. Home prices in terms of sterling have risen 8 per cent., and as the Chancellor of the Exchequer said this afternoon, it is almost miraculous that the cost of living has not yet risen in this country, and that is due to stocks which had been accumulated and other causes. How can we be sure that that will long endure, and that at any moment we will not find world prices and sterling prices rising much more and the cost of living going up? With the wheat quota, as world prices rise the additional charge due to the quota diminishes, and the consumer is not affected. I need not go into that as we can debate it on another occasion. With the 10 per cent. tariff, however, as world prices rise the duty rises with it, and the higher the world price the more the 10 per cent. amounts to.

How can these food taxes be justified? Is it on the ground of balance of trade? You are going to tax much more than £100,000,000 worth of foodstuffs to exclude £6,000,000 or £8,000,000 worth. What importance is this small sum in an adverse balance of trade of about £100,000,000, and a total trade in and out of £1,200,000,000? It was anticipated by many that the 10 per cent. tariff would be a tax simply on manufactures, but, even if it were a tax upon manufactures, you ought to exempt all those semi-raw materials such as I have mentioned. If you exclude those, and if you exclude the manufactures already taxed, there is left little more than from £100,000,000 to

£110,000,000 of real manufactures, that is, finished articles, not already taxed, which would be the subject of this duty. By taxing them, you might conceivably secure a revenue of £10,000,000 and the exclusion of goods to the extent of £10,000,000. That would be a very small result to achieve. If that were attempted alone, the tax on £100,000,000 worth of finished articles, which is the only field for which some argument might properly be advanced, or might conceivably be advanced with real force in favour of these proposals—if you were to do that, and nothing more, instantly you would have a vehement and not illegitimate protest from British agriculturists, who would complain that if you are putting a 10 per cent. tax on a large range of imports, they must not be omitted from such benefits as might ensue.

These proposals cannot be justified on the grounds of balance of trade. Can they be justified on the grounds of revenue? The point has not been argued. Are they necessary for the purpose of revenue? No doubt £30,000,000 or £40,000,000 coming into the Exchequer would be welcome, but is it needed? The Prime Minister and the Chancellor of the Exchequer have told us that there is to be no deficit this year. We have budgeted for an unemployment figure of 3,000,000, but there are 2,500,000 unemployed—that is a formidable figure, but the difference between the two figures means an enormous saving to the Exchequer in the course of the year. There may be items on the other side it is true, but the time has not yet come for the Budget. When it does, let the House consider whether it is necessary to impose all these taxes upon foodstuffs, raw materials and other articles in order to meet the financial exigencies of the State.

The Illusion of a "Bargaining" Tariff.

I agree that it is most desirable to reduce direct taxation, which is far too heavy, and to strengthen the Sinking Fund. But are these the best taxes to impose for this purpose? The question will have to be considered on its merits. It must not be assumed as a matter of course that these are the right taxes to impose in order to reduce Income Tax and to strengthen the Sinking Fund. There is to be £15,000,000 or £20,000,000 on the materials of industry, and £10,000,000 or £15,000,000 on the food of the people; and let hon. Members not forget that, if these taxes are to be imposed for the direct purpose of lightening the taxation which rests on the well-to-do classes, you will be arousing a most formidable political controversy which it would be wiser not to provoke. Is this 10 per cent. duty upon manufactures likely to be a lever to induce our manufacturers to improve the efficiency of their industry? Possibly it may be argued

that the Surtaxes and the Committee might effect that, and might use their influence to increase the efficiency of industry, but this 10 per cent. is for everyone unconditionally. It is a mere protection for inefficiency, and gives no stimulus or inducement to the increase of efficiency of our manufacturers. Is it to be advocated as a means of bargaining with foreign countries to secure readjustments of their tariffs? There, again, the other taxes may perhaps be defended on that ground, but this 10 per cent., which is permanent, and which is to be a basis of bargains with the Dominions, cannot be altered in its incidence on foreign countries according as those countries do or do not give us access to their markets. You cannot go to the Dominions in July and say: "If you will give privileges to our produce we will give privileges to yours against foreign countries." And then, when an arrangement of that kind is signed and sealed to cover a period of years, afterwards go to the foreign countries and say: "If you cease to penalise our goods, we will give you privileges under our 10 per cent. tariff." It cannot be done. It would be contrary to the bargain entered into. So far as this part of the proposals is concerned—I am speaking now of the 10 per cent. tariff—it has no connection of any sort or kind with the policy of closing our markets to foreign produce as a means of securing more favourable terms for our products in their markets. On the contrary, it deprives us of a weapon which we might have had; but that shot would have been fired once and for all. The 10 per cent. tariff will have been imposed. It will be permanent. Over that range of our fiscal expedients we shall be unable to exercise any bargaining power with any foreign country.

Is it for the sake of Dominion markets? That remains to be seen, as to what return is to be achieved. If we were to enjoy real Empire Free Trade, free entry for all our manufactures into the markets of the Dominions, then the matter might deserve a fuller consideration. There is not one Member of this Committee who for a moment anticipates that such a policy could conceivably receive the acceptance of the Dominions.

Summary of Objections.

I summarise, therefore, the objections which I submit to the Committee on the 10 per cent. all-round tariff. It is not the right way to deal with questions of the balance of trade; it will exclude an exceedingly small proportion of the goods which it taxes; the balance of trade effect will be merely secondary and incidental, and the protective and taxing effect will be primary and predominant. Secondly, this is not a measure which is temporary, dealing with the present emergency; it is intended to be, and it will be, of a lasting character. Thirdly, it will tax to the extent of 10 per cent. a greater part of the materials of manufacture and

the food of the people; we have to consider whether that is necessary and wise. It is no lever to secure the efficiency of industries, because the privilege of Protection is to be accorded to all alike, without conditions. It is no weapon for bargaining with foreign countries, because it is to be the basis of commercial treaties with the Dominions, which will preclude such concessions.

For these reasons, for my own part, at every stage I expressed my disagreement with these proposals. I know that reports have appeared and statements have been made that I and my colleagues would have been willing to agree to these proposals as a compromise if they had stood alone. There is no truth in that allegation. The reasons which I have submitted have influenced our minds throughout. No one has been under any misapprehension as to the opposition which we should be obliged to offer to these proposals.

A Protectionist Country.

We are told, "After all, it is only 10 per cent. Why be so recalcitrant? Why be so rigid?" But this policy of the 10 per cent. is only a half of the proposals. There is to be set up an advisory committee of between three and six members—and their action must be taken before the Abnormal Importations Act ceases to have effect in May—and that committee in a few weeks is required to survey the whole of British industry. It is free to propose duties upon any article, except those in the Schedule of Exemptions; and duties of any amount, there is no limitation—20, 30, 40 or 50 per cent.; and for any period. It is supposed to examine the conditions of our industries, and to impose restrictions and qualifications in regard to prices, efficiency and so forth. Is that a task which is possible of fulfilment? That committee, in order to avoid obvious inequalities between this trade and that, will have to treat them substantially all alike; and all similar trades coming to them, a few having established their case for Protection, will demand equal rights, and it will be exceedingly difficult to discriminate. The committee, having presented its report, the Government would be quite unwilling to re-open any of those matters for fear of being accused of favouritism between one trade and another. Indeed, the very purpose of the committee is to keep these decisions away from the Government and from the House of Commons. The House of Commons itself, in order to avoid the importunities which would beset it, will be expected to pass and to sanction the whole of those duties in a single Order. Consequently, whatever the three or six gentlemen decide will be accepted by the Government, and by the House, and will be virtually the law of the land.

Can we rely upon them to impose any adequate restrictions with regard either to the efficiency of the industries or to the

prices that they are to charge? Where would the consumers come in in all this? There is to be no Consumers' Council or advisory body which would examine these things from that standpoint. The three or six gentlemen are to represent the interests of the consumers as well. It is sometimes said that, after all, these proposals are nothing more than adopting a policy which is virtually the Free Trade of our neighbour Holland. But Holland is not a manufacturing country. These proposals—[*Interruption.*] Holland is not a great manufacturing country. Its exports of manufactures in proportion to its population are far less than ours. Apart from that, these proposals are not a simple all-round tariff that might be accepted in Holland or Denmark. These so-called surtaxes will necessarily and intentionally convert this country into a Protectionist country. [HON. MEMBERS: "Hear, hear!"] I am very glad to have evoked those cheers, because that very much clears the situation. We shall be ranging ourselves with the Protectionist countries on the continent of Europe, and it will be time enough—having regard to the standard of living of their people, their accumulated wealth, their exports, their shipping—when we are convinced that their standards are so much higher than ours, to accept their systems as better than our own.

Balance of Trade.

I shall be asked, "Yes, but what about the balance of trade?" It is a fact that there is an adverse balance of trade. It cannot be ignored. There is a strain upon sterling due to that adverse balance, but as the Chancellor of the Exchequer said to-day, the whole question is exceedingly complex. For my own part, I regret that the Government did not invite the considered opinions of leading men in our finance and commerce, and our economists, in order to advise upon this question. It would have been better to have had a thoroughly scientific and expert inquiry in so complex a matter. In the strain on the pound, the adverse balance of trade is a factor, but not the predominant factor. The whole effect of these duties that are proposed to-day may possibly, when they are in full working order, affect our trade balance to the extent of £1,000,000 a week, but there are movements of capital of £1,000,000 every day, in and out, and the effect upon sterling of all these trade questions is quite swamped by the movements in and out from one source or another, of capital.

It may be asked what, if nothing were done by the Government to restrict our imports to the extent of possibly £50,000,000 a year, would be the result financially? The result would be, as I am advised, a further reduction of lending abroad. The Chancellor of the Exchequer said that we had a favourable balance of £100,000,000 two years ago. It was lent abroad. This past year there was an unfavourable balance of £100,000,000, or whatever it

may be. That means that what we lent two years ago will have been withdrawn. There would also be a contraction in the amount of what is called fluid money in foreign bills; and foreign balances would be reduced. All these would be disadvantageous undoubtedly, but not disastrous. There is nothing catastrophic about them, like the situation in which we found ourselves last summer, with capital withdrawals to the extent of millions of pounds a day flowing out of the country. That was disastrous, and had to be dealt with as a matter of extreme urgency. The problem with which we are dealing now is comparatively minor. It is not denied that the effect of its continuance would be deleterious, but I do deny that it would be likely to have any catastrophic effect upon the value of sterling. Meanwhile, the effect of the depreciation of sterling is gradually showing itself in the direction of stimulating exports in some degree, and of prohibiting imports. The Chancellor of the Exchequer said that the advantage of that was being gradually whittled away, as other countries went off the Gold Standard. It will be remembered that our chief industrial competitors are still on the Gold Standard—France, Germany, Belgium, Italy, Czechoslovakia, and the United States. Those are the countries with which we have chiefly to compete.

It is incumbent upon me before I resume my seat to suggest to the Committee the general lines—and they can only be general—of a policy alternative to that which is proposed by the Chancellor of the Exchequer. If I were making merely a debating speech, I should limit myself to criticism, and not expose what would no doubt be a wider surface to possible hostile attack, but I should be doing less than my duty if I did not make to this Committee the suggestions which I ventured to lay before the Cabinet.

An Alternative Policy.*

It is quite obvious, indeed it is a truism, that nothing can take the place of industrial recovery, that no expedients can be a substitute for the efficiency of our industries. That is a truism, but a truism is none the less true. I think the Government might do much to stimulate industrial recovery, not by beginning at the tariff end and saying, "Here is a tariff which you industrialists may have, what are you going to do in exchange for it?" but proceeding from the other end. I would have a Commission, not a Tariff Commission, but an Industrial Commission, and I would invite indus-

* It will be understood that the important constructive proposals outlined on pages 15 to 17 have not been considered by the National Liberal Federation or by Liberals generally in the constituencies. They appear here as parts of Sir Herbert Samuel's speech, and carry the weight of his personal backing.—*Editor, L.P.D.*

tries to prepare schemes—[*Interruption.*] Hon. Members do not seem to be aware that many industries have been engaged upon this task—for their own reorganisation and rationalisation and for obtaining such new capital as may be required.

Meantime, while those Measures were being put into effect, if they can prove to the Government that for a limited period they need some measure of security I, for my part, should be prepared to consider measures for giving that security; but it would be subject to these four conditions. First, that prices should not be raised above world prices; secondly, that any protection that they might require, whether by licences or quotas, or in any other way, should be for a short period of years; thirdly, that these proposals should be subject to the examination of an advisory commission which would consist largely of representatives of consumers; and, fourthly, that each proposal should have specific Parliamentary sanction. This policy has been adopted by this House in the case of one great industry, the dyestuffs industry. In the debates a year ago I, for my part, opposed the renewal of the Dyestuffs Act on the ground that after 10 years it had done its work, and that the industry ought to be able to run on without such assistance; but that Dyestuffs Act was initiated by a Government of which I had the honour to be a Member. It was endorsed by the authority of Mr. Asquith. When I spoke in the House of Commons a year ago on its renewal I ventured to pay tribute to the work that had been done by those who had built up this great new industry, which had conferred advantages upon the nation and had created a new export trade, and I expressed the opinion that that Act had been justified by its results. But that Act was accompanied by all the four conditions that I have mentioned. In the first place, prices were not to be, for any length of time, above world prices; secondly, there was a definite period of years within which the industry was to establish itself; thirdly, there was attached to the mechanism of the Act an advisory committee, representing the cotton trade and other trades which are users of dyestuffs; and, fourthly, the measure was subject to definite Parliamentary sanction. I do not believe the dyestuffs industry is the only one to which measures of that kind should be applicable, and for my own part I would very gladly concur in a close examination of this aspect of the whole question with a view to promoting, industry by industry, definite industrial recovery which would do much to increase our export trade, to add to employment, and to improve our trade balance.

Secondly, with regard to agriculture: the Government have developed an agricultural policy, which will be laid before the House very shortly, and I cannot forestall what may be said by the Minister of Agriculture; but it is clear that that policy will

depend partly upon this 10 per cent. tariff. That, in my view, is futile from the point of view of farmers, and has often been so declared by them, although they would accept it as better than nothing. It is to that extent a bounty upon inaction. Partly, the Government policy will consist of the wheat quota, already announced to the House; but besides that it will be found to contain some bold proposals dealing with some of the chief branches of agriculture, and proceeding on lines which have nothing to do with tariffs, calculated to enlarge the productivity of our soil and thereby to strengthen our balance of trade. For my own part, I am whole-heartedly in agreement with that part of the Government programme, and consider that no more important task could be performed by any National Government than to endeavour, by such positive constructive measures, to restore the prosperity of agriculture. Similarly with regard to fisheries: there has been a recent inquiry, the report of which will shortly be published which, again, will propose a great number of practical measures—to which tariffs are only incidental in one case, and might be unnecessary—which will assist the fishing industry.

Next, since I am sketching out an alternative policy which might commend itself to the Committee, I would remind the Committee that the Abnormal Importations Act will lapse in May. It is not possible for any of us to contemplate its sudden and complete cessation, and further temporary legislation—temporary, for a short period—may be required until we see more clearly how the balance of trade position develops; but the purpose of such a measure would not be taxation, would not be Protection, but would be definitely the exclusion of articles that could be dispensed with on the grounds of balance of trade. Then there is the whole side of our policy which deals with exports, and first Imperial economic co-operation and development. For my own part, I view with misgiving this policy of commercial treaties, with possibly different levels of duties on the commodities of different Dominions according to whether they do or do not accord us preferential access to their markets—different duties on similar commodities coming from Canada or coming from South Africa, from New Zealand or from Ireland, from the Crown Colonies or from India. There is scope for a very large policy of Imperial co-operation and development, for common action particularly between similar industries in the United Kingdom and in the different Dominions, which could co-operate in ways that have been envisaged by the late Lord Melchett, by Sir Robert Hadfield and many others. There are many minds which are thinking along those lines, and a great Imperial policy of that kind could be devised.

With regard to foreign countries, there is a movement in Europe such as there never has been before, sprung from a bitter

experience of the results of the hindering of international trade—a definite movement towards lower tariffs. [HON. MEMBERS: “ Since when? ”] Within the last few months. [HON. MEMBERS: “ Why? ”] There are what are called “ the Oslo countries,” the three Scandinavian countries and Belgium and Holland, which some months ago met at Oslo and made a convention among themselves to hinder any further increase of tariffs. There have been approaches from Germany, and among other Central European countries there is a movement towards reduction of customs duties. Even the House of Representatives of the United States have passed a Bill, though I do not know whether they will proceed to action, declaring the advisability of a reduction of tariffs. I would like to see the present British Government definitely taking a lead in this movement, and if it were found, as it might be found, that a considerable part of the world is now ripe for a movement for tariff reductions I should be not indisposed to consider some combination of those countries with a view to bringing such economic pressure to bear upon the other countries as the necessities of the case may require.

Lastly, the possible expansion of our exports is limited, obviously, by the purchasing capacity of the overseas markets. Here any policy must link up with the large general questions on which the Government are engaged relating to Reparations, War Debts, Disarmament, and particular questions such as the value of silver in China, a political settlement in India—large questions which must, of course, be dealt with on their own merits, but which have an effect upon the trade situation which, though indirect, is profound and far more important in the long run than any of the other Measures that can be proposed.

Here is a large policy, rejecting all-round tariffs, rejecting the proposal of an advisory committee with its vast powers; a policy approaching industrial recovery not from the tariff end, but from the reconstruction end; a policy such as many of us believe would help to relieve the maladies of a sick world, which by common admission are largely due to the spread and growth of tariff barriers hampering the commerce of nations, each country seeking simultaneously to expand its exports and restrict its imports, everyone trying to sell and no one willing to buy. The essence of this alternative is that the policy should be constructive and not restrictive; not imposing hardships on any section of the population, but doing that which is calculated powerfully to strengthen the economic foundations of the nation.