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‘Industrial safeguarding in Britain, 1925-8: The determinants of protection’

The rise of tariff protection was a leading feature of the interwar economy. Eichengreen and Irwin (2010) explained the slide to protectionism among countries during the Great Depression, arguing that those countries that remained on the gold standard and lacked recourse to independent monetary policy resorted more to protectionism. Yet, even before the vicissitudes of the Great Depression, Britain’s own slide to protectionism was already underway. Throughout the late 1920s, there was a piecemeal extension of protection to various manufacturing industries to the extent that, by 1930, one-tenth of British manufacturing occurred in a protected industry (Varian 2019).

In 1925, Britain’s extension of protection to manufacturing industries was systematized. In that year, a government White Paper enumerated several criteria that a manufacturing industry must satisfy in order for it to receive protection in the form of safeguarding duties. Among other criteria, the industry had to be of ‘substantial importance’ and compete against ‘abnormal quantities’ of imports. In order to obtain safeguarding duties, an industry must first submit an application to the Board of Trade. If a *prima facie* case existed, then a committee would be convened by the Board of Trade. The committee would conduct an enquiry and conclude whether the industry satisfied the criteria and, if so, would recommend an import duty ‘reasonably sufficient to countervail the unfair competition’.

Using a probit model, this paper identifies the determinants of those industries that were successful in securing safeguarding duties through the abovementioned procedure. For the purpose of the model, the 1,003 manufactured commodity imports reported in Britain’s trade statistics for 1924 have been matched to 84 industries separately reported in the *Third Census of Production* (1924). The 1,003 imports are further disaggregated bilaterally, thus permitting the calculation of the shares of various industrial countries in the imports corresponding to each of the industries. After controlling for a variety of economic characteristics, there remains a statistically significant anti-German bias in the extension of safeguarding protection. A 1% increase in the share of imports coming from Germany increases the probability that the industry would receive protection by 0.3%. Although Germany accounted for only 11% of Britain’s manufactured imports in 1924, Germany typically accounted for more than one-third of the imports corresponding to those industries that were successful in securing protection. As well, this paper identifies several other determinants of protectionism, such as the level of labour productivity.

Economic historians have long viewed the safeguarding duties of the late 1920s as an experimental trade policy: a ‘laboratory of safeguarding’ (Marrison 1996). This paper argues that the extension of safeguarding duties was not so haphazard. There was indeed a pattern, with Britain’s slide to protectionism beginning with low productivity industries confronting imports disproportionately from Germany.