

IMPERIAL PREFERENCE [ToC](#)

II

HOUSE OF COMMONS, *July 15, 1907*

Mr. Lyttelton had moved the following vote of censure:

"That this House regrets that his Majesty's Government have declined the invitation unanimously preferred by the Prime Ministers of the self-governing Colonies, to consider favourably any form of Colonial Preference or any measures for closer commercial union of the Empire on a preferential basis." (Mr. Lyttelton.)

This was met on behalf of the Government by the following Amendment:

"To leave out all after the word 'that' and add the words 'In the opinion of this House, the permanent unity of the British Empire will not be secured through a system of preferential duties based upon the protective taxation of food.'" (Mr. Soares)

The vote of censure was rejected, and the Amendment carried by 404 to 111.

A vote of censure is a very serious thing. When it is moved with great formality on behalf of the official Opposition, it is intended always to raise a plain and [107]decisive issue. I must, however, observe that of all the votes of censure which have been proposed in recent times in this House, the one we are now discussing is surely the most curious. The last Government was broken up three years ago on this very question of Imperial preference. After the Government had been broken up, a continuous debate proceeded in the country for two years and a half, and it was terminated by the general election. This Parliament is the result of that election, and there is not a single gentleman on this Ministerial Bench who is not pledged, in the most specific terms, not to grant a preferential tariff to the Colonies. Now, because we have kept that promise, because we are opposed to preferential tariffs, because we have declined to grant preferential tariffs, and because we have done what all along we declared we were going to do, and were returned to do, we are made the object of this vote of censure.

It may be said, "We do not blame you for keeping your promise, but for making the pledge." But what did the Leader of the Opposition promise? He promised most emphatically before the election that if he were in power as Prime Minister when [108]this Colonial Conference took place, he would not grant preference to the Colonies. On many occasions the right hon. gentleman said that not one, but two elections would be necessary before he would be entitled to take that tremendous step. I have the right hon. gentleman's words here. Speaking at Manchester in January 1905, the right hon. gentleman said: "If that scheme were carried out, I do not see that we

could be called on to decide the colonial aspect of this question until not only one, but two elections have passed." Yet the right hon. gentleman is prepared, I presume, to join in a vote of censure on his Majesty's Government for not granting that preference which he himself was prohibited from granting by the most precise and particular engagement.

Is it a vote of censure on the Government at all? Is it not really a vote of censure on the general election? Is it not a cry of petulant vexation at the natural, ordinary, long-expected sequence of events?

The right hon. gentleman^[4] who moved the Resolution made a very mild and conciliatory speech. But he confined himself to ^[109]generalities. He avoided anything like a statement of concrete proposals which he thinks the Government ought to adopt. Those who take part in this controversy nowadays avoid any statement of the concrete proposals that would follow if their view were adopted. We are told what a splendid thing preference is, what noble results it would achieve, what inexpressible happiness and joy it would bring to all parts of the Empire and to all parts of the earth, what wealth would be created, how the Exchequer would gain, and how the food of the people would cheapen in price. But, though the Government is blamed for not acting on these suggestions, we are never told what is the schedule of taxes which it is proposed to introduce to give effect to these splendid and glittering aspirations.

It is perfectly impossible to discuss colonial preference apart from the schedule of duties on which it is to be based. It is idle to attempt to discuss it without a definite proposal as to the subjects of taxation and as to the degree to which those different subjects are to be taxed. And the right hon. gentleman the Member for West Birmingham, when he dealt with this question, felt that in common fairness ^[110]he must be precise and definite. We know what he proposed in the way of taxation on corn, meat, fruit, and dairy produce. What we want to know is this. Is that tariff before us now? Do the Opposition stand by the right hon. Member for West Birmingham, or do they abandon him? That is what the House and the Government want to know—and that is what the Colonies want to know. It is indispensable to the discussion of this question that there should be a clear statement from the Leader of the Opposition whether or not we are to regard the Glasgow preferential tariff of the right hon. Member for West Birmingham as still current as a practical policy.

Then the House has been told that the Government might have given a preference on dutiable articles. Such a preference would introduce into our fiscal system an entirely new, and, as the Government think, the wholly vicious feature of discriminating between one class of producers and another. The whole basis of our financial and fiscal policy is, that it draws no distinction whatever between different classes of producers, whether they reside here or abroad, whether they live in foreign countries or in our ^[111]Colonies. I am quite prepared to state that proposition in its simplest form. That is the fundamental principle of our fiscal system, and there is no discrimination. We

have but one measure to give to those who trade with us—the just measure of equality, and there can be no better measure than that.

We are charged with pedantry in dealing with the Colonial Conference, through not making some concession upon existing dutiable articles. The Colonial representatives, when they asked for a preference on wine and tobacco, did not ask for it because it was of value to them by itself. They knew well that the operation of such a preference must be unfair and unequal. They knew well that Canada, which has the most solid claims upon us for a preferential recognition, would receive no benefit from such a preference. But the Colonial representatives of South Africa asked for a preference on wine and tobacco in order that, as they avowed with candour, we should "concede the principle." That is a perfectly proper proceeding on their part; it is the natural way of advancing the views which they hold, because it would lead up to the larger principle and the larger policy.

[112]But the Government are opposed in this case to "the larger policy." The Government sit now on these Benches because they are opposed to it as a Government and as a Party. It is one of the fundamental conditions of our existence that we are opposed to such a policy. How, then, by any process of argument, can the Government be censured for not making an exception which must inevitably have led to and would avowedly have been used for the breaking of the great rule to which they have committed themselves?

It is a dangerous thing in this controversy, with the ugly rush of vested interests always lying in the wake of the Protectionist movement to be considered, to make even verbal concessions. Some time ago I made a speech in which I said that there was no objection to the extension of inter-colonial preference. By this I meant the reduction of duties between Colonies which have already a discriminating tariff; and it seemed to me in such a case that there is a net reduction of duty to the good. I do not see any objection to that, because under the most-favoured-nation principle we gain any advantage which is gained by either party to the transaction. In any case, the [113]sums involved in inter-colonial preference at the present time are extremely small, and, however that might be, the matter is one which is wholly outside our control, because we have no authority over the Colonies in this respect, and we may just as well look pleasant about it and accord a sympathetic attitude to such a process.

Yes; but let those who reproach us with pedantry and with not showing a sympathetic desire to meet the Colonies listen to this: When such a statement is made by a Minister, is it accepted as a desire on the part of the Government to extend sympathetic treatment to the Colonies? Not at all. It is taken as an admission, and used for the purpose of trying to pretend that the Government have abandoned the principle of their opposition to the larger question of Imperial preference. If, although we think them unsatisfactory, we were, out of complaisance, to accord the small preferences suggested upon dutiable articles, we should be told in a minute that we had given up every logical foothold

against preference, and that nothing prevented us imposing a tax on bread and meat except our inability to follow the drift of our own arguments.

[114]I have referred to preference, but there is another proposal. The right hon. gentleman the Member for St. George's, Hanover Square, put forward a proposal earlier in the year, and it was renewed in a slightly different form by Mr. Deakin[5] at the Conference. The proposal was to impose a 1 per cent. *ad valorem* surtax on all foreign merchandise coming into the ports of the British Empire. That is the proposal which has been put forward as the least objectionable form of the preferential proposals, and it has been said of it that it was the least objectionable because it gave no loophole for the corruption which may spring up in the wake of the other proposals.

Let me ask the House to examine this proposal for a moment. Has any serious, civilised Government—I ask for information—ever been to the pains and trouble of erecting round their coasts a tariff, with all its complications, with the need of exacting certificates of origin on every class of goods, with the need of demanding strict assessment of all commodities brought to their shores—has any nation ever erected the vast and complicated network which would be [115]involved in such a duty, simply for the paltry purpose of imposing a duty of 1 per cent.? I say there is no argument and no reason for such a course, and the only argument which could justify it is the argument used by Dr. Smartt at the Colonial Conference when he said (page 514 of the Blue Book), "The foreigner pays, and we do not." Mr. Deakin felt the force of the objection which would be entertained in this country to introducing such a tariff as the right hon. gentleman has proposed, simply for fiscal purposes, and he proceeded to say that Great Britain, if she was a party to such a bargain, should be permitted to raise the money in her own way, and to contribute her proportion to the common fund. That was a great concession to the self-government of the Mother Country.

There is no doubt a great difference between subventions and preferences. A subvention may be raised by a perfectly orthodox fiscal process. No more money is taken from the taxpayer than is required. The whole yield of the tax by which the subvention may be raised certainly goes to the Exchequer, and when the subvention is paid to the foreign or Colonial Government, [116]it does not go, as a preference would go, to benefit particular interests in the Colony, but it goes to the Government of the Colony for the general purposes of State, and not for private advantage on either side. Therefore it seems to me that the method of subvention is on all grounds to be preferred to the method of preference.

It is of course necessary, however, in examining a question of subvention to look at it on its merits. This proposal of 1 per cent. put forward by Mr. Deakin carried the support of the official spokesman of the Opposition. Let us look at it on its merits. Look first at the proportions on which this new fund was to be subscribed. Canada was "to dedicate"—that was the expression used by Mr. Deakin—£400,000, New Zealand £20,000, Newfoundland £6,000, Cape Colony £40,000, Natal £26,000, Great Britain

£4,500,000, and Australia—the proposing body—what was she to "dedicate" to this fund? No more than £100,000 a year, or one forty-fifth part of the contribution which was to be made by this country. And for what object was this fund to be accumulated? It is hard enough for the Chancellor of the Exchequer to raise the money to carry on so great an ^[117]establishment as this country is forced necessarily to maintain. But here is a proposal to raise no less than £4,500,000 of extra taxation. For what objects? For objects not specified, for objects not yet discovered, for objects which could not be stated by those who made the proposal. The right hon. gentleman said that there was to be a meeting of the representatives of the different Colonies in the different great cities of the Empire—one different great city each year for seven years, excluding London, where there was to be no meeting, and they were to search for a method of spending this money. Such plans have only to be stated to fall to pieces.

The House will see that the real essential fallacy of the protectionist proposal is the idea that taxation is a good thing in itself, that it should be imposed for the fun of the thing, and then, having done it for amusement, we should go round afterwards and look for attractive methods of expenditure in order to give support to the project. These are the actual proposals made to us at the Colonial Conference. These are the sort of proposals in respect of which we are, forsooth, to be censured because we have not found it possible in the name of the ^[118]Government of this country to give our assent to them.

I will submit a proposition to the House as a broad, general rule. I daresay the Leader of the Opposition may rake up some ingenious, hard case in conflict with it; but as a broad, general rule I believe it will be found true to say that there is no power in a Government to impose indirect taxation outside the limits of its territorial sovereignty. Although I am quite ready to admit that, by sudden and unexpected alterations of the tariff, temporary advantage might be gained, and some share of the wealth of other people and other countries might be netted for this or that set of traders within your own border, in the long run the whole yield of any tax, export or import, will come home to the people of that country by whom it is imposed. It will come home plus the whole cost of collecting the tax, and plus, further, the inconvenience and burden of the network of taxation which is needed. It will come home to them, if they be consumers, in the quantity, quality, or price of the articles they consume, and, if exporters, in the profit, convenience, or reserve power of the business which they conduct.

^[119]There is no parity between the sacrifices demanded of the Mother Country and the proposals of preference made by the various Colonies. To them it is merely a fresh application of their existing fiscal system. To us it is a fiscal revolution. To them it is a mere rewriting of their schedules to give an increased measure of protection to their home producers. To us it is a tax on food, and, as I assert again and again, upon raw material, and thus upon all the industries of these islands. If the Conference has established one thing clearly it is this, that none of the great self-governing Colonies of

the British Empire are prepared to give us effective access to their own markets in competition with their home producers. That was established with absolute clearness; and even if they were prepared to give us effective access to their home markets, I submit to the House that, having regard to the great preponderance of our foreign trade as against our Colonial trade, it would not be worth our while to purchase the concession which they would then offer at the cost of disturbing and dislocating the whole area of our trade. Therefore, we propose to adhere, and are prepared if necessary to be censured for [120]adhering to our general financial system, which is governed by the rule that there should be no taxation except for revenue, and based on the commercial principle of the equal treatment of all nations, and the most-favoured-nation treatment from those nations in return.

Important as are the economical arguments against a preferential policy, they are in my opinion less grave than the political disadvantages. On other occasions I have addressed the House on the grave danger and detriment to the working of our Colonial system which must follow the intermingling of the affairs of the British Empire in the party politics and financial politics of this country. To establish a preferential system with the Colonies involving differential duties upon food is to make the bond of Imperial unity dependent year after year upon the weather and the crops.

And there is even a more unstable foundation for Imperial unity. Does it never occur to right hon. gentlemen opposite that this solution which they offer of the problem of Imperial unity places the Empire not on a national, but on a purely party basis, and upon a basis repudiated by at least half the nation? Some day it may be that they will [121]return triumphant from a general election. As party politicians they may rejoice, yet I think a wise statesman would try to win for the British Empire, our Colonial relations, the same sort of position, high above the struggle of Parties, which is now so happily occupied by the Crown and the Courts of Justice, which in less degree, though in an increasing degree, is coming to be occupied by the fighting Services. Whatever advantages from a Party point of view, or from the point of view of gratifying Colonial opinion, may be gained by food preferences, they would be very small compared with the enormous boon of keeping the field of Colonial politics separate from the social and economic issues on which Parties in this country are so fiercely divided.

It is possible to take a still wider view of this question. If I quote the right hon. gentleman the Member for West Birmingham, let me assure the House that I do not do so for the purpose of making any petty charge of inconsistency, but because the words which I am going to read are wise and true words, and stand the test of time. When the right hon. gentleman spoke at Manchester in 1897, not in the distant days [122]before the great Home Rule split, but when he was already a Minister in the Unionist Government, and had been Secretary of State for the Colonies for nearly two years, he used these words, of the highest wisdom: "Anything in the direction of an Imperial Commercial League would weaken the Empire internally and excite the permanent hostility of the

whole world. It would check the free imports of the food of the people. It is impracticable; but if it were practicable, and done in the name of the Empire, it would make the Empire odious to the working people, it would combine the whole world against us, and it would be a cause of irritation and menace. Our free commerce makes for the peace of the world."

Let us then seek to impress year after year upon the British Empire an inclusive and not an exclusive character. We who sit on this side of the House, who look forward to larger brotherhoods and more exact standards of social justice, value and cherish the British Empire because it represents more than any other similar organisation has ever represented, the peaceful co-operation of all sorts of men in all sorts of countries, and because we think it is, in [123]that respect at least, a model of what we hope the whole world will some day become. The House has to-night a considerable and important opportunity. If in rejecting this vote of censure, which is so ill-conceived and so little deserved, we choose to adopt the Amendment, we shall have written upon the records of Parliament a profound political truth, which will not, I think, soon be challenged, and which, I believe, will never be overthrown.

FOOTNOTES:

[4]Mr Lyttelton.

[5]Prime Minister of the Australian Commonwealth.