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COMPLACENT OR COMPETITIVE? BRITISH EXPORTERS AND THE DRIFT TO EMPIRE

by

Gary B. Magee
&
Andrew S. Thompson

Department of Economics
The University of Melbourne
Melbourne Victoria 3010
Australia.

Complacent or Competitive?

British Exporters and the Drift to Empire

Dr Gary B. Magee

University of Melbourne

Email: g.magee@unimelb.edu.au

Dr Andrew S. Thompson

University of Leeds

Email: hisast@arts-01.novell.leeds.ac.uk

Abstract

The belief that Britain's empire markets were soft is well entrenched in the literature. It is, however, a belief that has been largely untested. Indeed, the literature does not even offer an explicit definition of softness. This paper attempts to fill this gap by discussing the meaning of the term and, then, posing the question whether between 1870 and 1914 Britain's fastest growing markets – Australasia and Canada – can in fact be reasonably labelled soft, as has often been assumed. The paper concludes that the demand for British imports in these markets were driven more by income and price considerations than by colonial sentiment or preference.

Key words: Empire markets, soft markets, British exports, imperial sentiments

Recent interpretations of Britain's 'imperial experience' suggest that the British empire faithfully reflected the plurality of British society, and that its appeal lay largely in the fact that it was able to advance a wide diversity of agendas and aspirations.[1] For later-Victorian and Edwardian entrepreneurs, struggling to rise to the technological challenges of the 'second' industrial revolution, the empire is thought to have held a particular attraction. Reliance on less exacting, safer and in some cases protected markets in the colonies supposedly allowed British industry to maintain good growth rates and to continue to trade internationally at a time when the domestic market was open to all comers and foreign markets were being closed off by protective tariffs. In the medium and longer-term, however, this economic escapism, for that is what many historians insist that it was, proved very debilitating for the British economy. Initially a welcome refuge from the pressures of international competition, empire markets were ultimately, we are told, a snare and a delusion. They deprived Britain of the competitive stimulus that would have come from fuller participation in intra-European and American trade, and made both capital and labour lazy and complacent.[2] They encouraged investment in the older staple industries at the expense of technological progress, and were thus partly to blame for Britain falling badly behind in emerging new industries such as electricity and chemicals.[3] They allowed producers to retain existing and antiquated forms of organisation, and to avoid renovation and restructuring.[4] And they were often poorer and slower growing, generating little demand for the high value-added products or capital goods that all successful economies had to manufacture.[5]

This argument that the empire 'feather-bedded' British industry, and was partly responsible for its waning competitiveness, is now something of a received wisdom. Though there are dissenting voices,[6] a much larger number of historians appear to be convinced that colonial markets were 'easy' or 'soft'. Yet there is hardly any hard evidence to show that this was so. On the contrary, the majority of industry and company case studies that address the issue of export performance seem to suggest the opposite – that empire markets were frequently demanding and difficult, and that penetrating them required a good deal of commitment and skill.

Why, then, has the 'soft market' thesis taken such a hold? Arguably it is because it has been drawn into the service of bigger and broader debates. Take, for example, the new scholarship on the 'repatriation' of empire, which explores the domestic impact of overseas expansion across a spectrum of British public life.[7] Here there has been a popular and prevalent view that imperialism was inimical to 'progress' and 'modernisation' – an atavistic force that injected an authoritarian and anti-democratic strain into British politics,[8] perpetuated a hierarchical and deferential conception of British society,[9] and nurtured chauvinistic, racist and misogynist attitudes among the population at large.[10] The economic aspect to this literature has reinforced this view by portraying the empire as a source of weakness rather than strength, financially, in terms of the drain on the nation's resources represented by expenditure on its defence,[11] and industrially, in terms of the claims already set out above.

A further example of the soft market thesis being subsumed within a larger historical controversy is that regarding British decline.[12] In trying to explain why Britain steadily slipped down the league table of great powers during the twentieth century, the imperial factor has often been invoked by historians. As one scholar recently observed, 'when the imperial past is assessed now it is usually used to explain some aspect of decline'.[13] For the 'New Right', there has been a sense that the empire represents an 'old', 'traditional' and 'paternalistic' form of Conservatism, apt to place considerations of status and prestige above the need to be competitive in world (not just colonial) markets.[14] Indeed, for Correlli Barnett the empire was first and foremost a 'psychological crutch' to the British, a 'world power fantasy' which resulted in one of the most remarkable and expensive instances of strategic over-extension in history.[15] Meanwhile, for many Liberals and for some on the Left, who have conceived of modernisation in terms of a broader internationalism, often involving further European integration, there has been a similar tendency to regard the empire as an encumbrance –something which not only threatened the freedom of international trade, but which constituted a danger to the proper functioning of Britain's own market and was a cause of domestic 'underconsumption'. [16]

I

We contend that the 'soft market' thesis, while providing useful ammunition for scholars involved in a variety of historical debates, nonetheless belongs largely to the realm of assumption and speculation. There is, however, a fundamental problem in subjecting it to a more careful and critical examination: its proponents do not precisely define what constitutes 'softness'. Indeed, this is not even a concept with which trade theorists are familiar, and hence there is no specialist knowledge to which one can turn for guidance.[17] Nevertheless, on the basis of what has been written, the following characteristics can be inferred: little or no need to adjust products to local tastes; guaranteed and predictable levels of demand;[18] a low level of competition; and a natural consumer preference for British goods. The key question, then, is how many of Britain's empire markets before the First World War actually conformed to these characteristics and, *ipso facto*, afforded Britain a decisive advantage not available to its competitors.

This paper begins the process of addressing this issue by considering the case of the self-governing dominions. Its focus on the dominions is motivated by the fact that their markets were the fastest growing and arguably most important in the empire between 1870 and 1914. Thus, between 1909 and 1913 on average around a half of all British exports to the empire ended up in the dominions, a share that was to continue to grow in the inter-war years. As such, they represent the most likely 'bolt-hole', as Cain and Hopkins have put it, for British industries fleeing foreign competition.[19] However, our emphasis on the dominions does not mean that we regard the dependencies as economically unimportant to Britain. They, too, may have been soft markets for British producers; the crucial point, though, is that in terms of trade volumes, the markets of the dependencies, with the exception of India, were much smaller – and hence potentially less of a 'bolt-hole' – than those of the dominions. [20]

To return to the four characteristics of 'softness' identified above. Let us consider each in turn. Selling the same manufactured product to an array of culturally and economically differentiated societies was likely to require considerable thought and effort. Markets in the colonies needed to be opened up, the idiosyncrasies of local tastes identified,[21] and the effects of constantly changing local industrial capabilities appraised – none of which could be done in a routine nonchalant manner.[22] For example, British beer exports to Australia in the last quarter of the nineteenth century depended on the ability of individual exporters to adapt to changed circumstances.

Two problems in particular challenged British breweries in this period. The first related to distance and the difficulty in getting the beer to the colonies without adversely impairing its quality, a particularly important consideration as German, American and local competition began to make itself felt. The second problem concerned tastes. The Australian consumer of the 1890s and beyond expressed a preference for fashionable continental-style lager, turning away from traditional British ales and stouts, which were increasingly regarded by Australians as too alcoholic, flat and full of sediment. To maintain their customers, therefore, export-orientated British brewers had no option but to adapt. New beers and labelling which specifically targeted the Australian market had to be developed. In order to ensure quality, the bottling of export beer was pioneered. By the turn of the century, James Aitken and Co.'s Falkirk Brewery could, thus, boast of a bottling shed some 450 by 65 feet in size, which packaged products primarily for its export markets. Of course, not all brewers were up to the challenge and only innovative firms such as Tennant, McEwan and George Younger proved able to retain their colonial markets.[23] As Gourvish and Wilson point out, the simple fact was that "selling beer in Middlesborough or Bournemouth was a far easier exercise than … in Buenos Aires, or … in America … or in Australia in the mid-1890s."[24] The same applied in other industries. The paper and board manufacturers Davidsons of Mugiemoss were only able to secure substantial dominion business by taking active and initially expensive steps to establish networks and appreciate consumer tastes. Extensive business trips by leading members of the firm to Quebec, Melbourne and Geelong throughout the 1860s and 1870s proved instrumental in its successful attempt to tap the colonial market.[25]

Where such efforts were not forthcoming, 'soft' colonial markets were unlikely to be rewarding.[26] Despite the predominance of people of British stock in Australasia and South Africa, the tweeds of the Scottish fancy woollen industry failed to establish a major export market there, even though there were numerous speculative attempts to do so. The industry's fundamental problem emanated from the fact that consumers in the hot colonies of the southern hemisphere naturally preferred garments made of lighter worsted to those made of solid tweeds. Scottish manufacturers, aware of this preference, were seemingly not prepared to make a product better suited to these conditions as they felt that the development of such goods would damage the industry's reputation for quality. Exports markets never materialised as expected.[27]

Nor could empire markets be considered especially predictable. Most colonial economies were geared (in some cases almost exclusively so) towards primary production and were by nature highly dependent on volatile commodity prices and climatic conditions. Any significant fall in commodity prices inevitably signalled a loss of income to the colony, which curtailed its demand for British products. Similarly, harvest failures, such as the five that occurred in the Australian wheat industry between 1897 and 1917, could impact adversely on a colony's ability to export and import British products. This was certainly the experience of the British footwear company, C.& J.Clark. Having opened up the Australian market in the early 1850s, Clark's faced a large cancellation of orders during the slump of 1858. By the 1880s all was again well in the Australian market, only for sales to undergo another sudden and catastrophic fall during the trade depression of the following decade.[28] Similarly, Leeds' clothing manufacturers found their major markets in the dominions, especially South Africa, both risky and volatile. Exports to South Africa, disrupted by the Boer War, surged dramatically towards the end of 1902, only to subside again two years as demand fell and competition intensified.[29] Far from being predictable, therefore, the demand for British exports from dominion markets tended to be variable; indeed, it was sometimes subject to severe fluctuations.[30]

Moreover, in most of these markets Britain was given no unique access or 'unfair' advantage to exploit, but rather had to compete at going international market prices like everyone else.[31] Foreign competition, primarily from America[32] and Germany, was acute in the expanding markets of the dominions and was not markedly abated by tariff preferences for British goods.[33] In the last quarter of the nineteenth century, British exports of beer, agricultural machinery, cutlery, axes, saws and other types of tools to the Australian colonies, far from being sheltered from international competition, came under intense and effective pressure from American producers.[34] In other traditional industries, British export markets in Australia also came under mounting pressure from American and German competition. Between 1886 and 1906, the non-British share of the Australian textile market rose from 4.6 to 18.1 per cent. However, as official commentators of the time observed, the greatest advance by Germany and the United States in this period was made in the manufactures of metals, with Britain's share of the trade falling precipitously from 88.9 to 64.9 per cent.[35] By 1906, with some 17.4 per cent of the market, the American exporter had well and truly established himself as serious rival to the British for the Australia trade. Similarly, while trying to take advantage of the 'cycle craze' that swept Australia in the 1890s, the founder of the Raleigh bicycle company, Frank Bowden, reported intense competition from US manufacturers. The American cycle industry posed such a threat because it was geared toward the manufacture of lower-quality products that undercut British prices. Nonetheless, though initially complacent at the prospect of American competition, it was not long before British producers had narrowed the price differential and recovered their earlier lead – testimony to their ability to adapt production and selling techniques to the demands of a different kind of consumer.[36] In New Zealand, American competition was likewise keenly felt in certain branches of trade, almost halving the British share of the market in the boot and shoe industry before 1900.[37] In South Africa, forty-five per cent of all electrical machinery imported between 1908 and 1911, when most of the power plants on the Rand were established, originated in Germany, while the growing competition faced by the Glasgow locomotive industry in the Cape market from American and German producers forced Scottish firms to amalgamate, rationalize production and design, and modernize plant in order to survive.[38] In its cherished Canadian market, the British glass maker Pilkington, far from having a natural advantage as a result of a preference for British products, actually suffered from a big disadvantage, viz. the much shorter delivery times of sheet and plate glass from American manufacturers. Penetrating the Canadian market thus involved a major commitment. Commission agents and individual shipments from Britain having proved to be insufficient, a chain of warehouses had to be opened up across the whole of the dominion – Montreal (1892), Toronto (1893), Vancouver (1903), Winnipeg (1906), and Calgary (1912). The volume of Pilkington glass sold in Canada rose impressively as a result, but at the price of tying up of a large amount of the company's capital in the dominion.[39]

The examples thus far suggest that for many British companies, empire markets prior to the First World War were simply not soft touches. Value for money mattered as much to colonial as it did to metropolitan consumers. In fact, if the empire was in any sense an ‘escape’ from competition for British manufacturers in the pre-war period, the evidence that we have gathered suggests that it was competition from other domestic and foreign producers in the home market which was most frequently at issue.[40] Despite this, patriotic sentiment is widely believed to have played an important part in the development of British imperial trade. Many contemporaries were apt to extol the advantages of empire markets. The ‘constructive imperialists’ who supported Joseph Chamberlain’s tariff reform campaign repeatedly claimed that these were the most ‘natural’ markets for British industry, ‘colonials’ being so much better customers for Britain in terms of trade per head.[41] In 1914, the Dominions Royal Commission went a step further to argue that in all of the dominions ‘a clear and distinct preference on grounds of sentiment and patriotism’ was integral to the success of British exporters there.[42] Historians have all too readily accepted this view. D. C. M. Platt, for example, spoke of the familiarity with British products that this sentiment engendered as nothing less than a ‘birthright of British manufacturers’, a birthright whose importance in explaining the pattern of trade should not be ‘underestimated’.[43] Yet how can one know for sure that a consumer opted for the British product primarily because of a fondness for the ‘mother country’ rather than some other factor? The repeated failure of ostensibly popular campaigns to support local products around the world suggests that words alone cannot be relied upon.

While not denying that demographic links, a shared language and common cultural attitudes may occasionally have worked to the advantage of British producers in dominion markets,[44] the case study material that we have gathered points to three alternative scenarios. The first (and most obvious) is that sentiment counted for very little if the product being sold was not competitive.[45] Take the case of the Johannesburg gold-mining industry. There were very strong links between the Rand and the UK owing to the number of British, and in particular Cornish, miners employed there. Not surprisingly, Cornish mining engineering companies did their best to exploit the South African market. Yet imperial sentiment, operating through kinship networks and a heightened sense of regional belonging, would appear to have been of secondary importance. In the manufacturing of rock drills, for example, Cornish firms faced keen competition from the American company, Ingersoll Rand. The main reason, therefore, that Holman Brothers Ltd was able to expand its sales from one thousand rock drills in 1896 to two thousand by 1899 was not because the company’s representatives were able to prevail on Cornish mine supervisors to purchase patriotically, but because Holmans had an outstanding product. By 1907 Holmans’ rock drill had established no less than four world records, the first in 1904, the second in 1905 and then twice in 1907. The company gained further success and prestige when their Number One Rock Drill won joint first prize in a year-long stope drill competition organised by the Transvaal Government and the Chamber of Mines.[46] Buying from Holmans made good commercial sense.[47] It may also have helped to stimulate the Cornish economy, too, but the key point here is that having a competitive product was necessary to take advantage of any such ‘softness’ arising from kinship networks and regional connections.

A second scenario suggests that pro-British sentiment, rather than lulling producers into a state of complacency and conservatism, could actually work to their advantage by making them more competitive. Put simply, colonial markets could encourage innovation and better products regardless of whether British manufacturers for them faced much international competition. This was certainly true of the railway locomotive industry, which enjoyed a major export market in the empire. Take South Africa, for example. The majority of engineers who supervised railway construction in the dominion had received their training in England and Scotland. Not only were they widely regarded as the best school for railway practice, there were no experienced railwaymen in the Cape and Natal, and the populations of these colonies were not large enough to supply the considerable number of specialists required for their railway works.[48] Not unnaturally, therefore, the South African railways tended to favour the British material with which their engineers were familiar. In the late-nineteenth and early twentieth centuries, several large locomotive firms in Britain benefited from this imperial demand, the South African market being dominated by the North British Group. [49] Nonetheless, superintending British engineers were tough taskmasters: they designed precisely what they wanted, and relayed their views on the shortcomings of existing engines in very frank terms. Thus when the second Fairlie-type engine was landed at East London in the late-1870s it had been substantially modified along the lines suggested by J.D.Tilney, the chief resident engineer of the Cape Government's Eastern section. The Avonside company's new version of the 'Fairlie' gave a good account of itself, and the various adjustments proved effective, the engine now working well around curves on both gradients and declines. It was not to be scrapped until 1903.[50] This type of attention to detail and high quality workmanship distinguished British-made locomotives from American competition in the pre-war period – locomotives were manufactured in the USA to more standardised designs so that they could be mass produced.[51]

The role of culture in creating commercial networks and attenuating costs of international transactions is also evident in the case of the sugar-crushing machinery industry in the West of Scotland. From the early nineteenth century, the manufacture of such machinery grew out of the strong trading ties between Glasgow merchants and Scottish sugar planters in the West Indies. From the 1860s, however, traditional West Indies markets began to decline, and new markets had to be developed in the Far East and Southern Africa. The long experience of West of Scotland machine-makers in West Indian markets was a significant factor in easing the transition. Ties of friendship and kinship resulted in the efficient transmission of ideas on improvement of machinery from the users to the makers, thereby contributing to the creation of that expertise which was a key to the industry's success. As the magazine *Engineering* commented in 1896: 'Probably no colonial industry, not even excepting mining, and certainly none concerned with a food product, has called for so great a weight of machinery as the manufacture of cane sugar; and it is safe to say that no manufacturing centre has provided so large a proportion of that weight of machinery as the commercial capital of Scotland.'[52]

A third and final scenario would acknowledge the presence of a pro-British sentiment in colonial markets, but note that rather than being the passive beneficiaries of such, British exporters had actively to exploit it – arguably this was an act of entrepreneurship in itself.[53] Thus it is known that the matchmakers Bryant & May enjoyed increased sales in colonial markets in the late-nineteenth century. However, this is attributed to clever box designs tailored to these particular markets (Indians favoured tigers, while Australians preferred dryads sitting by brooks, or ships sailing for some distant port) rather than to any impulse on the part of the Indian or Australian consumer to buy British.[54] The same would apply to sales of English cigarettes and Scotch whisky. When W. D. & H. O. Wills launched their assault on empire markets in 1887 they felt it necessary to experiment with two new cigarette brands for the South African smoker, while in Sydney their extensive advertising of existing brands was to culminate in a large poster campaign to coincide with an industrial exhibition in Melbourne.[55] The three leading Scotch whisky blenders (Buchanan, Dewar's and Walkers') were also able to develop major markets in Australia, Canada and South Africa. Again advertisements had to be tailored to individual markets, and firms had to spend generously on product promotion. Moreover, to sell large quantities of whisky in the colonies other measures were required. By the end of the 1880s, John Walker & Sons' newly-introduced 'Old Highland' brand had become the market leader in Australia, yet in order to gain this ascendancy the proprietor of the company, Alexander Walker, had had to send out his son, Jack, in 1888 to reorganise the business thoroughly. Jack Walker was responsible for drastically pruning the office staff, instituting a new system of accounting, and opening a branch office with a network of travellers to solicit orders. Only after a year of back-breaking work did Walkers' becoming the leading brand of whisky in Sydney.[56] Similarly, the main reason for the success of the firm Dewars' in colonial markets was that it did not take them for granted. World sales tours were undertaken by senior family members in 1891-3, 1898, 1902, 1910 and 1914; and these were supplemented by a regular flow of correspondence overseas to keep branch managers and agents on their toes.[57]

II

Ultimately, without an intimate knowledge of the thought processes involved, one is not in a position to measure precisely the direct effect of imperial sentiment on the decision making of colonial consumers. It is likely that its impact varied from industry to industry, and from colony to colony. But this limitation does not preclude further analysis of the problem for, while the process of colonial choice cannot be adequately perceived, its outcomes most certainly can. We can learn much about the characteristics of colonial demand simply by asking whether the patterns of British trade with the dominions in the late nineteenth century were consistent with a preference for British exports. To determine whether this was so, we need to envisage how imperial sentiment would reveal itself in trade statistics. According to standard trade theory, such sentiment implies that, where the goods in question were similar and were sold at the same price, the British product would tend to be consumed more readily by colonial consumers than the comparable products of other nations. This, however, is a rather static description. Recall that, for most proponents of the soft market thesis, it is assumed that, over time, ever larger volumes of British exports were being absorbed by the colonies.[58] Their language is significant here. Though the thesis itself tends to be briefly and indeed imprecisely stated, metaphors such as 'bolt-hole',[59] 'escape',[60] 'shelter',[61] 'retreat'[62] and safe haven[63] are all employed to capture the characteristics of colonial markets. Such metaphors suggest that colonial markets are widely understood to have provided an alternative or substitute to Europe and the USA, replacing or compensating for the trade that was lost there. They were, in short, much more reliable and secure.[64] If all that was at issue here was Britain losing ground to rival importers, but at a less dramatic rate than in markets in Europe, scholars would presumably be more inclined to talk about the colonies 'softening the blow', 'buying time', 'easing the transition', or something of that sort. None of these phrases are to be found in the literature,[65] whereas Britain is criticised for overestimating the capacity of colonial markets to absorb increasing quantities of its manufactured goods.[66] Moreover, the increasing emphasis of British exporters on the empire is taken to be part of their strategy for avoiding or evading competition, not attenuating it, again implying a strong rather than weak version of the soft market thesis.[67] Indeed, if one looks at the long list of problems put down to the targeting of colonial markets – poor service, late delivery, technological conservatism, failure to modernise etc.[68]– it is hard to see how they would have resulted from a situation in which competition, though not at full throttle, was nonetheless present and likely to have been sufficiently strong to prevent a marked degree of complacency from creeping in. An absolute increase in British trade to the dominions is what would seem to be implied, therefore, and, if so, this should be clear from the trade statistics.

An advantage of expressing the soft market thesis in terms of trade flows is that it enables the thesis to be more carefully scrutinised. Specifically, it implies that if any imperial market was truly 'soft', then three conditions about British trade with that market ought to show up in the data. First, the average colonial consumer should have been prepared to spend more over time on British exports. If this were not the case, then any expansion of British exports to the colony could only be achieved through the growth of its population. As non-British producers would be in a position to tap into this demand as well, such expansion could hardly be labelled 'soft'. Second, the proportion of income spent by the average colonial consumer on British goods should have grown or at least remained constant. This follows from the fact that if one is progressively spending less of one's income on British products, then there must be other preferred uses, such as the consumption of local or non-British goods and services, for one's income. Third, the rate at which colonials absorbed British imports should over the entire period be at least as fast as the rate at which they soaked up the products of competitors. It is, after all, hard to see how a market that consumes the products of one's competitors at a faster rate than one's own can be deemed soft. Where this condition is not satisfied, it implies that factors other than a preference for British products, including an even greater local 'softness' for the competitor's good, prevail.

Together these conditions allow a standard to be formed against which some indication of the impact of a pro-British preference can be fairly and meaningfully gauged. If all three of these soft market conditions are met, it is likely that the market in question did indeed exhibit significant 'softness'.[69] Conversely, if one or more of these conditions are not met, there are good grounds for doubting whether the market in question was especially 'soft', at least in the manner that that term is usually used. Put simply, no sustained, unchallenged escape into an empire market would have been possible if consumers in that market were prepared to spend less, both absolutely and as a proportion of their income, on British goods and more on non-British.

It could be argued that softness can be better determined by comparing Britain's export performance in the empire with its record in the markets of Western Europe and America. It is, however, unlikely that such a method would yield as much information as our measures. Specifically, what would such comparisons show? Presumably, they would demonstrate that Britain did poorer in the 'hard' markets of, say, Germany than in the 'soft' markets of the empire. It would, however, not reveal much about the reasons for the difference in that performance. To the extent that it was due to factors such as tariffs or other local barriers to British imports, it would hardly seem fair to blame British firms for this outcome. Indeed, if one is to be consistent, could not such a finding actually be taken to indicate that the German home market was 'soft' for German industry with all of the attendant consequences that that implies? By contrast, what we propose here is an objective test of softness that relates directly to the claims made by proponents of the soft market thesis. This test catches the effects of all of the alleged sources of softness in empire markets: imperial sentiment, tariff preferences, currency arrangements, British investment, linguistic compatibility, and government purchases. Our aim here is not, then, to show that the European and American markets were the same as empire markets – they were not and why should they be? – rather it is to ask whether the dominion markets were noticeably soft or not. The test we provide addresses this question by setting up an objective standard of softness that is not directly dependent on circumstances in other, often substantially different, markets. While it might be of interest to compare aspects of various markets for other reasons, it is not necessary to do so to prove or disprove the existence of softness in any particular market.[70]

III

Did the self-governing dominions, the fastest-growing markets for British exports in the latter half of the nineteenth century, conform to our standard of softness? Tables 1 and 2 show the growth of average income and per capita consumption of British and non-empire exports in the seven Australasian colonies and in Canada during the heyday of Victorian imperialism.[71] Both tables cast significant doubt on the softness of these important colonial markets. Across the entire period, and especially from 1881, the pattern of British exports to these colonies failed all three of the soft market conditions previously proposed. Between 1881 and 1903, per capita expenditure on British exports in Australasia fell steadily at around 1.38 per cent per annum from £7.15.2 to £5.14.3, whereas average income over the same period declined by just 0.49 per cent. Australasian expenditure on British exports, therefore, fell as a proportion of average income. By contrast, the real per capita consumption of exports from outside the British empire, especially the United States, exhibited growth at a rate much faster than the growth of Australasian average income. Much of the same story is found in Canada. While British producers experienced export growth in this market between 1881 and 1903, it was at a per capita rate significantly below both that of the growth of American exports and of Canadian real average income.[72] Two of the three soft market conditions, therefore, were not met.

The only period in which there is any potential for softness at all was in the 1870s, when per capita consumption of British exports in Australasia grew at a rate faster than both non-empire exports and average colonial income. To an extent, the impressive performance of British exports in this period was overstated by the fact that the overall level of importation in Australasia was unusually low in 1871. In part this was due to the slower economic expansion of Australia in the late 1860s and in part due to the implementation of tariffs in the major market of Victoria.[73] The combined effect of these developments was that the per capita consumption of imports in Australasia from all sources was significantly lower in 1871 than in 1861. Hence some of the growth in per capita consumption in the 1870s involved no more than the recovery of ground lost during the previous decade. The alternative, lower, estimates of per capita consumption growth for 1871–1881 and 1871–1903, denoted by superscript (II) in Table 1, gauge the magnitude of this effect. These estimates are calculated by assuming that in 1871 the volume of British exports to Australasia ran at the same level as in 1866, the year prior to the beginning of the slump. Even when such allowances are made, British export performance in Australasia in the 1870s remains comparatively good, both historically and with respect to its competitors. British exporters, stimulated by the introduction of preferential duties in 1897, also did very well in Canada in the first decade of the twentieth century, though, even with these advantages, it is noteworthy that they were still unable to match the per capita growth of American exports to that market.

On the whole, then, Tables 1 and 2 do not provide much succour for the soft market thesis. In no period, in either market, are all three criteria for potential "softness" actually satisfied. But is this merely an aberration created by the imperfection of the statistics? Perhaps the faster per capita growth of non-empire imports was due to the fact that they constituted such a small proportion of all Australasian imports? After all, fast growth is always easier to achieve when starting from a point of low value. Such a depiction is, however, incorrect. In 1871, £2,245,124 of exports from outside the empire arrived at the ports of Australasia, approximately a fifth of the comparable figure for British exports. Indeed, as mentioned earlier, this represented an usually low amount, for in 1861 nearly £3.25 million worth of non-empire products had been consumed in Australia and New Zealand. This volume of trade indicates that, while it cannot be disputed that British exports did dominate Australasian markets in 1871, it is also true that its competitor's share of those markets was hardly negligible. Moreover, the size of non-empire exports is even less of an issue in Canada, where in 1881, the volume of American exports alone had already achieved 75 per cent of the British level. It is unlikely, therefore, that the volume of non-empire exports in 1871 distorted to a significant extent the growth rates reported in Tables 1 and 2. If exports from outside the empire grew faster than British exports in these markets, it was primarily because colonial consumers wanted more of them.

It is, of course, conceivable that colonials wanted more of the non-empire products because they were different from rather than better than British products. If non-empire products were not in direct competition with British, then comparing the export growth rates of each would be meaningless. The soft market thesis only has relevance to those products for which there was an internationally competitive market. It was of no concern to the British exporter, for example, that Australians and New Zealanders in the latter half of the nineteenth century were choosing to import ever larger volumes of American timber, a commodity not actually exported from Britain.

To what extent do such considerations impinge on the growth rates reported in Tables 1 and 2? In 1905, the tariff reformer, Joseph Chamberlain, sent the political economist, W. A. S. Hewins, on a fact-finding mission to Canada to try to establish what could be gained by British manufacturers from the granting of a preferential tariff by Canada. Hewins interviewed the Canadian premier, Wilfrid Laurier, and the Finance Minister, W. S. Fielding. Both men suggested that there was a considerable class of internationally competitive exports, not produced in Canada, that could be subject to a more moderate duty for British than foreign producers.[74] That same year, the Advisory Committee on Commercial Intelligence of the Board of Trade sent R. J. Jeffray to Australia as a Commissioner to study the pattern of British trade in that market. He calculated that, in 1906, 80.5 per cent of all British exports to Australia were 'competitive', by which he meant they faced direct competition from non-empire producers. His figures show that 71.9 per cent of the entire 'competitive' market in Australia in 1906 was being serviced by British producers and 28.1 per cent by non-British, the most important of whom were American with 7.9 per cent of the 'competitive' market.[75] Assuming that such percentages were much the same in New Zealand, and had not altered significantly since 1903, the real per capita level of expenditure in Australasia on 'competitive' exports was approximately £6.8.2, of which £4.12.2 was spent on British exports and £1.16.0 on non-empire exports. Using these levels as our end points, it follows that the real per capita growth rates of Australian and New Zealand consumption of 'competitive' exports from Britain, non-empire sources and the United States were 0.06 per cent, 2.36 per cent, and 2.44 per cent respectively. In other words, when allowances are made for 'non-competitive trade', the per capita growth rates of all countries' exports fall, but the relatively faster growth rates of Britain's competitors in Australia and New Zealand (shown in Table 1) are retained.[76] There was indeed a real disparity between the growth rates of British and non-empire exports at the end of the nineteenth century; it was not simply a consequence of each nation's specialisation in different products.

The same story was repeated in Canada. In order for the growth of real per capita consumption of American exports in Canada to be brought down to the same level as that of British exports two conditions would have been necessary. First, the 'non-competitive' share of American exports would need to have risen from nothing in 1881 to 72 per cent in 1911. Second, all British exports would have had to have been 'competitive'. Given that 57 per cent of the 'competitive' market in Canada in 1913 was catered for by American producers, and given that British exports were clearly not exclusively 'competitive', neither of these conditions were even close to being met.[77] The trade statistics suggest that in both Canada and Australasia non-empire export growth was faster, even for goods that were 'competitive'. These markets do not appear to have offered British producers much escape from competition.

The possibility remains, however, that Australia and New Zealand may have been soft markets for the products of particular British industries. Given the lack of specific and consistent product details in published annual statements of trade, assessing this possibility is problematic. Nevertheless, the data on the growth of average real per capita consumption of British exports in selected industries in Australia and New Zealand between 1876 and 1913 (see Table 3) shed some light on at least the first two of our soft market conditions.

Overall, Table 3 confirms our earlier findings. The per capita growth of total British exports to these markets was always below the growth of average real Australasian income, implying that a steadily falling proportion of colonial income was being devoted to British wares. Experience, however, varied considerably by industry. The average consumption of British textiles, Britain's most import export, fell markedly throughout. Iron and steel goods, another important industry, fared only averagely. By contrast, aspects of the metalware; chemicals; arms and munitions; tobacco; spirits; and machine, tool and instrument-making industries performed considerably better. These industries were the most likely beneficiaries of any 'softness' in the Australasian markets. Some of these industries also appear to have enjoyed a degree of unusual access to the Australasian market. The chemical industry, for instance, was subject to formal international agreements, especially in alkalis and explosives, which divided the world into spheres of influence, with the dominions as 'natural' British markets.[78] Before the First World War, these international understandings were, however, few, and usually confined to single products. Not until the 1920s, with excess capacity and lower returns on capital, were they expanded in their scope to include, for example, dyestuffs and nitrogenous fertiliser trades.[79] Perhaps the most striking case of pre-war market-sharing is provided by the cigarette industry. Here British-firms like Wills and Players, and the amalgamated US firm American Tobacco, found their brands in direct competition across a range of foreign markets during the late 1890s. Eventually a truce was agreed under which each party undertook to confine its activities to their respective national markets, while all their foreign investments and export trade were transferred to a British-registered joint venture called British American Tobacco [BAT]. With no comparable international competitors, BAT was able to develop its activities abroad opposed only by domestic competition in the countries in which it invested. In Australia, Canada and South Africa it rapidly became the leading manufacturer of tobacco.[80] Yet ultimately these alliances probably say more about the tendency toward cartelisation in certain industries, and toward restraints on international trade, than they do about the particular or peculiar characteristics of empire markets.

Cultural preference may also conceivably explain the unusual degree of access achieved by some British industries to the Australian market. On the face of it, the dominions would seem to have been ideal markets for certain types of consumer goods that could be supplied more easily from Britain than elsewhere. For example, Scotch whisky and English chocolate are widely believed to have held a unique fondness in the hearts of British emigrants – especially first generation emigrants – who missed the comforts of what was still widely referred to as 'home'.[81] Yet even here one needs to exercise caution. The case of Scotch whisky industry did boast an above average export performance, and exports did indeed follow migrants and the flag. But 'The Big Five' blenders performed a significant role in transforming a product of purely local significance into a drink that developed big colonial markets. In both Australia and South Africa it was strong-flavoured, fiery whiskies that were most prized. For this reason, Scottish distilleries consciously increased the proportion of grain whisky in their blends, a move that resulted in a big shift to Speyside distilleries in the late-nineteenth century. Catering to colonial taste, therefore, meant not complacency but change. In fact, the efforts of the 'Whisky barons' to corner colonial markets resulted in several firms developing an unsustainable number of brands. [82] Similarly, although national tastes in confectionery can explain the strong export performance by Cadburys to the markets of Australia, South Africa and India, the empire was hardly a safe-haven. Cadburys set out to cater to a peculiarly British palate, but this was a rational and sound business strategy. In Europe, or even in the US, tastes in chocolate were very different, so much so that British firms had little chance of penetrating these markets. Cadburys targeted British emigrants and expatriates in the colonies because these were the very (indeed the only) people who wanted to eat and drink its products. In other words, the company eschewed competition only in those markets where it had no chance of competing.[83]

It is, moreover, important to note that taken together, the seven potentially 'soft' industries highlighted in the table above account for only nine per cent of all British exports to Australasia in 1876, a figure that rises to just twenty per cent by 1913. If British shipping and electrical engineering exports, which also grew rapidly after 1900, are added to that total, the share still stands at just below a quarter of all British exports in 1913. In comparison, the share of the textile industry alone, an industry whose per capita export growth rate had been declining for half of century, was thirty per cent. The crucial point of Table 3, then, is that it indicates that the vast majority of British exports to Australasia – somewhere between seventy-five and ninety per cent of them depending on which period one looks at – displayed little evidence of being uncompetitive.

Nor does Table 3 reveal anything about the international dimension of the issue. Statistics collated by the Board of Trade, for example, indicate that American and German export growth was faster in all industries, other than alcoholic liquors, in Australia between 1886 and 1906. American exports of drugs, chemicals and fertilisers grew at a rate more than three and a quarter times greater than British in this period, while British-made steam engines were either being replaced by American (and Australian) models or superseded altogether by petrol and diesel engines introduced from the United States.[84] None of this suggests an especially easy ride for British manufacturers in Australia.

In our view, strong export performance in Australia and New Zealand was more likely to reflect relatively sound and innovative business practices by these sectors than an attempt by them to eschew the competition encountered in other markets. Indeed, to compete effectively in dominion markets some British firms had to make the ultimate commitment and to invest directly in local production. To be sure, the establishment of colonial manufacturing plants was most common during the inter-war years when dominion governments began to shelter domestic manufacturing behind tariff walls and to refuse export licences to non-essential commodities. Nonetheless, before 1914 certain companies had already travelled down this road[85] – Ferranti's success in selling electrical meters and generators in the Canadian market, where there was fierce US competition from GEC, involved the establishment of a subsidiary in 1912, while Schweppes' phenomenal success in Australia owed much to the company's decision to set up factories in Sydney (1877) and Melbourne (1885), both of which were subsequently rebuilt and extended.[86] In addition, the success of British cigarette manufacturers in South Africa, Canada and Australia -- where import duties were high, and where there were strong competitive pressures from indigenous firms -- required local production facilities. Australia, in particular, absorbed a lot of direct investment from the mid-1890s, partly perhaps owing to the growing strength of various branches of local manufacture.[87] Subsequently, these three dominions emerged as the bedrock of BAT's international cigarette business.[88] This pattern of local production (as opposed to export sales) was replicated in the case of the carpet industry, the paper-and match making industries and the rope trade, to name but a few.[89] Nor would it be correct to see British multi-nationals over-investing in safe empire locations. As Nicholas has shown, prior to 1914, Germany and the USA attracted more first time investment in plants than either Australia or Canada.[90] In so far as the empire did attract the attention of British firms in the pre-war years, far from being easy victories, overseas colonial ventures were frequently the 'fruit of heavy risks knowingly undertaken'. Certainly this was true of the soap manufacturer, Unilever, which, in the face of protective tariffs and strong local competition, built its largest factories in Toronto and Sydney at the turn of the century and locked up a considerable amount of capital in the process.[91]

On balance, the import patterns of Australia, New Zealand and Canada in the late-Victorian and Edwardian era do not appear consistent with the notion that these markets were particularly soft. British producers could not take them for granted. Of course, over time Britain certainly did export more there, and these markets consequently became more important. In doing so, however, British industry was not so much retreating into her imperial fortress as taking the battle to a new field, a field where it was already an established player. To the extent that this move afforded Britain advantages, these stemmed more from its being the first industrial nation than its status as an imperial power. After all, in 1870 British industry still did not really face much strong competition in the international marketplace for manufactures. For this reason alone, it would have been astonishing for British exports not to have dominated colonial markets in 1871.

As the industrial capabilities of the United States and other European nations grew over the latter half of the nineteenth century, British dominance came under mounting pressure everywhere, even in the white settler societies of the empire.[92] There, as elsewhere, the fate of British exports was to be determined above all else by considerations of price, quality and the growth of colonial income. Magee's recent estimates of the demand for British exports and the demand for non-British exports in Australia between 1870 and 1903 provide support for this contention. He finds that in Victoria, the largest and most affluent of the Australasian colonies, the development of the local economy and relative prices exerted by far the strongest influences on the demand for British and non-British exports. The single most important factor determining the level of British exports to Victoria at the end of the nineteenth century was the price of British goods relative to the prices of the comparable products of its major competitors. On average, a rise in British export prices relative to French, German, or American in this period saw the demand for its products dissipate at the rate of around 1.8 per cent for each percentage point deterioration in its relative export price. This finding – consistent with how trade theory predicts rational consumers in a 'neutral' market should behave – strongly suggests that the Victorian market was characterised more by competitiveness than softness.[93]

IV

The evidence presented in this paper suggests that colonial claims of undying loyalty to the British product, irrespective of price, ought to be treated on a par with the similar assertion by contemporary consumers that they always buy locally. The truth of the matter is that while consumers in the colonies, increasingly flushed with cash, were eager to get their hands on all of the sophisticated manufactured products of their time, they were also prepared to shop around for them. As William Thomas Goodge, the journalist and writer of humorous verse, put it in his poem *The Australian* written at the turn of the century:

His clothes are West of England tweed;
His boots are from the Strand;
The bike which he propels with speed
Was made in Yankeeland.
He drinks a glass of Belgian gin,
Jamaica rum, perchance,
And strikes the "best Virginia" in
A pipe that's "made in France".
He looks at his imported watch to see the time of day,

And hurries, for he wants to see a new imported play.
The lamp is made in Germany that lights him on his way;
He's a patriotic thoroughbred Australian! [94]

Hence no significant shelter from competition was to be found in Britain's main colonies of settlement; producers who thought otherwise were in most instances to be sorely disappointed. Three qualifications to this conclusion, however, need to be made. First, as it has been shown, the trade data by itself cannot rule out that the possibility that these markets may have been soft for individual industries or, perhaps, even firms. That said, for the vast majority of British industries, Australia, New Zealand and Canada behaved very much like a typical competitive market. Second, there is a possibility that a weak version of the soft market thesis could be consistent with our evidence.[95] Such a thesis could contend that rather than granting British exporters safe and increasing access to the markets of the dominions, the importance of colonial preference was that it acted to slow down the relative decline of British exports in these markets. We did not set out to disprove that soft colonial markets may sometimes have slowed down the loss of Britain's export share to foreign competition, partly because such a proposition would not be easy to test, but also because it is not what most advocates of the thesis appear to mean. If a weak variant of the soft market thesis were to be seriously entertained, there would need to be a shift in emphasis in the literature. Rather than concentrate on the complacency supposedly bred by colonial markets, scholars would need to look more carefully at the nature of colonial demand in order to demonstrate that a pro-British preference existed, and that it worked to impede the penetration of these markets by non-British producers. They would also need to look at the share of the market held by British exporters in each of the colonies, and not just the geographical destination of British exports in aggregate -- the latter approach, left unqualified, sheds no light on the *relative* position of British and non-British exports in individual colonial markets. As indicated at the beginning of our paper, a new stock of metaphors would also be required which did not depict dominion markets simply as the life rafts into which British manufacturers could effortlessly escape when confronted by the difficulties of international competition.

Finally, our analysis makes no claims about the nature of Britain's markets in other parts of the empire, nor about the inter-war years. Although markets in Britain's dependencies were not the focus of Britain's economic drift towards the empire between 1870 and 1914, it is possible that some of them, such as in India, may have displayed more elements of softness. Moreover, the reasons why they were 'soft' may have differed from the self-governing dominions: it is conceivable that slow-growing markets of relatively impoverished consumers, generating little demand for high-value added products or capital goods imports, may have acted as a brake on industrial innovation. The case remains to be made, however. It should also be acknowledged that, after 1918, the macro-economic climate underwent considerable change, with the intensification of protectionism in the 1920s, and the 'slump' of the 1930s. In terms of total overseas British trade, the empire became more significant during these years: a series of bilateral trading arrangements were entered into with the self-governing dominions (the Ottawa imperial preference system of 1932); and Britain intervened more to develop the economies of tropical African colonies, which in turn adopted various discriminatory measures (export duties, import quotas and bulk buying) in Britain's favour.[96] The 1920s and 1930s thus merit separate examination.[97] What our findings do suggest is that a key strand of the existing historiography on the relationship between British industry and British imperialism – that regarding overseas trade and export performance – is not only inadequate but in many ways seriously flawed. Historians have been all too happy to accuse British manufacturers of resting on their laurels, and of not taking empire markets sufficiently seriously. The evidence presented here points to a different conclusion, viz. that historians are equally or perhaps more culpable of this crime. It is only when the characteristics of these markets have been more systematically evaluated that we will be in a position to know more precisely their likely effects on the performance of British manufacturing enterprise, and what role (if any) they played in British industrial decline.[98] Our preliminary and provisional answer is 'not guilty' as charged.

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Tables

Table 1. Growth in Australasian markets and income, 1871–1903 (in annual average percentages)

Period	*Britain: Exports Per Capita*	*USA: Exports Per Capita*	*Non-empire: Exports Per Capita*	*Average real income*
1871–1881 (I)	5.55	7.48	4.76	2.80
1871–1881 (II)	3.49	5.26	2.55	2.80
1881–1891	-0.24	4.07	3.11	0.43
1891–1903	-2.32	7.08	4.59	-0.63
1871–1903 (I)	0.74	6.25	4.18	0.76
1871–1903 (II)	0.12	5.56	3.48	0.76
1881–1903	-1.38	5.70	3.91	-0.49

Notes: Australasia refers to all seven British colonies in the region: New South Wales, Victoria, Queensland, South Australia, Western Australia, Tasmania and New Zealand. The superscript (I) denotes that the actual per capita consumption figures for 1871 have been used. The superscript (II) denotes that per capita consumption figures have been revised to allow for the effects of the marked but temporary decline in Australasian importing in the latter half of the 1860s.
Sources: Import data and the price series for imports used to convert them into constant prices come from Coghlan, *Statistical Account*, pp. 260, 265, 273, 275 and 911. Population and average real income data come from Maddison, *Monitoring*, Tables A–3a and D–1a. Real per capita income growth figures reported are the average of Australian and New Zealand real incomes per capita weighted by their relative population size.

Table 2. Growth in Canadian markets and income, 1871–1911 (in annual average percentages)

Period	*Britain: Exports Per Capita*	*USA: Exports Per Capita*	*Average real income*
1871–1881	0.73		1.52
1881–1891	-1.28	1.08	1.68
1891–1901	0.49	9.11	2.55
1901–1911	5.47	7.67	3.12
1871–1911	1.32		2.21
1881–1911	1.52	5.90	2.45
1881–1903	1.02	5.32	2.26

Sources: Import data for Britain come from Mitchell, *British Historical Statistics*, pp. 505–7; and for the USA from Bureau of the Census, *Historical Statistics of the United States*, series U118, pp. 550–1. British imports were deflated by the aggregate price index for exports found in Feinstein, *National Income*, T139. The same thing was done to American imports using the export price series published in Lipsey, *Price and Quantity Trends*, Table G–1, p. 413. Population and Canadian real per capita income figures come from Maddison, *Monitoring*, Tables A–3a and D–1a.

Table 3. Growth of average real income and real per capita consumption of British exports by selected industries in Australasia, 1876–1913 (in annual average percentages)

Industry	*1876–1900*	*1900–1913*	*1876–1913*
Manufactured textiles	-0.58	-0.51	-0.55
Iron and steel goods (including bicycles and cutlery)	-0.20	2.64	0.64
Beer	-2.68	-3.30	-2.90
Pottery, porcelain and glassware	-1.20	0.43	-0.93
Other metalware	0.21	6.68	2.44
Leather, leather goods, boots and shoes	-2.47	0.15	-1.55
Chemicals	3.05	-0.26	1.88
Books	-0.45	1.19	0.13
Arms, Munitions	3.31	3.85	3.50
Machinery	2.21	3.51	2.66
Spirituous liquors	4.69	-0.23	2.93
Paper, cardboard and derivatives	-1.28	1.77	-0.22
Instruments, tools, scientific apparatus	1.71	4.51	2.67
Tobacco	11.31	9.71	10.75
Ships		7.04	
Electrical engineering products		8.44	
Other goods	-0.88	1.92	0.09
Total British exports	-0.20	1.52	0.41
Average real Australasian Income	0.13	1.83	0.72

Sources: Import data come from Schlote, *British Overseas Trade*, p. 173. These were, then, deflated by the aggregate price index for exports found in Feinstein, *National Income*, T139. Population and real income data are taken from Maddison, *Monitoring*, Tables A–3a and D–1a.

Endnotes

[1] Darwin, 'Imperialism', p. 617; Marshall, 'No fatal impact', p. 8, Marshall (1995), 'Imperial Britain', p. 392.
[2] For the first point see, Cain, 'Economics and empire', p. 45; Gunn, 'Victorian middle class', p. 30; Crouzet, *Victorian economy*, p. 357; Marshall (1996), 'Imperial Britain', p.328; and Saul, who first famously wrote in *Studies*, p. 229 that the markets of the empire 'dulled the senses of many exporters'. For the second see, Ross Johnston, *Great Britain*, pp.58, 98, 108-9; Kiernan, *Imperialism*, pp. 208–9; Hobsbawm, *Industry and empire*, p. 192.
[3] Offer, 'Costs and benefits', p. 698; Kirby, *Decline of British economic power*, pp. 3–4; Walker, 'Britain's industrial performance', pp. 27–33; Kindleberger, 'Foreign trade', pp. 296–9.
[4] For a discussion of the failings of British business structure and how it related to different industries, see the various contributions to Elbaum and Lazonick, *Decline of the British economy*.
[5] Cain, 'Political economy', p. 37 and 46; Broadberry, *Productivity race*, p. 97.
[6] Cain, 'Economics and empire', p. 45 has recognised that, although the share of the empire in exports increased sharply in the 1870s, it remained fairly stable thereafter when relative industrial decline was becoming more marked. Broadberry, *Productivity race*, p. 97 has acknowledged that the turn to empire markets was often a matter of necessity, British business being blocked by protectionism elsewhere. Pollard, and Harley and McCloskey have observed that all industrial countries saw a similar trend towards exports to the undeveloped nations, and that this was part of a growing world economy: Pollard, *Britain's prime*, p. xii; Harley and McCloskey, 'Foreign trade', pp. 64–9. Alford, *Britain in the world*, p. 37 argues that the focus on colonial markets was to an extent a natural outcome that simply reflected the growth of the empire in terms of area and population. And Jeremy, *Business history*, p. 14 suggests that the empire gave British businesses an experience of managing multinational enterprise, including negotiating with governments as well as controlling distant subsidiaries. Significantly, none of these points, albeit sometimes briefly made, have been allowed to disturb the assumption that these were easy markets that bred complacency and conservatism.
[7] For a selection from a rapidly growing literature, see: Burton, *Burdens of history*; Cain and Hopkins, *British imperialism*; Mackenzie, *Propaganda and empire* and *Imperialism and popular culture*; Marshall (1996), 'Imperial Britain'; Thompson, *Imperial Britain*; Ward, *British culture*.
[8] Porter, *Britain, Europe and the world*, pp.45–6, p.62
[9] Cannadine, *Class in Britain*, pp.141-2, 157-60 and *Ornamentalism*, pp.56-7, 85, 121-2, 128-31.
[10] Bourke, *Working-class cultures*, p.176; Kiernan, 'Working class', pp.127-31; MacMaster, *Racism in Europe*, pp.74-8; Malik, *Meaning of race*, pp.116-9.
[11] For a somewhat more positive appraisal of the empire's contribution to the British economy, see Edelstein, M., 'Imperialism', pp. 213-15. An overview of this debate can be found in Offer, 'Cost and benefits', pp. 690–711.

[12] For the idea of 'decline' as a politically constructed ideology see Tomlinson, *Politics of decline,* pp. 1–2 and English and Kenny, *Rethinking British decline*, pp. 1–2.
[13] Marshall (1996), 'Imperial Britain', p. 318.
[14] On the 'New Right's' passionate advocacy of international trade and world markets see, Barker, *Political ideas*, ch. 8.
[15] Barnett, *Lost victory*, pp. 8–12, 51, and 84.
[16] For Liberal attitudes toward Europe, see Butt Philip, 'Liberals and Europe', pp. 217–40. For Hobson's growing reputation among Liberals during the twentieth century see, Cain, 'British radicalism', pp. 188–9.
[17] It is not hard to see why. A major element of the soft market thesis is that consumers in these markets tended to be swayed more by prejudice and sentiment than price, income and quality considerations. Such a situation, however, cannot be captured by traditional trade modelling, which, after all, takes preferences as given and does not draw distinctions between the various sources of perceived product differentiation. Consequently, there is no pure trade-theoretic test that can isolate and identify softness.
[18] We regard predictability of demand as an important part of the soft market hypothesis simply because it is difficult to imagine how, in the absence of some reasonable expectation that these markets will continue to absorb year-on-year larger volumes of their wares, British producers could become complacent about dominion markets.
[19] Cain and Hopkins, *British imperialism*, pp. 153–5; Feinstein, 'Exports', pp. 89–90.
[20] Furthermore, it would seem to us that, given the very different nature of the dependencies' markets, they deserve separate treatment from the dominions. Work here is currently in process. It is, however, worth noting that a leading economic historian of India, B. R. Tomlinson, downplays the significance of any favouritism shown toward British business under the Raj*: Economy of modern India*, pp.99-100 and 'British business in India', pp107, 111-13. Even with respect to those industries (railways; textile-machinery) which did have a strong hold on the Indian market, and those aspects of official policy (tariffs; purchasing) that did privilege British producers, there is still a need to exercise caution: for a preliminary statement as to why the Indian market was not necessarily 'soft' see Thompson, *Empire strikes back* (forthcoming, Longman), ch.7. Similarly, it is our belief that the inter-war years, especially after 1932, warrant separate analysis from the pre-war period. While the highly visible attempts of the 1930s and 1950s to construct an imperial economic system based on tariffs and sterling control have perhaps attracted most attention from recent historians, it is abundantly clear from the literature that the putative softness of empire markets is said to have predated those efforts. Indeed, many of the original proponents of the thesis specifically had in mind the years 1870 to 1914, and British industry's failure to move into the new industries at this time, when they raised the issue. See, for example, Hobsbawm, *Industry and empire*, pp. 191–2 and Saul, *Studies*, pp. 228–9.
[21] Contrary to what is often assumed, tastes in colonial markets often differed from those in Britain, and what was popular in Canada was not necessarily suitable for Australia or New Zealand. For illustrations of this point, see Bartlett, *Carpeting the millions*, p. 96, as well as the discussion of the Scotch whisky industry below (see footnote 57).
[22] Pollard, *Britain's prime*, p. xii; Alford, *Britain in the world*, p. 54.

[23] Gourvish and Wilson, *British brewing industry*, pp. 44, 110, 169–175; Donnachie, 'Following the flag', pp. 136–139.
[24] Gourvish and Wilson, *British brewing industry*, p. 174.
[25] Bartlett, *Davidsons of Mugiemoss*, pp. 5, 20.
[26] Even in dependent parts of the empire, adaptiveness was a necessary characteristic of success. Thus, in the aftermath of the American Civil War, British cotton manufacturers consciously developed special varieties of cloth in order to tap more fully the Indian and other low-income emerging markets. Low-quality cloth subsequently became a staple of the industry's exports to the sub-continent until the 1890s when the establishment of a domestic factory-based cotton industry in India compelled British producers to re-orient their export strategies towards a greater emphasis on quality. Sandberg, *Lancashire in decline*, pp. 165–167.
[27] Gulvin, *Tweedmakers*, pp. 125–126.
[28] Sutton, 'Marketing', pp. 99–102 and 109. British carpet manufacturers, who had increased dramatically their exports to Australia during the late-nineteenth century, were to suffer a similar fate as once buoyant markets contracted sharply during the depression. See Bartlett, *Carpeting the millions*, pp. 58–9.
[29] Honeyman, *Well suited*, pp. 48–9.
[30] Saul, *Studies*, p. 208; Kirby, *Decline of British economic power*, p. 27.
[31] Alford, *Britain in the world*, p. 39; Hatton, 'Demand for British exports', p. 583.
[32] The story of American export competition is especially complex, and there is not the space for an extended treatment of the topic here. American manufacturers began to sell significant quantities of goods in world markets from the 1890s. By 1913, the USA had an estimated 11 per cent of world trade in manufactures. Its strength was in newer products – machinery, electrical equipment and processed food led the American advance into foreign markets. These exports were mainly directed toward Canada, Western Europe, and, to a lesser extent, Mexico. In the case of Canada and Mexico, proximity and lower transportation costs were clearly a crucial factor. For a more detailed discussion see Becker, *Dynamics*, pp.1-19.
[33] Saul, *Studies*, p. 217. It is generally believed that tariff preference did not have much impact on the demand for British products in the dominions until the inter-war period. Moreover, much of the protection initiated by the dominions prior to the First World War focused on items that were locally produced and, hence, in many instances not directly in competition with British exports. For a history of tariff preference in Britain and each of the dominions, see Meyer, *Britain's colonies*, pp. 90–112.
[34] Gourvish and Wilson, *British brewing industry*, p. 175; MacLean, 'Anglo-American engineering', pp. 452–64; Tweedale, *Sheffield steel*, pp. 151–2 and *Steel city*, pp. 177–9.
[35] Commonwealth Bureau of Census and Statistics, *Official year book*, pp. 516–518.
[36] Lloyd-Jones and Lewis, *Raleigh*, p. 100; Harrison, 'Competitiveness', pp. 287–303.
[37] Platt, 'Trade competition', p. 92.
[38] Saul, *Studies*, p. 216; Moss and Hume, *Workshop*, pp. 46–8.
[39] Barker, *Glassmakers*, pp. 166–7 and 206–9.
[40] For case studies of such, see Barker, *Glassmakers*, p. 168; Corley, *Quaker enterprise*, pp. 160–1 and 220–1; Wilson, *Ferranti*, pp. 71–2 and 104; Donnachie, 'Following the flag', p. 139; Honeyman, *Well suited*, p. 48. One aspect of Britain's trading relations with the rest of the world that artificially, and arguably unfairly, heightened the degree of competition experienced by some of its producers was the

alleged foreign practice of 'dumping': the selling of wares in the unprotected British home market at below marginal cost. There is evidence that foreign dumping did indeed occur at times in a number of industries subject to economies of scale in production, such as printing paper and alizarin dyes. Such seemingly perverse behaviour as exporting a product at a loss can be rationally explained. In an industry where cost advantages can be had by expanding output and where the threat of overproduction remains ever a reality, the existence of an open market, where surplus production can be offloaded without affecting the monopolistic prices received at home, must seem like a godsend. This is precisely the situation the combination of British free trade and foreign protectionism provided for the foreign producer. Unhindered by import duties, foreign, especially German, manufacturers were able to find a market for their increased production without the worry of retaliation in kind from their British competitors. As a result, a larger proportion of the British home market was serviced by foreign imports than would have been the case had those imports not been sold at a loss. The introduction of tariffs may have alleviated this problem, but would have probably created others in the process, not the least being the loss of welfare to British consumers who benefited from the cheaper prices. See here Magee, *Productivity and performance*, ch. 9; Pollard, *Britain's prime*, pp. 53 and 267. It is worth noting that dumping in the dominions may also have been practised by non-British producers, although, to the best of our knowledge, there is no literature on this, at least for the period we are concerned with. Of course, if such dumping actually did happen, its existence would only reinforce the main point being made here: that late-Victorian and Edwardian British exporters over time faced growing competition in dominion markets.

[41] Cain, 'Economic philosophy', p. 54; Thompson, *Imperial Britain*, ch. 4.

[42] Second interim report of the Dominions Royal Commission (P.P. 1914, XVIII), p. 147.

[43] Platt, 'Trade competition', pp. 101 and 104.

[44] The idea that such factors can reduce 'psychic distance' and, thus, help to explain trade and investment patterns is well-established in the international business literature. See, for example, Beckerman, 'Distance in pattern'; Johanson and Vahlne, 'Internalization process'; Kogut and Singh, 'National culture'; Nordstrom and Vahlne, 'Psychic distance'; and Barkema, Bell, and Pennings, 'Foreign entry'. Common cultural background may also be important because it facilitates the formation of business networks and the building of trust, while reducing the asymmetries of information and high transacting costs that can hinder international trade. See, for example, Casson and Cox, 'International business networks'. The benefits of such 'psychic proximity', are readily apparent in the business networks of overseas Chinese. See Menkhoff and Gerke, *Chinese entrepreneurship* and Haley, Tan and Haley, *New Asian emperors*.

[45] In addition to the examples cited below, see D. L. Burn's examination of the steelmaking industry, where imperial bonds (sentimental, racial and linguistic) 'presented usually only an erratic barrier to Continental advance', with British-makers finding the chief outlets for their products (other than pig iron) in the empire, but increasingly having to contend with the 'penetrating power of German sellers' in both the Australian and Indian markets: *Economic history of steelmaking*, pp.80-91, 331-32.

[46] Dawe, *Cornish pioneers*, pp. 126–8 and 278–9.

[47] A similar story could be told with respect to the use of Cornish engines in South Australia: see Connell, 'Cornish beam engines', pp.17-36.
[48] Day, *Railways of Southern Africa*, pp.18-19.
[49] The first major expansion of locomotive exports from Britain came in 1875-85 and was based largely on Indian orders; the second came after 1908 and was based on orders from South Africa, South American and India. The Canadian and new Zealand markets proved much more disappointing, partly owing to competition from local private builders: Saul, 'Engineering industry', pp.199, 201.
[50] Abbott, *Fairlie locomotive*, pp.36-8; Holland, Steam *locomotives of the South African railways*, Vol. I, pp.31-2.
[51] Saul, 'Engineering industry', p.202.
[52] Moss and Hume, *Workshop*, pp. 34–5.
[53] Economic historians have taken very different views of the success of British industry's overseas marketing operations. For the broader debate, see in particular Nicholas, 'Overseas marketing', pp. 489–506; and Davenport-Hines, *Markets and bagmen*.
[54] Beaver, *Match makers*, p. 60.
[55] Alford, *W. D. & H. O. Wills*, p.165.
[56] Moss and Hume, *Making of scotch*, pp. 114–8; Weir, 'Distilling industry', pp.500-2.
[57] Ibid., pp.538-41.
[58] Musson explicitly states that this was so: 'Great depression in Britain', p.222, but the majority of scholars are more evasive in their discussion and definition of the 'soft market' phenomenon.
[59] Cain and Hopkins, *British imperialism*, pp.154-5.
[60] See Pollard's review and citation of the literature, *Britain's prime*, pp.xi-xii and fn.17.
[61] Cain, 'Economics and empire', p.45. For an early, albeit positive, use of this metaphor, see McDougall, *Sheltered markets*, p. 9 and *passim*.
[62] Barnett, *Lost victory*, p.12; Hobsbawm, *Industry and empire*, p.191; Matthews, Feinstein and Odling-Smee, *British economic growth*, p.452.
[63] This term is used by many scholars who survey this literature, including those who are sceptical toward the idea of 'softness'. See, for example, Jones, 'Multinational Chocolate' and Nicholas, 'Locational choice, performance and growth'.
[64] Ross Johnston, *Great Britain*, p.58; Kiernan, *Imperialism*, p.208.
[65] Crouzet, *Trade and empire*, pp. 221-4 comes close. After noting that British investment in the empire encouraged the demand for British exports there, and hence 'insulated Great Britain and its empire from the worst effects of general economic crises', he moves on to point out that 'during the last quarter of the [nineteenth] century … foreign manufacturers … began to infiltrate imperial markets, and competition from them went on increasing until the first World War, with the result that England's share in its colonies' imports tended to decline – sharply in certain instances'. Although not an explicit definition of the 'weak version' of the soft market thesis, its essence can perhaps be inferred. In our opinion, however, there are few scholars who argue their case in such a manner.
[66] Cain, 'Economic philosophy', p.58; Marrison, *British business and protection*, p.11; Thompson, *Imperial Britain*, pp.106-7; Wengenroth, *Enterprise and technology*, pp.269-70.

[67] Kirby, Decline of British economic power, p.7; Mathias, *First industrial nation*, pp.413-15; Gunn, 'Victorian middle class', p. 30.
[68] Davis and Huttenback, *Mammon*, pp.179-80; Marsh, *Bargaining*, pp.209-11; Porter, *Lion's share*, pp.361-2; Saul, *Studies*, p.299; Walker, 'Britain's industrial performance', pp.27-8.
[69] It is not conclusive evidence of 'softness' simply because these three conditions could also be achieved by a nation whose exports happened to be far more competitive than its rivals.
[70] In other words, our tests are market-specific. Thus, comparing the results of our tests for an open 'neutral' market (assuming such a thing could be identified) with those for a colonial market would not reveal much about the magnitude of the softness experienced in the colonial market. For such an inference to be drawn, the colonial and 'neutral' markets would have had to have been identical in every other respect: inter alia, similar demand patterns and tastes, economic and industrial structures, governance, and policy regimes. This was clearly not the case for any conceivable comparison that could be made for the nineteenth century.
[71] This information is specified in real terms; that is, in actual volumes, for which the impact of price changes have been removed.
[72] This was also very much the perception of British officials who feared that, by the end of the nineteenth century, trading interests were compromising Canada's loyalty to the empire in some districts where there was an ineluctable drift toward the US. See here Shields, 'Imperial policy', pp. 108–21; Adams, 'Brothers across the ocean? ', pp. 93–4.
[73] Saul, *Studies*, p. 213; Sinclair, *Process of economic development*, pp. 102–3.
[74] Hewins, *Apologia*, pp. 132–42; Thompson, *Imperial Britain*, p. 95.
[75] Commonwealth Bureau of Census and Statistics, *Official year book*, pp. 516–17.
[76] Moreover, it should be noted that these revised calculations represent the absolute minimum rates of growth in the consumption of 'competitive' exports between 1871 and 1903, since they assume that there was no 'non-competitive' trade in 1871. This was almost certainly not the case, a fact that only strengthens our findings.
[77] Platt, 'Trade competition', p. 118.
[78] Reader, *Imperial chemical industries*, p. 60.
[79] Grant, Paterson and Whitston, *Government and the chemical industry*, pp.17-28; Haber, *Chemical industry*, pp.272-7.
[80] Cox, *Global cigarette*, pp. 4–6.
[81] For the use of such language by Australians returning to Britain, see Inglis, 'Going home', pp. 105–6; Woollacott, 'All this is the empire', pp. 1003–4.
[82] Weir, 'Export marketing', p. 72 and 76; Moss and Hume, *Making of scotch whisky*, pp. 105–7.
[83] Jones, 'Multinational chocolate', pp. 59–75. Jones sees Cadbury's reluctance to engage in long-term experimentation with new recipes more suited to Continental and US tastes, and its concentration on empire markets, as a 'perfectly good strategy'. He does acknowledge the variation in performance of the company's dominion subsidiaries in Australia, Canada and New Zealand, but he attributes this to a range of exogenous and endogenous factors, not to the notion that empire markets as a whole were easy or soft. For a similar argument with respect to Cadbury's competitor, J. S. Fry & Sons, see Diaper, 'J. S. Fry & Sons', p.40.
[84] Commonwealth Bureau of Census and Statistics, *Official year book*, pp. 516–17; Buchanan, *Engineers*, p.156.

[85] For recognition of the extent of overseas involvement of multi-national firms before 1914, and a succinct summary of the factors that prompted it, see Nicholas, 'Overseas marketing', pp.501-2. It is important to note that the extent of British direct investment in the 'neo-Britains' prior to 1914 varied from dominion to dominion. In Canada, for example, though not insignificant, it was overshadowed by that from the United States – from 1890 to 1914, American firms established many more branch plants than the British. See Paterson, *British direct investment*, pp.53-5, 110-11.

[86] Wilson, *Ferranti*, p. 103; Simmons, *Schweppes*, ch. 13.

[87] British and American made shoes, and British ready made clothing and shirts, had largely been displaced by the products of Australian factories by 1914, partly due to the 1901 tariff. See, for example, the contemporary commentary provided by A. A. James (Secretary of the Sydney Chamber of Commerce) in the *Leeds Journal*: 'Australia's Market for British Goods', p.57. The political leverage of Australian manufacturers over the dominion's tariff policy increased significantly during the inter-war years as evidenced by Tsokhas' account of British and Australian bargaining at the Ottawa conference of 1932: *Markets, money and empire*, pp.89-104.

[88] Alford, *W. D. & H. O. Wills*, pp.218-20; Cox, *Global cigarette*, pp. 34–5 and 101–6.

[89] Nicholas, 'Overseas marketing', pp. 501–2; Beaver, *Match makers*, p. 81.

[90] Nicholas, 'Locational Choice', p.126. See also the ensuing debate on the issue of FDI and the performance of British multinationals between Jones, 'Comment', pp.112-15 and Nicholas, 'Debating business history', pp.116-20.

[91] Fieldhouse, *Unilever overseas*, pp.64-71, 96-109; Wilson, *History of Unilever*, ch.7.

[92] The peak of Britain's export dominance of the Australian market, and presumably Canadian as well, was achieved in the mid-1850s. From this point the high marginal propensity to import British goods that had been a characteristic of these societies, was in decline. See Hughes, *Fluctuations*, pp.40-8.

[93] A typical regression was the following: $UKX = 6.268 + 0.14UKX_{-1} - 0.893\ DOMPRICES - 1.833\ INTERPRICES + 0.323\ GDP + 0.114\ CAPITAL$. $R^2(adj) = 0.9031$, SEE = 0.0407. UKX stands for UK real retained exports; UKX_{-1} is the lagged dependent; DOMPRICES is British prices relative to Australian manufacturing prices; INTERPRICES is British prices relative to its main international competitors' prices; GDP is real Victorian GDP; and CAPITAL is the flow of British capital to Victoria. All estimated coefficients are significant and pass standard diagnostic tests. For further information on methods, tests, and other results, see Magee, *Knowledge generation*, pp. 160–165.

[94] Goodge, *Hits!*, p. 34.

[95] One source of such softness may have been the linkages between British investment and trade, whereby a tendency to borrow from Britain involved a corresponding propensity to buy from Britain, thereby making the decline of British markets in that dominion less severe. This is too big an issue for us to address here; indeed, it is a problem that awaits its historian.

[96] Fieldhouse, 'Metropolitan economics', pp. 89–92.

[97] There is also an emerging debate on British industry and empire markets in the post-war period, though the participants arrive at rather different conclusions. See Feinstein, 'End of empire', pp. 212–33; Fieldhouse, 'Metropolitan economics', pp. 98–100; and Schenk, *Britain and the sterling area*, chs. 2–3.

[98] This paper is only the first step in our attempt to provide such an evaluation. Research currently in progress will address many of the issues and questions raised in this conclusion.