

The ineffectiveness of 'Buy British' campaigns

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Campaigns to promote the purchase of domestic manufactures feature prominently during national economic crises. The key triggers of such schemes include growing import penetration and concern that consumers have been misled into purchasing foreign products instead of domestic ones. Early examples of such initiatives occurred in the United States in 1890 and 1930, with the introduction of the McKinley tariff and the 'Buy American' Act, respectively.

In Britain, similar schemes were launched during the interwar years and in the post-1945 period. For the latter, Britain's share of world trade in manufactures declined from 25 per cent to 10 per cent, and between 1955 and 1980, import penetration in the manufacturing sector increased from 8 per cent to 30 per cent.

Simultaneously, there were numerous government public policy interventions designed to improve productivity, for example, the National Economic Development Council and the Industrial Relations Commission. Both Labour and Conservative governments were much more interventionist than today.

Currently, the rise of protectionist sentiment in the United States and across Europe may well generate new campaigns to persuade consumers to boycott foreign products and give their preference to those made at home. Indeed, President Trump has vowed to 'Make America Great Again': to preserve US jobs he has threatened to tax US companies that import components from abroad.

Using a case study of the 'Buy British' campaigns of the 1960s and 1980s, our research considers what general lessons can be learned from such initiatives and why, in Britain, they failed.

The central arguments can be summarised as follows. In the 1960s, before Britain acceded to the European Economic Community, there was considerable scope for a government initiative to promote 'British' products. But a variety of political and economic obstacles blocked a 'Buy British' campaign. During the 1980s, there was less freedom of manoeuvre to enact an official policy of 'Buy British' because by then Britain had to abide by the terms of the Treaty of Rome.

In the 1960s, efforts to promote 'Buy British' were hindered by the reluctance of British governments to lead on this

initiative because of Treasury constraints on national advertising campaigns and a general belief that such a campaign would be ineffective.

For example, the nationalised industries, which were a large proportion of the economy at this time, could not be used to spearhead any campaign because they relied on industrial and intermediate inputs, not consumer durables; and in any case, the ability of these industries to direct more of their purchases to domestic sources was severely constrained: total purchases by all nationalised industries in the early 1970s were around £2,000 million, of which over 90 per cent went to domestic suppliers.

Efforts to nudge private organisations into running these campaigns were also ineffective. The CBI refused to take the lead on a point of principle, arguing that ‘A general campaign would... conflict with [our] view that commercial freedom should be as complete as possible. British goods must sell on their merits and their price in relation to those of our competitors, not because they happen to be British’.

During the 1980s, government intervention to promote ‘Buy British’ would have contravened Britain’s new international treaty obligations. The Treaty of Rome (1957) required the liberalisation of trade between members, the reduction and eventual abolition of tariffs and the elimination of measures, such as promotion of ‘British’ products, ‘having equivalent effect’. Attempts by the French and Irish governments to persuade their consumers to give preference to domestic goods were declared illegal.

The only way to overcome this legislative restriction was if domestic companies chose to mark their products as ‘British’ voluntarily. This was not a rational strategy for individual firms to follow. Consumers generally prefer domestic to foreign products.

But when price, quality and product-country images are taken into account, rather than origin per se, the country of origin effect is weakened considerably. From the perspective of individual firms promoting their products, using a ‘British’ mark risked devaluing their pre-existing brands by associating them with inferior products.

Our conclusions are that in both the 1960s and 1980s, firms acting individually or collectively (via industry-wide bodies) did not want to promote their products using ‘British’ marks. Action required top-down pressure from government to persuade consumers to ‘Buy British’.

In the 1960s, there was no consensus within government in favour of this position; and by the 1980s, government intervention was illegal due to international treaty obligations.

In a post-Brexit Britain, with a much weakened manufacturing capacity compared even with the 1960s and 1980s, the case for the government to nudge consumers to ‘Buy British’ is weak.



Notes:

- *This blog post is based on the authors’ “Buy British’ and ‘soft’ preference in the post-1945 period”, presented in the Annual Conference of the Economic History Society in March 2017.*
- *The post gives the views of its authors, not the position of LSE Business Review or the London School of Economics.*
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