THE TIMING AND CONTENT OF GOVERNMENT POLICIES TO ASSIST THE DEPRESSED AREAS, 1920-1939

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Thesis presented for the Degree of Doctor of Philosophy at the University of Kent at Canterbury, 1975.

Abstract

This thesis is concerned with examining why, in a period of high regional unemployment differentials, the development of an industrial location policy took so long to evolve during the interwar period. The thesis is divided into four parts, largely on a chronological basis. Part One serves as an introduction and an outline of the main trends in unemployment between 1920 and 1932.

Part Two contains a discussion of policies in the same period. It is suggested that Governments concentrated on measures to restore prosperity to the export industries in the hope that unemployment in the depressed coalfield areas would be reduced by a revival of these industries. The desire to lower costs to regain international competitiveness effectively thwarted the development of expansionary policies. At the same time, the need to placate public opinion led to a growth of ad hoc policies to ease the burdens of regional unemployment, but to leave the export industry policies uncompromised. The most notable was Industrial Transference.

The slump of the thirties halted the growth of regional policies, but when the recovery began to accelerate in the prosperous areas and unemployment differentials widened, unemployment returned to the limelight as the problem of long-term unemployment was exposed. In Part Three, the development of regional policies up to the outbreak of War is discussed. After a series of articles in The Times depicting the social and economic problems of the 'derelict' areas had focused public attention on the coalfields again, the Government was forced to introduce regionally-

discriminatory legislation, the Special Areas Act, 1934. This Act amounted to little more than a continuation of the ad hoc programme of the twenties, but Commissioners were established and exhorted to develop new measures to help the unemployed. The Commissioners saw industrial diversification as the only effective policy, but their powers were restrictive in this field. However, armed with the recommendations of the Commissioners, the critics pressed for a more interventionist approach. The Government made a series of strategic concessions, culminating in the Special Areas (Amendment) Act, 1937, which empowered the Commissioners to give inducements to private industry to locate in the Areas. By 1939, the essential elements of modern regional policy, except demand management, were in operation.

Part Four assesses the extent of progress made in regional policy during the interwar period. The role of regional policy was examined by the Barlow Commission which advocated a more economic, growth-oriented approach. Owing to the outbreak of war and fears of a recurrence of unemployment in the depressed areas after 1945, the Barlow recommendations were not fully implemented in 1945. Although progress in policy development had been impressive, little direct reduction in unemployment rates occurred in the interwar period. However, methodological and statistical problems make accurate calculations impossible.

In the circumstances, however, it is concluded that the Government did all that might reasonably have been expected of it to reduce regional unemployment.

Acknowledgements

For permission to cite Public Records Office material, I am indebted to the Controller of Her Majesty's Stationery Office.

I should like to take this opportunity to thank my friends on the staff of the Department of Economic and Social History at Kent both for their encouragement and support over the past three years. My greatest debts are to Dr John Lovell and Sean Glynn who fired my interest in the subject and have guided my research. They have always offerred constructive criticism and a sympathetic hearing, the ideal qualities for a thesis supervisor.

Abbreviations

AER	American Economic Review
BOUIS	Bulletin of Oxford University Institute of Statistics
EHR	Economic History Review
IRSH	International Review of Social History
JRSS	Journal of the Royal Statistical Society
Manchester School	Manchester School of Economic and Social Studies
OEP	Oxford Economic Papers
PEP	Political and Economic Planning
PRO	Public Records Office
PRSA	Papers of the Regional Science Association
TIBG	Transactions of the Institute of British Geographers
Yorkshire Bulletin	Yorkshire Bulletin of Economic and Social Research

The place of publication is London except where indicated.

All numbers in footnote references not preceded by 'Chapter' or 'para', or otherwise specified, are page references.

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PART ONE

INTRODUCTION

CHAPTER ONE

Introduction

With the rise of urban industrial society in Britain during the later eighteenth and the nineteenth centuries, there has arisen the problem of the town-dwelling, wage-earner who has been unable to find suitable occupation. The word 'unemployment' was probably first used in the 1840s.[1] From the late nineteenth century, the topic has provided a fertile ground for discussion and research as social scientists have sought to increase their knowledge of the nature and causes of unemployment. As our understanding of the problem has increased, the Government has gradually been drawn to assist those without work and to take, with employers and the employed, greater responsibility for keeping unemployment rates down.

The high rates of unemployment in the interwar period in Britain played a significant role in this evolutionary process which culminated in the assumption by the Government in 1944 of the responsibility for the level of employment. During the period 1920-1939 pressure was applied to the Government to revise its attitudes towards what one commentator has described as the "dingy, boring and inescapable backcloth" of mass unemployment.[2] It is the aim of this thesis to chart a part of this evolutionary process; to investigate the relationship between the Government and the depressed areas during the interwar period.

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1 T. S. Ashton 'The Relation of Economic History to Economic Theory' Economica NS 13 (1946) 86.
2 Ronald Blythe The Age of Illusion (1963), 155.

The regional differentials in interwar unemployment rates were well-known to contemporary commentators,[3] and have received considerable attention since 1945.[4] Unemployment tended to be concentrated in the depressed areas, parts of the North East, North West, Central Scotland, and South Wales, from the early years of the twenties onwards.[5] It is clear,also, that these depressed areas formed 'problem regions' within the conventional definition of the term. McCrone suggests that there are three main types of regional problems:- agricultural regions in industrialised economies which cannot provide living standards comparable with the rest of the country; a region which is industrialised, but whose industry is either stagnant or in decline; and the congested region, whose further development would require excessively high investment in infrastructure and would result in high social costs to the inhabitants.[6] The depressed areas of the interwar period clearly belong to the second category. Despite the vast differentials in economic and social conditions between the problem regions and the rest of the country, most historians have suggested that a regional policy of assistance to the depressed areas did not commence until the mid thirties.[7] These historians have identified the passing of the Special Areas (Development and Improvement) Act as the origin of modern regional policy, but some have, at the same time, pointed out that the measures introduced under the legislation, concerned, to a large extent, with land settlement, drainage, and social welfare schemes, were far removed from the present concept of a regional policy.[8]

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3 Henry Clay The Post-War Unemployment Problem (1929), 52-7; R.C. Davison British Unemployment Policy: The Modern Phase since 1930 (1938), passim, H Powys Greenwood Employment and the Depressed Areas (1936).

4 Noreen Branson and Margot Heinemann Britain in the Nineteen Thirties (1971) 20-67; Blythe op.cit, Chapter 9; Bentley B. Gilbert British Social Policy 1914-1939 (1970), 51-97, 162-194. M. Stewart Keynes and After (Penguin 1967), 48-70.

5 Infra, Chapter One, Part Two.

6 Gavin McCrone Regional Policy in Britain (1969), 14.

7 C H Lee Regional Economic Growth in the United Kingdom since the 1880's(1971), 153; McCrone op.cit, 92; B J Loasby 'Location of Industry: Thirty Years of Planning' District Bank Review (1965), 34/5; H W Richardson Economic Recovery in Britain 1932-39 (1967), 280.

8 Richardson loc. cit; Lee loc. cit.

Other authors have designated the beginnings of the Industrial Transference system under which the Government tried to encourage and direct the mobility of labour away from the high unemployment regions as the start of regional policy in the interwar period.[9] It seems remarkable that the inhabitants of the depressed areas should have had to wait, and apparently were prepared to wait,[10] at least seven years for the introduction of measures of direct assistance - and, apparently, were prepared to accept nothing more than improved facilities to escape from the gloom of their home environment. Moreover, according to many writers, the unemployed in the depressed areas had to wait another six and a half years for the introduction of the next step in regional policy, after, in the interim, having to endure the worst of the slump and very slow recovery.[11] Several questions immediately arise:- Why were regional policies introduced so late, long after the unemployment differentials had been apparent? Why did regional policy take such a narrow, restricted form? Why was political, social and economic pressure not applied to successive Governments to implement more generous, more extensive, and more constructive policies? It is the aim of this work to try to answer these questions.

A crucial element in the answer to these questions is that too narrow a view has been taken of what constituted assistance to the depressed areas during the interwar period. The transference and Special Areas programmes are meaningless if considered outside the context of the whole range of Government policies which were presented and regarded as complementary.

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9 A J Brown The Framework of Regional Economics in the United Kingdom (1972), 281; R C Davison The Unemployed: Old Policies and New (1929), 259-66

10 It will be argued that the unemployed, and their representatives did not always adopt a passive course, but were able to make their protests known by taking to the streets on hunger marches. However, there were even regional variations in militancy. W R Garside The Durham Miners 1919-1960 (1971), 281.

11 Richardson op.cit, 266-98.

Examples of the presentation of a multitude of policies as beneficial to the regions will be given throughout the thesis, but the first illustration can be conveniently introduced at this point. After the general strike, it can be argued that economic conditions in the coal mining industry had a profound effect on regional growth performance. Those regions which were heavily dependent on coal mining employment, particularly those containing the large export-oriented coalfields, tended to have much higher rates of unemployment than the more industrially diversified regions.[12] In these circumstances, any measures which were introduced to foster expansion in the coal mining industry could be, and were, described as measures to reduce regional unemployment differentials. In introducing the Coal Mines Bill of 1930, for example, the President of the Board of Trade commented on his recent visit to the steam coal valleys of South Wales.

> "I do not think that one could ever forget the scene. I saw, as every hon. Member must see, the distress of those villages and mining communities. Judge this Bill impartially and you will find, although it may not be without defect, that it is an endeavour to see that the output of these men.....is given a fair chance in the markets of the world. I am proud...., to have tried to make some contribution to improve their conditions".[13]

As long as policies of this type were being introduced, and as long as the primary hope for the recovery of the depressed areas lay in the recapturing of lost foreign markets by the export staple industries, there would be little demand for a regional policy designed to diversify regional economic structures. Consequently, it will be one of the main aims of this work to record the realisation that local prosperity would depend, in future time, on a more home-market-oriented national and regional economy. Only when regional economic structures are finally considered likely to be permanently inadequate to provide economic security for the local inhabitants, is there any likelihood of the 'modern' type of regional policy (controlling or inducing the location of new industrial undertakings[14]) being developed[15].

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12 Infra, Chapter One, Part Two.
13 Hansard (Commons), Volume 233, 1274 December 17, 1929.
14 McCrone op.cit, 181-207.
15 See E. Nevin 'The Case for Regional Policy' Three Banks Review (Dec.1966),72

Before this conclusion had been reached by the majority,[16] the persistence of depression in the basic export industries and the location of the growth industries in other parts of the country gave rise to linkage and multiplier effects tending to intensify and prolong economic depression.[17] Economic depression led, in turn, to a deterioration of social and physical conditions.[18] Thus, a wide range of policies to alleviate these problems must be considered as part of the development of regional policies.[19] Only very late in the inter-war period was it realised that the best method of attacking these problems lay in creating jobs for the unemployed.

Thus, the aim of this work might briefly be described as an attempt to account for the slow emergence during the interwar period of the modern conception of the nature and purpose of discriminatory regional policies.

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16 The hope that the export industries might regain their former levels of prosperity was not so irrational in the world trading conditions of the interwar period. It has been suggested that competitive factors were far more important in determining export performance than structural factors. Thus, if costs and prices could have been reduced in the manufacturing sector, it is possible that some of the worst aspects of the depressed areas problem could have been overcome much earlier. See H. Tyszynski 'World Trade in Manufactured Commodities 1899-1950' Manchester School of Economic and Social Studies X1X (1951), 288-94 [Hereafter Manchester School]

17 Infra, Chapter One, Part Two.

18 K Lindsay 'The Administrative Problem of a Depressed Area' Public Admin istration X111 (1935).

19 When investigators were sent from London to survey industrial conditions in four depressed parts of the country during the summer of 1934, they felt obliged to comment on a multitude of social and economic problems deserving Government attention. Reports of Investigators into the Industrial Conditions in Certain Depressed Areas (Cmd 4728 1934), passim.

The Sources[20]

In any work on Government policy, official records must provide a substantial proportion of the source material. Both published and unpublished papers are readily available in overwhelming quantity. The value of the Parliamentary Papers and non-command papers as statements of the policy and intentions of the Government, and as records of the work of departmental committees and working parties is well-known, and needs little further comment.[21] However, special mention must be made of two sets of documents which have been particularly useful and will be cited frequently throughout the work. The Reports of the Commissioners for the Special Areas were invaluable in providing an insight into both the detailed working of the measures undertaken under the Acts of 1934 and 1937, and the particular role of the policy within the whole range of Government assistance to the depressed areas. The ability of the reports to convey a picture of what social and economic conditions were like in the high unemployment regions and to reveal that the Government was only scratching at the surface of the depressed area problem deserves to be appreciated more widely than at present. Secondly, The Barlow Report[22] and the associated minutes of evidence offer a unique opportunity of assessing the attitudes of the different Government departments (and of a host of other bodies) to the contentious issue of official intervention into the locational decisions of private enterprise. Formed at a time of a sweeping reappraisal of Government responsibilities the Royal Commission put the widest interpretation on their terms of reference, and the Chairman was determined to give full consideration to all the relevant evidence.[23]

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20 For the sake of convenience, only the documentary and literary sources will be considered at this point - the statistical data can be more valuably assessed at a later point in the thesis when a more quantitative approach must be adopted. Infra, Appendix One.

21 C L Mowat Great Britain since 1914 (1970), 26-42.

22 Royal Commission on the Distribution of the Industrial Population Report (Cmd 6153 1940).

23 PRO HLG 27/43. Points for Consideration: Memorandum by Chairman. March, 1938.

Thus, the Royal Commission presented a comprehensive review of all factors relating to the distribution of population and industry within Britain in their Report, which has been regarded as a "landmark in the development of thought on the regional problem in Britain." [24]

The decision of the Government that its records should be opened after thirty years (enacted in the Public Records Act of 1967) has had a great impact for historians of the twentieth century. There is now available a wealth of material which can clarify for the historian the course of events and the information available to the Cabinet and to Ministers when decisions were made.[25] These papers available at the Public Record Office have given researchers the chance to write much fuller histories of the period since the establishment of the Cabinet Secretariat in 1916 than had been possible before.[26] However, two important limitations to their value as sources must be mentioned. Firstly, attention has been drawn by RHS Crossman to the probability that Cabinet minutes, at least those of the recent past, may not be as accurate as was previously supposed.

> "Cabinet minutes are highly political and the way they are written has enormous effect. By eliminating whole sections from the discussion and reporting others in full the Secretariat can greatly affect the way a decision is interpreted at Whitehall." [27]

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24 McCrone op. cit, 104.

25 The opening of the Public Records has helped to clarify the debate over specific issues, such as the reasons for the granting of the 'Red Friday' subsidy to the coal mining industry. Infra, Chapter Two footnote, - 73.

26 See, for example, Susan Armitage The Politics of the decontrol of industry: Britain and the United States (1969); Paul B Johnson Land Fit for Heroes: the Planning of British Reconstruction 1916-1919 (Chicago 1968); Gilbert op. cit.

27 Sunday Times Crossman Diaries, March 23, 1975.

The chances of detecting bias, if it existed, in the Cabinet minutes for the interwar period are slight. There appears to have been, judging from autobiographical records, no interwar Cabinet Minister who shared Crossman's interest in the process of decision making at the highest level. It is possible, however, to compare the official minutes with the diary entries made by Thomas Jones, Deputy Secretary to the Cabinet until 1930.[28] Jones knew shorthand and kept an extensive, if intermittent diary. He was particularly concerned with economic and social affairs and, thus, his diary is a valuable source in its own right, especially for the understanding of episodes, such as the general strike and the formation of the Economic Advisory Council, with which he was closely concerned. His practice of giving detailed accounts of the topics in which he was especially interested, helps to add detail to the picture presented by the Cabinet minutes, but in no way suggests that there were, at this time, biases of the type to which Crossman has alluded.[29] The second point concerns the sheer volume of the material and concern of much of the departmental material with the details of administration. Whilst Cabinet records have already yielded a bountiful harvest of research, the departmental papers need to be handled with much greater selectivity, if one is to avoid being overcome by administrative detail.

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28 Thomas Jones Whitehall Diary (Edited by Keith Middlemas) VolumeI 1916 - 1925 (1969); Volume II 1926 - 1930 (1969).

29 Jones took particular interest in the negotiations of April and May, 1926, which were linked with the calling of a general strike. His account can be compared with Cabinet records of the same events. In his presentation of the Cabinet meetings of May 2nd, for example, Jones gives an account of events which highlights certain aspects of the official minutes (the open dissatisfaction with the formula agreed with the TUC shown by some Ministers, the fact that an ultimatum had been drawn up to be handed to the TUC at the start of the 9.30 p.m. meeting) rather than suggests the deliberate suppression by the Secretariat of part of the record. op. cit, Vol.II, 27 - 34.

Where a measure public reaction to Government policy has been required the technique of using the Parliamentary Debates, newspapers and journals has been adopted. Reports in local newspapers have been chosen as the best method of assessing the strength of public feeling about specific Government measures. The thoughts and reactions of the organised labour movement, for example, are obviously important in matters concerning unemployment, labour mobility, and Government training and, thus, due weight has been given to the pronouncements of the TUC and the Labour Party. It had been hoped to examine local trade union reactions to Government policies, by examining trades council minutes, but the limitations of time and the need to survey several areas as a result of the very diverse regional responses have rendered these plans impossible. Above all, however, it was thought that these sources would contribute little to an understanding of the local response to Government policies. The Public Records give details of the many deputations to the various Ministries during the period, and both participants and more impartial observers have examined the history of the more colourful aspect of interwar working class pressure group politics - the hunger marches.[30]

It would have been highly advantageous to have been able to interview the leading figures who were involved in the formulation of the policies towards the depressed areas. The Public Records do not supply sufficient information about the personal attitudes of men such as Chamberlain, Betterton, Malcolm Stewart, George Gillett, Sir Arthur Rose or Sir Horace Wilson to answer all the

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30 The following works by Wal Hannington; The Problems of the Depressed Areas (1937), Unemployed Struggles (1936), Ten Lean Years (1940), and Never On Our Knees (1967); and Ralph Hayburn "The Police and the Hunger Marchers' International Review of Social History XV11 (1972), Maureen Turnbull 'Attitude of Government and Administration towards the Hunger Marches of the 1920s and 1930s' Journal of Social Policy 2 (1973).

historian's questions. Moreover, the failure of most of them to leave manuscript collections open to research students was a disappointment.[31] Even historians of the recent past do not live in the ideal world where all sources are to hand.

The Organisation of the Work

The thesis is divided into four parts, largely on a chronological basis. Part One is purely introductory, but does contain a background discussion of unemployment in the period 1920-1932. Part Two deals with the development of policies to help the regions in the period up to 1932. Contemporaries in the twenties tended to distinguish between 'long-term economic' and 'short-term relief' policies,[32] but in Chapter Two, it will be suggested that the crucial factor was cost reduction. The introduction of a programme of regional development was delayed because it was thought that regional unemployment would be eradicated only by a revival of prosperity in the export industries which should be encouraged to lower unit costs. This restrictive framework imposed tight limits upon

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31 The Royal Commission on Historical Manuscripts have no records of material left by Lord Portal or Sir Horace Wilson. Sir Malcolm Stewart's papers are not open to researchers.

32 A number of illustrations can be cited. Dr. T. J. MacNamara, the Minister of Labour in the 1921 Lloyd George coalition said in a debate on unemployment, "I am conscious of the fact...that in regard to my duty as Minister of Labour the criticism may be made that I am confining my energies to the task of endeavouring to alleviate the hardships and mitigate the sorrows arising from unemployment.....But there is another duty.....of doing what we can to re-establish British industry and thus bring permanent happiness and prosperity to busy hands in mill and factory and workshop". Hansard (Commons), Vol. 138, 120, February 16, 1921. In mid-decade, the conservative Minister of Labour, Sir Arthur Steel Maitland drew a distinction between the justifiable measures to help the export industries, and the palliatives of relief works. Hansard (Commons), Vol. 188, 1698-1700, November 26, 1925. Finally, Sir Oswald Mosley drew a sharp distinction between measures of long-term planning and short-term schemes such as UGC and road-works as remedies for unemployment. Robert Skidelsky Politicians and the Slump: the Labour Government of 1929-1931 (1967), Chapter 8, Passim.

the range of policies which could be formulated. The persistence of high rates of unemployment in the depressed areas and the pressure placed on the Government, meant that official policies had to be devised which both helped reduce regional unemployment differentials and yet left the policy of cost reduction uncompromised.

The rigid analysis of unemployment meant that the possibility of introducing an expansionist programme to reduce unemployment in the depressed areas was slight. The Government turned, instead, to traditional methods of coping with the unemployed. Since the majority were expected to endure only short spells out of work (until cyclical recovery could proceed), the Government strengthened its facilities for helping unemployed labour withstand brief periods without work. Pressure began to mount from the depressed areas for more discriminatory measures, and, by 1925, a number of ad hoc initiatives had been taken to placate the unemployed and local government in the regions. The persistence and intensification of regional unemployment later in the decade forced the Government to devise a new method of helping the regions with the result that official backing was given to encouraging and directing workers wishing to leave the depressed areas. This "Industrial Transference" scheme soon expanded to become a major part of Government regional policy. The aim was to disperse the concentrations of unemployment more evenly throughout the country - a policy which in no way compromised the major goal of cost reduction. The twin policies of cost reduction and transference remained the principal weapons against regional unemployment at least until 1932; the change of Government in 1929 and the rapid rise in unemployment during the slump brought no major re-orientation of policy.

The third section continues the chronology up to the outbreak of the

Second World War, and is predominantly concerned with the passing of and the changing emphasis given to the Special Areas legislation. Chapter Four assesses the importance of new factors which led to a re-awakening of public interest in the depressed areas during the thirties,[33] and suggests that the Special Areas (Development and Improvement) Act of 1934 can be realistically seen as a continuation of the short-term relief policies of the pre-slump years. However, the Act had a further element in that the Commissioners appointed under the legislation were encouraged to adopt new approaches to alleviating the worst effects of regional unemployment, although the restrictions on their powers did not leave much scope for experiment.

In Chapter Five, the early measures and their relationship to other Government policies are considered. The Commissioners soon came to regard diverting new industrial enterprise to the Special Areas as the most realistic method of promoting the economic development of the regions. The change from the original conception of the role of the Commissioners meant an extension of their legal powers was necessary for them to pursue this policy effectively. This argument was most cogently put in the final report issued by one of the Commissioners, a watershed in the changing ideas about regional policy in the interwar period.[34]

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33 The factors which receive particular attention are the emergence of the problem of long-period unemployment, and the slow pace of regional recovery.

34 Third Report of the Commissioner for the Special Areas (England and Wales) (Cmd 5303 1936).

At the same time, the Government's long-term economic policy was encountering difficulty because of the collapse of world trade during the slump years, and the lack of vigour with which rationalisation had to be pursued in view of the high unemployment levels.[35] The way was open for a new type of regional aid programme.

The full emergence of a policy of regional industrial diversification is considered in Chapter Six. Inducements to industry to locate in the Special Areas became, for the first time, a leading part of regional policy after the passing of the Special Areas (Amendment) Act of 1937. There were, however, limitations on the effectiveness of the policy as a result of financial and administrative constraints. At the same time, the Government had by no means dropped its more traditional methods of assisting the high unemployment regions, and the Special Areas measures remained only a part, though an increasingly important part, of the total effort.[36]

The final section acts as a review of the developments made in regional policy during the interwar period. Chapter Seven assesses the contribution of interwar measures to the formulation of the first post - 1945 regional legislation; the Distribution of Industry Act of 1945. Great emphasis is placed on the deliberations and report of the Royal Commission on the

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35 Although N K Buxton has recently shown that there were good grounds for the coal owners doubts about the value of amalgamation per se, his thesis does not destroy the conviction that the Government failed to promote rationalisation more strongly because of fears about unemployment levels. N K Buxton 'Entrepreneurial Efficiency in the British Coal Industry between the Wars' EHR XX111 (1970).

36 Neville Chamberlain announced to the Commons in March, 1937, that the Government was attempting to reduce unemployment in the Special Areas on five main fronts:- (1) Assistance to ailing industry; (2) the introduction of new industries; (3) land settlement; (4) transference; (5) the improvement of the social services. Hansard (Commons) 321, 1572-87 March 12, 1937.

Distribution of the Industrial Population, which undertook the most searching examination of the regional problem in all its aspects. An attempt will be made to compare the legislation of 1945 with the recommendations of the Royal Commission. In Chapter Eight, a quantitative approach is adopted to the discussion of progress in the regions throughout the interwar period. Regional population, employment, unemployment data and measures of industrial structure will be considered. Appended to this chapter is a discussion of the limitations of the various statistical series at the disposal of the historian. The work finishes with a short concluding chapter.

II

To compute the rate of unemployment at any time, it is essential to both define and measure not only unemployment, but also the workforce. In neither case can a satisfactory definition be found which does not involve the use of arbitrary and, to some degree, unrealistic assumptions. In Britain in the interwar period, unemployment was effectively defined by the method of measurement, which was on the basis of voluntary registration at Labour exchanges. These data, resulting from the working of the National Insurance scheme which became fully operative in 1923 have distinct limitations which will be explored in more detail below.[37] Before 1923, however, the available statistics are less reliable than the limited Insurance figures. Between January 1919 and March 1921, the out-of-work donation scheme helped the unemployed survive until a new job could be found. The donation was paid to civilian unemployed until November 1919 when the Unemployment Insurance scheme was re-introduced. Only aggregate figures were produced with no information about unemployment by region or by industry; thus, the data have distinct limitations.[38] The trade union figures were also available until their cessation in 1926,[39] but their representativeness of the total working population and the basis of the sample are both in doubt.[40] In addition, there are Unemployment Insurance figures from the time of the passing of the first Act of 1911. However, the rapid expansion of the scheme and the burdens placed upon its administrators by rising unemployment meant that a considerable period elapsed before the

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37 Infra, Appendix One.
38 Table I.
39 Table II.
40 See infra, Appendix One.

full coverage was achieved.[41] Thus, the Insurance data have to be handled with considerably more care for the period November 1920 to January 1923 if they are to be used as indicators of the general unemployment rate (if such a concept can be defined and measured).[42] Caution is also essential in the use of the disaggregated statistics during the early period because the Ministry of Labour changed the presentation from an occupational to an industrial classification in July, 1923. All attempts to illuminate the nature and causes of unemployment during the twenties must acknowledge the deficiencies of the statistical data and particularly in the period of most rapid change before 1923.

The Incidence of Unemployment

Although it is impossible to comment with any certainty upon details of employment and unemployment after the Armistice, the broad trends seem to have been well established. Pigou has suggested that there was a short 'breathing space' lasting from the end of the War until March 1919 which was followed by a brief boom of approximately twelve month's duration.[43] By the end of April 1920 demobilisation was practically complete.[44] The number of ex-servicemen receiving out-of-work donation continued to fall until July but began to rise during the autumn.[45] The other indeces confirm this pattern with a sharp rise in October 1920 as a result of a dispute in the coal mining industry. A further dispute in April - July 1921 accelerated the rise in unemployment rates, with the peak in both series being reached in May/June. However, the

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41 There is little doubt that some employers were able to avoid complying with the demands of the scheme, ensuring that the potential coverage was never complete.
42 Table III.
43 A. C. Pigou Aspects of British Economic History 1918 - 1925 (1947), 5 - 7.
44 Ibid., 33.
45 Table I.

non-strike peak was not reached until the winter, with exceptionally high unemployment levels persisting until the summer of 1922. The fall began in the first months of 1923 and continued until the summer of 1924. Thereafter unemployment rates among insured workers fluctuated around the ten per cent. mark until 1929. There was a small rise in 1925 which was perpetuated the following year by the dislocation caused by the general strike and the coal dispute; the fall in unemployment rates in 1927 is, in part, a reaction - a spurt of activity as orders delayed by a lack of fuel were completed when the coal dispute was settled.[46] A major change occurred at the end of the decade, with a rise in unemployment rates which accelerated after March 1930. The second peak in unemployment levels amongst insured workers was reached in August 1932 when 23.0 per cent of the insured population was idle. It was not until the beginning of 1933, however, that the gloom began to lift and unemployment rates showed definite signs of reduction. To summarise: there were two great peaks of cyclical unemployment in 1920-22 and 1929-32 which were seperated by a relatively high, persistent core of unemployment amounting to about one million workers, or ten per cent.of the insured workforce.

This picture is not particularly informative - the national average figures tend to obscure more detail than they reveal in a period when regional and industrial differentials were so vast. The disaggregated figures help fill this void, but extreme care must be employed in interpretation. Reference should be made to the definitional problems and the assumptions made in carrying out this type of statistical exercise.[47] As was the case with the national

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46 Economist Commercial History and Review of 1927, 3/4.
47 Infra, Appendix One.

aggregates, the early years of the decade present an especial problem because of the inadequacy of the statistics.

Henry Clay attempted to shed light on the pattern of the slump by adapting figures taken from the Employment Gazette of unemployment in the coal mining, engineering, cotton textiles and building industries.[48] His technique has been followed for other industries and the results are presented as Table IV. It seems reasonable to suggest that the engineering and metals industries suffered particularly severely in the downswing of 1921/22. The textile industries also experienced a violent fluctuation at this time, but both cotton and wool succeeded in making a rapid recovery. The transport services centred on the docks and shipping also experienced high rates of unemployment among their insured workforces, but there are few signs of such a pronounced cyclical pattern. It is clear, therefore, that, despite the limitations of the statistical data, complex forces were operating on the economy and a monocausal explanation must be rejected.[49] Later in the decade coal emerges as a highly depressed industry, but which experienced less severe unemployment than either shipbuilding or dockwork. The changing industrial pattern of unemployment can be ascertained from Table V1 which records the distribution of both the unemployed and the total insured workforce between a number of important industries. Whilst the limitations of the National Insurance returns make it impossible for an exercise of this kind to achieve detailed accuracy, the broad trends are evident. Before 1925 the chief element was the metal and engineering sector and a brief peak of unemployment in cotton textiles. From 1925 onwards, the biggest contribution to total unemployment came from the coal mining industry. In the earlier years building contributed more than its expected share to total unemployment; this margin was reduced between 1924 and 1927, after

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48 Henry Clay The Post-War Unemployment Problem (1929), 41.
49 For a discussion of the causes of unemployment, see the following section.

which building again swelled unemployment to a disproportionate extent. It is also clear from this table that the reduction of unemployment rates in the engineering and metals sector throughout the decade was achieved to large degree, by a reduction in the share of the insured workforce seeking employment in these industries. Thus, inadequate as the data are there is sufficient evidence to suggest that unemployment resulted from a number of influences which changed in relative importance during the period.

The Causes of Unemployment

Beveridge defined three types of unemployment in Appendix D of Full Employment in a Free Society:- frictional unemployment being "unemployment caused by the individuals who make up the labour supply not being completely interchangeable and mobile units, so that, though there is an unsatisfied demand for labour, the unemployed workers are not of the right sort or in the right place to meet that demand;" Seasonal unemployment is defined as that "arising in particular industries or localities through seasonal variation in their activity, brought about by climatic conditions or by fashion;" structural unemployment is that caused "in particular industries or localities through a change of demand so great that it may be regarded as affecting the main economic structure of a country."[50] Beveridge also noted that the level of activity was subject to fluctuation as a result of the working of the trade cycle and that the downswing phase was characterised by cyclical unemployment.[51] However, this simplification misses the full complexities of the unemployment problem. It is impossible to differentiate totally between each of these types of unemployment, because, for example, during periods of heavy cyclical unemployment other types of unemployment are likely to be more severe. As

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50 William H Beveridge Full Employment in a Free Society (1944), 408/9.
51 Ibid., Appendix A, 275 - 314.

will be shown, cyclical depression in the interwar period tended to affect particularly industries already suffering from structural decline. During such periods the turnover of jobs was much less rapid than times of fuller employment, and thus frictional unemployment would rise as workers spent longer between jobs. In the final analysis, it is impossible to draw a dividing line between any two of these types of unemployment. An attempt to apply this framework to the unemployment pattern outlined in the previous section will reveal the limitations of this type of analysis.

In discussing the downturn of 1920-22, Pigou has suggested that activity may have fallen first in consumption goods industries but that the fall in capital goods manufacture was more serious.[52] This behaviour conforms substantially to the pattern of events which would be expected in the light of the theory of the accelerator.[53] However, the figures on which Pigou based this tenuous conclusion indicate at best a confused chronology and seem unable to support the author's suggestion.[54] Moreover, it is clear that the depth of the depression and violence of the fluctuation of the engineering/shipbuilding/metals sector indicate that structural elements were involved in making the change from a controlled wartime economy to a free market pattern of demand. Up to 1918 there had been an increasingly heavy demand for military equipment but the rapid termination of armament contracts after the Armistice meant that new products and/or new markets had to be found.[55]

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52 Pigou op.cit., 72.

53 For a discussion of the theoretical and empirical nature of the accelerator, see R.F. Bretherton, F.A. Burchardt, R.S.G. Rutherford Public Investment and the Trade Cycle in Great Britain (Oxford 1941), 6, 8-11, 311, 327/8.

54 Pigou op.cit., 227.

55 Pigou notes that work on munitions contracts had virtually ceased by the early Spring of 1919. Ibid., 25.

In fact, the level of demand in the key sectors of shipbuilding and vehicles was maintained into the boom period of 1919/1920.[56] However, world productive capacity, especially in shipbuilding, had risen dramatically during wartime and the post-war boom was based on very temporary conditions. Thus, instead of a phased reduction in capacity many yards laid down new berths, often financed by loans at heavy, fixed rates of interest. When the brief spell of prosperity had evaporated, the effects of the slump in these two key sectors were exacerbated by the actions of the Government; in 1920 4 million tons of German reparations shipping were placed on the market at competitive rates[57], and the manufacturers of commercial vehicles complained at the large number of re-conditioned war lorries being offered at lower prices than comparable new machines.[58] The steady reduction in the relative size of the workforce in this whole sector confirms the view that a structural shift was essential to meet the peacetime demand level.[59]

The persistent core of structural unemployment during the interwar period as a whole is more usually associated with a wider range export industries:- coal, cotton textiles, shipbuilding, and ferrous metals. Before 1914, these industries used labour in a manner which, in terms of post-war technology, was relatively intensive; during the war and post-war boom they were expanded in response to highly unusual market circumstances which were not maintained. The causes of depression in these industries after 1920 is sufficiently well-known that it does not need repeating here except to state that the former high

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56 In shipbuilding, the post-war boom was inspired by rising shipping freights owing to the reparations demand on shipping, delays in repairs, and port congestion. These factors helped to conceal the surplus world tonnage. Leslie Jones Shipbuilding in Britain: Mainly between the two World Wars (Cardiff 1957), 31.

57 Ibid., 95.

58 The Economist Commercial History and Review of 1921, 328.

59 See Table V1.

levels of output and employment could not be maintained because of cost and market factors, and there was a massive contraction in the employment capacity of the export staple industries over the interwar period.[60] The highest unemployment rates were recorded in shipbuilding, but coal mining supplied the largest aggregate number of unemployed workers. It is worthwhile noting that, whilst these industries all suffered similar cost and market forces, conditions in the individual industry determined the duration and extent of depression. Thus, the onset of heavy unemployment in the coal industry was delayed by the effects of a strike in the USA in 1922, the French and Belgian occupation of the German Ruhr coalfield in 1923, and the payment of a subsidy to British producers in 1925.[61] Similarly, the iron and steel industry was relatively less depressed during the thirties after the institution of a tariff and a more home-market orientation.[62]

The docks and building have also been identified as industries in which unemployment was concentrated during this period. The seasonal/cyclical/frictional/structural analysis is also inadequate to cope with the complexities of unemployment in these industries. Frictional unemployment was high because of the tendency of the casual employment systems adopted by employers in these industries to accumulate and keep reserves of labour.[63]

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60 See, for example, British Association Britain in Depression (1935); G C Allen British Industries and their Organisation; Lord Aberconway The Basic Industries of Britain (1927).

61 The subsidy is discussed infra, Chapter Two.

62 The net impact of the tariff is more complex than this statement suggests, for although replacement demand undoubtedly followed the its institution and strengthening of the level of protection, other countries followed suit and export markets were lost. See Duncan Burn The Economic History of Steelmaking 1867-1939 (Cambridge 1940), 449-454.

63 For a fuller discussion of the working and theory of casual employment systems see Chapter Three, footnote 6.

However, it appears that in a depressed economy these industries act as a magnet for semi-skilled and unskilled workers displaced from other industries.[64] The comparative ease of entry into these industries for labourers, and the likelihood of obtaining short spells of employment, however infrequent, resulted in a considerable surplus of labour at the ports and in building.[65] To a certain extent, therefore, there were structural elements in the unemployment, particularly at the docks.

The second cyclical slump in the period also fell with particular severity on those industries already facing structural decline. Thus, the highest unemployment levels were recorded in shipbuilding, pig-iron and the iron and steel industries whilst the fluctuation was less violent in electrical cables, utilites, and tramway and omnibus service.[66] The workforce figures also help illustrate the structural shifts which were taking place in the economy between the wars. By measuring at the peak periods of the cycle (1924, 1929, and 1937), it is possible to generalise about the trends in employment. It appears evident that resources were being reallocated from the export staples to home market consumer industries.[67]

Thus, the unemployment throughout the interwar period resulted largely

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64 Such was the case in the building industry which maintained between the wars a constant reserve of unskilled labour, whilst suffering periodic shortages of skilled workers. See Harry W Richardson and Dereck H Aldcroft Building in the British Economy between the Wars (1968), Chapter 5.

65 However, the practice of the National Insurance administrators to define the industrial class unemployed by their last spell of recorded unemployment leads to difficulties in this context. It is possible that a number of industries in the neighbourhood of the ports such as dockwork, transport, building, and distribution all drew on the same reserves of unskilled labour.

66 Table V.

67 Table V11.

from structural factors, with two cyclical peaks in 1920-22 and 1929-32. It may be helpful to think in terms of the cyclical fluctuations superimposed upon a core of persistent structural and frictional unemployment amounting to approximately ten per cent of the insured workforce.[68] The remedy for such an intractable problem was for the Government to take the responsibility to see that aggregate demand was sufficient to ensure full employment, that demand was directed in such a way as to make use of unemployed resources, and to secure the organised mobility of labour. The first condition has perhaps been given undue emphasis by commentators on the unemployment problem in the interwar period, and the focus has only recently been turned to more regional and industrial aspects of unemployment policy as the dissatisfaction with demand management has grown.[69] Demand management has been found to be too blunt a technique to achieve the various goals of policies of the post-war world.[70] As interest in structural and regional policies has grown, faith in the value of demand management has been qualified.

Regional Unemployment

The limitations of the National Insurance data are particularly apparent in relation to the variation of unemployment by region. There are no insurance figures of regional unemployment before 1923 and none for the rate of unemploy-

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68 Beveridge suggested that approximately 4 per cent. of total insured workforce were unemployed result of structural factors, with the remainder classed as frictional unemployment. However, such an approach seems to ignore the definitional difficulties. " An Analysis of Unemployment III" Economica N.S.1V (1937), 180.

69 See Robert Skiddelsky Politicians and the Slump (1967); Michael Stewart Keynes and After (1967) which tend to venerate Keynes unduly.

70 See Samuel Brittan Steering the Economy: The Role of the Treasury (Revised Penguin edition 1971); Andrew Schonfield Modern Capitalism (1965); Sir Alec Cairncross Essays in Management (1971).

ment in the different towns until the establishment of the local unemployment index in 1927. As with the other series compiled from the operation of the insurance scheme there are assumptions which need to be borne in mind when using these data.[71] The unemployment rate in each of the Ministry of Labour administrative divisions for the period 1923-1938 is given in Table V111. Before this period, there are data from one private survey and from the returns of the Poor Law authorities.[72] The Poor Law statistics which relate to the distribution of able-bodied paupers are of only marginal use for clarifying the position in the regions for the proportion of the unemployed receiving relief was small in relation to total insured unemployment, and the policy pursued by the locally elected Poor Law authorities depended to a very large extent on their members' political allegiancies.[73] Nevertheless, such data may be useful in general terms to supplement literary or fragmentary statistical evidence.

The figures reproduced from The Third Winter of Unemployment suggest that unemployment was already becoming concentrated in the north-east and in central Scotland; two areas which were to remain depressed throughout the interwar period. However, such subsequently prosperous areas as the Birmingham/Coventry Zone and north-east London also recorded high unemployment rates at this time.[74] The demands for help made by Poor Law authorities in these areas in 1924,[75] suggest a persistent depression and confirm the view that there had

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71 See infra, Appendix One.

72 The private survey was carried out by a group of social scientists including JJ Astor, A L Bowley, H. Clay and others and published as The Third Winter of Unemployment (1922).

73 The fear of'poplarism'and other liberal approaches to public assistance was still profoundly affecting the Treasury's attitude to aiding the 'necessitous areas' (infra Chapter Three footnote 51). For what they are worth, the Poor Law data for 1921 suggest higher concentrations of paupers in London and such parts as Liverpool, Hull and Glasgow until April 1921 when there is a general rise but which is most pronounced in the metals and engineering centres of Newcastle, Stockton, Sheffield, Wolverhampton, Birmingham, Paisley/Greenock, and Coatbridge/Airdrie. The peak occurred in October, 1921.

74 Table 1X.

75 Infra, Chapter Three, footnote 45.

been a sharp cyclical downturn exposing the structural problems of the engineering/shipbuilding/metals sector. Thus, the beginnings of the familiar pattern of unemployment concentrated in the old industrial centres were evident from the first cyclical slump. Several qualifications must be appended, however; firstly, the heavily depressed industries of this early period tend to be less regionally concentrated than, for example, coal or cotton textiles. In the second place, the coal industry had not yet experienced its major slump and coalfield areas such as South Wales remained relatively prosperous. Wales recorded the lowest unemployment rates of all divisions until 1925 (with the single exception of the South East in 1924). The abrupt change in the fortunes of Wales coincides with a slump in the North East and, to a lesser extent in Scotland and reflects the collapse of prosperity in the coal mining industry.[76] From this point onward, the main concentrations of unemployment were to be found in the export-oriented coalfields of South Wales, the North-East coast, and Central Scotland.[77] This conclusion is reinforced by reference to Table X which presents unemployment in the regions as a percentage of the figure for the South East. Thus, the wide difference in prosperity between the coalfield areas and the region with the lowest unemployment rate is graphically illustrated. The widening of differentials during the middle years of the twenties is strikingly severe, widespread and persistent. It reflects the deterioration in the coal industry at a time when the manufacturing industries of the south-east were experiencing a spell of relative prosperity. After a peak induced by the coal strike, differentials fell as interrupted orders were made up and unemployment began to fall among insured workers in metals, shipbuilding and engineering. However, differentials remained wide throughout the remainder

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76 Unemployment among insured workers in coal mining almost doubled between 1924 and 1925. Table V.

77 The division with the worst unemployment problem in purely quantitative terms was, however, the north west which contained 22 per cent. of all insured unemployed workers and 17½ per cent. of the insured workforce in 1929, a relatively prosperous year for the division.

of the period.

Regional unemployment differentials occurred because the industries in which the labour force was in relative decline tended to be concentrated on or near the main coalfields, largely as a result of power and raw material requirements during their early development. The deceleration of the export staple industries was aggravated at the regional level by linkage and multiplier effects. The coalfield areas were characterised by narrow industrial structures heavily dependent for their prosperity upon one or two key export industries.[78] In the North East, for example, the decline in coal exports in the interwar years contributed heavily to the decline in employment in shipping, shipbuilding, and iron and steel.[79] The linkage effects contributed to a regional diminution in purchasing power which restrained the growth of manufacturing and service industries catering for the local market.

At the same time, the centre of industrial expansion shifted to the Birmingham/Coventry Zone and to the South East of England. In the late nineteenth century the heavy engineering and machine tool industries which were concentrated at the growth centres of the staple industries, became increasingly specialised in meeting the demands of the export industries dominating the regions in which they were located.[80] At the same time, the traditional ind-

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78 In South Wales coal exporting was the dynamic sector in the local economy. When this trade declined, linkage effects were felt in the transport industry. An Industrial Survey of South Wales made for the Board of Trade by University College of South Wales and Monmouthshire (1932), 86-96.

79 An Industrial Survey of the North-East Coast Area made for the Board of Trade by Armstrong College, Newcastle-upon-Tyne (1932), 22, 36, 38, 44.

80 C. H. Lee Regional Economic Growth in the United Kingdom Since the 1880's (1971), 76 - 83.

ustries of the midlands and south were beginning to diversify into lighter machine tool manufacture and its application to new forms of engineering as mass production techniques began to spread.[81] Thus linkage and multiplier effects in these relatively prosperous areas tended to have exactly the opposite effect to that in the coalfield areas.[82] Thus, the main industries of the coalfields were depressed and the centre of industrial expansion had shifted elsewhere. Only massive population migrations from the coalfields could have prevented the growth of depressed areas.

The population remained overwhelmingly immobile. Inter regional movement was relatively low in historical terms.[83] Between 1920 and 1935 the south east of England made a net gain of about one million workers as a result of migration from all other regions.[84] The introduction of official aid and encouragement to migration after 1928 in the Industrial Transference scheme was insufficient to achieve a more even spread of unemployment throughout the country as unemployment rose during the slump of 1929-33.[85] Intra-regional migration was common for within such a wide area as an administrative division both relatively depressed and relatively prosperous towns could be found.[86]

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81 Lee traces the development of the motor car manufacturing industry back to the motor cycle, cycle, and sewing machine industries. At each stage, a slump in the demand for the product of the parent industry had encouraged diversification into new markets and goods; loc.cit.

82 In the southern half of the country there was a greater concentration of purchasing power to provide a mass market for the developing consumer industries. The average family size was smaller in the south east (3.58 persons) than in Northumberland and Durham (3.99) and South Wales (4.00); almost 70 per cent of those of managerial status, presumably having higher, more secure incomes, were resident in the south in 1931.

83 D. Friedlander and R.J. Roshier "A Study of Internal Migration in England and Wales Part 1: Geographical Patterns of Internal Migration 1851-1951" Population Studies Vol X1X (1966), 265.

84 Brinley Thomas "The Influx of Labour to London and the South East 1920-1936" Economica NS Vol IV (1937), 326.

85 Infra, Chapter Three.

86 Industrial Survey of South Wales, 34; M Makower, J Marschak, H W Robinson "Some Factors Affecting the Mobility of Labour: Analysis for Great Britain: Part II" OEP No. 4, (1940), 40/41.

Workers naturally preferred to seek employment in their own home districts if at all possible. The most intractable problems of regional unemployment occurred when depression descended upon the main source of employment in a town with only one major industry. But even in cases of this kind, it would usually be possible to find a factory or mine with better job prospects within daily commuting distance of the depressed town.[87] All depressed areas contained relatively prosperous centres within them. In the north east, for example, insured unemployment rates varied from 6.1 per cent at Consett to 26.8 per cent at Bishop Aukland and 33.1 per cent at Jarrow during the relatively prosperous month of September, 1929. In the depths of depression at August, 1932, 20.6 per cent of the insured workforce at Consett were unemployed (that is, 2.4 per cent below the national average), whilst the rates at Bishop Aukland and Jarrow were 62.2 per cent and 71.5 per cent respectively. Moreover, there were great disincentives to mobility:- the unemployed had a guaranteed subsistence income in the 'dole'; moving house was expensive and difficult especially for married men; a loss of job status would inevitably result for many of the skilled men if they were to leave their posts in the declining industry; and, finally, unemployment was always at least five per cent of the insured workforce in the most prosperous division, the south east.[88] Thus, regional unemployment differentials persisted and widened during the period 1932-1935/6 as the export-oriented capital goods industries emerged less rapidly than the typical industries of the south-east. Thus aggregate regional differentials are highly significant, both over peak to peak periods and for

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87 This statement is less true for the more remote depressed coalfields such as West Cumberland, South-West Durham & the upper valley seams in South Wales, where commuting was less common. See Thomas Sharp A Derelict Area: A Study of the South West Durham Coalfield (1935), 34.

88 See infra, Chapter Six for a fuller discussion of mobility of labour.

the whole span 1923-1938.[89]

The Duration of Unemployment

Throughout the twenties and during the first phases of the great slump, the vast majority of the unemployed experienced relatively brief spells out of work before being re-absorbed into work. There were no regularly-published statistics relating to the periods workers were spending in idleness, but some evidence can be drawn from the periodic surveys undertaken by the Ministry of Labour.[90] The results of these surveys, which were summarised in the Gazette suggest that there was a small group of workers which was experiencing great difficulty in finding work during the twenties. Data from the sample examined in November 1923 showed that 5 per cent of unemployed men had not worked at all in insured occupations during the previous thirty months, whilst a further 23.6 per cent had had only 1-29 weeks work during the same period. Moreover 3.5 per

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89 Over the period 1924-1929 the average annual rate of unemployment among insured workers was approximately 250 per cent. higher in the North East than in the South-East; 220 per cent. higher in the North-West; 230 per cent higher in Scotland; and 300 per cent. higher in Wales. Over the period 1929-1937, the North-East, North-West and Scotland all experienced 230 per cent. higher insured unemployment, on average, than that in the South-East, whilst the rate in Wales was 310 per cent higher on average. Over the whole period for which statistics are available (1923-38) the ratios are:- North-East (222 per cent.);North-West (220 per cent.); Scotland (224 per cent.); and Wales (298 per cent.). With regard to the severity of fluctuations, the standard deviation of the South East series is 2.59 per cent. that of the North-East is 5.47 per cent.; the North West figure is 5.32 per cent ; that of Scotland 5.41 per cent. and the Welsh 8.58 per cent. However, only Wales has a higher standard deviation in relation to the mean annual percentage than the South-East.

90 These surveys were summarised in the Ministry of Labour Gazette, March 1924, 79; June 1925, 190; January 1927, 12/13; April 1928, 118; January 1930, 6-8; and in the Minutes of Evidence taken before the Royal Commission on Unemployment Insurance, Part V, 298, (1931).

cent of all males in the sample were classified as "verging on unemployable" by the Labour Exchange staff who had conducted the interviews forming part of the survey.[91] Similar results were recorded at the next one per cent. sample survey, undertaken twelve months later, but it was thought the proportion of very long period unemployment was in decline.[92] This latter conclusion was reinforced by the findings of a third survey which was taken in November 1926. For the first time the sample was taken from the whole insured population - the record books of one in 218 insured persons was used.[93] Up to this point, long term unemployment was not attributed by the Ministry of Labour to industrial factors. Workers were classed as having poor employment prospects as a result of age, lack of skill and physical or personality deficiencies. Thus, the survey of the industrial records of 9,748 insured claimants for benefit taken at the end of 1927 identified 2.1 per cent. as verging on unemployable, and most of these were over 60 years of age.[94]

However, the spread of depression in the coalmining industry made a reappraisal inevitable. The skills required in the pits were of little use in other industries,[95] coalmining communities tended to be homogeneous and isolated, thereby militating against the workforce acquiring a wide range of industrial experience,[96] and there were few expanding sectors of the coalmining industry

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91 Ministry of Labour Gazette March 1924, 79 (a sample of 1,000).

92 The percentage of the sample without any insured work in the previous 125 weeks had fallen to 4.7 per cent, whilst those having had 0-29 weeks insured employment (including the previous group) was down to 23.3 per cent. The percentage of"nearly unemployable" males remained almost unchanged at 3.6 per cent.

93 The Gazette report concluded "These figures afford still more direct evidence of a considerable and constant change of personnel of those in receipt of benefit and show that the numbers of those on benefits for long periods is relatively small". January 1927, 13.

94 According to the figures published in the Ministry of Labour between July 1935 and July 1936, coalminers had been almost seven times as likely to enter public works contracting and building as any other industrial group. Ministry of Labour Gazette (1936), 395.

95 For example Sharp op.cit., 27.

96 Only the Kent coalfield experienced sustained expansion, but from a very small base level.

to which unemployed from the depressed fields could hope to transfer. Thus, it became more likely that some workers would have to wait longer between jobs, especially those whom the Ministry had previously classified as having 'low employability'.[97] Consequently, the Ministry took sample enquiries in order to gain more information. The first were taken on 18th March 1929 and on 16th September, 1929, and the results were published in the Gazette of January, 1930. There were estimated to be 45,100 applicants for benefit who had not worked for at least twelve months, and this figure represented approximately 4 per cent of all the insured unemployed workers.[98] A second survey was taken on 2nd February, 1931, for the Royal Commission on Unemployment Insurance and the results were published in the Minutes of Evidence.[99] Once more four per cent of the total insured unemployed workforce had not worked for at least one year (it must be remembered, however, that aggregate insured unemployment had doubled in the seventeen month period, thus the rise in long-term unemployment was rapid). From the beginning of 1932 statistics of the duration of unemployment were published each month and reveal a rapid rise, reaching a maximum aggregate total in May, 1933 when 482,951 (21.3 per cent) of all applicants

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97 By contrast, in the earlier phase of cyclical unemployment workers displaced from metals and engineering might hope to adapt their skills to the vehicles, transport or utilities industries as well as the more general unskilled employments; factories in these industries tended to be found in more heterogeneous industrial areas than the coalfields; and there were expanding groups within this sector such as electrical engineering, electrical apparatus and non-ferrous metals to offset some of the decline in employment. In the docks and building, casual labour systems would probably lead to a fairly regular, if slow, turnover of jobs. Shipbuilding, however, must be seen as an intermediary between engineering and coal, with some characteristics of each industry.

98 Ministry of Labour Gazette January 1930, 6 - 8.

99 Minutes of Evidence taken before the Royal Commission on Unemployment Insurance, Part V, 298.

for benefit had been out of work for more than twelve months. Thereafter long term unemployment remained high with a tendency to increase in relation to total unemployment up to mid-1937. However, this is a post depression phenomenon and will be examined more fully in later chapters.[100]

Summary

The principal difficulty facing any commentator on unemployment at any time is the lack of a satisfactory definition of unemployment. The method of measurement becomes the decisive factor in any definition. In Britain between 1918 and the trough of the depression in 1932, there are a variety of statistical series, none of which can be used without great care. The most commonly used data, the National Insurance returns , suggest that the cyclical slump of 1920-22 was most severe in the engineering/metals sector. However, by 1925 the more familiar pattern of structural unemployment associated with the old staple export industries:- coal, cotton, shipbuilding and ferrous metals, became entrenched until the cyclical slump of the early thirties. The worst aspects of the unemployment problem were to be found in the 'depressed areas' - the coalfields of South Wales, Scotland, and the North East and the textile belt of Lancashire - where, as a result of linkage and multiplier factors, whole regions languished in persistent depression. Regional unemployment differentials became apparent from the onset of heavy unemployment, but were strenthened when the extent of the depression in the coalmining industry became fully apparent. The concentration of large numbers of unemployed workers in areas where alternative employment opportunities were severely limited, with skills for which demand on a national scale was slack, and with little more than subsistence incomes posed economic, social and political problems which were not solved in the interwar period. The size of the problem was magnified by the

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100 Chapters Four, Five and Seven.

relative isolation of the depressed areas and their inadequate social capital-poor housing, antiquated sanitation and a communications network ill-suited to the developments in transport during the first third of the twentieth century. Whilst unemployment for the vast majority was a brief affair, the emergence of long-term unemployment from the early thirties onwards worsened the economic and social manifestations of regional unemployment in Britain.

TABLE I

Numbers of Persons holding out of work donation policies registered as unemployed

End of Month		Ex-Service	Civilian	Total
1919	Jan.	53,554	625,149	678,708
	Feb.	166,257	782,363	948,620
	March	306,263	753,982	1,060,245
	April	381,057	712,271	1,093,328
	May	386,921	384,290	771,211
	June	372,843	233,282	606,125
	July	363,663	177,221	540,884
	Aug.	336,952	141,132	478,084
	Sept.	302,272	100,731	403,003
	Oct.	344,242	135,185	479,427
	Nov.	358,823		
	Dec.	370,610	Civilian donation ceased in November 1919	
1920	Jan.	377,116		
	Feb.	293,144		
	March	240,508		
	April	219,226		
	May	196,508		
	June	174,224		
	July	139,866		
	Aug.	143,186		
	Sept.	158,759		
	Oct.	267,316		
	Nov.	192,144		
	Dec.	264,598		
1921	Jan.	322,419		
	Feb.	338,449		
	March	279,236		

Source Eighteenth Abstract of Labour Statistics (Cmd 2740 1926), 49.

TABLE II

Percentage unemployed at the end of each month among members of trade unions making returns 1918-1925

	1918	1919	1920	1921	1922	1923	1924	1925
January	1.0	2.4	2.9	7.1	16.5	13.6	8.5	9.0
February	0.9	2.8	1.6	8.7	16.2	12.9	8.2	9.4
March	1.2	2.8	1.1	10.2	16.2	12.2	7.8	9.0
April	0.9	2.7	0.9	15.1*	16.8	11.2	7.5	9.4
May	0.9	2.1	1.1	19.9*	16.2	11.2	7.0	10.1
June	0.7	1.7	1.2	20.6*	15.5	11.0	7.2	12.3
July	0.6	2.0	1.4	16.9*	14.5	10.9	7.4	11.2
August	0.5	2.2	1.6	16.6*	14.1	11.1	7.9	11.4
September	0.5	1.6	2.2	15.0	14.4	10.9	8.6	11.4
October	0.4	2.6	5.3*	15.7	14.0	10.5	8.7	11.3
November	0.5	2.9	3.7	16.1	14.2	10.2	8.6	11.0
December	1.2	3.2	6.0	16.2	13.8	9.3	9.2	11.0
Yearly Mean	0.8	2.4	2.4	14.8	15.2	11.3	8.1	10.5

*Affected by coal mining stoppage

From 1921 onwards pottery workers are excluded; from July 1924 onwards building workers are excluded.

Source: Eighteenth Abstract of Labour Statistics (Cmd 2740 1926), 95

TABLE III

Percentage of insured workpeople unemployed at the end of each month, United Kingdom. 1919 - 1925

	1919	1920	1921	1922	1923	1924	1925
January		6.1	11.2	17.8	13.3	11.9	11.2
February		4.4	13.1	17.2	12.4	10.6	11.3
March		3.6	15.4	16.1	11.7	9.8	11.1
April		2.8	20.2	15.9	11.5	9.7	10.9
May		2.7	23.4	14.6	11.2	9.4	10.9
June		2.6	22.4	13.7	11.3	9.3	11.9
July		2.7	17.9	13.1	11.6	9.8	11.2
August		2.9	15.6	12.8	11.8	10.5	12.1
September		3.8	14.2	12.7	11.7	10.6	12.0
October			14.5	12.6	11.7	10.9	11.4
November	5.4	3.5	17.2	13.0	11.5	10.8	11.0
December	6.6	7.9	18.0	12.8	10.6	10.7	10.5

From April 1922 inclusive, figures relate to Great Britain and Northern Ireland only.

The Unemployment Insurance Act of 1920 comes into operation from November, 1920.

From December 1920 inclusive, figures include a due proportion of persons working systematic short time in such a way as to gain unemployment benefit.

No reading is given for October 1920 because of the coal mining dispute.

Source: Eighteenth Abstract of Labour Statistics (Cmd 2740 1926), 50.

TABLE 1V

The rate of unemployment among insured workers[1], selected industries, U.K.[2] 1920-23

	1920		1921			1922				1923[3]			
	Dec.	Mar.	June	Sept	Dec.	Mar.	June	Sept	Dec.	Mar.	June	Sept	Dec.
Coal Mining*	0.3	2.3	..	10.2	11.2	8.1	8.7	6.0	4.6	3.6	2.5	3.1	2.4
Engineering[4]*	8.8	16.2	31.0	23.6	29.3	28.5	26.0	23.4	20.6	17.6	17.6	17.8	16.0
Shipbuilding	..	14.3	35.7	28.1	36.8	36.8	39.0	37.6	35.6	30.0	43.7	43.2	34.2
Iron and Steel[5]	..	25.7	66.0	31.7	42.6	36.0	33.5	28.9	24.3	16.7	20.6	21.7	17.1
Cotton[6]*	27	42	..	13	24	20	8	7	9	14	21.2	20.1	12.0
Wool and Worsted	..	29.2	44.2	16.6	15.5	9.7	4.8	3.6	4.1	3.4	6.8	11.0	9.9
Building*	7.0	9.8	15.9	14.4	20.8	18.3	15.2	15.2	18.5	15.1	12.5	11.9	13.6
Seamen	..	10.3	37.8	20.8	28.2	21.3	18.9	19.0	21.6	20.4	17.6	18.1	21.1
Canal, River Dock and Harbour Svce.	..	20.6	34.6	18.1	22.9	22.7	20.6	19.7	18.4	19.4	25.7	23.0	22.5

1 Wholly unemployed plus an allowance for those working/short-time following Clay's precedent of counting two short-time workers as one wholly unemployed up to September, 1922, after which the two categories were combined in official statistics.

2 The Irish Free State is not included after March, 1922.

3 The Ministry figures were re-classified by industry from June 1923.

4 Prior to re-classification Engineering and Iron Founding; afterwards comprises Engineers Iron and Steel Founding; Electrical Engineering; General Iron Founding; Electrical Cable, Wire and Lamp Manufacture; Heating and Domestic Engineering.

5 Up to March 1923, Iron and Steel Manufacture; thereafter, Steel Smelting Iron and Puddling Furnaces, Iron and Steel Rolling Mills and Forges.

6 Estimates by Clay up to June 1923.

Sources:- * Henry Clay The Post-War Unemployment Problem (1929), 41; all others Eighteenth Abstract of Labour Statistics (Cmd 2740 1926), 70 - 73; and Labour Gazette.

TABLE V

Percentage of insured workers unemployed, selected industries 1923-1939

	Averages of the percentages in January and July each yr.							
	1923*	1924	1925	1926	1927	1928	1929	1930
Coalmining	3.0	5.8	11.5	9.5	19.0	23.6	19.0	20.6
Pottery	13.2	13.3	18.1	38.6	16.6	18.6	17.0	23.7
Chemicals	11.8	9.9	9.1	10.9	7.2	6.1	6.5	10.0
Pig Iron	10.1	14.1	21.5	43.4	16.4	18.7	14.4	20.3
Iron and Steel	21.2	22.0	25.0	40.4	19.4	22.4	20.1	28.2
General Engineering	20.5	16.9	13.3	15.1	11.8	9.8	9.9	14.2
Construction and repair of motors, cycles and aircraft	9.7	8.9	7.1	8.2	8.1	8.1	7.1	12.1
Shipbuilding and repairing	43.6	30.3	33.5	39.5	29.7	24.5	25.3	27.6
Electrical cable, lamps etc.	16.2	7.7	7.2	7.4	7.7	5.6	5.3	7.5
Cotton textiles	21.6	15.9	8.8	18.3	15.4	12.5	12.9	32.4
Wool textiles	9.5	8.4	16.9	17.4	11.0	12.0	15.5	23.3
Linen textiles	19.8	11.8	25.0	28.2	12.2	19.8	15.7	25.2
Boots and Shoes	10.6	8.6	11.3	11.5	11.3	13.4	15.5	15.2
Printing, publishing etc.	5.6	5.6	5.2	5.4	5.2	4.6	4.6	6.0
Building	12.2	12.5	10.5	12.1	11.1	13.9	14.3	16.2
Gas, water, electricity	7.2	6.3	6.2	6.0	5.4	5.8	6.1	7.0
Tramway, omnibus	3.1	3.1	3.6	4.3	3.7	3.1	3.1	3.8
Docks, canals etc.	27.5	25.8	29.0	29.7	24.5	29.1	30.7	33.4
Distributive trades	5.9	6.4	6.7	6.7	5.5	5.5	6.2	8.1
Hotel, public house etc.	9.8	11.3	11.4	9.0	7.9	7.6	8.7	11.8
Yearly Mean**	11.7	10.3	11.3	12.5	9.7	10.8	10.4	16.1

The figures exclude juveniles under 16 years and persons insured under the agricultural scheme. In the figures for 1928 and later, people over 65 years are not counted.

* The figures for 1923 are for July only.

** Averages of figures for each month.

Source Department of Employment British Labour Statistics: Historical Abstract 1886-1968 (1971), 314/5.

TABLE V contd

Averages of the percentages in January and July each year									
1931	1932	1933	1934	1935	1936	1937	1938	1939	
28.4	34.5	33.5	29.7	27.2	22.8	16.1	16.7	12.5	Coal mining
36.3	36.2	30.9	23.9	22.3	21.8	17.5	20.7	22.0	Pottery
17.6	17.3	15.2	11.3	11.0	9.2	6.8	7.4	6.4	Chemicals
37.7	43.8	41.5	27.7	22.3	16.0	10.7	12.9	17.6	Pig Iron
45.5	47.9	41.5	27.3	23.5	17.4	11.4	19.5	15.1	Iron and Steel
27.0	29.1	27.4	18.4	13.6	9.6	5.8	7.0	6.6	General Engineering Construction and repairs
19.3	22.4	17.6	10.8	9.0	6.9	5.0	7.2	4.4	Motors, cydles, aircraft
51.9	62.0	61.7	51.2	44.4	33.3	24.4	21.4	20.9	Shipbuilding and repairing
13.9	13.3	14.5	10.0	8.8	7.9	5.0	8.1	6.2	Electrical cable, lamps etc.
43.2	30.6	25.1	23.7	22.3	16.7	10.9	23.9	16.9	Cotton textiles
33.8	22.4	17.0	17.8	15.5	10.3	8.8	21.3	11.0	Wool textiles
35.3	29.7	23.1	17.7	24.0	21.4	16.2	40.3	21.5	Linen textiles
22.2	18.0	19.5	21.4	17.1	14.6	12.1	14.3	10.4	Boots and Shoes
9.8	11.0	10.3	9.2	8.7	8.1	6.7	6.9	7.1	Printing, publishing etc.
22.7	30.2	29.0	21.3	19.7	19.8	14.6	16.7	17.6	Building
8.9	10.9	11.0	10.1	10.4	9.7	8.3	8.3	7.7	Gas, water, electricity
5.0	5.9	6.1	5.6	4.8	4.0	3.3	3.2	3.1	Tramway, omnibus
39.8	33.3	33.3	31.1	31.0	29.3	27.5	25.0	24.1	Docks canals etc.
11.6	12.6	12.4	11.3	11.3	9.8	8.9	9.2	9.0	Distributive trades
17.6	17.5	16.7	15.2	15.5	15.0	13.9	15.5	15.3	Hotel, public house etc.
21.3	22.1	19.9	16.7	15.5	13.1	10.8	12.9	10.5	Yearly Mean

TABLE V1

The distribution of insured unemployment and the insured population between selected industries, 1921-1929

Percentage distribution of recorded unemployment at the end of January each year; percentage of all unemployment in:-

	Coal	Engineering & Allied	Iron and Steel	Shipbuilding	Cotton	Building
1921	0.7	11.2	2.7	2.4	13.9	6.0
1922	5.8	15.8	5.5	6.2	6.2	8.6
1923	3.75	15.7	4.1	8.3	4.7	10.4
1924	4.2	11.8	4.4	6.4	6.6	8.0
1925	7.6	9.2	5.5	6.1	2.6	7.2
1926	9.6	8.8	4.3	6.8	3.6	8.5
1927	13.8	9.0	3.5	5.7	4.5	8.5
1928	16.7	6.7	4.1	3.4	4.4	11.2
1929	14.5	6.5	3.0	3.8	4.3	11.1

Percentage of the insured population (employed and unemployed) in each industry in July each year

1921	9.3	10.2	2.4	2.8	4.3	7.0
1923	10.8	9.0	2.6	2.35	4.9	6.2
1927	9.9	7.7	2.3	1.8	4.7	7.0
1928	9.4	7.8	1.9	1.7	4.6	6.8

Source: Henry Clay The Post-War Unemployment Problem (1929), 39.

TABLE V11

United Kingdom: rates of change of employment and capital 1924-29, and 1924-37 (per cent. per annum) - Manufacturing Industries

	Employment		Capital Stock	
	1924-29	1924-37	1924-29	1924-37
Building Materials	2.6	2.4	-0.2	-0.4
Chemicals	1.8	1.4	1.4	1.5
Ferrous Metal	-0.1	0.8	-0.1	0.4
Non-ferrous metal	1.1	2.4	0.4	1.2
Shipbuilding	-2.6	-1.4	-0.3	-0.9
Mechanical Engineering	1.4	1.9	-0.1	0.2
Electrical Engineering	4.8	5.6	2.1	1.9
Vehicles	3.3	2.9	2.5	3.7
Precision Instruments	2.5	0.3	-	-
Textiles	-0.2	-0.8	0.1	-0.9
Leather	-0.6	0.6	2.3	1.9
Clothing	0.5	0.5	2.6	1.9
Food	1.2	1.8	0.2	0.4
Drink	0.6	0.8	0.5	0.4
Tobacco	2.5	0.6	2.5	1.8
Paper and Printing	2.4	1.8	2.0	1.9
Manufacturing	1.2	1.2	0.6	0.5

Source: J. A. Dowie "Growth in the Inter-war Period: Some More Arithmetic" EHR XX1 (1968), Table 4, 111.

TABLE V111

The rate of unemployment among insured workers by administrative division (1923-38)

(Annual Average Percentages)

	1923	1924	1925	1926	1927	1928	1929	1930
London	10.1	9.0	7.8	6.9	5.8	5.6	5.6	8.1
South East	9.2	7.5	5.9	5.4	5.0	5.4	5.6	8.0
South West	10.6	9.1	8.5	8.4	7.2	8.1	8.1	10.4
Midlands	10.7	9.0	9.1	11.0	8.4	9.9	9.3	14.7
North East	12.2	10.9	15.0	17.2	13.7	15.1	13.7	20.2
Northern								
North West	14.5	12.9	11.4	14.7	10.7	12.4	13.3	23.8
Scotland	14.3	12.4	15.2	16.4	10.6	11.7	12.1	18.5
Wales	6.4	8.6	16.5	18.0	19.5	23.0	19.3	25.9
N. Ireland	18.2	16.6	23.9	23.2	13.2	17.0	14.8	23.8

Includes Agricultural Labourers after 1935

Northern division was carved out of North East and North West and based on Newcastle-upon-Tyne.

Source: Bently B. Gilbert British Social Policy 1914-1939 (1970), 312

TABLE V111 Cont.

(Annual Average Percentages)

1931	1932	1933	1934	1935	1936	1937	1938	
12.2	13.5	11.8	9.2	8.5	7.2	6.3	8.0	London
12.0	14.3	11.5	8.7	8.1	7.3	6.1	7.4	South East
14.5	17.1	15.7	13.1	11.6	9.4	7.3	7.6	South West
20.3	20.1	17.4	12.9	11.2	9.2	7.1	10.8	Midlands
27.4	28.5	26.0	22.1	20.7	16.8	10.7	13.2	North East
						17.0	18.0	Northern
28.2	25.8	23.5	20.8	19.7	17.1	13.9	17.7	North West
26.6	27.7	26.1	23.1	21.3	18.7	15.3	15.7	Scotland
32.4	36.5	34.6	32.3	31.2	29.4	21.7	24.1	Wales
27.8	27.2	26.5	23.4	24.8	22.7			N. Ireland

TABLE 1X

Places suffering from serious unemployment among insured workers, August 1922

District	Place	Worst Industries	Percentage of town's insured workforce unemployed
LONDON	Camberwell	Transport	23
	Clapham Junc.	Transport	22
	Deptford	Engineering	
		Transport	20
	Leyton	Engineering	24
	Poplar	Transport	23
	Tottenham	Engineering	20
	East Ham	Engineering	22
	Hackney	Engineering	
		Transport	20
S.EAST	Rochester & neighbourhood	Engineering	25
S.WEST	Plymouth & Devonport	Shipbuilding Engineering	24
	Cambourne & Redruth	Mining	44
WALES	Swansea & docks	Iron and steel & Transport	22
EAST MIDLANDS	Ipswich	Engineering	
		Transport	23
	Lincoln	Engineering	28
BIRM'HAM & DIST	Birmingham and	Engineering	
	Black Country	Metal Trades	25
	Redditch	Cycles and Motors	23
YORKS	Sheffield	Iron and Steel & Engineering	32
LANCS	Liverpool	Transport	
	Birkenhead	Shipbuilding	21
	Bootle		
	Barrow	Shipbuilding	
		Engineering	49
NORTH EAST	Middlesbrough	Shipbuilding	
	and neighbourhood	Iron and steel	34
	Hartlepools	Shipbuilding	
		Engineering	35
	Stockton	Engineering	
		Iron and Steel	49
	Sunderland and	Shipbuilding	
	neighbourhood	Engineering	37
	Newcastle and	Shipbuilding	
	neighbourhood	Engineering	25
SCOTLAND	Motherwell, Coat-		
	bridge, Wishaw	Iron and Steel	28
	Glasgow & Clyde	Engineering	
		Shipbuilding	
		Transport	27
	Aberdeen	Transport	
		Engineering	
		Shipbuilding	23

Source: The Third Winter of Unemployment (1922) 331/2.

TABLE X

The rate of unemployment among insured workers by administrative division, expressed as a percentage of the figure for the South East (1923 - 38).

	1923	1924	1925	1926	1927	1928	1929	1930
South East	100	100	100	100	100	100	100	100
London	110	120	132	128	116	104	100	101
South West	105	121	144	156	142	150	145	130
Midlands	106	120	186	204	168	183	166	184
North East	121	145	254	319	274	280	245	253
Northern								
North West	144	172	193	272	214	230	238	298
Scotland	142	165	258	304	212	217	216	231
Wales	63	80	280	333	390	426	345	324

TABLE X Contd.

1931	1932	1933	1934	1935	1936	1937	1938	
100	100	100	100	100	100	100	100	South East
102	94	103	106	105	99	103	108	London
121	120	137	151	143	129	120	102	South West
169	141	151	148	138	126	116	146	Midlands
228	199	226	254	256	230	175	178	North East
						279	243	Northern
235	180	204	239	243	234	228	239	North West
222	194	227	266	263	256	251	212	Scotland
270	255	301	371	385	403	356	326	Wales

PART TWO

REGIONAL POLICIES, 1920-1932

CHAPTER TWO

The Framework of Regional Policy in the Twenties

A Government can choose to introduce a course of legislative action to meet a perceived need or to forestall a problem which it anticipates will arise. Similarly, legislative action might be compelled by external pressure on the Government to alleviate an immediate or to prevent an expected difficulty. During the twenties and early thirties, there appear to have been few measures to combat regional unemployment; some commentators have identified the Industrial Transference scheme as the first element in a developing regional programme, whilst others have ignored it completely.[1] Unemployment tended, however, to be disproportionately concentrated from the early twenties in the areas dependent on the old staple export industries.[2] It will be suggested that the Government did claim to be implementing a policy to help the depressed areas; it portrayed steps taken in various fields as beneficial to the export industries which were the major employers of labour in the depressed areas. The main element of this export industry policy consisted of encouragement and, where possible, assistance to industrialists to reduce unit costs so that international competitiveness could be regained. This was the framework in which the regional policies of the twenties were constructed. However, there was a constant background of disapproval and the Government was forced to introduce a number of additional policies to aid the industries, the local authorities, and the unemployed in the depressed areas.

Although there was criticism of the Government's analysis and treatment of the unemployment problem throughout the twenties, both economists and administrators failed to recognise the limitations of contemporary economic orthodoxy. The most influential academic economists at Cambridge and the

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1 Supra, Chapter One, Part One.
2 Supra, Chapter One, Part Two.

London School of Economics tended to analyse the existence of high rates of unemployment in terms of the economy being 'stuck' in the down phase of the trade cycle with institutional regidities preventing costs of production from falling to a sufficiently low level to enable competitiveness in world markets to be regained and cyclical recovery to commence. In view of the labour-intensity of these export industries, a reduction of costs meant that, in effect, wages had to fall.[3] Thus, the prescribed treatment was exactly the reverse of that which would be proposed for a depressed economy by a Keynesian economist. Moreover, the Government was being pressed to adopt a similar course by its advisers within Whitehall. In June, 1921, the Controller of Finance at the Treasury presented a memorandum to the Chancellor in which he laid great stress on cost reduction as the "vital matter" in any programme of lowering unemployment rates. It is significant that in the first paragraph Blackett introduces the idea of home-market expansion which has formed the basis of post-1937 regional policy, only to repudiate it. A long-term solution could be found only in a revival of the export industries. As long as competitive conditions in the export industries remained the central concern of policy, the Government would be unable to extricate itself from the straightjacket of relative cost levels. The fear of taking any action which might make cost reduction more difficult induced an inertia in economic policy which was not fully dispelled until the Second World War. Only when the break with the concern over costs in the export industries and the related tenets of the balanced budget and free trade had been fully made, could the deliberate expansion of home-market oriented industries be realistically advocated. Until that time, this policy could be rejected as forcibly as in Blackett's memorandum.

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3 The limitations of time and space, together with the regional unemployment focus of this work, make it impossible to explore the academic debate on the remedies for unemployment propounded by such illustrious names as Pigou, Hawtrey, Keynes, Hobson and Cannan. See Keith Hancock "Unemployment and the Economists in the 1920's" Economica XXXVII (1960).

"It is perfectly simple for the British Government at any moment in present circumstances to stimulate a revival of the home demand for goods by inflationary methods. All that is needed is to increase the spending power of the nation as a whole by creating new methods of payment (currency notes and/or bank deposits.) This necessarily tends to increase prices, because while adding to the spending power it does nothing at all to the volume of consumable goods. It merely increases the competition among buyers for the existing volume of saleable goods (and services.) It naturally tends to stimulate the production of a further supply of goods for sale within the country, but this is, of course, a slower process. But it does nothing at all towards solving the problem which face the country at the present moment. On the contrary, it hinders eventual recovery. For among the results are:-

(a) increased prices at home
(b) increased purchases of goods from abroad, both manufactured articles and raw materials
(c) reduced foreign purchases in this country owing to prices here having risen
(d) a tendency to cause sterling exchange to depreciate in terms of dollars and of other currencies owing to increased purchases and reduced sales to abroad

"The fact is that the only demand which will really help the situation is demand from abroad. An artificial stimulation of the home demand will merely mean encouraging people in this country to take in each other's washing and waste their energies in so doing. Demand from abroad can be stimulated only very indirectly by any British Government action. What is wanted is peace internally and externally in the distressed parts of Europe, and a return to sanity in Russia. But also it is important to get down costs of production, i.e., wages and prices, at home. This is the vital matter, and it is for this reason above all others that reduction of British Government expenditure and some funding of floating debt are important. So long as the British Government is creating new credit to meet its expenditure or to replace maturing short debt, there is added difficulty in getting prices and wages and the cost of living down to reasonable figures." [4]

Thus, the gulf between the orthodox view and that of the expansionists was at this stage unbridgeable and economic policy was constrained to operate in an ineffectual manner in the international and domestic spheres in order not to hinder the cost reduction process.

An understanding of the importance attached to cost reduction is essential in order to evaluate official policies to reduce unemployment in the regions. The reduction of costs was still seen as a main aim of policy in the late twenties[5] and early thirties.[6] The Treasury implicitly

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4 PRO T 172/1208 Blackett to the Chancellor, June 8, 1921 (Emphasis added).
5 Memoranda on Certain Proposals Relating to Unemployment (Cmd 3331 1929) (52 - 4).
6 Minutes of Evidence Taken Before the Committee on Finance and Industry (1931), Vol.II, 18 - 24.

accepted the wage fund theory of employment: that in the economy there was a certain quantity of accumulated funds available to be advanced to labour.[7] The level of employment provided by this wage fund depended upon the operation of the Law of Diminishing Returns and the Theory of Marginal Productivity. The Law of Diminishing Returns stated that the more men were employed, the less would the last man produce. The Theory of Marginal Productivity said that the last man would be paid the value of what he produced. Therefore, the more men were employed, the less would the last man be paid. However, the forces of competition would ensure that men doing the same work would receive much the same wage, and, thus, the more men in employment, the less will be the average money wage. The reasons for the failure of money wages to fall provoked much academic controversy which has already been well surveyed.[8] This analysis is significant, because in accepting it, the administration had severely limited its field of action. Help for the unemployed both in the depressed areas and in the economy as a whole could be fully justified only if it tended to reduce costs. Thus, all measures to promote efficiency could be welcomed and encouraged (amalgamation and the reduction of excess capacity, for example), but a development programme for the regions which would divert from private industrial to state use part of the sum available to labour could, according to orthodox opinion, make little substantial difference.[9]

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7 Keith Hancock 'The Reduction of Unemployment as a Problem of Public Policy 1920 - 29' EHR Second Series XV (1962), 338.

8 Hancock (1960) op.cit, passim.

9 However, there was opposition from the Treasury to public works on the grounds that the Government could not organise this type of work as efficiently as private enterprise and, thus, could not provide as many jobs for an equivalent expenditure. PRO LAB 2/976 ED 16093/1927 Memorandum on Prevention of Unemployment Bill, 1927.

Thus, discussion of regional economic policies of the twenties appears to be concerned with projects of minor importance, such as export credits, rate relief, and aid to concentrate export production in the most efficient units. However, within the parameters of the time (which, at no time, received unanimous support),[10] these measures were thought to be helpful and likely to restore prosperity to the export industries which, in turn, would lead to a reduction of regional unemployment levels.

However, mass unemployment and high regional unemployment differentials persisted throughout the decade.[11] There was a second powerful force shaping the timing and content of policies to assist the depressed areas during the twenties. The pressure of public opinion evoked a series of concessions from the Government throughout the period.[12] The demonstrations of the unemployed themselves were impressive rejections of Government measures.[13] Although such pressure was an important factor in the timing and shape of policy, there were limits to the lengths administrations felt that they could go to appease these feelings. Especially during the first half of the 1920s, British society and politics tended to be more polarised than in subsequent decades and all groups seemed less reluctant to use confrontation tactics. Even the Labour Government of 1924 was threatened by strike action and pursued a marginally more sympathetic but substantially similar programme towards labour in industrial matters.[14] Thus, throughout the decade, Cabinets were wary of yielding too much to public opinion in unemployment policy.

An illustration of this attitude can be found in the Government's reluctance to subsidise the export industries during the twenties. When costs are thought to be excessive and their reduction is considered too

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10 Hancock (1960) op.cit, 308-311.
11 Supra, Chapter One, Part Two.
12 See, for example, the reasons for the extension of the Unemployment Insurance Act. Infra Chapter Three.
13 Wal Hannington Unemployed Struggles, 1919-1936 (1936), 168.310
14 Richard W.Lyman The First Labour Government 1924 (1957), 222/3

socially and politically damaging to be undertaken, it is tempting for industrialists and/or workers to appeal to the Government for a subsidy to the industry to help secure markets and jobs. Calls for assistance of this kind were made particularly frequently and insistently by the trade unions in the coal mining industry during the twenties. However, on most occasions they were rejected by Government. In the first instance, such a policy would have been totally alien to the non-interventionist principles towards private industry of the largely Conservative administrations of the twenties.[15] Middlemas and Barnes suggest that the Government, influenced to a large extent by Baldwin himself, saw their role towards the major industries as a mediator who held the ring while allowing industry to solve its problems alone.[16] This analysis seems to overstate the impact of the Prime Minister in industrial affairs, and to fit only the first year of office. In addition, the Baldwin Government was prepared to compromise its non-interventionist principles by giving a nine-month subsidy to the coal mining industry from September 1925 until the end of April 1926. An examination of this case will, perhaps, reveal why there was no permanent aid to exporters or to producers during the remainder of the twenties.

The subsidy, guaranteeing 1s.3d. (6 new pence) profit per ton of coal raised, was paid in bulk to the districts where it was distributed to the individual collieries in the proportion which corresponded to their share of total district output. By distributing the subsidy (which was considerably higher than the recent average profit levels[17]) in this way, the more efficient pits were able to make much bigger profits whilst the marginal producers received markedly less benefit. The method of subsidy was thus difficult to administer and, in this case, inefficiently distributed.

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15 The experience of the administrations led by Ramsey MacDonald does not suggest that the Labour Party would have been more inclined to intervene than their opponents. See infra, Chapter Three

16 Op. cit. 380.

17 See the comments by Varley in Hansard (Commons) Vol. 187, 1680, August 6, 1925.

This type of subsidy also proved to be much more expensive than had been anticipated. When Churchill announced the subsidy, he estimated that it would cost between ten and fifteen million pounds.[18] However, in 1925, he had to find £19.0 millions, and a further £4.2 millions in the following year.[19] Such strains on the Budget were, in part, responsible for his infamous raids on the Road Fund. In an era when the balanced Budget was a major aim of policy such 'unorthodox' finance was justifiable only in exceptional circumstances.

However, the payment of subsidies was regarded as an emergency measure and, thus, an unsuitable weapon in the fight against unemployment. In this case, the subsidy was granted to avert an embargo on the movement of coal by the railway and transport unions in support of an appeal from the Miners' Federation of Great Britain. The date of the granting of the subsidy had been called by the Daily Herald (and is now known as) "Red Friday". The mere fact that, in this case, the grant of a subsidy was seen in some quarters as a defeat for the Government might also have militated against its further use in the twenties to combat unemployment.[20]

The reluctance to utilise this policy, even to avoid widespread industrial warfare, can be seen in the following passage from Cabinet minutes

> "The Cabinet agreed
> to take note that there was no question of giving any general government subsidy to the coal industry; that the question of a subsidy would in no event be considered except in the remote contingency that both parties to the dispute had made the largest possible concessions, but that there was still a gap which could not be bridged, and that a subsidy for a limited term of months might provide the only means of securing a desirable settlement on an economic basis".[21]

There had, however, been no yielding on the part of the owners or of the miners, the only concession had come from the Government. Consequently,

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18 Hansard (Commons) Vol. 187, 1687. August 6, 1925.
19 Ursula Hicks op.cit, 66.
20 This policy reappeared during the thirties with subsidies for shipbuilding, but national defence may have been an important influence in the passage of the legislation. Infra. Chapter Five The Payment of subsidies to producers was, however, an important part of the Government's agricultural policy during the thirties.
21 PRO CAB 23/50 Cabinet 41(25) July 28, 1925.

Consequently, it needed all the political skills of the Prime Minister to vindicate the Government's action to his own supporters in the Commons. Baldwin justified the payment of a subsidy to avoid a strike on four grounds:- bad trade; the expense of a protracted strike; a preference for finding an honourable solution at a time when mines were being closed down; and, the unprepared state of public opinion for such a struggle.[22] Thus, subsidising industry was very much a last resort which had to be vigourously defended before it could be made acceptable to the Conservative Government's supporters in Parliament. Moreover, it seems highly likely that if the Government had not been very apprehensive about its ability to improvise an effective supply and transport organisation to counter this de facto general strike, that there would have been, as occurred nine months later at the expiry of the subsidy, no question of a grant of public money, but merely head-on industrial conflict.[23]

Thus, a payment of subsidies to exporters or to all producers was fraught with political difficulties and was only for use as an emergency measure.[24] It was expensive, and would have necessitated higher taxes if pursued more extensively; it did nothing to encourage producers to adopt more efficient methods to reduce costs. Moreover, in the political conditions of the twenties, the adoption of such a policy would have been equated with a shift in the balance of power to labour, and such a trend was vigorously contested by politicians.

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22 Hansard (Commons) Vol. 187, 1581-92, August 6, 1925.

23 The government's reasons for the grant of the subsidy have aroused so much controversy since 1925 that it seems worthwhile to quote at length the relevant Cabinet discussion to show that the government did not pay the subsidy because they were totally unprepared to confront the miners in the manner adopted nine months later.
"The arrangements for securing the continuance of the public services during a strike of this character were examined and found to be ready and complete so far as circumstances permitted. While the organisation was complete, it was only skeleton and could not be put into operation until volunteers had come forward. Volunteers, however, could not be called for until an emergency had been proclaimed". PRO CAB 23/50 Cabinet 42(25) July 30, 1925.

24 It seems likely that the government's aversion to subsidies during the twenties was, in part, a fear of seeming to introduce 'back-door' nationalisation, especially of the coal mines. If the State were to guarantee profits by paying subsidies, the unions might reasonably claim that the State should protect its interests by taking a controlling interest in the mines.

Thus, the framework within which policy evolved consisted, on the one hand, of Government encouragement to the export industries to reduce unit costs and, on the other, of pressure on the Government (to which wholesale concessions could not be made) to extend greater help to the depressed areas, their industries and inhabitants. Within this framework, however, there was scope for changes of emphasis, especially on the Government's side. It became clear, for instance, that there were several methods of achieving reductions in unit costs in the export industries. In the slump years of the early twenties, Government attached great importance to cost reduction by means of lowering money wage rates. In these circumstances, it may have been the case that the Government actually wanted unemployment, for a short time at least, in the export industries during the early twenties. It seems clear that the Treasury had analysed the slump of the early twenties in terms of a "consumer strike", that is, that pent up demand for consumer goods, obvious at the end of the War, had been satisfied in 1919 and 1920, and once able to abstain from buying, consumers preferred to wait until prices had fallen.[25] This analysis was thought to hold true for both the domestic and the international situation. Under these circumstances, the Government's duty was to urge the need for the lowering of costs of production, particularly wages.[26] Thus, all policies which did nothing to reduce costs, and which might conceivably have had influences in the opposite direction, were to be discouraged. The undertaking of a large programme of public works, for example, might have had an undesirable effect in two ways; it might have maintained the demand for labour

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25 PRO T 172/1208 Reasons for the Falling Off in Trade October 15, 1921.

26 The Chancellor was asked to press for "A definite declaration by the Government that the remedy for unemployment lies not with His Majesty's Government but with the employers and employed. Costs must come down and the two parties ought to get together at once and discuss how this is to be done. The Government cannot do it." Ibid, Memorandum to the Chancellor on the Budget (1921).

making the task of wage reduction more difficult; and, secondly, it was absolutely essential that the workforce be made aware of the prime need for a reduction of wages, and it was felt that the provision of work might have slowed this process of realisation.[27] Public works were also opposed because taxes would have to be raised to finance the programme. Higher taxes meant higher costs to industry - the opposite ends from those sought by the Government.[28] Moreover, the Government was urged to reduce the burden of Debt repayments, which effectively meant that the Budget had to be balanced, preferably with a small surplus to reduce the Debt.[29] Thus, with policy bound in the twin straightjackets of the export industries and the balanced budget during the decade it is, perhaps, impossible to have expected more to have been done. However, what is more reprehensible is the failure to face up to the limitations of the analysis. There was a continuous attempt to rationalise the status quo, evident in the changing justification for the 'Treasury View' in the years after it had become clear that the sharp dose of deflation had not cured the ills of the export industries.

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27 In the winter of 1921, it had been concluded that, "There is no short cut for avoiding the necessary process of adjusting costs to those of our competitors. Readjustment, however, may be expedited by the more widespread understanding of the economic situation and it is of fundamental importance that no scheme of relief shall hinder this process". Ibid. Draft Proposals of Commander Hilton Young's Committee submitted to the Prime Minister at Gairloch, October 2, 1921. Emphasis added.

28 The Unemployment Grants Committee was advised to restrict its programme for 1925/6 because of the effect on local authority finance. "The burden thus imposed [by making local authorities find half the necessary finance themselves] means, they say higher rates, and the higher rates mean putting such pressure on local industry that more firms will close down and more unemployment will result". PRO T172/1490 Unemployment Grants Committee, Memorandum by the Chairman on the Question of Further Works for 1925-26.

29 Thus, the Cabinet Committee on Unemployment was informed, "From the point of view of the Government, the effect of the State reversing its policy of the last six years and going into the open market again to borrow is likely to be very damaging to its credit, and the consequences on future conversion operations and on Floating Debt charges might be serious". Ibid, Cabinet Committee on Unemployment, Notes, July 7, 1925.

However, having had to endure a General Strike when the coal owners had attempted to force wages down, the Government began to seek alternative methods of reducing costs. Nevertheless, money wages in the export industries could not be allowed to rise to such an extent as to compromise the overall strategy of regaining competitiveness. In cotton textiles in the late twenties and early thirties, there were fierce industrial disputes over wage levels. Moreover, the Government remained opposed to an expansion of the public works effort, although the rationalisation of the policy had changed since 1921.[30] In 1927 the Treasury opposed expansion because it held that there was only a limited sum available for investment, and this amount could be more profitably employed by private enterprise. The implications and justification of this position can be clearly seen in the following extract from a memorandum attacking the Labour Party's proposal for a public works programme.

> "The fallacy which lies at the root of this scheme is the belief in the power of the State to increase the sum total of employment by the expenditure of public monies. On the contrary, the Treasury believe that the expenditure of money by the State, money taken from the taxpayer does not, and cannot, increase the sum total of employment in the country, provided that the State balances its budget and does not resort to currency and credit inflation.
>
> All Government expenditure gives a certain amount of employment direct. The amount of employment it gives is, broadly speaking, balanced by the amount of employment which would have been given by the same sums had they been left in the hands of the taxpayer.
>
> Of all the ways in which a Government can spend money, that for which it is least well equipped is expenditure for 'development'. There is no unwillingness on the part of private individuals to spend money when they see a prospect of profit." [31]

Thus, the crude argument on costs which had prevented the undertaking of a massive public works campaign to create work had been considerably modified, but it is also clear that the basic fear of unbalancing the budget was one of the principal factors in the Treasury's dogged opposition to such a

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30 Supra, 50.
31 PRO LAB 2/976 ED 16093/1927.

programme. The extent that attitudes in the Treasury were unaltered, although, ostensibly, the reasons for their position had changed radically from 1921, can be seen in the Treasury Memorandum published in 1929.[32] After having rejected an expansionary package for the same reasons as in the memorandum above, with the further refinement that State-financed work must be capable of yielding secure returns on the sums invested (which was also dependent on the 'limited investment fund' theory, for, if investible sums were scarce, only the most productive projects ought to be assisted), the Treasury returned to the fundamental point of costs.

> "The fact is that from whatever angle one looks at the unemployment problem, one is always forced to the conclusion that the principal (though not, of course, the only) cause of our difficulties is to be found in the fact that in many branches particularly of our heavy industries our costs of production (turning upon organisation and efficiency of both capital and labour) still tend to be excessive, and that these difficulties cannot be solved until these costs have been placed on a competitive level".[33]

If it is accepted that the unemployed had been made aware by eight years of high regional unemployment that costs must fall, and that the existence of unused resources made expansion without inflation possible, it is perfectly easy, in theory, to reduce costs and to 'mop up' unemployment by means of a public works policy. The Treasury do not seem to have been made aware of the logic of this argument.

The Government do seem to have been concerned, however, that the burdens of cost reduction should be distributed more evenly among other groups involved in economic activity. The Government had tried to reduce its expenditure after the fall of the 'Geddes-Axe' in order to lighten the burdens of taxation upon industry;[34] the trade unions, especially in coal mining, seemed unwilling to accept further cuts in money wages; and, thus, private industry was encouraged to make sacrifices to reduce unit costs. The Government embarked very hesitantly upon a policy of encouraging industrialists

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32 Memoranda on certain Proposals Relating to Unemployment op. cit.
33 Ibid., 52
34 The Geddes Committee recommended the transfer of some expenditure from central to local Government; severe economies in the education policy; and the abolition of the Department of Overseas Trade and the Ministry of Transport. First Interim Report of the Committee on National Expenditure (Cmd 1581 1922); Second Interim Report (Cmd 1589 1922)

to reduce costs by eliminating excess capacity, forming larger productive units to secure economies of scale, and reducing the more destructive elements of the highly-competitive small firm structure of many of the export industries.[35] It was not realised that amalgamation might have contributed to higher levels of unemployment in both the short-run (as a result of the reduction of capacity) and long-run (as a result of more efficient production of materials for which world demand was stagnant) yet, the Government does not seem to have questioned the wisdom of trying to reduce the capacity in the depressed industries. It was clearly hoped that after a short period of higher unemployment costs would be reduced, the more competitive basic industries would soon be able to expand their outputs and workforces and, operating on a more efficient basis, would be able to provide more secure employment for those workers in employment. This attitude was most clearly stated in the Balfour Report.

> "The aim of reconstruction must be to operate the most efficient works full time, the result will be to afford the maximum amount of full employment and at the same time to diminish the number of part-time workers. Such a policy in its early stages may involve an actual increase in the number of wholly unemployed and all possible steps should be taken to mitigate any hardship incidental to the transition. If, however, as we believe, this the only practicable road by which competitive efficiency can be restored it is better to face this temporary evil than to drag on as at present, and we may be confident that in the long run the industries which have regained their prosperity will be more than able to re-absorb those who for the time may have been displaced". [36]

Throughout the twenties it must have seemed inconceivable that the export industries would not regain their pre-war prosperity; for, if the former basis of the nation's economic pre-eminence would not return, there appeared to be, for some observers at least, no hope for the future; mass unemployment would be inevitable. There were few writers in the twenties who advocated a more concerted development of the home market-oriented industries as the principal policy against unemployment. It must be remembered that much of the protectionist lobby was made up of Empire free traders who aimed to redirect Britain's trade and were no less obsessed with the export industries

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35 For a fuller discussion of the evolution of these policies and the internal contradictions in policy aims, see Chapters Five and Six.
36 Cmd 3282, op. cit, 299 (Emphasis Added).

than those who wished that Britain would not raise further tariffs. The Introduction to the Balfour Report provides some measure of the importance attached to the export industries during these years.

> "Throughout our inquiries we have kept specially in view the conditions and prospects of our export trade, not only because we were expressly enjoined to do so by our terms of reference, but because we were convinced from the outset that, in a country like Great Britain, the economic situation of which requires an immense importation of food and materials in order to provide for the sustenance and employment of its population, the maintenance and development of the export trade must necessarily be a prime object of national commercial policy".[37]

Cost reduction was the essential aim of Government policy towards the export industries in the twenties. This objective was pursued directly by a number of measures such as cuts in Government expenditure and encouragement to the amalgamation movement. A more important effect was that no policy which might have impeded the lowering of costs could be countenanced by the Government. The framework which the Government adopted was uniquely restrictive and was more productive of inaction than the formulation of effective measures to reduce the unemployment problems of the depressed areas. However, the other element of the matrix, the pressure of public opinion, required that a coherent programme be introduced to bring assistance. The history of regional policies throughout the decade is of small-scale policies vigorously defended by the Government for their ability to reduce unemployment differentials. The failure of unemployment rates to fall resulted in increasing pressure on the Government and a need to make strategic concessions to placate its critics. However, these concessionary policies also had to fall within the framework of cost reduction, and were, in Keynesian analysis, inappropriate to an economy in which aggregate demand was deficient and badly-directed; in addition, they could do little to rectify the structural weaknesses of the depressed areas.

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37 Ibid., 2.

CHAPTER THREE

Regional Policies, 1920-1932

It is now possible to examine the way in which the Government's analysis of the causes of unemployment affected the nature and scope of the measures introduced during the twenties to deal with regional unemployment. The Government's main concern was to help the export industries regain lost markets, and so, much of this chapter will be devoted to policies which seem, in the light of contemporary attitudes, to be only marginally relevant to the reduction of regional unemployment. In trying to appease the pressure from the unemployed and their representatives in the depressed areas, the Government introduced a series of measures which conform more closely to today's concept of 'regional policies'. These policies were slow to evolve and did little to reduce the rate of unemployment in the depressed areas.

The Early Policy

Initially, it was thought that by reducing costs in the export industries and attempting to recreate the international environment that had existed in 1913 when the export industries and the City of London had been at the centre of the world trading and financial system, British industry would regain its former prosperity and employment would be created in the depressed areas. Consequently, there was a series of measures designed to promote greater international co-operation in the economic and monetary spheres. At a time when unemployment at home tended to occupy the thoughts of British politicians, foreign economic policy was presented as helpful to the export industries. As long as the export industries remained the focus of attention for unemployment policy and as long as the Government could deflate pressure by new initiatives to help the depressed areas, there would be few substantial

moves to develop domestically-oriented industries to try to absorb the unemployed into industry. Pressure on the Government was such that export industry policy alone was not sufficient and alternative sources of employment and occupation had to be found. Nevertheless, in this early phase, these alternative policies were kept on a relatively small scale in order not to compromise the cost-reduction policy for the export industries. In this early phase of the development of regional policy, covering the years 1920-1925, there are three main elements to the measures introduced. The principle attack on the problem came in the export industry policies; the failure of this strategy to produce immediate results led the Government to turn to the more traditional measures which had been evolved to counter cyclical unemployment; finally there were policies geared more specifically to the reduction of structural unemployment and to the relief of pressures caused by concentrations of unemployment in the depressed areas.

During the early years of the post-war slump, it was widely thought that the confused state of international trading and currency relationships after the Armistice was largely responsible for the depression of the British export industries. Thus, all measures to reduce dislocation would help to restore the fortunes of the export industries of this country. The Economist, for example, asserted

> "... the monetary condition of Europe remains precarious, and her purchases from other continents are still greatly reduced. This has limited the demands for the products of the countries producing food and raw materials, and, when taken in conjunction with the fact that every one of these countries has had to liquidate stocks to cope with a heavy fall of prices, and to regularise a state of over-trading, accounts for the restricted demand overseas for British goods".[1]

All measures taken to restore stability to international trading relationships could be justified because of the benefits which would accrue to the export industries. This was the driving aim of much of British economic and foreign policy.

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1 The Economist Commercial History and Review of 1922, 318.

A detailed examination of British foreign policy during this period is beyond the scope of the present work, but it is clear that the rate of unemployment among workers in the export industries was an important factor in the formulation of British strategy. For example, the economic chaos after the Armistice in a number of central European countries caused considerable concern, as the extract from the Economist suggests. It is not surprising to learn, therefore, that the Governor of the Bank of England, Montagu Norman, had taken a leading role in the League of Nations plan to secure the financial rehabilitation of Austria.[2] The same concern is evident in the lenient attitude taken by Bonar Law over German reparations in order that stability could be achieved in international affairs.[3] However, the terms of the final settlement contributed to the dislocation of the crisis of 1929-32.[4] The early stages of the export industry policy also contained measures to give more direct assistance to those wishing to sell to foreign countries. Concern had been expressed during the War about prospects for exporters. The Committee on Commercial and Industrial Policy after the War was set up in the summer of 1916 to examine how foreign trade and new markets could be developed. It recommended that the Government adopt a twin policy of decontrol of industry and a measure of protection.[5] In 1919, in the midst of industrial unrest, decontrol seemed impossible for a number of industries and the prediction of difficulties for the export industries seemed to have been fulfilled.

The Government's answer was to introduce two new schemes, Export Credits Insurance and the Trade Facilities legislation. The Export Credits scheme

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2 Keith Middlemas and John Barnes Baldwin A Biography (1969), 127.

3 Ibid, 135

4 It must be stated that despite these good intentions, the imposition of the reparations debt was a disequilibriating factor in the world economy. The setting of a figure in 1921 which was more than four times the amount which British and American experts had thought it feasible to collect at the Paris Peace Conference, and the provision of loan facilities under the Dawes Plan encouraged Germany to borrow large sums from the United States. The repayment of these loans to the U.S. which was in trade surplus, fatally exposed the fundamental weaknesses in the world economic and financial system.

5 Final Report of the Committee on Commercial and Industrial Policy After the War (Cd.9035 1918) (Cmd 2619 1926) 17/18

aimed to help exporters trade with a number of small states in Central Europe and the Baltic.[6] Money was advanced to exporters trading with these countries to cover their expenses. The scheme proved to be highly expensive and little interest was shown by exporters. The scheme was revised on three occasions during the twenties without evoking significantly greater interest from potential clients.[7] Since the aim of the scheme was to do no more than guarantee existing contracts, there is little likelihood that the volume of exports was increased significantly.[8]

Similar facilities to the Export Credit Guarantee system were available under the Trade Facilities Acts of 1921, 1922, and 1924.[9] Under this legislation the Treasury was authorised to guarantee the payment of the capital and the interest on loans raised in this country or abroad in order to undertake capital projects, work on which would promote employment in the United Kingdom. Table XII shows that the most important type of work guaranteed was the building of ships, which would have been of direct benefit to one of the worst-hit industries, but that underground railways, home electricity schemes, canals, docks, and sewerage works were also, with the notoriously expensive establishment of the sugar-beet refining industry, important recipients of aid under the Trade Facilities Acts.[10]

Thus, both these schemes were only of marginal importance in providing work for the depressed sectors of the economy. Under both schemes the Government merely guaranteed loans, it did not subsidise industry in any way. Under these circumstances, new jobs would be provided only in so far as work

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6 Report of the Credit Insurance Committee 1925-1926

7 Reports of the Committee appointed to consider generally the administration of the Export Credits Guarantee Scheme, 1928-1929 Report (Cmd 3450 1929), 7-12.

8 Derek H. Aldcroft, 'The Early History and Development of Export Credit Insurance in Great Britain, 1919-1939 Manchester School, XXX, (1962), (passim;) Ethel B. Dietrich 'British Export Credit Insurance' American Economic Review, XXV, (1935), passim.

9 11 and 12 Geo. 5.C.65; 13 Geo.5. Sess.2 C.4; 14 and 15 Geo. C.8.

10 For details of the aid to the sugar-beet industry, see Noel Deerr The History of Sugar Vol.2, (1950).

would be undertaken with the benefit of such guarantees which would not otherwise have been begun. Evidence of their effectiveness in influencing the placing of an individual export order or the undertaking of any capital works is difficult to obtain, but it seems likely that, given the fairly easy availability of investment funds during the twenties,[11] the work-creation effect of these two schemes was not large. However, the real value of these measures to the Governments of the twenties was the use which could be made of them in the Commons to repudiate any charges that the administration had no policies to alleviate unemployment. The following extract, taken from a speech by the Conservative President of the Board of Trade, Sir Philip Lloyd Graeme, illustrates this point well.

> "Take the Trade Facilities Act. Under that Act, guarantees have already been given for £38,250,000 worth of work, and there is a further amount of almost £6,000,000 awaiting guarantee as soon as the Act is renewed. That has meant an enormous amount of work of the very best kind in this country. Certainly at the present time there is at least £16,000,000 w rth of that work which is being carried on in the workshops of this country, and probably within a short time there will be a further £14,000,000 or £15,000,000 worth coming into the workshops and factories of this country.
> "Take Export Credits. There is nearly £4,000,000 in respect of which work is actually in operation at the present time. There is a further £4,500,000 which has been sanctioned, and which is estimated will be taken up in the near future in direct work in this country".[12]

The fact that this extract was taken from a Labour Party Vote of Censure suggests strongly that one of the principal values of such schemes was as a counter to the growing attack on the Government's failure to reduce the rate of unemployment. The reference to the provision of work "of the very best kind" illustrates the contemporary hope that the export industries, if they could be revived, would supply the employment needed to occupy idle workers.

Perhaps the most celebrated of the measures which was presented as helping the expansion of the export industries by attempting to recreate

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11 Committee on Finance and Industry Report (Cmd 3897 1931), 39.
12 Hansard (Commons) Vol. 169, 382.

the world which had existed before 1914 was the decision to return to the gold standard, the central element of the trading network before the First World War. Although there have been numerous works dealing with the return to gold and the economic and financial implications thereof,[13] some aspects of the decision to return might be stressed here because of their relevance to export industry policy. It seems clear that the main aims of restoration were to regain the pre-war position of London in the international banking world and had little to do with easing the burdens of the export industries. The Cunliffee Committee, for example, noted in its Interim Report that

> "In our opinion it is imperative that after the war the conditions necessary to the maintenance of an effective gold standard should be restored without delay. Unless the machinery which long experience has shown to be the only effective remedy for an adverse balance of trade and an undue growth of credit is once more brought into play, there will be a grave danger of a progressive credit expansion which will result in a foreign drain of gold menacing the convertibility of our note issue and so jeopardising the international trade position of the country".[14]

These conclusions were given some support from the industrial community when the Committee on Financial Facilities, which contained a majority of representatives from industry and commerce, endorsed this opinion.[15]

If the decision to return to the gold standard owed little to industry in its formulation, conditions in the export industries were increasingly used in arguments to justify the return as the date of restoration approached. Niemeyer, for example, wrote to the Chancellor of the Exchequer, Winston Churchill, in February, 1925.

> "No one would advocate such a return if he believed that in the long run the effect on trade would be adverse.
> In fact everyone upholds the gold standard, because they believe it to be proved by experience to be best for trade. If it is agreed that we must have the gold standard, is it not better to get over any discomforts at once and then proceed on an even keel rather than have the dislocation (if dislocation there be) still before us?

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13 See D E Moggridge The Return to Gold, 1925: The Formulation of Economic Policy and its Critics (1969), Sidney Pollard (ed.) The Gold Standard and Employment Policies between the Wars (1970) and the bibliography therein.

14 Committee on Currency and Foreign Exchanges After the War First Interim Report (Cd 9182 1918), para.47.

15 Committee on Financial Facilities Report (Cd 9227) (1918)

> No one believes that unemployment can be cured by the dole and palliatives like road digging. Every party - not least Labour - has preached that unemployment can only be dealt with by radical measures directed to the economic restoration of trade .... On a long view - and it is only such views that can produce fundamental cures - the gold standard is in direct succession to the main steps towards economic reconstruction .... and is likely to do more for British trade than all the efforts of the Unemployment Committee".[16]

The policy which has been roundly criticised in some quarters for necessitating a decade of deflation thereby impeding the efforts of the export industries to become competitive in world markets,[17] was presented by the Treasury, in part, as an employment policy which, after a short period of adjustment, would be of lasting benefit to those industries. The policy of a return to gold remained unchanged; the justification for it had altered. Yet it is very easy to exaggerate the extent to which the trading conditions of the export industries influenced this decision. Many authors have stressed the seeming inevitability of the return and the failure to give full consideration to contemporary economic difficulties.[18] Professor Pollard asserts that the aim to return to the gold standard was essentially a banker's policy, not directly concerned with industry at all, aimed at the restoration of London as the world's leading financial centre.[19] The absence of any discussion of a return to gold at a lower parity with the dollar than $4.86 would seem to confirm this interpretation of the motives behind the decision.[20] This exposition of the self-interest of the City does not undermine the proposition that the return to gold was <u>presented to the public</u> as being beneficial to the export industries. Although there was opposition both to the return and to the concomitant deflation, the criticism was not sufficient to arouse public opinion.[21]

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16 PRO T172/1499B cited in Moggridge op.cit., 55.
17 Ibid.,82, Donald Winch <u>Economics and Policy: A Historical Study</u> (1969),86.
18 Winch op.cit., 83. Moggridge op.cit., 27-8
19 <u>Pollard The Gold Standard and Employment Policies</u>, 22-6
20 Moggridge op.cit., 45ff
21 L J Hume "The Gold Standard and Deflation: Issues and Attitudes in the 1920s" <u>Economica</u> N.S. Vol. XXX (August 1963), 242.

The argument most forcibly put by R. S. Sayers, A. J. Youngson and Henry Clay,[22] that the gold standard could be, and was, presented by the Government as an employment policy for the depressed export industries because it helped to stabilise exporting conditions for the staple trades is not undermined by the work of Hume. The existence of an opposition, and doubts about the motives of official advisers do not alter the fact that the Government presented the return, in part, as an employment policy,[23] This aspect of the return was that which the press accentuated in the immediate post-return period.[24] The return, together with the attempts to promote international peace and stability, provided the Government with an answer to the critics who argued that it was doing nothing for the great export industries in which unemployment was concentrated.

It is very easy to condemn this aspect of Government policy as irrelevant and inadequate to the real needs of the export industries. They should be seen as supplementary and subsidiary to the "vital matter" of cost reduction.[25] If it had been possible to make the export industries competitive in world markets, the promotion of international stability might have helped establish conditions which were much more conducive for British exporters. In the circumstances of the post-war world, some of the measures undertaken may have made conditions more difficult for British exporters.[26] On a more basic level,

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22 R.S.Sayers "The Return to Gold 1925" in L.S.Pressnell (ed.) Studies in the Industrial Revolution (1960), 318, A.J.Youngson Britain's Economic Growth 1920-1966 (1967), 277-9, Henry Clay Lord Norman (1957)

23 See the speech by Churchill Hansard (Commons) Vol.183,57 April 28, 1925 also Vol.182,714 March 26, 1925.

24 See The Times April 29, 1925; The Economist May 2, 1925.

25 Supra, Chapter Two

26 Lloyd George was heavily criticised for "creating" the new national states, Poland, Czechoslovakia, and Yugoslavia out of land previously annexed to the German and Austro-Hungarian Empires. The economic repercussions to Britain of Polish coal, being excluded by tariff from its former German markets, coming onto the world market and competing fiercely with British exporters in Scandinavia were not unnoticed. A.J.P.Taylor English History 1914 - 1945 (Penquin edn. 1970), 185, 306.

it is clear that the British quest to re-create the conditions of 1913 was hopeless and doomed to failure. By the mid-twenties the world economy had been largely rebuilt, but it was not the system which Britain had hoped to erect. The restoration of the gold standard has been taken as the symbol of this hope, but, in many ways, the return reveals the novel, disturbing elements in international affairs after 1918 which made the British quest impossible.[27] The attempt to restore the earlier age was not possible in the new conditions after the First World War. The British Government tried, for example, to negotiate a reduction in the tariff barriers raised by the new European states and the primary producing countries to protect their infant industries.[28] In a world in which economic insecurity and economic nationalism were rife, success was not likely. At the International Economic Conference at Geneva agreement was widespread that tariffs and other trade obstacles should not be increased.[29] Such decisions may have helped deter countries from raising tariffs during the mid-1920s, but they did not prevent a second massive rise in the level of protection as economic conditions deteriorated in the late twenties and early thirties. British policy was not notably successful; tariff levels were not materially altered by exercises of this kind.[30] The world economy could not be turned back to

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27 Youngson, for example, notes that "the gold standard was not now an automatic but a managed standard, managed largely by the Federal Reserve Board which held enormous quantities of the world's gold and whose capacity for wise management Keynes distrusted". op.cit., 274.

28 Primary economic gain was not the only aim of this sphere of policy, but the quotation from Blackett's memorandum together with the concern with the levels of tariffs during the twenties suggest that the humanitarian motives of the immediate post-war period has been modified by the persistence of high rates of unemployment in the basic industries by the mid-twenties to such an extent that the main aim had become the easing of conditions for the export of British goods.

29 The Economist Commercial History and Review of 1927, 4.

30 It must be noted, however, that the level of world trade continued to grow during the 1920s.

1913, and, the fact that international economic institutions and world trading networks were rebuilt, albeit in a modified form, did not necessarily mean that the export industries would regain their pre-war competitiveness.[31]

The Government was made aware that the promotion of international stability would be insufficient to satisfy the demands of the unemployed in the depressed areas. Given the Government's analysis of unemployment as a cyclical phenomenon which would be eradicated by lowering costs, it is not surprising that the Cabinet turned to those measures of relief which had been developed during previous cyclical downturns. The policies which were implemented had to satisfy the condition that they did not inhibit the main aim of cost reduction in the export industries. If there were doubts about the effect of any measures upon costs, such as occurred with the public works programme, the policies were implemented only on a small scale and only when political circumstances necessitated a gesture of appeasement to the unemployed in the depressed areas.[32]

In the turbulent industrial and social situation which followed the Armistice, the Government seems to have been forced into the extension of the limited pre-war system of unemployment insurance by fears of violence from the working classes, in particular from the miners and ex-servicemen who threatened severe disruption if some thing were not done to give them greater economic security.[33] To meet these demands the Unemployment Act of 1920 extended the coverage of the scheme to approximately 60 per cent. of the workforce and, in 1921, the Act was amended to allow grants for the dependants of unemployed insured workers.[34] With this extension of the

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31 Although the values and volumes of such staple exports as coal and cotton piece goods were generally lower during the twenties than they had been during the (boom) year of 1913, the bench-mark most often used by contempary observers, Britain managed to earn a current account surplus during the twenties in every year except 1926, when the general strike and the coal dispute caused considerable dislocation. LCES The British Economy Key Statistics (1967) Table N.

32 Supra, Chapter Two

33 Gilbert op.cit, 51-86.

34 For a discussion of the implications of the limited nature of the scheme's coverage on the statistics, see infra, Appendix One.

insurance scheme in the early post-war years not only were over half the industrial population brought within the scope of the State's protection against short periods of unemployment, but in registering themselves as unemployed, they also had to make use of the Employment Exchanges.[35] These institutions would, it had been hoped, impose a much greater general order on what had in places been a chaotically disorganised labour market. The Exchanges had been expected to develop their placing work by which they canvassed local employers for vacancies for the unemployed. An analysis of Table XI suggests that this work did become more important during the twenties, but even during the mid-thirties it was estimated that the Employment Exchanges were responsible for only approximately 21 per cent. of total placings.[36] This work can hardly have had more than a marginal impact on the organisation of the labour market in the interwar years. The placing service had been designed to operate in conditions of fuller employment when the time of the staff would not be so completely consumed with the administration of the insurance and the 'dole' schemes.[37] The significance of the

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35 Unemployment in the previous century was particularly associated with certain industries such as the docks, building, and the 'sweated trades'. It was thought to be linked with the casual system of employment. These industries were characterised by a large number of employers each engaging their labour independently, and each tending to keep a separate reserve of labour for his fluctuating needs (depending on the number of ships in port, or the numbers of orders for goods in seasonal trades) by spreading the available work among different men each day. Thus, the total work was spread among more men than would be needed on the busiest day. By bringing the buyers and sellers of labour together in an organised way, it was hoped that the Labour Exchanges would allow only those who were needed to obtain work to be present, and release the surplus earlier rather than keeping them waiting for most of the morning in the hope that they might be needed later in the day. The released workers would then be able to seek work in other industries. W.H.Beveridge Unemployment: A Problem of Industry (1909)

36 PRO LAB 2/2025 ET 4161/1934, Memorandum by Besso, October 4, 1937.

37 W.H.Beveridge Causes and Cures of Unemployment (1931)

measures is that they indicate the attitude of the Government to unemployment and to the unemployed. The Government was relying on an extension of pre-war provisions to deal with a situation which was fundamentally different, both in magnitude and causation to that which had prevailed in Britain before 1914.

In its attempt to meet the demands of the unemployed, the Government also turned to more traditional remedies for unemployment. During periods of intense cyclical depression before 1914, some jobs had been provided on public works projects undertaken by the local authorities and financed, in part, from the Exchequer.[38] The object had been to find an alternative to the Poor Law for unemployed industrial workers until the pace of economic activity had quickened in the 'up-phase' of the cycle and opportunities for employment were again multiplying in private industry. By such means, the authorities had hoped to minimise the worst social distress - largely those dependent upon the incomes of unskilled workers.[39] It is not surprising that such policies should be re-introduced at the start of what appeared to be an ordinary cyclical downturn in 1920. In fact, the Ministry of Labour had been investigating the possibilities of easing demobilised soldiers into employment through a variety of experiments undertaken by ex-servicemen's organisations.[40] When the unemployment rate rose during 1920, the Government adopted a more extensive programme of public works. Work was provided by various Ministries,[41] and by funds from the Treasury for schemes approved by the Unemployment Grants Committee (UGC) which had been established in December, 1920. The UGC was originally appointed for only one year "for the purpose of assisting local authorities in the United Kingdom in carrying out approved schemes other than works on roads and bridges".[42] The scheme

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38 R.C.Davison The Unemployed: Old Policies and New (1929), 46/7
39 Jose Harris Unemployment and Politics: A Study in English Social Policy 1886-1916 (Oxford 1972), passim.
40 PRO LAB 2/1500 HQ 448/1920.
41 Work was provided by the Ministries of Transport and of Agriculture and Fisheries, and by the Board of Agriculture in Scotland.
42 Final Report of the Unemployment Grants Committee (Cmd 4354 1934), 3

was renewed each year until the economy cuts of 1931. Unemployment during this period was thought to be cyclical and would soon disappear as soon as costs fell allowing recovery to proceed. Thus, the UGC was expected to have only a brief existence. The Treasury stipulated that work grant-aided should be accelerated; that is, that it would not otherwise have been undertaken. The purpose of this clause was to ensure that the employment created was a genuine addition to the volume of work and was not merely work substituted from elsewhere, but Hancock has stated that assisting projects whose need was relatively remote, whilst the Geddes Axe was preventing the completion of schemes urgently required, was a ludicrous policy.[43]

Attempts were made to adapt the scheme to find employment for men from the depressed areas. The UGC was given permission to assist other public bodies to try to increase the amount of work coming forward.[44] Works eligible for grant had to come from areas in which there was 'serious' local unemployment, as defined by the Ministry of Labour. The definition of 'serious' tended to vary according to the political inclinations of the party in power. The Labour Government of 1924 defined all areas with a rate in excess of five per cent. as 'serious' thus opening the scheme to authorities in all parts of the country.[45] The next Conservative Government raised the qualifying level to 15 per cent. and stipulated that the work must have been advanced by at least five years to be eligible for a grant.[46] Under these conditions few schemes were submitted and the great majority could not be approved.[47] Whereas the UGC had assisted works to the value of £105 millions between 1920 and 1925, the value of the schemes aided in the period 1925-28 was only £21 millions.[48] Even in the early period, it is

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43 Hancock (1962) op.cit,336.
44 PRO LAB 4/231 Memorandum, November, 1931.
45 PRO LAB 4/158 Memorandum, September, 1924.
46 Unemployment grants Committee Fifth (Interim) Report (1926), 21.
47 UGC Final Report op. cit, 5.
48 PRO LAB 4/231 op.cit.

doubtful whether the scheme had much effect in job-creation because the UGC did not undertake to find the full cost of the work approved.[49] This aid was inadequate since some of the local authorities with the highest unemployment were already in serious financial difficulties and could not hope to raise the necessary proportion of the cost from their own funds.[50] The relief works programme was, therefore, not sufficiently adaptable to meet the needs of the post-1920 unemployment problems in the depressed areas. These measures had also to conform to the general framework, not hindering the improvement of the competitive position of the depressed export industries. As in the case of the cyclical policies considered above, the Government tended to turn to the traditional remedies.

It had long been a common-sense approach to the reduction of unemployment that the existence of the problem was evidence of a surfeit of industrial workers, and the best method of 'solving' unemployment was to remove this surplus from the industrial workforce.[51] The two policies most frequently advocated which fall into this category are the encouragement of land settlement and assisting migration.

Land settlement (allotments and small holdings) has an impressively long history in British programmes to combat unemployment.[52] In the inter-war period, land settlement received backing from both Labour and Conservative Governments in a series of Acts of Parliament under which local authorities were empowered to assist small-holding and allotment schemes.[53]

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49 Ibid.
50 Infra, and Lindsay op. cit, passim.
51 See, for example, the motives for the formation of 'labour colonies' for London's unemployed at the turn of the present century. J.Brown 'Charles Booth and the Labour Colonies 1886-1916' EHR 2nd Ser. XXI (1968)
52 Harris op.cit, 115/6.
53 The Land Settlement (Facilities) Act, 1919; Small Holdings and Allotment Act, 1926; Agricultural Land Utilisation Act, 1931.

Lloyd George also favoured land settlement, schemes appearing in both 'We Can Conquer Unemployment'[54] and in his New Deal proposals of 1935.[55] In spite of the general drift from rural occupations evident in this country since the later eighteenth century, land settlement was a politically acceptable method of finding occupation for the numerous unemployed industrial workers. The schemes proposed were not so completely irrational in the light of economic conditions in the interwar period. In Germany, for example, the cumulative effect of the allied blockade during the war, the period of great inflation, and the experience of high rates of unemployment had halted and reversed the drift from rural to urban areas.[56] In Britain, there was concern about the level of imports (of which foodstuffs formed a considerable proportion) and a desire to achieve greater economic self-sufficiency. It was confidently predicted that Britain could easily support an agricultural population twice the size of that of the interwar period.[57] Despite this strong advocacy of land settlement, the programme of the twenties was only on a very minor scale and met with very little success, involving very heavy losses and the permanent settlement of very few unemployed workers.[58]

Migration tended to receive heavy support from those involved in Empire settlement.[59] There had been a strong tradition of the movement of young adults to the colonies during the years before the First World War, and throughout the twenties the Government tried to encourage this flow to reach the pre-war proportions. The Government helped ex-servicemen and

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54 Op. cit, 47/8
55 Liberal Magazine XLIII (1935), 59
56 Karl Brandt "The German Back-to-the-Land Movement" Land Economics Volume II, 2, (May 1935), 126-130.
57 Such was the claim of Lloyd George in 1935, Liberal Magazine loc. cit.
58 PRO MAF 48/87 Minutes of a Conference August 6, 1930.
59 Drummond op. cit. passim.

those who had suffered direct hardship from the War to emigrate by means of a grant of free passage to places of settlement within the Empire.[60] As the first winter of heavy post-Armistice unemployment approached, the Cabinet Unemployment Committee recommended that this scheme be extended in order to try to relieve the burdens of unemployment and also that a scheme of assisted migration on a large scale be prepared by the Colonial Office.[61] The resultant scheme was successful in so far as migration to the white Dominions was greatly increased during 1920,[62] but other factors such as comparative economic conditions must be accorded due weight. The total migration in 1920, which was the best single interwar year , was at a significantly lower level than during the period 1910-1914, the years of massive emigration before the War.[63] At the 1921 Conference of Prime Ministers of the Empire, agreement was reached on the principle of State aid to Empire settlement, which resulted in the passage of the Empire Settlement Act of 1922.[64] The influence of the pressures of domestic unemployment on the passage of this legislation,[65] was highly significant at a time when the Geddes Axe was falling with the utmost severity upon other sectors of State expenditure.[66]

The justification for the inclusion of these policies lies in the tenacity with which they were used during the interwar years. When the Government became more aware of the structural nature of unemployment and began to encourage the mobility of labour, the acceleration of Empire

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60 The scheme for ex-servicemen introduced in 1919, was due to expire on December 31, 1920, whilst the second scheme was financed out of the National Relief Fund and was operated only so long as money was available from this source.

61 PRO CAB 23/115 CP 2145, November 1920.

62 Report to the Secretary of State for Dominion Affairs of the Inter-Departmental Committee on Migration Policy (Cmd 4689 1934)

63 Table XIII

64 Drummond op. cit., 80/81.

65 12 and 13 Geo. 5, ch. 13.

66 Drummond op. cit., 78/79.

migration was seen as an important element in the programme.[66a] Similarly, the Commissioner for the Special Areas in England and Wales devoted much energy and a substantial share of his scarce resources to various programmes of land settlement.[67] It is impossible to appreciate some of the developments of depressed areas policies during the twenties and the thirties without trying to understand the rationale behind these measures and without an awareness of their long histoey in British economic and social policy.

The reduction of the size of the workforce could only slowly ease the worst aspects of concentrated unemployment. The Cabinet came under pressure from organisations in the depressed areas for more immediate help. Initially, the most severe strain was felt by the local authorities which were financially hit by the loss of rate revenue as factories closed, whilst their expenditures on the relief of the unemployed rose dramatically. The differentials in unemployment throughout the country soon led to petitions to the Government for assistance. In October, 1921, the Cabinet's Unemployment Committee were considering plans to help Boards of Guardians[68] in the 'necessitous areas' and decided to issue loans to those Poor Law authorities that could not meet their commitments.[69] In January, 1923, the Necessitous Areas Sub-Committee of the Cabinet Unemployment Committee reported

> "There is no doubt that certain areas are suffering in exceptional degree from the unemployment now and lately prevalent.....The local burden is no doubt inconvenient and often extremely so, but it is a loose use of words to say that it is intolerable. In fact, it is being borne.....It is further true that in some areas the burden of rates is an appreciable factor in increasing the cost of manufacture, and so in postponing the recovery of trade".[70]

66a. Infra, 94.
67 Infra, Chapter Six, 233-7.
68 These bodies were locally elected Boards which had the duty of the administration of the Poor Law within their areas.
69 PRO CAB 24/129 CP 3403 Unemployment Committee Report, October 13, 1921.
70 PRO CAB 27/199 Cabinet Unemployment Committee, Necessitous Areas Sub-Committee Meeting held January 15, 1923.

The 'ethical' unwillingness to assist these authorities strengthens the contention that the Government had analysed the existence of unemployment in terms of the trade cycle. Until contradictory evidence could be assembled, it remained unwilling to help those areas which, it was thought, must benefit as soon as the economy recovered. To an extent, of course, this analysis was justified in that some of the towns which were suffering from heavy unemployment during the early years of the twenties were in only temporary difficulties as a result of dislocation following the War or the collapse of the postwar boom. Whilst these "Necessitous Areas" included many towns which were subsequently to be scheduled for assistance under the Special Areas Act, a number of places which had been heavily committed to the production and distribution of war materials, such as Coventry and parts of London, were also petitioning for aid.[71]

This earliest phase in the development of regional policies is somewhat confused. Direct assistance was given to the depressed areas in the export industry policies, but in the circumstances of the first half of the decade, little could have been done to raise purchases by foreign consumers to a sufficient level to reduce unemployment in the depressed areas to manageable levels. When unemployment appeared and persisted, it is not surprising that the Government should have turned to the policies which had been implemented during previous spells of high unemployment. Unfortunately, these measures had been developed to counter cyclical unemployment and were inappropriate to the situation in Britain after 1922. The origins of more structurally-oriented policies are present between 1920 and 1925, but they remained very small in scale and of minor importance in the wider range of Government action.

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71 On February 25, 1924, the Minister of Health, John Wheatley, met a deputation of representatives from the Guardians at Barrow, Birmingham, Sheffield, Newcastle, Coventry, Edmonton, and from the Councils of Burnley, Middlesbrough, South Shields, Stoke on Trent, Swansea, West Bromwich, and West Ham. He observed that "The root of the difficulties at present besetting authorities is the extent to which they have been and are compelled to assist able-bodied persons thrown back on the Poor Law by reason of abnormal unemployment". PRO CAB 24/165 CP 135(24) February 29, 1924.

The Growing Awareness of Structural Unemployment

The second phase in the development of regional policy covers the years 1925 - 1929. During these years, the Government became more aware of the structural problems of certain major export industries, notably coal mining, and began to adapt existing measures to conform to the new analysis. The Government still saw the cause of the unemployment problem in terms of the high cost conditions in British export industries. Its main proposal was to take further steps to help the export industries to reduce unit costs by encouraging amalgamation. It was confidently expected that with lower costs and greater efficiency, the staple industries would provide more stable, higher employment levels for their areas.[72] At the same time, the pressures of concentrated unemployment aroused public opinion to sufficient pitch to call forth a series of strategic concessions from the Government.

The financial pressures on the local authorities had been solved neither by the loans of 1921,[73] nor by the Labour Government's expedient of trying to ease the burden on relief provided out of local rates by making insurance benefit more readily available.[74] The problem was passed on to Neville Chamberlain, who had been appointed Minister of Health in the Baldwin administration. Chamberlain, appreciated that a fundamental revision of the financing of local government was a long-term imperative, but to overcome the immediate situation, an inter-departmental committee was set up to consider ways in which the Exchequer might assist local authorities where unemployment levels were high. The Committee rejected all schemes under consideration because the Treasury could under no circumstances grant assistance in cases where the burden on ratepayers might have been created

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72 Supra, Chapter Two
73 Supra, 78
74 The Labour Minister of Health and the Secretary of State for Scotland favoured increasing assistance rates, but relaxed the administration of the insurance and the 'dole' schemes by removing some of the reasons for exclusion from benefit and by reducing the waiting periods before benefit was payable. PRO CAB 24/165 CP 135(24) op. cit, and PRO CAB 24/165 CP 189(24) Poor Law Amenities in Scotland.

by a 'liberal' assistance policy pursued by the local authority.[75] Chamberlain warned his Cabinet colleagues that the authorities in the hard-hit areas could propose plausible arguments for aid. He noted that it might seem unfair that the industrial areas in which unemployment had been concentrated were being asked to meet the major share of the expenditure of relief which they claimed should be a national charge.[76] But he thought that the Government's policies in that direction were sufficient to meet the demands made of them, especially when a comparison was made with the situation before the War.[77] The Cabinet had not yet recognised the different order of problem which confronted them. The restrictions placed on the UGC at this time,[78] and the failure to ease the conditions of the local authorities suggest that the Government still hoped for an upswing in the economy to restore the prosperity to the export trades and the areas in which they were located.

In order to expedite the process of cost reduction, the Government began to take a closer interest in the organisation of private industry. Although the Government had intervened in industrial matters before the First World War, the need to exercise direct control during the latter part of the fighting led it to a fundamental change after the Armistice. The British Government, with the impetus given by the collapse of economic conditions, managed to achieve the stated objective of its policy of de-control of industry by 1921,[79] but it was obvious that the relatively successful performance of the controlled economy during the war would contribute, in large

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75 Report of the Committee of Inquiry on Schemes to Assist the Necessitous Areas (Cmd 2645 1926), 33.
76 PRO CAB 24/179 CP 158(26) Memorandum by Neville Chamberlain April 19,1926.
77 Ibid.
78 Supra, Chapter Two
79 See Susan Armitage The Politics of Decontrol of Industry: Britain and the United States (1969), passim.

measure, to the State being called upon to aid industry in the interwar period.[80]

Chapter One suggests that one of the main difficulties of many of the depressed staple industries during the interwar period was a chronic excess capacity and a fiercely competitive small firm structure which made the elimination of the marginal producers extremely difficult.[81] The necessity of matching total capacity more closely with total demand was not lost on contemporary observers, who bemoaned the effect of heavy fixed charges of such industries as ship building, and iron and steel.[82] Nevertheless, the industrial relations problems of the coal mining industry were most important in the formulation of a more general government policy on industrial questions.

In order to try to bring peace to the coal industry during the early twenties, the Government set up a series of official inquiries into the organisation of the industry with the possibly hopeless task of finding a generally acceptable method of conducting the industry. The first of these bodies, a Royal Commission under Lord Sankey, produced in its three reports, a variety of recommendations ranging from complete nationalisation to a return of the industry to private enterprise.[83] The Report of the Samuel

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80 The Miners' Federation of Great Britain, for example, managed to persuade Lord Sankey that the private ownership and working of the coal mining industry had been condemned by the wartime experience. Coal industry Commission, Interim Report (Cmd 84,85,86 1919), X.

81 A.J.Taylor suggests that this weakness had also adversely affected the performance of the coal-mining industry in the period before the First World War because the competitiveness ensured that the industry was too thinly and unevenly capitalised and unable to obtain long-term capital to invest boldly and to write off the least efficient collieries, thereby raising productivity.
"Labour Productivity and Technological Innovation in the British Coal Industry 1850-1914" EHR 2nd. Ser. XIV (1961-62), 65.

82 Economist Commercial History and Review of 1924 (1925), 51, 58.

83 Op. cit.

Commission, set up on "Red Friday", was much more unanimous in its recommendation of reorganisation of the industry on a district basis to facilitate productivity improvements and the reduction of excess capacity.[84]

Such proposals seem to reflect the tendencies apparent both in other sectors of industry in this country, and in the heavy industries in some continental countries. G.C.Allen notes that there was an increasing move to concentration in all other industries except the export-oriented staples during the late nineteenth and early twentieth centuries,[85] whilst the industries in which output was expanding most rapidly after the First World War tended to be dominated by a single firm or by a few firms strongly cartellised.[86] Moreover, the experiment undertaken in Germany during the twenties of forming cartels in the staple industries was closely observed in this country.[87] The trend in industry seemed to be towards a greater concentration of control, and it appeared that the basic industries might gain some economic benefit from re-organisation along these lines.

In the Mining Industry Act of 1926 the Government tried to give official approval to any spontaneous moves there might be within the industry to form larger units to increase productivity. The Railway and Canal Commission was authorised to force any unwilling collieries to join an amalgamation scheme which had been agreed by a majority of producers; the agreement to amalgamate had to come initially, however, from the producers themselves. It seems a sound strategy to attempt to bolster regional economic fortunes by strengthening the main employment-creating industry, but the Act of 1926 does not appear to have been sufficiently strong to provide such a boost to

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84 Royal Commission on the Coal Industry Report (1925).
85 G.C.Allen The Structure of Industry in Britain (1961), 67.
86 Alfred Plummer New British Industries in the Twentieth Century (1937), chs. 1, 6 and 7.
87 Allen op, cit, 69

the fortunes of the coal mining industry. Amalgamation moves were commenced in a number of districts, but those in the badly depressed areas of South Wales and Scotland failed on account of disagreement among the numerous owners over methods and minimum prices.[88] The only voluntary scheme of the twenties which did prove successful was the Midlands scheme, which included the relatively thriving and prosperous Lancashire, Yorkshire, Nottinghamshire, and Derbyshire fields. In contrast to the severely depressed areas, these coalfields were based upon a favourable and secure home market.

The inability of this policy to provide substantial assistance for the depressed sections of the coal mining industry, the persistent difficulties of other basic export industries such as iron and steel, and the increasing publicity given to the burden of local rates on industry in the depressed areas,[89] led the Government to explore other methods of reducing fixed charges in the export industries.

The Government attempted to remedy some of these problems with the derating programme. Churchill introduced the scheme, devised by himself and Neville Chamberlain, in his Budget of 1928. The aim of the measures, in conjunction with earlier proposals enacted in 1896, 1923, and 1925, was to make agricultural land and property completely free from local rates;[90] industry and the railways, on the other hand, were to be relieved of three-quarters of their local rate burden. The scheme was completed in Chamberlain's Local Government Act of 1929, in which the revenue lost by the local authorities was to be made up by the Treasury in the form of Block Grants which were to be weighted in respect of population, the number of

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88 J.Harry Jones, G.Cartwright, P.H.Guenault The Coal Mining Industry: An International Study in Planning (1939) Chapter 6.

89 See Supra, footnote 70, p 78.

90 The continued concern with agriculture during the interwar period reflects firstly, in an era of growing economic nationalism, an attempt to increase home food production, and, secondly, the aim of reversing the drift away from employment in agriculture and other rural pursuits. See infra, 183, 233-7.

children under five years of age, rateable value, the unemployment percentage, and the population per mile of roads. The inclusion of the railways was significant, since exporters, particularly of coal, had been complaining throughout the twenties of high freight rates and disorganisation consequent upon decontrol and the formation of the 'Big Four' companies.[91] These complaints had not been rectified by the end of the decade, for the Committee on Industry and Trade noted in their Final Report that the charges on the movement of bulky goods such as coal and iron and steel were seriously affecting the competitiveness of these industries in world markets.[92] This part of the proposal seems certainly to have been introduced to assist the export position of the basic industries, as a leading civil servant asserts

> "Incidentally, the railways were to count as industrial premises, but, in their case, the relief was to be passed on in the shape of reductions on certain selected freights, which were in fact those affecting primarily the heavy industries where unemployment was most severe." [93]

De-rating was one of the main planks of the platform of Conservative party policies towards the end of the twenties. The Cabinet Unemployment Committee, for example, concluded that

> "The main contribution of the Government to assist trade and employment is the comprehensive measure of rating relief to agriculture and industry which after the rate payments of April next, will relieve productive industry of three-quarters, and agriculture of all rates at a cost to the national Exchequer of some £35 millions per year".[94]

Given this high official regard for the scheme, it is hardly surprising that when unemployment again became the foremost issue in domestic politics, the Baldwin Cabinet chose to accelerate the granting of relief from railway freight charges for exports of coal and iron and steel as a principal measure in the programme to help reduce unemployment.[95] An objective observer has

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91 The Economist Commercial History and Review of 1922, 358.
92 Final Report of the Committee on Industry and Trade (Cmd 3282 1929) 70.
93 P.J.Grigg Prejudice and Judgement (1948), 200
94 PRO CAB24/198 CP 334 (28) Unemployment Policy Committee Report November 6, 1928, Appendix One.
95 PRO CAB 23/58 Cabinet 40(28) July 23, 1928.

suggested that the subsidy provided was too widespread and too arbitrarily distributed to make any noticeable difference to industrial costs in any particular industry or area,[96] Although the block grant system gave greater stability in the financial relationship between central and local government, it is doubtful the discriminatory elements in the formula provided sufficient assistance for local authorities in the depressed areas.[97] Those in the export oriented coal fields had begun to come under severe pressure after the prolonged stoppage in the coal mining industry during 1926. The effect on the industry itself was little more than a temporary dislocation - the markets lost during the strike may have been regained as a result of the lower wages and longer hours at the return to work making export coal more internationally competitive;[98] the effects on the workers dependent on coal mining for their livelihood was, in contrast, much more critical. The miners, many of whom had experienced spells of unemployment before the dispute, were forced to fight the strike on sums raised by other trade unions. Relief was provided for their wives and children, but not for the striking miners themselves, by the Poor Law authorities.[99] They were compelled to deplete their savings, whilst the authorities had to find huge increases in the sums previously expended on relief.[100] Social conditions were worsened as a result of this interruption of income, the lower earnings, and the higher rates of unemployment in the coalfield areas on the return to work.

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96 Ursula K. Hicks. The Finance of British Government, 1920 - 1936 (Oxford 1938), 80/1.

97 Joseph Sykes A Study in English Local Authority Finance (1939), 122/3.

98 United Kingdom total output was higher in 1927 than it had been in 1925, and a similar trend was evident in the coalfields of the main depressed areas; the North East, South Wales, and Scotland. See B.R.Mitchell and Phyllis Deane Abstract of British Historical Statistics (1962),116. It is also probable that output per manshift rose over the same short span, E.C.Rhodes "Output, Labour and Machines in the Coal Mining Industry in Great Britain" Economica NS XII, 46 (May 1945), 103.

99 R. Page Arnot The Miners: The Years of Struggle (1953), 457-506.

100 Ibid, loc. cit.

The Cabinet had been receiving reports from the Board of Trade throughout the middle and late twenties each month giving details of the state of industrial activity and foreign trade performance. The depressed condition of the coal mining industry was recorded. The Ministry of Labour, which was responsible for the administration of the National Insurance scheme also had reason to note the difficulties faced by the industry. The situation moved the Minister of Labour, Sir A. Steel-Maitland, to prepare two memoranda, presented to the Cabinet on May 10, 1927, and on November 23, 1927,[101] in which he argued that the surplus of labour in certain sections of the coal mining industry was likely to persist and that the long-term changes in organisation which were taking place (the amalgamation movement) would have the effect of further reducing the employment capacity of coal mining.[102] By November, 1927, the Minister of Labour had at last realised that the miners would have to find work in other industries.[103] The Minister of Labour advocated the application of economic pressures by tightening up on the administration of the Poor Law to encourage the younger miners to quit the areas such as South Wales and Durham in which unemployment was particularly severe.[104] This notion that high unemployment levels could only be reduced by migration was subsequently endorsed by the Cabinet Committee on Unemployment in the Coal Trade which had been established on November 30, 1927, under the chairmanship of the Lord Privy Seal, Lord Salisbury.[105] It recommended the drawing up of a schedule of areas which needed emergency transfer assistance for a surplus of labour, and the establishment of an advisory, temporary board to examine methods of transfering labour.[106]

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101 PRO CAB 24/186 CP 145(27) May 10, 1927; and PRO CAB 24/189 CP 295 (27) November 23, 1927.
102 CP 295(27) op. cit.
103 Ibid.
104 CP 295(27) op. cit.
105 PRO CAB 27/358 Reports, Procedings, and Memoranda.
106 Ibid.

The need for Government action was made all the more urgent by the tendency of public opinion to take up the cause of the unemployed coal miners. Although many of the newspapers had been far from sympathetic towards the aims of the coal strike in 1926, the severity of the distress in the valleys of South Wales and in the other high unemployment coalfields evoked a compassionate response. The Times, for example, included a two-part feature on South Wales dramatically entitled "Stricken Coalfield".[107] The first article revealed the true extent of the suffering to a readership for whom South Wales and the other coalfields must have seemed particularly remote. The reporter exaggerated the poverty and despair in South Wales for his largely middle class, south-east English public.

> "Let this be understood; there is no work obtainable except by luck anywhere in South Wales".[108]

The second article attempted to portray the tasks before the Poor Law Guardians. The need was for action, for "the battle is being lost. Unless things move more quickly, poverty, bitterness and despair will win".[109] In its summary, presented as a leading article, a more restrained but equally discouraging picture was painted emphasising the difficulties faced by the coal mining industry and its workforce.[110] It was estimated that there were 200,000 people seeking jobs in the pits for whom there was no prospect of colliery employment, and that South Wales and Durham were suffering especially. The articles stressed that many mining villages had lost or were about to lose their economic raison d' etre with the cessation of work at local collieries.[111] The Times, as would occur six years later, obtained an immediate response to its campaign.

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107 The Times, March 28 and 29, 1928.
108 The Times, March 28, 1928
109 The Times, March 29, 1928
110 Ibid.
111 In the leading article it was urged that "Whole communities cannot be allowed to decay in South Wales without a gigantic effort to save the women and children of whom they are composed." Ibid.

A publically-subscribed fund was launched by the Lord Mayor of London. Amid much publicity, the King contributed £500, whilst the Queen donated £250. The Lord Mayors of Cardiff and Newcastle were invited to become trustees of this "Lord Mayors' Fund". This scheme was, however, a mere palliative beside the call from The Times for an increase in training, transference, relief scales, and greater co-operation from the coal mining employers.[112] After some delay, the Government decided to support the fund by contributing an equal amount to the sum raised by public subscription. Assistance provided by this money usually went towards clothing and footwear for the wives and children of the unemployed miners, who, themselves, rarely received any benefits from this source. To supplement this aid, the Government considered using the Miners' Welfare Fund (levied from the mine owners and usually used to provide pit-head baths and similar facilities), but this was rejected by the Cabinet.[113] Instead, the Prime Minister wrote to the Lords Lieutenant of Glamorgan and Monmouth suggesting that they co-ordinate relief works and call a conference to raise money for this purpose. This fund became the Coalfields Distress Fund to which the Government also contributed on a pound for pound basis.[114] It was no more than private charity assisted by the Government, but the Government had begun, under the pressure of public opinion, to rely upon voluntary effort to overcoming local distress until its policies could provide the necessary economic conditions for recovery. Such a framework bears a striking resemblance to that of 1934, when it was hoped that the Special Areas Act would perform the task of relieving the worst distresses in the coalfields.

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112 Ibid.
113 PRO CAB 23/60 Cabinet 2(29), January 23, 1929.
114 See the Times January 3, 1929, "Relief Works in South Wales; Conference Today", and January 9, 1929, "Relief Works in South Wales".

There was undoubtedly a need for emergency measures in this direction. Ministry of Health inspectors had been sent to survey South Wales in the winter of 1928/29 and their report of the conditions they found made disturbing reading.[115] The inspectors found increases in the incidence of rickets, inadequate diets, insufficient footwear and clothing, and a widespread slowness in recovery from all types of illness.[116] At this time, the Board of Education was also concerned about the strains placed on its school meals service in the coalfields and the inability to meet the potential demand for the service.[117] Thus, the Government could claim that its subsidies to charity were meeting a definite need and that it was helping to rectify a most serious situation.

The Industrial Transference Scheme

The most important innovation in regional policy during the twenties was the Industrial Transference Scheme. It provided to its initiators a method of dispersing the concentrations of the unemployed, relieving the burdens of the local authorities in the depressed areas and did not hamper cost reduction in any way. The policy can be seen as on extension of the placing work of the Employment Exchanges,[118] and an attempt to direct the existing, voluntary migration of labour from the depressed areas. The scheme was first discussed by the Cabinet in November, 1927,[119] but the Ministry of Labour had already begun small, experimental schemes. Under the Mining Industry Act of 1926, the Ministry had been empowered to restrict

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115 Report on Investigations in the Coalfield of South Wales and Monmouthshire (Cmd 3272 1929)
116 Ibid., 5/6
117 PRO CAB 24/199 CP 388(28) Distressed Areas (Feeding of School Children) Memorandum by the President of the Board of Education December 11, 1928.
118 Supra, 72
119 Supra, 87.

the recruitment of new workers and agreement was reached with the mine owners that, from August 1, 1927, no person over the age of 18 years who had not been in the industry before 1926 could be given employment in the industry if the Employment Exchanges were able to find a suitable applicant.[120] In addition, in the later months of 1927, the Ministry of Labour encouraged the establishment of Juvenile Unemployment Centres in the depressed mining areas to act as agents in helping to transfer boys out of the industry by equipping them with new skills.[121]

Nevertheless, it was the Report of the Industrial Transference Board (ITB) which provided the essential encouragement and justification to undertake this policy on a large scale.[122] The Board, consisting of Sir Warren Fisher, the Permanent Secretary to the Treasury, Sir John Cadman, who had been Professor of Mining at Birmingham University and was, at that time, Chairman of the Anglo Persian Oil Company, and Sir David Shackleton, a former trade union leader, Member of Parliament, and the first Permanent Secretary to the Ministry of Labour, had been appointed on January 6, 1928, "for the purpose of facilitating the transfer of workers, and in particular of miners, for whom opportunity of employment in their own district or occupation were no longer available.[123]

The Board identified the problem as one not of a general surplus of labour, nor of a general surplus in the coal mining industry, but of the geographical concentration of the highest levels of unemployment in certain parts of certain coalfields, particularly in Northumberland and Durham, South Wales, and Scotland.[124] They estimated that there was a surplus of

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120 PRO LAB 2/1298 ED 809/16/1928.
121 Report of the Ministry of Labour for the Year 1927 (Cmd 3090 1928),65.
122 (Cmd 3156 1928)
123 Ibid., 3
124 Ibid., 15.

labour in the industry (the difference between the existing insured workforce and the number who could count with reasonable certainty upon obtaining their livelihood from the industry) of about 200,000 men.[125] The Board aimed to provide immediate relief to the local authorities and to assist the transferees to areas where employment prospects were more favourable.

> "We do not claim, of course, that a policy of transfer, however well-organised, will in the present state of industry and trade, lead to the complete absorption in this country of all the unemployed within a short time. But it can be made to produce the absorption of many, to open up more chances, and to distribute more equally the incidence and burden of unemployment. Pending a general trade improvement these would be substantial gains".[126]

The main aim of the programme advocated by the ITB seems to have been to spread unemployment more evenly throughout the country. The ITB failed to produce any convincing arguments to suggest that transference would increase total volume of employment, either in the economy as a whole, or in the recipient regions.

> "There is a ceaseless ebb and flow of employment, and at all times the employed personnel is constantly changing. Each man taken on is adding to a flowing stream, not driving another out of a space of fixed dimensions. The existence of local unemployment does not make it unnecessary or uneconomic to bring in labour from other areas. It is quite normal to find simultaneously in the same area unemployment and an unsatisfied demand for labour, because the labour available is not suitable for the vacancies".[127]

Such arguments may show why the unemployed in the prosperous areas might not blame the influx of workers from the depressed areas, but they did not show how extra jobs, when unemployment was to be found in all regions, would be created to provide work for the transferees. This 'relief' aspect impressed itself on the Minister of Labour when he received the Report. He

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125 Ibid., 8
126 Ibid., 20. (Emphasis added.)
127 Ibid., 19.

wrote,

> "The Board reject as unsound a revival of a policy of tide over by means of temporary relief work in the area. They propose in effect a new orientation of the Government's unemployment policy, to break up the concentration of unemployment in areas such as South Wales and Durham by the transfer of as many workers as possible to areas where prospects of employment are more hopeful. They do not boggle at the fact that the complete absorption of the surplus in the immediate future cannot be hoped for, and that a transfer policy will mean to some extent a re-distribution of unemployment. They regard this as on balance a gain".[128]

Although immediate relief was essential for the depressed areas, the Report of the ITB received a mixed reception from the press. The Times praised it for its candour and courage,[129] but the New Statesman pointed out that there were no plans to stimulate employment directly.[130]

Despite these reservations, it seemed likely that the Government would be more favourably disposed. The Ministry of Labour considered that the scheme would involve only directing and easing the conditions for voluntary mobility,[131] a task which it had already undertaken in helping unemployed miners in certain South Wales valleys find jobs in prosperous pits by co-ordinating information in Employment Exchanges.[132] The joint projects with Empire Governments to stimulate migration were similar in aim.[133] Transference was more extensive in scope than all these experiments, and the interwar programme marks the only full-scale attempt to implement this policy in Britain.

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128 PRO CAB 24/196 CP 206(28), June 29, 1928
129 The Times, July 24, 1928
130 New Statesman, June 16, 1928
131 PRO HLG 27/30. Royal Commission on the Geographical Distribution of the Industrial Population, Memorandum of Evidence of the Ministry of Labour, para.30.
132 Report of the Ministry of Labour for the Years 1923 and 1924 (Cmd 2481 1925), 91/2
133 Supra, 77

The ITB looked to the Empire as a potential receiving ground for unemployed British miners. Emigration could be increased by a greater co-operation with the Dominion Governments and simpler migration procedures. The attempt to increase overseas migration was of great importance to the Board, occupying approximately half their report, and has been given insufficient attention by the historians of unemployment policy. The ITB were primarily concerned with procedural difficulties and did not give due attention to the economic conditions in the Empire nor to the difficulties in placing unemployed miners in agricultural employment in a foreign country.[134]

The most important recommendation, insofar as a domestic solution was sought, was the transfer of workers to the prosperous areas. Although the primary aim of the programme was to spread the concentrations of unemployment more evenly throughout the country,[135] Cabinet Ministers soon came to hope for more spectacular results. The Minister of Labour suggested that by concentrating totally on the transfer and migration policies, the most serious and intransigent cores of the unemployment problem could be overcome within three years.[136] An Interdepartmental Committee on Unemployment Policy advising the Cabinet on methods of implementing the recommendations of the ITB implied, somewhat recklessly, that unemployment was soluble if the unemployed could be brought into the more prosperous regions.[137]

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134 The ITB seemed to take it for granted that the Empire was 'under-populated', without giving real consideration to economic conditions. Report op. cit., 49

135 Supra, 91 - 93.

136 PRO CAB 24/198 CP 324(28) November 1, 1928.

137 PRO CAB 24/198 CP 325(28) November 2, 1928.

> "The problem of unemployment lies less in the total volume of unemployment than in its persistent density in a few industries and areas".

In neither memorandum was there a recognition that unemployment rates were high even in the relatively prosperous areas.

The operation of the Industrial Transference scheme was not able to fulfil these expectations. The ITB had recommended that the unemployed be encouraged to leave the depressed areas by ceasing all relief works in those areas and, more controversially, that the administration of poor relief and of unemployment benefit "should not become an artificial barrier to the movement of labour".[138] This recommendation was made despite the findings of a Committee considering the effects of insurance benefits on the willingness of workers to migrate to the Empire. It had concluded that such payments were of only minor importance in the reduction in the number of migrants in the post-war years.[139] The Interdepartmental Committee suggested that, wherever possible, public works should be undertaken only in the prosperous areas and be discouraged in the areas in which unemployment was concentrated.[140] They recommended that the acceleration clause for UGC works be retained for projects in the coalfields but dropped for those outside the schedule of depressed areas.[141]

The Cabinet adopted the transference policy early in July, 1928, and the Report of the ITB was published at the end of the month after a delay for the Conservatives to re-order their unemployment policies. A schedule of depressed areas was drawn up according to a formula which was changed in

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138 ITB Report op. cit., 18.
139 Report to the Secretary of State for Dominion Affairs of the Inter-Departmental Committee Appointed to consider the Effect on Migration of Schemes of Social Insurance (Cmd 2608 1926).
140 CP 325(28) op. cit.
141. Ibid.

detail over time but which remained constant in its main elements. To be included in the schedule an area had to have (i) at least 40 per cent. of the insured workforce in the coalmining and/or iron and steel industries; and, (ii) an average unemployment rate of not less than 15 per cent. among the male insured workforce during the preceeding twelve months.[142] Whilst this formula might seem somewhat restrictive, there seemed to be good reasons for exclusiveness in the minds of those who formulated the programme. The Minister of Labour, for example, in a memorandum to the Cabinet wrote

> ".... I suggest that we should not apply these new proposals to districts other than the depressed mining areas. In the first place, only a limited amount of money is available and we ought to apply that money to the places where the need is greatest. In the second place, the transference policy can only carry a certain load and we must be careful to concentrate our energies rather than to dissipate them. In the third place, once we get away from the depressed mining areas and admit iron and steel (except where it is associated geographically with coal, in which event distressed iron and steel workers would benefit) or shipbuilding we shall be forced to include engineering, cotton and so on, and our plans will break under their own weight".[143]

This concentration on the coalfields clearly makes this policy much more important in the development of a regional policy than has been recognised by many authors.

On November 9, 1928, a circular was sent to local authorities from the UGC setting out new conditions for grant aid for public works.[144] Works of public utility in the expanding industrial areas would be given more generous assistance than works in areas which appeared on the Ministry of Labour's schedule subject to a number of conditions.[145] The most

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142 PRO LAB 8/218 Review of the Industrial Transference Scheme.
143 PRO CAB 24/199 CP 409(28) December 18, 1928.
144 Circular is to be found in PRO T 172/1502.
145 For revenue-producing schemes, 50 per cent. of interest and sinking fund charges were granted for 15 years or the period of the loan, whichever was less. For non-revenue-producing schemes, the grant was 75 per cent. of the interest and sinking fund charges for the first half of the loan period (up to 15 years) and 37½ per cent. for the remainder of the period (up to 15 years). Schemes in the depressed areas continued to be financed, but under the former, less favourable, terms.

notable was that at least 50 per cent. of the men to be taken on were to have been transferred from the Ministry's schedule areas.[146] At the end of 1928, the Ministry of Agriculture and Fisheries adopted the same procedure, as did the Ministry of Transport, in May, 1929, in connection with its work on roads and bridges. Thus, the aim of spreading unemployment was soon brought into a wider plan to develop the already relatively prosperous areas.

It appears possible that the Government had already begun, after the coal strike of 1926, to tighten the administration of the Poor Law in the coalfield areas. No more than circumstantial evidence can be adduced, but the frequent proposal of such a policy in Cabinet memoranda,[147] and the renewed protests of the unemployed during 1928 and 1929 in these areas suggest that the policy was implemented.[148] From early 1927, greater stringency had been shown towards those Boards of Guardians, particularly in South Wales, which had been considered over-generous with relief benefits; in February, 1927, the Bedwellty Board was superceded by a Ministry of Health inspector for a period of twelve months;[149] on July 1, threats of similar action were issued to the Bridgend and Cowbridge Boards.[150] There were protests about the administration of the Insurance Acts in South Wales in October, 1927, and a deputation of miners' leaders and MPs met the Minister of Labour the following month;[151] similar protests were recorded in October, 1928;[152] and Scottish miners marched to London in January, 1929, to protest about the enforcement of the 'not genuinely

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146 The acceleration clause was retained, British materials had to be used wherever possible, and wages were not to exceed the local authority rates. PRO T 172/1502 op. cit.

147 PRO CAB 24/189 CP 295(27) op. cit; PRO CAB 24/190 CP 302(27) op.cit.

148 The unemployed certainly felt themselves oppressed by the authorities at this time. Maureen Turnbull 'Attitude of Government and Administration towards the 'Hunger Marches' of the 1920s and 1930s' Journal of Social Policy 2,2 (April 1973), 133-5; Wal Hannington Never on Our Knees (1967), 204-20.

149 Western Mail July 1,1927.

150 PRO LAB 2/1298 ED 17502/1927.

151 PRO LAB 2/1298 ED 17502 1927.

152 PRO LAB 2/1928 ED 32557/2/1928.

seeking work' clause to disqualify men from unemployment benefits.[153] (Under this clause unemployed workers were disallowed benefit for not taking active steps to find work when receiving insurance and assistance money. It had been introduced in the Unemployment Insurance Act of 1927, which took effect from April 19, 1928). Thus, it appeared that the Government was adopting both the 'push' programme of making the depressed areas economically less attractive for the unemployed, and the 'pull' policy of stimulating employment prospects in the non-depressed areas.[154]

Unemployed miners resisted such pressures to move. There were constant attempts before 1931 to raise the quantity and quality of men offering themselves for transfer. Initially, under the Industrial Transference scheme the Labour Exchanges in the prosperous areas canvassed local employers for vacancies and men from the depressed areas received preference if suitable local applicants could not be found. Many depressed areas men were given short spells of work on the boosted public works programme in the prosperous areas. They were expected to take the opportunity of finding industrial work in the area. Some were taken directly into central government contract work; the Minister of Labour wrote to the Post Office and the Office of Works asking them to insist that their contractors comply with the recommendations of the ITB.[155] In addition, the Prime Minister called on employers

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153 Wal Hannington Unemployed Struggles 1919-1936 (1936), 105-205.

154 However, the spell of public works employment was intended merely as a stepping stone into industrial employment which the men were to find themselves. The Minister of Labour wrote, "It is necessary that it should be stated openly at the beginning and emphasised throughout to the workmen engaged upon it, by action as well as words, that this programme does not mean the acceptance by the State of an obligation to find work, or the creation of a substitute employment market, or even the provision of a job at whose conclusion the men may return home to live on public funds. It is intended to help the men regain the will and capacity to find work, and to put them in touch with districts where a man, if he tries, can obtain work". PRO LAB 2/1361 ED 9885/1929.

155 PRO LAB 2/493 ET 2748/1933.

to look to the depressed areas for their new recruits, asking industrialists in the more prosperous areas to take on one or two ex-miners if possible[156] The supply of workers willing to move was not adequate to satisfy official expectations.

In December, 1928, the Household Removal scheme was introduced. Grants were given to married men from the scheduled depressed areas towards the cost of fares to the more prosperous areas to find work; towards the cost of their lodgings; and towards their removal costs from the depressed areas.[157] In 1929, as has been stated above,[158] the Ministry of Labour opened the transfer scheme, but not the new measures of the Household Removal scheme, to the iron and steel and shipbuilding industries. In addition, the work of the Employment Exchanges was increased. Each division and the individual Exchanges were given a target number of men from the depressed areas who should be found employment within their boundaries.[159] The local offices also had to operate the Relief Workers' Register which contained information about the skills and experience of both local recruits and transferees employed on the State-financed public works.[160] As employment within their district became available, the Exchange staff would contact suitable applicants from the Register who would be expected to accept all offers of 'normal industrial employment'.[161]

The training schemes were also expanded to increase the flow of men

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156 PRO CAB 24/196 CP 245(28), July 23, 1928.
157 PRO LAB 2/1327 ITB 147/2 1928 Amd.
158 Supra, 96 .
159 PRO LAB 2/1325 ED 43518/1929 ED Circular 103/5 October 2, 1928.
160 PRO LAB 2/1212 ET 4124/1932, Notes on Relief Workers' Register, July 23, 1931.
161 PRO LAB 2/1324 ED 23733/1929, Labour migration, refusal of other employment by men employed on relief works.

into the non-depressed areas.[162] A large number of transferred men had found the physically demanding work too strenuous after periods of unemployment, and thus, in May, 1929, a new training scheme was begun when the first Transfer Instructional Centre was opened at Blackpool. Eleven others followed before the end of 1930. The main object of these centres was to make the unemployed in the scheduled areas fit and accustomed once more to the hours and the discipline of industry.[163] The longer-established Government Training Centres had also been adapted to the needs of the transference scheme. Courses were begun in such trades as oxy-acetylene welding, electric welding, sheet metal working, coach trimming, precision fitting, and fitting in all of which the Ministry had detected an unsatisfied and definite demand for labour.[164] By 1929, about 90 per cent. of the places in the Government Training Centres were occupied by men from the depressed areas, and, in order to increase the intake, the upper age limit for potential recruits was raised from 25 to 35 (with a limited number of men up to the age of 45). Special grants were made available to married men to enable them to support their families while they were away from home.[165]

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162 The Ministry of Labour had had training responsibilities both during and after the First World War towards disabled ex-servicemen. In 1925, the programme was expanded to help the large number of unemployed semi- and un-skilled workers who had been unable to learn a trade because the War and the subsequent depression had robbed them of the chance of taking an apprenticeship. Two types of training centre were set up; rural residential centres in East Anglia to prepare unmarried men for agricultural work in the Dominions; and two non-residential centres at Birmingham and Wallsend giving a 'handyman' training for men who lived close enough to commute each day. In these centres men were taught the use of tools, workshop practice and discipline to improve their chances of finding a job. See the Annual Reports of the Ministry of Labour.

163 Courses lasted from 8 to 10 weeks and consisted largely of outdoor work such as forestry, road making, excavating and levelling - mainly on work for other Government departments and local authorities.

164 Report of the Ministry of Labour for the Year 1928 (Cmd 3333 1929) 38.

165 Report of the Ministry of Labour for the Year 1929 (Cmd 3579 1930) 35/6.

The new Labour Government endorsed the continuation of the transfer programme on October 3, 1929,[166] after the Minister of Labour, Margaret Bondfield, had argued that although the idea was fundamentally sound, the arrangements for transfer needed overhaul.[167] As the depression began to spread, the problem of finding sufficient men and placing them in the relatively prosperous areas became increasingly difficult. The spell of employment on relief works was cut to two weeks before discharge.[168] In September, 1929, the important step was taken of scheduling the whole of the five counties (Lanark, Northumberland, Durham, Glamorgan, Monmouth) containing the majority of the areas regarded as depressed for the scheme.[169] Sanction was also given in October, 1930, for the inclusion of depressed cotton districts in the schedule, although the alteration was kept confidential by the Labour Government for fear of antagonising the trade unions.[170] Treasury approval was given for free fares from Lancashire and adjoining textile counties,[171] the Household Removal scheme was opened to married workers who had been largely unemployed in the previous four months to try to make some inroads on the short-time workers or the temporarily unemployed;[172] and the payment of these grants was extended to allow for a longer period in which to find accommodation.[173] In September, 1929, those under 16 years of age became eligible for grants to move from Wales to the South East.[174] These numerous changes had a single aim, to speed the elimination of the unemployment black spots in the depressed areas.

Unfortunately, the expansion in the scheme tended to increase the

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166 PRO CAB 23/62 Cabinet 40(29) October 3, 1929.
167 PRO CAB 24/204 CP 187(29) Memorandum July 1, 1929.
168 PRO LAB 2/1324 ED 23733/1929 op. cit.
169 PRO LAB 2/1327 ITB 147/2 1928(Amd) Memorandum September, 1929.
170 PRO LAB 2/2037 ET 4934 1934(Amd.) Circular 103/39 October 16, 1930.
171 PRO LAB 2/1293 ETJ 462
172 PRO LAB 2/1273 ET 725
173 PRO LAB 2/1293 ETJ 462 op. cit.
174 PRO LAB 2/1293 ETJ 922.

opposition to it. Trade unions began to express fears for their wage rates and conditions.[175] The transferred men were encountering extreme difficulty in finding jobs and housing in the areas to which they had been moved.[176] Pressure was also exerted by local authorities who were finding it increasingly difficult to provide work for the unemployed within their own districts and for the influx of men from the depressed areas. (The employment of a proportion of men from the depressed areas was one of the conditions for more generous grant aid). Poplar Borough council protested about the importation of workers from the depressed areas to undertake work on the River Lee Conservancy scheme,[177] this was but one voice in a growing chorus. As unemployment had begun to rise, the limitations of a transference policy became apparent; local authorities were not submitting enough schemes of work, the lag between the planning of a scheme and the eventual start of work was thought to be too long, and local authority plans were not big enough in a time of rising unemployment.[178] To try to overcome some of these difficulties, the Government called conference with representatives of local authorities at the Guildhall in London on June 25,1930. The audience heard statements from the Ministers of Health and Transport who announced that the Government would no longer require the employment of transferred men as a condition for more favourable grant aid. The Minister of Health also announced that the Government proposed to set aside a limited sum to enable the local authorities with the highest rates of unemployment to receive grants for the whole cost of approved schemes.[179] This relaxation meant the end of transference as originally conceived but

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175 See the Sixty-First Annual Trades Union Congress Report (1929),116/7.
176 PRO LAB 2/2121 EM 2583/1941 May 30, 1929.
177 PRO LAB 2/1212 ET 5085/1930.
178 See PRO CAB 24/212 CP 193(30) Unemployment Policy; Recommendations of a Conference of Ministers, June 3, 1930.
179 Statement at the Meeting with Local Authorities on 25th June,1930, regarding works for the relief of unemployment (Cmd 3616 1930),5.

the work was accelerated, with the peak of employment on UGC-financed schemes being reached in March, 1931, at 59,000 men in work.[180] With unemployment approaching two millions the contribution of such measures in reducing the growing numbers of unemployed was insignificant.

Transference had rapidly developed to become the leading Government policy against regional unemployment. It appeared to be well-suited to combat regional/structural unemployment whilst allowing cost reduction to proceed. The reliance placed on this policy by Government can be seen in the concerted attempt to expand the policy. Transference seems to have gained official support despite its theoretical weaknesses. Little attention had been paid to finding permanent jobs for transferees, and the social capital requirements of the scheduled depressed areas were completely ignored. It was possible to maintain this commitment to transference only for as long as the export industries remained the main hope of revival in the desprssed areas. Unfortunately for the depressed areas this hope tended to strengthen under the pressure of rising unemployment during the slump years of the early thirties, as will be seen in the next section.

The Labour Government and the Slump.

It has been suggested that conditions in the export industries and their relative cost levels were the principal factors dictating the timing and content of regional policy during the early and middle twenties. The General Election of 1929 offers an excellent opportunity of assessing progress in policy since unemployment was a major issue in the campaign, which tended to centre on the Liberal manifesto - the celebrated Orange Book.[181] The Liberals planned to secure greater freedom in world trade and to stabilise world prices.[182] On the domestic front, the aim was to stabilise the home

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180 UGC Final Report op. cit.,10.
181 We Can Conquer Unemployment (1929).
182 Ibid., 7.

price level, make lending easier, and to assist in the redistribution of the workforce. The most dramatic proposals, were contained in a two-year programme of public works including road and bridge building, electric power generation, telephone development, land drainage, housing programmes, and improvements for London's road and underground systems.[183] The Liberals planned to raise the school leaving age, help emigrants, and to introduce special aid for the coal mining industry. The whole programme was to be financed out of savings in unemployment benefits, increased revenues from taxation, and government borrowing.[184] These proposals hesitantly suggest that future development must concentrate more on the home market, but the emphasis on international and industrial policies indicate that the transformation was not complete. Since the policies were inevitably linked with Lloyd George, who was by this time deeply mistrusted by the electorate, and were designed to profoundly shock orthodox opinion,[185] the document's reputation as an early expansionist manifesto seems somewhat unearned.[186]

Labour also intended to undertake a programme of national development works; to give specific aid to the coal mining industry; and, like the Liberals, they planned to introduce a number of policies to reduce the size of the workforce.[187] The Conservative Party had to stand by its record since 1925, and could point to a series of useful measures and a steady increase in the numbers employed. The Conservative policy was most coherently stated in the famous White Paper issued in response to the Liberal proposals.[188]

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183 Ibid., 13-50.
184 Ibid., 58-61.
185 The Treasury copy has "Extravagance, Inflation, BANKRUPTCY" written across the front page by Sir Richard Hopkins. PRO T 175/26 Unemployment Memoranda on the Situation 1928-1930.
186 Hancock points out that neither the scale of the programme nor its duration warrant any hope that the programme would have supplied a "solution" to the unemployment problem. (1960) op. cit, 320.
187 Labour and the Nation (1929)
188 Memoranda on Certain Proposals Relating to Unemployment (Cmd 3331 1929).

The Conservative argument was that only by concentration on the competitive position of the depressed industries was any reduction in the rate of unemployment likely to be found.

> "The fact is that from whatever angle one looks at the unemployment problem, one is always forced to the conclusion that the principal (though not, of course, the only) cause of our difficulties is to be found in the fact that in many branches particularly of our heavy industries our costs of production (turning upon organisation and efficiency of both capital and labour) still tend to be excessive, and that these difficulties cannot be solved until these costs have been placed on a competitive level".[189]

One of the main justifications of the industrial policy had been that, by assisting industry to reduce excess capacity, lower costs of production would prevail.[190]

All parties concentrated, to a large extent, on the efficiency of the export industries, and not even the Liberals advocated the home-market, managed economy to help depressed areas. The return of a minority Labour Government, perhaps reflected the inability of the parties to convince the electorate that the cause of unemployment were fully understood and that the policies proposed were adequate.

The Labour Government seem to have analysed the position in exactly the same manner as their predecessors - their policies were almost identical. Firstly, they tried to ease conditions for the basic industries in world markets. The President of the Board of Trade went to the Geneva conference on international trade and proposed that all nations should agree to a tariff truce for two years while they planned phased reductions in tariff levels.[191]

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189 Ibid, 52.

190 However much the government spokesmen might claim that wages were too high there was never any question of government intervention to help industrialists to force rates down. Throughout the general strike, for example, the government took care to present itself as above the industrial battle. See A. Mason "The Government and the General Strike I.R.S.H. 14 (1969), 17.

191 Robert Skidelsky Politicians and the Slump: The Labour Government of 1929-1931 (Harmondsworth 1970), 171.

An Overseas Trade Development Council was formed in April, 1930, to assist the Department of Overseas Trade in a survey of foreign markets, whilst trade missions were sent abroad and investigations of foreign demand were undertaken for particular industries.[192]

Like their predecessors the Labour leaders devoted most of their time to efficiency in the basic industries. J.H.Thomas, who was responsible for Government policy on unemployment, was particularly interested in the rationalisation movement and co-operated with Norman at the Bank of England to establish the Bankers Industrial Development Company.[193] Their aim was to help in the re-organisation of the depressed export industries to lower costs of production. Like the Conservatives Labour did not give enough consideration to the possibility of a contradiction between the aim of lowering unemployment and the practice of raising efficiency by reducing capacity, and thus, jobs.

Other Ministers supported this policy. At the luncheon meetings for economists and businessmen which preceded the setting up of the Economic Advisory Council, MacDonald proposed that the body which he aimed to establish should have a two-fold purpose; (a) to examine the competitive position of various industries; and (b) to make public pronouncements with the object of putting faith and spirit into industrialists.[194] His real interest was to find some way of bringing pressure to bear on the leaders of industry to re-organise their own trades.[195] But in the case of the coal industry, following the precedent of the Baldwin administration, the Labour Government were not content to merely advise and recommend.

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192 Statement of the Principal Measures taken by H.M.Government in connection with Unemployment (Cmd 3746 1930), 12.
193 Cmd 3746 op. cit, 11-12.
194 Thomas Jones Whitehall Diary (edited by Keith Middlemas) Vol.II 1926-1930 (1969), 219-220.
195 Ibid, 221.

The Coal Mines Act of 1930 was one of a series of measures in all the export industries which aimed to encourage,or in this case, compel, amalgamation so that small, inefficient producers could be eliminated, price-cutting ended, profits built up and more efficient production methods established.[196] Part I of the Act set up a compulsory cartel scheme, and fixed a system of production quotas at all levels throughout the industry. This section of the Act was undoubtedly an attempt to allow profits and prices to be maintained and hence help to reverse the decline of employment in the pits. This was also the aim of a reduction in the number of hours per shift to $7\frac{1}{2}$ in Part III of the Act.[197] The permanent cure for the economic ills of the industry was to be re-organisation into larger units under the aegis of the Coal Mines Re-organisation Commission, set up under Part II of the Act. Labour obviously had similar plans for cotton textiles with the formation of the Clynes committee to investigate the industry.[198]

This continued concentration on the rationalisation of the export industries reflects the deep commitment to such a policy among some of the leading figures in the party; MacDonald, Snowden, and Thomas.[199] However,

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196 This was the argument adopted by William Graham, President of the Board of Trade, when he introduced the Second Reading of the Bill in the Commons. Hansard (Commons), Volume 223, 1245-1274, December 17,1929.

197 However, in all dealings between Parliament and the mining industry between the wars there were always influences operating other than those which can be classed as strictly economic. The alteration of the duration of the shifts was, in part, an attempt to show the good will of the Government towards the miners by reversing the increase in shift times demanded by the Conservative Government following the general strike.

198 The Committee recommended that amalgamations be encouraged, that financial re-organisation was also urgently needed, and that the industry be encouraged to install more modern machinery. Report of the Committee on the Cotton Industry (Cmd 3615 1930).

199 Thomas had written a memorandum to the Cabinet which stated "My view is that the root cause of our unemployment is the weakened position of our export trades in the world's markets since the war. Unproductive expenditure at home can only add to this weakness.....I believe that the only sound policy of dealing with the present situation is one which, while giving the fullest possible scope to our home resources and means of production, is aimed primarily at the restoration of the competitive efficiency of our export trades". PRO CAB 24/207 CB 345 (29) November 29, 1929.

there were dissenting voices both in Parliament and among influential opinion in the country.[200] The rebellion of the junior Ministers Mosley, Lansbury, and Johnston in the debate over the 'Mosley Memorandum'[201] has been covered in detail by Skidelsky in his work on the second Labour administration.[202] Mosley questioned of the continuation of the policy of previous Governments. He doubted the wisdom of rationalisation, as a short-term policy and he rejected the 'fetish of the export trades' in favour of encouraging domestic agriculture and industry behind tariff protection and import controls.[203] However, Mosley failed to convince the Cabinet, the Parliamentary Labour Party, and the Labour Party Annual Conference to accept his views which, if they had been implemented, might have led to the much earlier implementation of regional diversification.

Mosley's attack on entrenched beliefs does seem to have had some indirect success. In a paper to the Economic Advisory Council on the development of new industries, H.D.Henderson noted that much less attention had been paid to the promotion of new industries than had been expended on the export trades.[204] In 1930 the Labour Government first investigated the possibility of taking new industries to the depressed areas. At this time, the cotton textile zones were regarded as depressed areas to rival South Wales and Durham.[205] Labour asked their advisers to examine how to attract

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200 The New Statesman, for example was a severe critic of the approach adopted by Thomas. Early in the term of office the journal wrote "We fear, in fact, that the Government is minded to approach the unemployment question, not indeed with the futility that characterised its handling under Mr. Baldwin, but still largely in the wrong way. Mr. Thomas's eyes are still fixed mainly on overseas markets; and he is inclined to judge the desirability of expenditure in relation to its direct effects in the stimulation of overseas trade". November 9, 1929.

201 PRO CAB 24/209 CP 31(30).

202 Op. cit, 190-214.

203 Ibid, 198-201.

204 Hubert Douglas Henderson The Inter-War Years and Other Papers (Oxford 1955), 61-65.

205 At a Cabinet Unemployment Committee meeting MacDonald asked for plans to be formulated on the unemployment position in Lancashire, suggesting public concern on the issue. PRO CAB 21/330 Conference of Ministers, June 16, 1930.

new industries to the depressed areas. Sir Horace Wilson presented an impressive memorandum which raised all the questions which were again to be mooted during the late thirties.[206] Wilson drew rather discouraging conclusions regarding the wisdom of embarking on such a policy; nevertheless, the Government compromised by beginning negotiations with representatives of Slough Estates Ltd., to establish a trading estate in Lancashire.[207] These talks were begun only a few months before the Government's collapse.

The new approach failed to make substantial headway even in the financial crisis of 1931, when many of the institutional changes which Mosley had advocated earlier, were forced upon the National Government. The opportunity for domestic development was not appreciated immediately. It is likely that the depreciation of sterling in the first few months after the suspension of the gold standard was permitted in order to ease the difficulties of the export industries.[208] and a dramatic improvement was shown by the textile industries and by iron and steel.[209] One of the justifications of the tariff was its use as a lever to negotiate with other countries over markets for the export industries.[210] and within a short time the Government had concluded a number of arrangements to guarantee access to imports of British coal.[211] However, by driving the Polish coal exporters from these Scandinavian markets, they were encouraged to compete with South

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206 Wilson asked; what is a new industry; how are the assisted areas to be delimited; what forms of assistance were practicable? He considered rate relief, grants for services, and grants for factory building. PRO CAB 27/390 DU 41(29) Inter-Departmental Committee on Unemployment July 13, 1929.

207 PRO CAB 27/438 UP 30 Series, Panel of Ministers on Unemployment January 29, 1931. PRO BT 56/38.

208 Lowell M.Pumphrey "The Exchange Equalisation Account of Great Britain 1932-1939" American Economic Review XXXII (1942), 806-8.

209 The Economist Commercial History and Review of 1931, 4.

210 Hansard (Commons) Volume 261, 1297, February 15, 1932.

211 Agreement between the Government of the UK and the Government of Denmark Relating to Trade and Commerce (Cmd 4298 1933); Agreement between the Government of the UK and the Norwegian Government Relating to Trade and Commerce (Cmd 4323 1933); Agreement between the Government of the UK and the Government of Sweden Relating to Trade and Commerce (Cmd 4324 1933).

Wales exporters in their traditional markets in Spain.[212] The tariff was also used as a bargaining weapon at the Ottawa Imperial Conference, but only very limited success was achieved.[213]

The collapse of world trade necessitating a more domestically oriented economic policy was the most significant result for regional planning. The protection and expansion of home agriculture and fervous metal industries mark the first substantial moves in this direction.

In the circumstances of the twenties the policies adopted were not without virtue. The post 1945 history of GATT, trading blocs, and customs areas suggests that a reduction in protection is a desirable goal of policy for economies which are far more domestically-oriented than was Britain in the twenties. Similarly, post Second World War experience has shown the value of stable world currency relationships. There is no doubt, also, that the export industries needed to raise their productivity levels. Nor should the achievements of the decade be denigrated - the numbers in employment increased throughout the twenties and many of the depressed staple industries made reasonable productivity advances.[214] The policies of the twenties were not reprehensible for what was achieved, but, rather, for what was not done. The continued failure to make fuller use of available resources is an adequate testimony to the shortcomings of policy. Until the stranglehold of the export industries and their costs of production was broken, the army of the unemployed in the regions remained a feature of British economic and social life.

Throughout the twenties, Governments looked for more effective methods of dealing with the unemployed in the depressed areas. In the early years

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212 Jones et al. op. cit, 177.
213 Ian M.Drummond British Economic Policy and the Empire 1919-1939 (1972), 89-120.
214 Supra, Chapter One.

it appeared that if costs in the staple industries could be reduced, cyclical recovery would begin. The policies which had been developed in previous downturns to tide the unemployed over until recovery began, were re-introduced. As it became clear that the worst aspects of the unemployment problem were structural and regional in character a new policy, industrial transference, was developed. This scheme expanded rapidly to become as important as the export industry programme in reducing unemployment in the depressed areas. It aimed to accelerate the drift of population from the coalfields and involved giving a lower priority to much-needed infrastructure improvements in the regions than in the relatively prosperous zones. A programme of taking work to unemployed workers was unlikely to evolve during this period, as the record of the second Labour Government suggests. Until the Government's turned more to the home market, fears of upsetting the cost-reduction process precluded a more extensive development programme for the depressed areas. An earlier decision in favour of protection might have heralded a new approach, but an examination of the experience of the thirties will show that an industrial location policy evolved only slowly.

TABLE XI

Labour Exchange statistics, 1920-1929.

Year	Offices open at end of year: Exchanges	Offices open at end of year: Branch	Registration of workers: thousands	Vacancies notified: thousands	Vacancies filled: thousands
1920	407	950	4,571	1,312	942
1922	379	766	8,969	859	716
1923	383	777	8,952	1,060	917
1924	382	772	11,447	1,369	1,165
1925	404	756	11,715	1,510	1,306
1927	413	750	-	1,459	1,274
1928	413	747	-	1,536	1,351
1929	417	745	-	1,863	1,631

Source: W.H.Beveridge Unemployment: A Problem of Industry (1930 edn.), 305.

TABLE XII

Sums guaranteed under the Trade Facilities Acts 1921 to 1926

Object	Number of Guarantees	Amount £m.
Ships	47	20.79
Shipyards	4	2,64
Underground Railways	5	12.58
Overseas Railways	5	6.23
Electricity at home	19	6.87
Electricity overseas	11	8.38
Canals, docks and sewerage	13	1.91
Sugar Factories	8	2.42
Miscellanous	50	12.42
TOTAL	162	74.25

Source: R.F.Bretherton, F.A.Burchardt, R.S.G.Rutherford Public Investment and the Trade Cycle in Great Britain (Oxford 1941),378.

TABLE XIII

Passenger movement between the United Kingdom and the rest of the world: net movement of British and aliens.

1906	194,350	1925	83,950
1907	231,564	1926	115,989
1908	67,756	1927	75,444
1909	118,790	1928	58,351
1910	207,416	1929	63,345
1911	241,151	1930	-7,511
1912	241,734	1931	-85,010
1913	203,611	1932	-68,810
1921	125,153	1933	-40,752
1922	100,077	1934	-42,147
1923	196,184	1935	-37,134
1924	75,018	1936	-41,037

- denotes net influx of passengers.

Source: PRO HLG 27/30 Memorandum of Evidence Submitted to the Royal Commission on the Distribution of the Industrial Population.

PART THREE

THE SPECIAL AREAS

CHAPTER FOUR

The Special Areas (Development and Improvement) Act, 1934

Some authors have suggested that the passage of the Special Areas (Development and Improvement) Act of 1934 is the origin of modern regional policy.[1] In the two preceding chapters, however, it was argued that there are clearly discernible elements of regionally-oriented long-term and short-term policies during the twenties. The revival of official concern in the economic and social condition of the depressed areas in 1934 resulting in the passing of the Special Areas legislation must, therefore be related both to contemporary conditions and to the experience of the earlier period. The timing of the Act, at the end of 1934, seems at first glance to be somewhat surprising because unemployment rates in the depressed regions had already begun to fall and the peak levels had been recorded two years earlier. The exclusion of such areas as the textile towns of Lancashire, the Teeside area of County Durham, and the western section of the South Wales coalfield (all of which had been sufficiently depressed to warrant special aid during the earlier period) also requires further examination, as does the decision to return to the unsuccessful policies of the previous decade - small-scale public works, land settlement, and appeals to industrialists to locate their factories in the depressed areas. The Act of 1934 can be seen as the culmination of the social short-term policies discussed in the previous chapter, and was implemented at

1 Supra, Chapter One, Part One.

a time when concern was mounting over the plight of men who had suffered long spells of unemployment and who were isolated in small towns and villages where the main source of employment had been permanently closed.

The Timing of the Act

In the previous chapter it was argued that the depression brought an end to the slow growth of policies to reduce unemployment in the depressed areas when rising national average insured unemployment rates induced the Labour Government to abandon the regional elements of its relief works and transference policies. The intensification of retrenchment following the financial and political crisis of 1931 hit the remnants of the regional policy particularly severely; the Unemployment Grants Committee was wound up and several training centres were closed. The commitment to parsimony was so pervasive that Britain, unlike some other western countries, did not emerge from this period of depression with a once-and-for-all increase in the relative level of central Government expenditure.[2] In Britain, the aim was to reduce the level of Government spending to restore investment confidence. In other countries, however, unemployment was seen as a crisis of similar proportions to that of a major war, and led to greater central intervention.[3] The comparative increase in unemployment was much less in Britain than in many other countries, but equal weight must be given in any explanation to the hold of 'orthodox' finance over the Treasury and senior Cabinet Ministers throughout much of the interwar period. The opposition to an expansionist policy had become so entrenched during the twenties and the years of crisis that the rise in the unemployment rates was insufficient to compel an expansion of central Government expenditure.

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2 Alan T Peacock and Jack Wiseman The Growth of Public Expenditure in the United Kingdom (2nd Edition 1967), 62.

3 Ibid, 50-63.

Government opposition to a 'New Deal' type of public works programme was a major obstacle to the growth of any sort of regional policy during the early thirties. Work continued to be finananced by central and local government, but there is no evidence of a significant expansion to the effort. The regional programme tended rather to be cut back as local authority work was discouraged in the economy cuts, and remained out of favour during the first half of the thirties.[4] These cuts restricted the volume of transference which had earlier depended upon work creation in the more prosperous areas.[5] The transference scheme was not withdrawn, but the chances of securing employment outside the coalfields were remote and the number of unemployed workers making use of the facilities fell to a comparative trickle.[6]

The economic conditions of the early thirties afflicted the regions with particular severity. The depression and the international reactions resulted in a lower level of world trade, compounding the difficulties of the export industries which had already experienced difficulties in meeting international competition in the previous decade. With the

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4 Neville Chamberlain had reported to the World Economic Conference that in Britain the opportunity of finding 'self-supporting' schemes of public works had been exhausted by the acceleration of the programme since 1928. In view of the atrocious economic and social conditions in the depressed areas and the unwillingness of Governments to undertake the planning and administration of the work and to supervise it themselves, his contention that all the available schemes had already been carried out seems wildly inaccurate. Statement of the Chancellor of the Exchequer at the Monetary and Economic Conference on 14th June, 1933. (Cmd 4357 1933), 5.

5 Supra, 76/7.

6 Table XVI, infra, 204.

reallocation of consumers' expenditure towards durable goods and the relative stability of aggregate consumption throughout the depression, the mass-market consumer durable sector emerged from the downswing comparatively unscathed and production began to accelerate more rapidly than in the typical industries of the depressed areas.[7] Table XIV suggests that the loss of employment in the southern half of the country was less marked than in the depressed areas and that the 1929 level of employment was regained much more quickly than in the 'Celtic fringe' regions.

Whilst it was apparent to all that economic recovery was firmly established in the southern half of the country, it seemed that the coalfield areas would remain depressed. The gap in the economic conditions between the relatively prosperous and the relatively depressed areas seemed to be widening in 1933/34; the 1929 volume of insured workers in employment had been surpassed in all the prosperous areas whilst in the distressed regions the 1934 level was still approximately only 90 per cent. of the 1929 figure. Thus, the first element in the revival of official concern over regional unemployment, lay in worries about the persistently high rates of unemployment in the export industries and in the depressed areas.[8]

The trends in the growth of employment explain, in part, the second novel factor in the situation of the middle thirties; long-term

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7 H W Richardson 'The Role of Consumption in Interwar Fluctuations' in Derek H Aldcroft and Peter Fearon (eds) British Economic Fluctuations 1790-1939 (1972), 161-187.

8 The Times, June 23, 1933; and the speech by Lawson (Labour Chester-le- Street) Hansard (Commons) Vol. 287, 1398, March 22, 1934.

unemployment. The Ministry of Labour first took a sample of the unemployed in September, 1929 to gain information about the duration of unemployment and concluded that there were approximately 45,000 insured workers who had been out of a job for longer than one year. During and after the depression the numbers of long-term unemployed rose dramatically, further surveys suggested totals of 300,000 insured out of work for more than twelve months in September 1931; more accurate counts at the Labour Exchanges gave figures for June, 1932, of 337,000 and almost 483,000 in May, 1933.[9] In a region whose main industries were unable to provide the volume of employment of previous years and where, for geographical and economic reasons, the industrial structure tended to be narrow and concentrated, once a man was made unemployed his chances of finding further employment in his former industry and employment area were not good, especially if he were unskilled or nearing retirement age. These categories of workers, therefore, faced long periods of unemployment which, in the opinion of employers,administrators and commentators, rendered these men 'unemployable'.[10] The number of long-term unemployed remained obstinately high when recovery had begun and unemployment percentages were falling.[11] As this analysis suggests, the long-term unemployed were concentrated in the depressed areas,[12] although they were to be found in all administrative regions.[13] This was the second factor which, apparently more intransigent in the 1930s, tended to concentrate attention once more upon the plight of the depressed areas in the post-slump period.

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9 Hansard (Commons) Vol. 279, 913/4, June 22, 1933.

10 See The Times, December 12, 1929; PRO CAB 24/240 CP 108(33) Public Assistance and Distressed Areas, Memo. by Minister of Health "...we have to provide for large numbers of persons....for whom, even on the most hopeful calculations, unemployment is not likely to be merely a fleeting evil. Meanwhile they suffer from the deteriorating effects of idleness".

11 Supra, Chapter One, Part Two, footnote 90, p 30.

12 Infra, Chapter Eight.

Confronted by these novel features, the Government appears to have accepted that heavy unemployment would persist. Neville Chamberlain told the Commons in February, 1933, that he could not foresee, "the reduction of unemployment to a comparatively small figure" within ten years.[14] Thus, the Government seems to have been prepared to accept that life for a minority of the workforce would be outside the industrial labour force. This conclusion is of considerable importance in understanding subsequent Government policy towards the unemployed in the depressed areas. The problem was once more framed in social terms; how to cope with the large numbers of unemployed men in the coalfields. There were few attempts to promote the long-term economic development of the depressed regions.

However, there were considerable pressures on the Government to revise their attitudes. As in the twenties, the unemployed registered their disapproval of official policy by taking to the streets on hunger marches. They also pressed for a more generous policy through their Parliamentary representatives, but these constituencies had played their part in bringing the National Government to power and maintaining it in office. After 1931 only South Wales remained a substantial stronghold of a much-weakened Labour Party.[15] The unemployed felt remote from the centre of politics

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13 There were long-term unemployed found in Greenwich by E Wight Bakke The Unemployed Man: A Social Study (1933), 49; and a Pilgrim Trust report asserted that there was a hard core of long-term unemployed men in every town. Men Without Work (Cambridge 1938), 14.

14 Hansard (Commons), Volume 274, 1215, February 16, 1933.

15 In 1931, the Labour Party returned 52 MPs of whom 18 represented Welsh constituencies. Strength in the North of England had been reduced from 108 to 15 MPs and in Scotland from 37 to 7 vis-a-vis results in 1929. In 1935, gains were made in both these areas and in the Midlands, but the 1929 level was not again reached in the interwar period.

but wished to impress the details of their plight on the remainder of the country. The feeling that those living in the South were not fully aware of the true conditions in the depressed areas was widespread and, perhaps, justified.[16] The focal point of the dissatisfaction and frustration of the unemployed was the working of the Unemployment Insurance and Transitional Benefits schemes. Marching tended to be a rather blunt form of making a protest and better suited to the defensive tactic of registering disapproval of Government policy than to pressing positive demands. It reached peak intensity in the early twenties(for the extension of Insurance against unemployment), in the late twenties (over Tory unemployment policy), and throughout the years 1931-35 over unemployment policy in general. In 1932, in the provinces there were protests at the operation of the Household Means Test and fierce clashes with the police often resulted. A further series of marches converging on London was arranged during the autumn of 1932. The National Unemployed Workers Movement, and its Communist leader Walter Hannington took a major part in this struggle. Hannington wrote of this stage of the protest,

> "Whilst the struggles of the unemployed were raging in Birkenhead and Belfast, the army of hunger marchers from all parts of the country was moving down the main roads to London, rousing millions of the workers in towns and villages against the Means Test and Benefit cuts".[17]

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16 The Times, March 20, 1934, in a leading article 'Places without a Future: Desolate Durham' made much of the belief that London and Westminster had no idea of the troubles of the industrial North. However, the various hunger marches, official surveys, Government legislation, and the earlier Times exercise in 1928 (See Chapter 3) had helped to educate public opinion.

17 Wal Hannington Unemployed Struggles 1919-1936 (1936), 243.

Once more, violence erupted with clashes between the marchers and police in Hyde Park. Despite this friction with the police, the decision of the Ministry of Labour not to pay benefit to marchers in transit, the denunciation of the march by certain Conservative members of Parliament,[18] and the professed intention of the Government to review the law about such protests,[19] the unemployed were so determined to make their views known in this manner that, as Hannington pointed out, in January, 1933, thousands were marching daily.[20] There is evidence to suggest that these methods, the awareness of the growing proportion of long-term unemployed, and the apparent relative worsening of economic circumstances in the depressed areas, had begun to win sympathy for the unemployed in public opinion. In the early spring of 1934, the Government had not yet acted to the satisfaction of the unemployed and the National Unemployed Workers Movement (NUWM) organised a march in February, 1934, to press for a restoration of the 10 per cent. cuts in benefit, made soon after the National Government came to office in 1931. Although the press denounced the march in much the same terms as on previous occasions,[21] a group of writers, lawyers, and politicians wrote to the newspapers announcing that they had formed a Council for Civil Liberties and that

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18 Hansard (Commons), Vol. 270, 1485, Sir William Davison claimed that the marchers were directly organised by the Third International. November 10, 1932.

19 The Cabinet discussed the legal position and decided that it would be unwise to tamper with the right of assembly and that their recently introduced measure denying marchers the right to draw benefit en route was unlikely to have any positive results. PRO CAB 24/235 CP 434(32) Cabinet Committee on Hunger Marches, Interim Report.

20 Hannington op. cit. (1936), 307.

21 The Times, February 19,1934, called it a "shameless manoeuvre to make political capital out of the individual hardships of unemployed people".

they would vigilantly observe the behaviour of the police when the marchers reached London.[22]

From the spring of 1933 onwards, when it had become clear that the depths of the depression had passed, the press had begun to become more critical of the Government's apparent inaction towards the unemployed. The most persistent criticism came, not unnaturally, from those publications which had been advocating expansionary measures in order to boost recovery. The Economist of February, 1933, described the abject failure of Neville Chamberlain and Hilton Young "to put forward a single constructive suggestion for increasing employment in this country. Instead, they contented themselves with reiterating the barren plea that the policy of relief works had been tried and failed".[23] Later that year, the Times added its contribution to the chorus of complaint.

> "....public policy and public expenditure must be so directed that the disabilities and burdens upon industry may be lightened and that thus the unemployed may be given the best salve to mind and body alike, which is the hope of a job".[24]

Criticism increased as the Government seemed to ignore opportunities to introduce positive policies to reduce unemployment. The Economist of June 30, 1934, lamented,

> "The general tonic effect of this housing expansion could well be supplemented by public works of various kinds. For the time being the Government is apparently still averse to a considerable increase of public investment in spite of the attraction of low rates of interest. Road building, however, is still continuing on a considerable scale, and if this were supplemented by the development

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22 Noreen Branson and Margot Heinemann Britain in the Nineteen Thirties (1971), 31.
23 The Economist, February 25, 1933.
24 The Times, July 10, 1933.

> of other public services of various kinds - increased water supply, land drainage, bridge building, etc. - the public works contracting and building trades could, without doubt, ensure some further expansion of Britain's home market generally". [25]

This article followed a similarly-worded attack on Chamberlain for having introduced an orthodox Budget, and having declined to run a Budget deficit to boost the economic recovery.[26]

A certain degree of protest was also expressed through orthodox political channels. Despite the overwhelming majority enjoyed by the National Government in the Commons after 1931, Government Ministers were frequently criticised in the House for the inadequacy of their measures for dealing with unemployment. Between February and July, 1933, the Labour Party forced eight debates on the unemployment situation and urged constantly that the public works policy be expanded.[27] In the debate on February 15,1933, the Labour MP for Spennymoor, Batey, asserted that the Government had done nothing for the unemployed, except to make their conditions worse. He stressed that unemployment should be a national responsibility and not be passed on to the local authorities, industry and commerce.[28] A more forceful Government policy was advocated not only by the Liberals,[29] but by a group of expansionists from the Government's own back benches. Harold MacMillan, for example, wanted strong measures to increase consumption and to increase the price level.[30]

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25 The Economist, June 30, 1934.
26 The Economist, April 21, 1934.
27 The Labour Party Report of the 33rd Annual Conference (1933), 74-7.
28 Hansard (Commons), Vol. 274, 1048-50, February 15, 1933.
29 The Liberal Magazine March, 1933, 97.
30 Hansard (Commons) Vol. 274, 1084, February 15, 1933.

From the Labour benches, Rhys Davies was most constructive in advocating that the example of the USA be followed and a Budget deficit be incurred in order to finance work for the unemployed.[31] Thus, a wide variety of expedients, ranging from more vigorous rationalisation to a centralisation of the Poor Law system, was proposed. A return to the policy of the twenties, rather than a search for methods of taking work to the depressed areas, was the wish of the majority.

The experiments conducted in other countries were keenly observed by many individuals and organisations in Britain and provided ammunition for those who contended that the Government should take a more active role to reduce unemployment. Pollard asserts that the first large-scale measures of the 'New Deal' sufficiently impressed the trade union movement that they demanded similar action from the British Government.[32] It is likely that the comparison between the apparent willingness of the British administration to tolerate heavy unemployment, and the experimental measures enacted by Roosevelt, Schacht and others was an additional factor in the crescendo of demands for a redefinition of Government policy during 1933 and 1934.

A further element in this mounting pressure on the National Government was an awareness of the difficulty with which local administration and services were maintained in the depressed areas. Some of these local councils and other administrative bodies had had to support

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31 Hansard (Commons) Vol. 276, 342, March 22, 1933.
32 Sidney Pollard 'Trade Union Reactions to the Economic Crisis' Journal of Contemporary History IV (1969), 112.

a large number of unemployed since the mid-1920s, hence the strain on local social welfare institutions was immense. The closure of factories in the depressed areas and the emigration of the wealthier strata of the community had led to a smaller income from rates at a time when the demand for services was heavy and likely to increase. Hence, rates in the depressed areas tended to be higher than in other parts of the country, and it was feared that these higher rate demands were acting as a disincentive to industry to locate in the regions. Thus, there were persistent demands for grants to relieve this burden and the Minister of Health reported to the Cabinet on June 17, 1933,

> "During the last twelve months I have been strongly pressed by a group of local authorities and of Members representing the most hardly hit industrial areas, to afford those areas a special measure of financial help". [33]

The reforms instituted in the Rating and Valuation Act of 1928, and in the Local Government Act of 1929, (both of which, significantly, owe much to Neville Chamberlain)[34] were designed to ease this financial strain, but the impact of cyclical depression was too great an imposition to be borne on top of their existing commitments by the local authorities in the depressed areas.[35]

In addition, some of the Public Assistance Committees (PACs) - bodies consisting of elected local councillors and co-opted members, which

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33 PRO CAB 24/242 CP 164(33), Temporary Grant for Distressed Areas.
34 Keith Feiling The Life of Neville Chamberlain (1946), 144-8.
35 Supra, Chapter Three for a fuller discussion of the forces which led to the introduction of these two measures.

had administered the Means Test - were demonstrating their disapproval of Cabinet policy by awarding the maximum transitional payment to a high percentage of applicants, regardless of family resources. For example, 98 per cent. of unemployed applicants in Rotherham and in Merthyr Tydfil were obtaining the maximum payment, and in Durham County over 90 per cent. - this compared with the national average of approximately 70 per cent.[36] The Ministry of Labour first issued a warning to the rebellious PACs at Rotherham, Merthyr Tydfil, Durham County, Burnley, Lincoln, Middlesbrough, Manchester, Barrow-in-Furness, Blackburn, Essex County, Monmouth County, Nelson, Northumberland County, Oldham, Southampton, Stoke-on-Trent, Swansea, West Ham, and Wolverhampton,[37] and in October, 1932, the Ministry replaced the Rotherham PAC with a Commissioner appointed from London. In the following month, Durham County PAC suffered the same fate. Thus dissatisfaction had been expressed from all parts of the country from as early as 1932, but as recovery began to proceed in the southern half of the country, the protest movement began to swell and embrace the press, politicians, and the unemployed themselves. As during the twenties, the majority of criticism was pressing for an ad hoc relief of the immediate difficulties resulting from the concentrations of unemployment. The rather inarticulate demands for a more comprehensive social policy on unemployment had not yet proposed the type of industrial policy which forms the backbone of modern policy.

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36 Branson and Heinemann op. cit, 27.
37 Ibid, 27.

The Government's answer to this pressure confirms the belief that orthodox thinking had accepted the persistence of large numbers of unemployed as inevitable. Chamberlain, who after a period in a previous administration as Minister of Health, and as the present Chancellor of the Exchequer, had become perhaps the leading authority in the Cabinet on unemployment matters,[38] considered that this was an opportune moment to rationalise the plethora of institutions and administrative devices which had been created to deal with the armies of the unemployed and also to remove the contentious issue of unemployment relief from party politics.[39] The creation of jobs for the unemployed was not, in his view, a viable policy. He was not prepared to consider a 'British New Deal' when, in his opinion, the experience of a public works policy in this country in the seven years ending in 1931, had shown that an enormous expenditure would have been required to find sufficient jobs for the unemployed.[40] The comparison between the American policy and that pursued in Britain in the twenties seems somewhat strained, and it is possible that a more basic party political motive lay at the root of the rejection of public works for the depressed areas.

By this time, expansion had become firmly associated with the Liberal and Labour parties and, thus, the political costs of resorting to the policies of their opponents might have been too great for the coalition. The only public works schemes that Chamberlain would countenance were those which would earn an economic return, that is, the

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38 Feiling op. cit, 230.
39 Bentley B Gilbert British Social Policy 1914-1939 (1970), 179.
40 Hansard (Commons), Vol. 276, 380-2, March 22, 1933.

market rate of interest.[41] The reliance upon local authorities to plan and supervise much of this work had changed little from the twenties. Although total Government expenditure per head in real terms stagnated during the middle and late thirties after a brief rise in the slump years (largely accounted for by increased transfer payments) there were falls in current spending on such labour intensive projects as housing, roads and utilities in 1931 and 1932 with stagnation thereafter until mid-decade.[42] The Government tended to concentrate its efforts on simplifying procedures and easing conditions for the unemployed in the depressed areas.

Chamberlain's diaries reveal that in October, 1932, he conceived a plan for the unemployed;

> "It is nothing less than taking the whole relief of the able-bodied away from local authorities and Ministers and putting it outside party politics, by entrusting it to a statutory Commission.... It would avoid the danger of relief being put up for auction by the parties. Moreover, I conceive that the Commissioners might be entrusted with the duty of providing some interest in life for the large numbers of men who are never likely to get work....they must be given organised recreation, physical exercise, and, where possible, a bit of ground". [43]

This entry is highly significant in the understanding not only of the timing of Government policy initiatives, but also of their content. The emphasis on maintaining the mental and physical faculties of the unemployed is fully revealed, and the theraputic effects of the allotment garden had obviously found an influential champion. Although this scheme was first mooted in the autumn of 1932, it was not until September, 1933,

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41 Iain Macleod Neville Chamberlain (1961), 173.

42 Peacock and Wiseman op. cit, 174/5; and Ursula K Hicks The Finance of British Government (Oxford 1938), 117.

43 Cited in Feiling op.cit, 230.

in a Censure debate, that the Government introduced its Unemployment Bill.[44] Under part I, a seven-man Unemployment Insurance Statutory Commission was established with the principal task of overseeing the solvency of the Unemployment Insurance Fund and of recommending to the Minister of Labour changes in the rate of benefit and contributions. The major innovation was to be the setting up, under the second part of the Bill, an Unemployment Assistance Board (UAB) to administer benefits through local officials to those receiving transitional payments and to those able-bodied paupers on public assistance. Thus, it was hoped that the burden of the relief of unemployment would become a concern solely of central Government and that the main drain upon local authority funds would have been removed. Gilbert says of the UAB,

> "The board was given wide powers, not only to give assistance indefinitely according to need to any individual applying to it who qualified as being regularly in insurable employment, but also to set up training schemes and work schemes all supported from taxes. In effect, it could deal not only with unemployment resulting from economic factors but from personal failings as well.
>
> Through its local staff, the board would become virtually a centralized Poor Law for all working people in the country. It would take over the relief of all workmen not receiving unemployment insurance: those on transitional payments, and the remaining able-bodied poor on public assistance". [45]

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44 The delay in presenting legislation before Parliament is partly to be explained by a split in the Cabinet between Chamberlain, who wanted to 'nationalise' the Poor Law and to transfer the unemployed to this scheme, and Betterton, who wanted to retain the unemployment insurance functions of the Ministry of Labour, The UAB was, essentially, a compromise embodying a simplification of the procedures as advocated by the Chancellor, and retaining the distinction between workers and a pauper class. F M Miller 'National Assistance or Unemployment Assistance? The British Cabinet and Relief Policy 1932-33' Journal of Contemporary History 9 (1974).

45 Gilbert op. cit, 181/2.

However, this measure was not sufficiently directed to the needs of the depressed areas and their unemployed inhabitants in the context of conditions in the thirties. Although the Bill was introduced in September, 1933, it was long, complicated, and many of its provisions provoked bitter party political debate. The Unemployment Act did not receive the Royal Assent until June 28, 1934, and by that time the National Government was already being forced to introduce supplementary legislation to deal with the specific problems of the depressed areas. The intensity of feeling aroused by the Unemployment Bill, together with the growing awareness of the problems of the regions had rendered the Bill inadequate in relation to public expectation before it had appeared on the Statute Book.

The main aim of the National Government during the early years of its period of office had been to prevent this unprecedentedly large volume of unemployment from causing significant changes in social relationships or economic organisation.[46] Thus, the reorganisation of unemployment relief was supplemented by a number of measures to provide alternative mental or physical occupation for the unemployed. Significantly, the Government preferred to make grants to private organisations working in the field rather than to establish schemes of its own. After much of the private land settlement work had been put into abeyance during the depths of the depression, the brighter prospects in 1933 induced some of the voluntary organisations to restart their programmes. The Government immediately began to show interest in the possibilities of finding non-industrial occupation for unemployed workers.[47] A meeting of representatives of interested organisations

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46 Miller op. cit, 166.

47 PRO LAB 23/35 Memo. by Minister of Agriculture, October 7, 1938.

was held in January, 1933, at which MacDonald pledged to give attention to land settlement in future economic and social policy.[48] Little constructive was done until Malcolm Stewart (who twelve months later became the Commissioner for the Special Areas in England and Wales) announced his intention to buy an estate at Potton in Bedfordshire to provide small-holdings for unemployed men.[49] The Government had been forced to act, and co-operated in the establishment and financing of the Land Settlement Association (LSA) which was to train, equip, finance and maintain unemployed workers on the land.[50] On a lesser scale, the Government had been providing finance since 1931 to local authorities wishing to supply allotment gardens and small-holdings for their unemployed.[51] The intensification during the depression of this apparently incongruous method of coping with unemployment can be understood only in terms of the worldwide rise in the number of workers idle, the Government's conclusion that it would be impossible to radically alter the rate of unemployment, and the commonly-held opinion that an interest in something as mundane as an allotment was infinitely preferable to complete idleness.[52]

The same influences led the Government into a closer co-operation in the administration of voluntary social service.[53] By September, 1931,

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48 PRO MAF 48/273 Minutes of Meeting held January 20, 1933.
49 PRO LAB 23/43 Report of the Land Settlement Association.
50 PRO MAF 48/99 Articles of Association.
51 The Agricultural Land Utilisation Act of 1931 authorised the payment of central Government subsidies to county councils providing land settlement facilities.
52 The Times, for example, preached that"The very possession of an occupation and an interest and the prospect of a sure reward are physical and moral restoratives.....Employment - self-employment on an allotment - is a means of preventing this retrogression of manhood and a step towards recovery". November 13, 1931, Allotments for the Unemployed.
53 Richard Clements 'The Administration of Voluntary Social Service' Public Administration (1939).

there were over one hundred clubs, established by such organisations as the Quaker Society of Friends, the National Council of Social Service (NCSS), and the Carnegie Trust, to provide a centre at which the unemployed could attend lectures, undertake handicraft work, or take part in various games and sports to relieve their boredom. In January, 1932, the Prince of Wales, a Patron of the NCSS, appealed for funds and for the social, physical and psychological problems of unemployment to be seen as a challenge to voluntary social service.[54] After this well-publicised speech the number of clubs mushroomed, with more than seven hundred in operation by the autumn of 1932. The Ministry of Labour felt that such a disparate movement should be co-ordinated, and, in November, 1932, Sir Henry Betterton invited the NCSS to supervise the movement and provided a grant of £20,000 to cover administrative expenses and to contribute to the financing of new clubs.[55] The NCSS set up an Unemployment Committee and encouraged the formation of regional councils to stimulate the establishment of new clubs.[56]

The Government was following the example of its predecessors in the earlier decade by co-operating with voluntary bodies to counter specific problems in the depressed areas. In the early thirties, however, unemployment was more extensive and there were few who still believed that depression was merely a transient phenomenon. It was therefore necessary to help more workers who had to endure longer spells of

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54 R C Hayburn 'The Voluntary Occupational Centre Movement 1932-1939' Journal of Contemporary History 6 (1970), 158.

55 National Council of Social Service Unemployment and Community Service (1936), 16-28.

56 Ibid.

unemployment and a wider range of voluntary organisations were assisted. Co-ordination of all these diffuse activities was becoming an imperative which the NCSS could only partly fulfil. The establishment of the Commissioners for the Special Areas in 1934 was an attempt to centralise upon a single agency the administration of these many schemes.

This type of voluntary work was not enough to satisfy the demands from the depressed areas for help to cope with the more intractable problems of the early post-slump period. The partial nationalisation of the Poor Law in the Unemployment Act did little to calm the pressure from the regions.[57] The local authorities were constantly seeking more favourable financial aid from the Exchequer, since the restructuring of local finance under the block grant system had done little to make the improvement of poor housing, sanitation, health and social services any easier. The Government first suggested that the county councils in the prosperous areas should contribute part of their Exchequer grants to their counterparts in the depressed areas (the Government proposed to add to this donation with funds from the Exchequer).[58] Since many authorities in Outer London and the South East were already finding it difficult to provide facilities for expanding local industry and population, the Government's proposal for a gesture of generosity had little chance of finding favour. In the event, the Cabinet authorised a supplementary grant of £500,000 to aid local authorities in the high unemployment areas.[59] In the circumstances, half a million pounds could

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57 The compromise between Chamberlain and Betterton did not lead to the introduction of a full national assistance scheme, and, thus, the depressed areas were still burdened with relief problems.

58 PRO CAB 23/76 Cabinet 42(33) June 27, 1933.

59 PRO CAB 23/76 Cabinet 42(33) op. cit.

have had only minor effect when spread over all the depressed areas, and was in no way commensurate with the size of the problem to be tackled. It seems particularly baffling that the Government, obviously aware of the strength of feelings in the depressed areas, did not include a more discriminatory element to its Unemployment Bill, but chose, instead, both to remove to central Government some of the functions formerly exercised by local authorities, and planned to cut benefits in some areas under the standardisation provisions (though the latter effect was prevented at the eleventh hour).

The unemployed were contributing to the pressure from the regions,[60] and they began to receive forceful support from the Parliamentary representatives from the depressed areas, among whom Aneurin Bevan was perhaps the most dymamic and persistent critic of the Government.[61] However, although this protest movement was gaining popular support, the confidence of the Government in the efficacy of the Unemployment Bill was not shaken. The situation was completely changed by a series of articles published in the Times during March 1934, entitled 'Places without a Future' and dealing with conditions in County Durham.[62] These articles maintained the emphasis on the need for immediate intervention to ease urgent economic and social problems; the magnitude of the difficulties precluded deliberations to formulate long-term plans. The articles focused their attention particularly upon the 'derelict' areas in Durham; that is, those small industrial communities in which the main source of employment had closed and had not been replaced by

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60 Supra, 121/2.
61 Michael Foot Aneurin Bevan: A Biography, Volume I 1897-1945 (1962), Chapter 5.
62 The Times, March 20-22, 1934.

a local alternative. The inhabitants of such areas had, thus, either to commute to find work of some sort, or to face long spells of unemployment. The articles were written by a special correspondent who observed

> "In nearly every part of the country the steady reduction in the national unemployment figures has enabled hope of better times ahead. Yet in places where the pits are not only closed but abandoned, the works not only shut but dismantled, it is difficult to see any grounds for hope, because there is no industry left there for recovery to revitalise". [63]

The areas which had been most heavily dependent upon coal mining were the most badly hit and social conditions were well below those in other parts of the country; overcrowding was widespread, and there was considerable bitterness towards the lack of understanding by the politicians in the South.[64] The middle classes had deserted the area, depriving the local community of its traditional leadership, whilst the feeling of purposelessness of the remaining inhabitants had increased as they had begun to realise that local prospects were bleak.[65] Having painted a very black picture, the correspondent called for a restoration of the cuts in benefit, and the appointment of a commissioner to help the transference out of the areas of the younger unemployed workers and to try to devise policies to attract industries to Durham.[66] The appointment of the commissioner was essential as the local community, bereft of its former leadership, had become passive under its massive difficulties. This same policy was recommended for the "half a dozen areas of Great Britain which present the same phenomenon of crushing unemployment and the dearth of local industry". [67]

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63 The Times, March 20, 1934.
64 Ibid.
65 The Times, March 21, 1934.
66 The Times, March 22, 1934.
67 Ibid.

The leader writer called for action to aid the 'derelict areas' - those areas which "are no longer self-sustaining. Their industries have collapsed. They contain dependent populations without livelihood, and are industrial backwaters which the tides of trade revival are unlikely to reach again".[68] He aimed clearly to plead that the mining villages of Durham and similar derelict areas constituted a special case for Government aid. There was no suggestion that the Government should intervene on a wide scale, for the policies advocated - training, rural industries, land settlement, and transference - were relevant only to such 'derelict' areas. However, despite their restricted aims, the Times' articles had enormous impact. The last article of the series appeared on the same day as Parliament was due to debate Government unemployment policy. Speakers tended to concentrate almost exclusively upon the conditions in Durham,[69] with the result that the debate became a review of official policies towards the depressed - now called derelict - areas. The Government seems to have been caught without any effective counter to the points raised; the Minister of Labour, Sir Henry Betterton, could only reiterate his faith in the transference scheme and claim that the problem was essentially one of geographical factors interfering with the market for labour.

> "The problem before the Government, and particularly before the Ministry of Labour is how best to secure that those who live in the depressed areas can be brought into the stream of ordinary industrial employment and so take their share in industrial recovery".[70]

The Cabinet's confidence in the Unemployment Bill as a definitive contribution to the legislation on the topic seems to have been firm

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68 The Times, March 22, 1934.
69 See the speeches of Lawson, cols. 1400-5, Runciman 1447, and Betterton 1510. Hansard (Commons), Volume 287, March 22, 1934.
70 Ibid, 1515.

prior to the publication of the Times' articles. Since they had nothing new to offer, Ministers needed time to prepare policies. Consequently, the Government's answer was to appoint four 'Special Investigators' to inquire into conditions in the depressed areas.[71] However, this action was taken only after the Minister of Labour had urged the Cabinet, on April 11, to reject the policy advocated by both MacDonald and Baldwin of appointing Commissioners with executive powers to initiate a policy which would deal with the points raised in the articles and in the debate.[72] The Minister of Labour favoured an inquiry into the 'new' problem of limited areas in which there was no prospect of industrial recovery. Although the Government had to hand the exceedingly detailed surveys of the main industrial areas which ahd been undertaken in 1931-32 for the Board of Trade, they had no information relating specifically to the 'derelict' areas. However, this argument is merely an ex post facto justification; that the Government had no new policies is reflected in the fact that the official diary of events commences with the series of articles appearing in the Times.[73] There is, moreover, no logical reason for such a narrow investigation; there had been neither a real attempt to define a 'derelict' area nor any consideration of the difficulties in confining aid to such a small number of towns and villages within a larger depressed area.

The Government had succeeded in gaining time to reconsider its policies. If the expedient of appointing investigators had been adopted solely for this purpose (as the opposition parties claimed[74]) in the

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71 These men were called 'Commissioners' and 'Investigators'. The latter term will be used to avoid confusion with the officers appointed under the Special Areas Act.

72 PRO LAB 18/28 Special Inquiry and Reports by Four Investigators into the Problem of the Derelict Areas.

73 Ibid, Diary of Events.

74 The Liberal Magazine XLIII (1935), 3; The Labour Party Report of the 35th Annual Conference (1935) 81-2.

hope that pressure would subside and the depressed areas be forgotten, it was unsuccessful. Two factors ensured that the problems of the depressed areas would remain in the political limelight; firstly, the Prime Minister and the Chancellor of the Exchequer decided on April 13, 1934, that it would not be desirable to publish the reports of the Investigators since they had been encouraged to discuss in confidence present conditions and future prospects with industrialists and administrators and, thus, to publish would have been a breach of confidentiality.[75] Moreover, interviewees might have been reluctant to divulge information if they had suspected that it would be made public at a later date. The opposition together with coalition MPs representing depressed area constituencies seized on this refusal to publish to try to undermine confidence in the Government and came constantly to urge the official spokesmen to publish the reports.[76] The second aspect which kept unemployment in the headlines was the deep sympathy aroused for the plight of the depressed areas. The Letters column of the Times had many suggestions for helping the unemployed in the derelict areas, whilst the paper continued to give prominence to the conditions which it had helped to uncover.[77]

Having been compromised in March, it would have been very difficult for any Government, even one as strong as the National Government, to have ignored the pressures for action. After the breathing space during the summer, Neville Chamberlain announced that the Government

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75 PRO LAB 18/28 op. cit.

76 The question of publication was first raised at Question Time on April 19, 1934, and was subsequently debated on June 21, 9 and 23 July.

77 Letters Column March 23-31, 1934. The topic of the derelict areas was also raised in leading articles on April 13 and 20, July 20 and 25, and October 31, 1934.

was planning to introduce its Depressed Areas Bill in a speech to the Commons on November 14, 1934.

The Areas Included in the Legislation

During March, 1931, the Board of Trade had commissioned certain universities to undertake surveys of the heavy industrial areas of the country. The reports were to include a survey of the industrial position, the prospects of early expansion, and an assessment of the prospective employment capacities of the various industrial undertakings in the area. They were also required to calculate the surplus local labour.[78] A further survey, of Cumberland and Furness, had been commissioned by Local Employment Committees through the North West Division of the Ministry of Labour.[79] All these surveys had been extremely detailed, describing the areas, their industries, and economic and social conditions. However, it appeared that the information required in 1934 was of a different order. The original Times articles had been at considerable pains to point out that the derelict areas had particular needs, and in a later leading article it was argued that the prospect of action of a limited nature was justified because of the limited nature of the problem.[80]

The Cabinet soon decided that its attention should not be confined

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78 An Industrial Survey of South Wales made for the Board of Trade by University College of South Wales and Monmouthshire, An Industrial Survey of the South West of Scotland made for the Board of Trade by the Staff of the Political Economy Department of the University of Glasgow, An Industrial Survey of the Lancashire Area (excluding Merseyside) made for the Board of Trade by the University of Manchester, An Industrial Survey of Merseyside made for the Board of Trade by the University of Liverpool, An Industrial Survey of the North East Coast Area made for the Board of Trade by Armstrong College, Newcastle-upon-Tyne. All published 1932.

79 John Jewkes and Allan Winterbottom An Industrial Survey of Cumberland

to those limited areas in which it was thought there was no prospect of industrial or economic recovery.[81] The focus was no longer economic conditions and the prospects of recovery but the social wastage associated with long-term unemployment. Chamberlain prepared the instructions for the four investigators, in which he requested that they identify within their assigned areas those towns, villages and areas which were industrially dead, and that they inquire whether the inhabitants had been informed that "prospects were hopeless if they stay where they are".[82] However, it seems impossible to imagine what kind of legislation the Government could have planned for the areas - if they could have been isolated.[83]

The Government chose two eminent men from politics and two from industry to carry out these new surveys. The Chancellor of the Duchy of Lancaster, J C C Davidson, was appointed to report on Cumberland; Captain D Euan Wallace, Civil Lord of the Admiralty, studied Tyneside and Durham; Sir Arthur Rose, an administrator and industrialist, surveyed conditions in Scotland; whilst the report on South Wales was prepared by Sir Wyndham Portal, the Chairman of the family firm, Portals Ltd.

Thus, Lancashire no longer formed part of the group of depressed areas. This change is to be explained largely in terms of the change in

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and Furness (Manchester 1933).

80 The Times, April 13, 1934.

81 PRO LAB 18/28 Diary entry for March 28, 1934.

82 PRO T 172/1827 Outline Instructions prepared by the Chancellor of the Exchequer.

83 Although the 'derelict areas' were to be the primary concern of the inquiries, the Investigators were also asked to examine the larger depressed areas surrounding the derelict localities, thus, reinforcing the view that the Government would have found it extremely difficult to prepare and implement legislation aimed at alleviating conditions in such a small number of places as the derelict areas. PRO T 172/1827 Letter from Betterton to Chamberlain, April 20, 1934.

focus from 'depressed' to 'derelict' areas.[84] The Industrial Survey of Lancashire had revealed that there were sectors of local industry in which employment had been expanding throughout the twenties, and that within the county a redistribution of employment was taking place, with migration from textiles, heavy engineering and coal mining to electrical engineering, vehicles and aircraft, clothing, chemicals, and the distributive trades. The authors of the survey were able to conclude that Lancashire was much less dependent on textiles than was imagined, with all branches of the industry accounting for 45 per cent. of the total insured population in manufacturing in 1929.[85] However, the worst-affected industry in the county was cotton textiles, with the weaving branch centred on North East Lancashire, being the most depressed sector of the industry. However, work-sharing schemes and the common practice of several members of one family going out to work had helped to avert the worst repercussions of unemployment on family incomes.[86] Hence, the chances of finding industrially derelict localities in Lancashire were far less promising than in Durham, for example, where former prosperity had depended to a far greater extent on the fortunes of a single industry - coal mining. Similarly, Merseyside was industrially more diverse, had a larger share of employment in expanding manufacturing sectors than the areas investigated in 1934, and, being a compact area in which some industries were expanding, offered little likelihood of containing any signs of dereliction.[87] Moreover, there had been little response to the extension to the Lancashire area of the transference facilities after 1930.[88] Since transfer was certain to be an important

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84 Lancashire had been included in a survey, approved by the Cabinet on February 28, 1934, of the health conditions of children in certain depressed areas. PRO CAB 23/78 Cabinet 7(34).

85 Industrial Survey of Lancashire, 89.

86 Ibid, 96-146.

87 Industrial Survey of Merseyside, 13-15.

88 University of Manchester Economics Research Section Readjustment in Lancashire (Manchester 1936), 40-44.

part of any policy to deal with towns and villages where local job opportunities were in very short supply, there seemed to be little point in repeating the experiment.

In the areas which were designated for survey, the Investigators were given great latitude as to the exact boundaries:- Northumberland and Durham; Lanarkshire: Cumberland: and Glamorgan and Monmouthshire were suggested, but the exact limits were at the discretion of the individual Investigator.[89] In order that their reports might be prepared with the utmost speed, all of the Investigators chose to limit the scope of their inquiries to smaller areas than those provisionally allotted to them, by excluding certain sub-regions in which it was thought that no evidence of industrial dereliction would be found. Thus Captain Wallace did not survey the Tees area because,

> "The primary consideration, in view of the urgent nature of the problem appeared to be to reduce the field of survey to the smallest dimensions which considerations of homogeneity would permit. From this point of view the deciding factors were, first, Tees-side is largely dependent upon the iron and steel industry, which has outlets for its production not confined to the North East coast; secondly, that it has benefited to a greater extent than any other neighbouring centre of population, by the setting up of the large new plant at Billingham by ICI; and thirdly, that if Tees-side, better situated from the point of view of employment as it is, were taken into the field of inquiry, there could be no valid argument against including also the Cleveland district of Yorkshire and thereby considerably extending the time required to complete this report".[90]

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89 PRO T 172/1827 Outline Instructions.

90 Ministry of Labour Reports of Investigators into Industrial Conditions in Certain Depressed Areas of (i) West Cumberland and Haltwhistle, (ii) Durham and Tyneside, (iii) South Wales and Monmouthshire, (iv) Scotland (Cmd 4728 1934) 69-70.

Similarly, the western section of the South Wales coalfield was not surveyed because it was relatively prosperous when compared with the very depressed eastern section. Nevertheless, most of the employment exchanges in both sections were included in the Ministry of Labour's schedule of depressed areas for the industrial transference scheme. The prosperous section, moreover, had an insured unemployment rate at the time, of 28·6 per cent. in comparison with the national average rate of approximately 16 per cent.[91] For similar reasons of local comparison, the coastal strip was omitted from the South Wales survey, Keswick from that of West Cumberland, and Glasgow from the Scottish.[92] On the other hand, Sir Arthur Rose did add the West Lothian coalfield, the Ayrshire coalfield, and certain other areas to his study.[93] These decisions, all based on the need for speed and homogeneity, were to have important repercussions on the sphere of operation of regional policy in the period before the Second World War.

These reports of the Investigators revealed a far less demoralising picture than, perhaps, the Government and the public had expected. The Investigators asserted that there were no 'derelict' areas in West Cumberland; Tyneside and County Durham as a whole could not be termed derelict; although there were some badly-hit villages in South Wales - Blaina, Blaenavon, Brynmawr, Dowlais, Ebbw Vale, Merthyr, Rhymney and Senghenydd - these places were not so isolated as to deprive the inhabitants of access to employment; and in Central Scotland there were no areas even approaching dereliction.[94] This is hardly a surprising

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91 Ibid, 129.
92 Ibid, 5/6, 129, 195.
93 Ibid, 195.
94 Ibid, 13, 69/70, 144, 196.

conclusion; the Times articles had given the public a picture of villages with no source of local employment and, thus, huge dependent populations burdening harassed local authorities. Such conditions could only have been found in exceptionally isolated, depressed communities which had suffered from very poor communications. Even in the most depressed regions, public and private transport allowed the residents of apparently 'derelict' places to commute to work during the thirties.[95]

However, this information was the sole consolation the Cabinet could derive from the reports. In other respects, the overall impression was one of gloom and despair. Unemployment was high in all the survey regions; in West Cumberland and Haltwhistle, 10,500 out of an insured population of 33,800 were unemployed with rates in excess of 50 per cent. in Maryport, Haltwhistle, and Cleator Moor; in Durham and Tyneside, 175,382 were unemployed, representing 27·2 per cent. of the insured workforce; in the eastern section of the South Wales collieries, 104,035, or 46·1 per cent. of all insured workers were idle; and in the Scottish survey area, 22·9 per cent. were out of work.[96] Similarly, long-term unemployment was a more intractable problem in these areas than in the country as a whole. In comparison with the national figure of 23·3 per cent. of all unemployed out of work for more than one year, in West Cumberland the figure was 47·8 per cent; in Durham and Tyneside 49·8 per cent; in the South Wales survey area it was 74 per cent; whilst the figure for Scotland was approximately 48 per cent and related only to the male unemployed between 18 and 65 years.[97] In all areas the major industries had been depressed for long periods and employment prospects were beginning to look very bleak; only in West Cumberland was there evidence of the setting up of new enterprise, and

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95 G H J Daysh J S Symonds West Durham (Oxford 1953), Chapter 9.
96 Cmd 4728 op.cit, 10, 108, 131, 214/5.
97 Ibid, 24, 108, 135, 196.

this on a very small scale.[98] Although by the standards of the time, there were few signs of malnutrition in the areas, other social indicators were not so favourable; in County Durham housing conditions were poor and over-crowding common; in South Wales sewerage improvements had been long delayed because of lack of funds and health standards were thought to be at risk; and in Scotland, slum clearance work was needed to reduce over-crowding.[99] In each area, the Investigator had identified a 'permanent surplus' of labour relative to the likely prospects of industry, with the situation in the North East so bad that Captain Wallace considered that the population was losing hope.[100]

The Cabinet received these reports on September 25, and on October 10 decided to set up a committee under the Chancellor of the Exchequer to consider the findings of an inter-departmental committee of civil servants which had examined the reports of the Investigators.[101] The most significant conclusion reached by the Cabinet committee was that action on behalf of the depressed areas was imperative as a result of the work of the Investigators and the publicity given to them. The decision to concentrate upon the areas as surveyed in order to satisfy the expectations aroused in the inhabitants marks a major change in policy. The Government had been concerned with the 'derelict' areas and had briefed its Investigators accordingly. In such circumstances, certain sub-regions, which would have strong claims for aid from the Government if the less rigorous criteria of general industrial depression had been adopted for the survey, had been excluded from the inquiries,

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98 Ibid, 6.
99 Ibid, 103, 172, 219.
100 Ibid, 49.
101 PRO CAB 23/80 Cabinet 34(34) October 10, 1934.

both by the draughtsmen of the survey and by the Investigators themselves.[102] This change of focus was certain to create anomalies. In addition to the exclusion of the anthracite section of the South Wales coalfield and the Tees area, there were a number of other fairly populous areas, which had been sufficiently depressed to appear on the Ministry of Labour schedule, but had not been surveyed. The most important was the textile area of Lancashire, centred upon Blackburn, Burnley, and Rossendale.[103] This part of Lancashire had experienced higher average levels of insured unemployment during the trough of the depression, and was more depressed than certain parts of the survey area during 1934.[104] However, the reasons for the exclusion of the whole county have already been discussed.

The broadening of Government intentions to embrace fairly homogeneous areas rather than the narrow search for evidence of dereliction meant that the Government was now preparing to introduce discriminatory legislation in favour of towns such as Consett (insured unemployment rate 10·3 at the time of the survey) whilst excluding whole areas with unemployment rates considerably in excess of the national average.

The Cabinet seemed unaware of the implications of the change in its attitudes. It formally decided to limit its attentions to the areas surveyed and not to commission new investigations.[105] A residual element arising from the original concern with the 'derelict' areas, however, was apparent in the exclusion of the major cities from any schedule of areas to be covered by legislation. The reports of the

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102 Supra, passim.
103 Other areas on the Ministry of Labour schedule but not surveyed were parts of Derbyshire, the Forest of Dean, parts of Yorkshire, and parts of Northumberland. PRO T 172/1827 Special and Distressed Areas, October, 1934.
104 Readjustment in Lancashire op. cit, 88-91.
105 PRO CAB 23/80 Cabinet 39(34), November 7, 1934.

Investigators had shown that the larger centres of population were less depressed and had broader industrial structures than their hinterlands and, thus, despite the fact that they were excluding the possible growth centres from which future expansion might have been generated in order to reduce regional unemployment differentials, the Cabinet recommended that the proposal of the inter-departmental committee regarding the omission of main cities be followed.[106] Thus Glasgow was left out of the Scottish schedule despite the fact that the Investigator had stressed the interdependence of the industries of the area;[107] Newport, Cardiff, Swansea, Neath, Porthcawl, and Barry from South Wales; and the Tees towns from the North East. However, the full impact of this decision was appreciated only when an industrial policy began to develop in the years immediately before the outbreak of war.

The Government's Policies.

The Investigators had been asked to make any recommendations they considered might be usefully attempted to alleviate the depression in the survey areas. Chamberlain's outline instructions seemed to indicate that the Government would have preferred to return to the policies of the twenties. The Investigators were asked to assess the possibilities of increasing transference, land settlement, training schemes, and organised games. Chamberlain thought it important that the unemployed be found alternatives to "just sitting or standing about".[108] It must be remembered that these instructions were composed at the 'derelict' areas stage of the survey, but they had been the favoured policies of the Chancellor towards the unemployed for some time.[109] However, the

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106 PRO CAB 24/250 CP 220(34) Inter-Departmental Committee Report on the Reports of the Investigators into the Depressed Areas.
107 Cmd 4728 op. cit, 200.
108 PRO T 172/1827
109 Supra, footnote 43, p 129.

Cabinet considered that there was scope, even at this stage, for measures aimed more directly at finding jobs for the unemployed since the Investigators were asked to look at the chances of reviving old industries and of importing new concerns.[110] All four Investigators followed these guidelines in their reports, recommending that there might profitably be an increase in transference, training schemes, land settlement, local social services, and certain public works, such as slum clearance and sewerage schemes.[111] The Investigators seemed aware that the rigid criteria of the 'derelict' area would have to be relaxed and, consequently, they recommended schemes of wider scope in their reports. Captain Wallace's report on the North East was thought to be the most far-sighted.[112] He advocated a national location of industry policy, the raising of the school leaving age, Exchequer-assisted land settlement, and earlier pensions which, together with positive help from the Government, would be needed to help the North East to break out of the vicious circle of depression.[113] The other Investigators were equally sure that broad measures were required, either by utilising the regionally-biased purchasing power of the Government departments or by the introduction of some form of wage subsidy to attract new enterprise.[114] However, two of the Investigators felt themselves obliged to point out that schemes of public works would not be beneficial because they would provide only short-term palliatives in the face of long-term problems.[115] Nevertheless, the Investigators had grasped the fact that, if measures were to be encouraged, they would have to be on a far wider scale than that originally planned by the Cabinet.

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110 Ibid, Paragraph 4.
111 Cmd 4728 op.cit, passim.
112 The Times, November 8, 1934; the Daily Herald November 8, 1934; the Economist November 10, 1934.
113 Cmd 4728 op. cit, 106.
114 Ibid, 103, 161, 225.
115 Ibid, 51/2, 172. Public works were rejected by Davidson (Cabinet Minister) and by Portal (Industrialist).

The Investigators had recommended the re-introduction of a wide range of the policies of the twenties. But, the international trading conditions of this period suggested that a revival of the old export staples would have to be supplemented by the introduction of new plant if unemployment were to be reduced to levels closer to the national average. These hesitant conclusions had been strengthened by the report of Captain Wallace. Nevertheless, he did not produce a reasoned plan to attempt the diversification of the economy of the North East, nor could such a statement have been expected. Although expectation in the regions was high that a major innovation was to be undertaken, the Government's commitment to the short-term relief policies had never weakened, and had not been seriously undermined by the reports of the Investigators.

Despite the apparent breadth of some of these proposals, Chamberlain recorded in his diary

> "We could never strike popular imagination by confining ourselves to these small details, [these areas] must be taken as experimental plots or research laboratories, in which ideas can be quickly put into operation and tried out without reference to departments".[116]

and in the same vein, the inter-departmental committee which had considered the Investigators' reports concluded that none of the policies was new and that none could give the big results desired by the Government.[117] The inter-departmental committee had excluded those plans which its members felt could not be carried out by the machinery of the Government departments, and, thus, many of the more imaginative proposals had been ruled out. The possibility of introducing a location of industry policy had been rejected by the Board of Trade because there was not

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116 Cited by Feiling op. cit, 232.
117 PRO CAB 24/250 CP 220(34) op. cit.

sufficient information for a central body to direct the choice of site by industrialists. It was assumed that industrialists chose the most favourable location for their enterprises, and to interfere would involve moving firms to places in which they could not make optimum profits.[118] Chamberlain had hoped that this measure would not be fettered by the usual departmental restrictions. It had, however, been stripped of some of its more imaginative aspects by the heads of those departments before reaching the Cabinet for consideration in Committee.[119] In these circumstances, the proposals of the Cabinet will serve as an indicator of their commitment to a new approach to the problem of the depressed areas.

The Cabinet's deliberations, embodied in the Depressed Areas Bill, reveal no great advance on the suggestions of the Investigators, which had been condemned as inadequate by the Chancellor of the Exchequer. The Bill provided for two Commissioners who, under Schedule II, were allowed to receive only expenses for their work. They were charged with the initiation, organisation, prosecution and assistance of measures designed to facilitate the economic development and social improvement of certain areas which had been specially affected by industrial depression.[120] These areas were listed in the First Schedule to the Bill, with one of the Commissioners being made responsible for those areas in England and Wales, whilst the second was responsible for the scheduled

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118 Ibid.
119 The Cabinet's deliberations are recorded in PRO CAB 27/578. Committee on the Reports on the Investigations into the Depressed Areas.
120 House of Commons Bills (25 GEO. 5).

areas in Scotland.[121] The Commissioners were to be placed under the general control of the relevant Government Minister (the Minister of Labour in England and Wales, whilst the Scottish Commissioner was subject to the direction of the Secretary of State for Scotland). The Commissioners had to co-operate with and make suggestions to Government departments (especially the Unemployment Assistance Board in matters relating to the welfare of the unemployed), the local authorities, and voluntary organisations in carrying out their duties. They had to seek the approval of any Government department if they wished to undertake any action which was the statutory duty of that department, but were not allowed to assist any undertaking set up for the purpose of profit or gain. However, money could be given to schemes to make the unemployed self-sufficient, and supplements could be made to local authority allotment schemes. The functions of the Commissioners could be exercised outside the scheduled areas if such measures would provide work for the inhabitants of the depressed areas, thus allowing the Commissioners to assist industrial transference projects. The Commissioners' activities were to be financed out of a Depressed Areas Fund which was to be placed under the control and management of the Treasury. The Commissioners had the powers of compulsory purchase of land in carrying out their functions. Under Section VI of the Bill, the functions of the Commissioners were to be transferred to the UAB and any other relevant department on the expiry of the legislation, which was set at March 31, 1937.

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121 The appointment of a separate Commissioner for Scotland was made necessary by the division of responsibility between the various departments in the case of England and Wales, whilst the Scottish Office retained control of affairs in that country.

Although the Bill proposed the setting up of Commissioners who were, to a certain extent, freed from the day-to-day checks imposed by the Parliamentary system, it is difficult to see much in this Bill that was either new or which demonstrated that the Cabinet was aware that the focus of its intentions was now to aid wide regions which required a different type of help from that which would be needed by a 'derelict' area. The Bill tends rather to echo the thinking behind earlier attempts to deal with the effects of unemployment. The expedient of appointing 'Commissioners', for example, was often resorted to during the interwar period in matters concerning unemployment. The officials sent to administer the PACs in County Durham and Rotherham were called Commissioners; the Unemployment Act provided for the setting up of a Commission of seven officials; and the four officials sent to undertake the industrial surveys during the spring and summer of 1934 were first known as Commissioners and then as Investigators. The adoption of such machinery and nomenclature in this Bill, together with the expectation that much of the Commissioners' work would concern the UAB,[122] reflects the desire of Chamberlain to try to remove the task of dealing with unemployment out of party politics.[123] The Chancellor of the Exchequer played a leading role in the preparation of the Bill and is justifiably considered by his biographers to have been the architect of and the driving force behind the Bill.[124] However, Chamberlain believed that the Unemployment Act had been the answer to the problems posed by the workless,[125] and, thus, the Depressed Areas (Development and Improvement)

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122 See the provisions concerning the expiry of the legislation on the previous page.

123 He probably realised that the coalition had nothing to gain from the continuation of mass unemployment but that the opposition might embarass the Government over unemployment policies.

124 Feiling op. cit, 231; Macleod op. cit, 171.

125 Supra, footnote 43, p 129.

Bill should be seen, to a certain extent, as an appendix to the earlier legislation. Chamberlain had stated in the Commons,

> "At the time the Unemployment Act was being drafted....we had it in mind that the Unemployment Assistance Board, when it was constituted, would in all probability make a special study of the conditions of the unemployed in the areas which had been most affected by unemployment".[126]

It is significant that the minutes of the Cabinet committee which had produced the ideas for the legislation reveal that there was much talk about the relationship between the Commissioners and the UAB.[127] The philosophy behind both the Depressed Areas Bill and the Unemployment Act is essentially the same; that unemployment would not substantially be reduced within the foreseeable future; that existing measures for dealing with the unemployed must be simplified and co-ordinated; that within narrow limits a new approach was needed; and that the whole topic should be placed out of the reach of party politics.

Despite these continuities and the suggestion that the policies adopted by the Cabinet were ill-fitted to the problems as diagnosed by the Investigators, the Government appears to have been convinced that it was offering something new and promising to the depressed areas. There is no doubt that the creation of the Commissioners was seen as a major innovation and it was thought that the lack of formal departmental constraints upon them would enable them to act with much more freedom than nominees from the Ministries. Some indication of the Cabinet's thinking can be seen in the following passage from a speech made by Chamberlain.

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126 Hansard (Commons), Volume 293, 1999, November 14, 1934.
127 PRO CAB 27/578 Committee on the Reports of the Investigations into the Depressed Areas, Proceedings and Memoranda, passim.

> "What we want here, as it seems to me, is something more rapid, more direct, less orthodox if you like, than the ordinary plan, if we are able to do what seems to me even more important than the improvement of the physical condition, if we are to effect the spiritual re-generation of these areas, and if we are to inspire their people with a new interest in life and a new hope for the future, we have to convince them that these reports are not going to gather dust in some remote pigeon hole but that they will be the subject of continuous executive action". [128]

In the same debate the Minister of Labour added his definition of the powers of the Commissioners.

> "Of course the Commissioner will be responsible through me to Parliament for broad policy. I shall have to answer for it in the House, but I hope we shall be able to leave him as far as possible unhampered in the day to day administration of his duties and that he will be able to act without the fear that everything he does must be weighed in case of failure which afterwards might be held up against him". [129]

However, this view of the Commissioners' role is difficult to sustain; the Commissioners were to be under the general control of a Cabinet Minister; their fields of activity were very explicitly delimited; under certain circumstances, they had to consult Government departments before they could contemplate action; their finances were to be under the control of the Treasury. On the other hand, their actual powers to force hesitant organisations to comply with their wishes were limited. In addition to the powers of compulsory purchase, they could make or withhold grats to encourage co-operation. However, it was envisaged that the Commissioners would use their finances sparingly, relying more on their powers of persuasion to achieve results. [130]

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128 Hansard (Commons) Volume 293, 1996, November 14, 1934.
129 Ibid, 2096.
130 Ibid, 1997.

Moreover, it is not easy to understand how the Commissioners were to act as agents in promoting experimental approaches to the problems of unemployment. The constraints of the wording of the Act would serve to lessen the field in which experimental work could be undertaken; the decision to allow the provisions to remain in force for little more than two years would act as a disincentive to attempt any substantial work; the inability to make grants to private industry and to subsidise local authorities further reduced the options of available projects; and the decision to provide, initially at least, only £2 millions also made the Ministers' assertions somewhat difficult to believe. Thus, the Bill was a very minor innovation in Government policy.

However, coalition Ministers seemed determined to put the best possible complexion upon the provisions of a very imprecisely-worded Bill. On the question of finance, for example, Ramsay MacDonald proclaimed to the House,

> "Who is going to say how much is required? It would be sheer folly for us to have said £20 million, £50 million or £100 million. The ground has been surveyed. The problem is now clear. You [the Commissioners] face it. You deal with it. You spend money on it and I will stand by you". [131]

A similar attitude was taken by the Paymaster General on December 19, when he suggested that the £2 million was in the nature of a token vote and merely a preliminary figure for the first three months of 1935.[132] However, the Treasury did not envisage such extravagance, and preferred to believe in the elasticity of the original £2 million.

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131 Hansard (Commons), Volume 295, 30, November 20, 1934.
132 Cited in the First Report of the Commissioner for the Special Areas (England and Wales)(Cmd 4957 1935), 4.

"The principle underlying the financial system of this country is that current liabilities shall be met out of current revenue, and per contra that current revenue shall not be appropriated to meet future liabilities...It is only by strict adherence to this principle that Parliamentary control over finance can be maintained, the executive saved from the temptation to spend large sums at their own discretion, and the evils of the Continental System of extra-ordinary budgetary items avoided...It must be said that there is no satisfactory preeedent for a proposal to finance, by means of a single lump sum, exceeding a million pounds, and voted long before the outcome of the financial year can be foreseen with certainty, a scheme which will ex hypothiesi continue to be operated over several years...Experience has shown that the system of annual votes, restricted to the year's estimated requirements, is economical in practice as well as sound in theory and that the handing over of a single lump sum, covering the needs of several years ahead, is likely to lead to wasteful administration...It is understood to be inherent in the scheme that the money should be appropriated in its entirety out of the current year's revenue. It is suggested that the vote in 1934 should be divided into two portions; (i) an initial issue to the Commissioners, to cover estimated requirements during the current year only; and (ii) payment of the whole of the balance in a lump sum into a separate account under the control of the Treasury, to be expended by them in such annual issues to the Commissioners as Parliament may from time to time determine". [133]

Thus, not only did the Treasury expect the initial payment to last for at least the first three months, for the period up to March, 1935, but they considered that the fund would finance the activities of the Commissioners for a number of years without the need for supplementary amounts to be found.

The appointment of the Commissioners seems to have been for the Government an attempt to disguise the sterility of their own approach

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133 PRO T 161/631 S 39260/01 Cabinet Committee on the Reports of the Investigations into the Depressed Areas. Grant for Special Assistance.

towards the unemployed. Chamberlain could positively recommend only that the Commissioners should make the scheduled areas less unattractive to industrialists by clearing deserted factory sites and removing slag heaps, and that they should try to keep the morale of the unemployed from deteriorating by means of various land settlement programmes and centres in which the unemployed could find some outlet for their energies. The provision of local social service work and allotment gardens run by such organisations as the National Council of Social Service also figured in his approach to the unemployment problem.[134] It was the task of the Commissioners to fill the void of local leadership and initiative to which the Times had drawn attention. The Minister of Labour suggested that if such deficiencies were remedied, prosperity would return to the depressed areas.[135] It seems clear that either the Government had not grasped the enormity of the difficulties faced in the economic regeneration of the depressed areas, or that the official spokesmen were trying to misrepresent the possible impact of the Depressed Areas Bill.

The Government's proposals compare very unfavourably with the earlier recommendations of the Investigators and, on the contrary, the evidence suggests that the Government was resorting to its established policies which had been framed in the expectation that unemployment would remain at high levels, especially in the depressed areas and, thus, new interests had to be found for the unemployed and more support given to local authorities. In such circumstances, men had to be kept busy and encouraged to make themselves as independent as possible of state grants. It is significant that the National Government came to power to enforce 'economy' cuts and spent the first two years in office following policies of retrenchment; it would have been a complete reversal of

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134 Hansard (Commons), Volume 293, 1998/9, November 14, 1934.
135 Ibid, 2091/2.

policy for the coalition to have suddenly embraced an expansionary policy of regional development. The Government's attitude to unemployment had been largely formed by their experiences during the twenties and in the slump. Viewed in this light, the continuity of policy is apparent; transference, land settlement, and small-scale public works (such as land drainage, site clearance and the laying out of playing fields) had been central elements of unemployment programmes during the previous decade. With the increase of unemployment rates and the financial difficulties of the world slump, there had been attempts to restructure the programme to make it less expensive. It is not surprising that parsimony should still influence policy and policymakers in 1934; expenditure was unlikely to reach even the modest levels of the late twenties when regional policy began first to gather momentum. Thus, the Depressed Areas Bill bears an understandable similarity to the proposals of the Cabinet Unemployment Committee, chaired by Lord De La Warr and set up on September 29, 1932 by MacDonald "to inquire into means for dealing with the unemployed, especially by way of finding them employment or occupation, in addition to, or as an alternative for, cash payments".[136] The Committee had been established when unemployment had been exceptional and when the burden of maintaining the unemployed was proving to be a huge millstone around the necks of the administration. In their Interim Report, the Committee reviewed the non-cash facilities provided by (a) the Government, (b) the local authorities, and (c) voluntary bodies, and concluded that whilst it would be impossible to expect central and local Government to greatly expand their services

> "Up to the present very few voluntary work schemes have been undertaken in this country, but where a start has been made the movement appears to have met with a ready response from the unemployed and shown signs that given the right leadership and appeal it might well

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136 PRO CAB 24/233 CP 307(32) Unemployment Committee Interim Report.

"be capable of considerable development".[137]

It will be remembered that Chamberlain and Stanley laid great stress upon the encouragement of voluntary effort and the role of the Commissioners in providing the leadership lacking in the depressed areas.[138] The specific proposals in both the report of 1932 and the Bill of 1934 are strikingly similar; an expansion of land settlement schemes, the improvement of voluntarily-provided welfare work, the encouragement of schemes to make the unemployed more financially independent, and the belief in the value of an allotment garden.[138] In 1934, the progress of industry in the South East had advanced sufficiently to restore the confidence in transference which had been questioned by the De La Warr Committee because of the high rates of unemployment throughout the country in 1932. However, although recovery had begun and retrenchment by the Government's own standards should no longer have been necessary, the Cabinet seemed unwilling or unable to alter its established remedies. The attitude of the Government had not changed since taking office; unemployment was still regarded as semi-permanent for certain sections of the population; financial stringency was still to be pursued; and the Government was still primarily concerned that the unemployed should be encouraged to use their enforced leisure time constructively.

Despite the enthusiastic statements of Ministers, the Bill was attacked for its lack of relevance to conditions in the depressed areas. Lloyd George, claiming that the Bill had "no reference at all to the solemn fact of unemployment",[140] asked why the Government did not

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137 Ibid, 35.
138 Supra, 158/9.
139 CP 307(32) op. cit, 31-39.
140 Hansard (Commons) Volume 296, 599-607, December 13, 1934.

imitate the audacity of President Roosevelt. For the Labour Party, Aneurin Bevan called for a greater state involvement in the economy and a more generous scale of unemployment benefit.[141] The coalition back-benchers were similarly unimpressed. Chamberlain recorded in his diary in December, 1934,

> "the frightfully sudden slump in the Government's stock, and the continual nagging and carping by young Tory intellectuals...." [142]

Nevertheless, the Bill suffered only minor amendment; during the Committee stage a section enabling the appointment of deputy Commissioners was added; and the title was changed by the House of Lords to become the Special Areas (Development and Improvement) Act. Thus, the Lords perpetrated the final irony over a measure which was to become, after amendment in 1937, a major development in regional policy, but which was not originally the great leap forward which some historians have suggested.[143] The Act of 1934 was, basically, the culmination of the short-term relief policies to the regions begun during the twenties. Nevertheless, there were innovations in the legislation which would bear fruit within a very short time. Despite all the limitations to his freedom, each Commissioner was expected to support experimental policies and to suggest new approaches to the solution of the regional unemployment problem. Without this latitude, the industrial policies of the later period could not have developed within the Special Areas framework. Thus, the Act of 1934 is an important point in the evolution of the modern regional policy, but it is by no means the watershed which some have claimed.

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141 Hansard (Commons), Volume 296, 1305-11, December 3, 1934.
142 Feiling op. cit, 239.
143 Supra, Chapter One Part One.

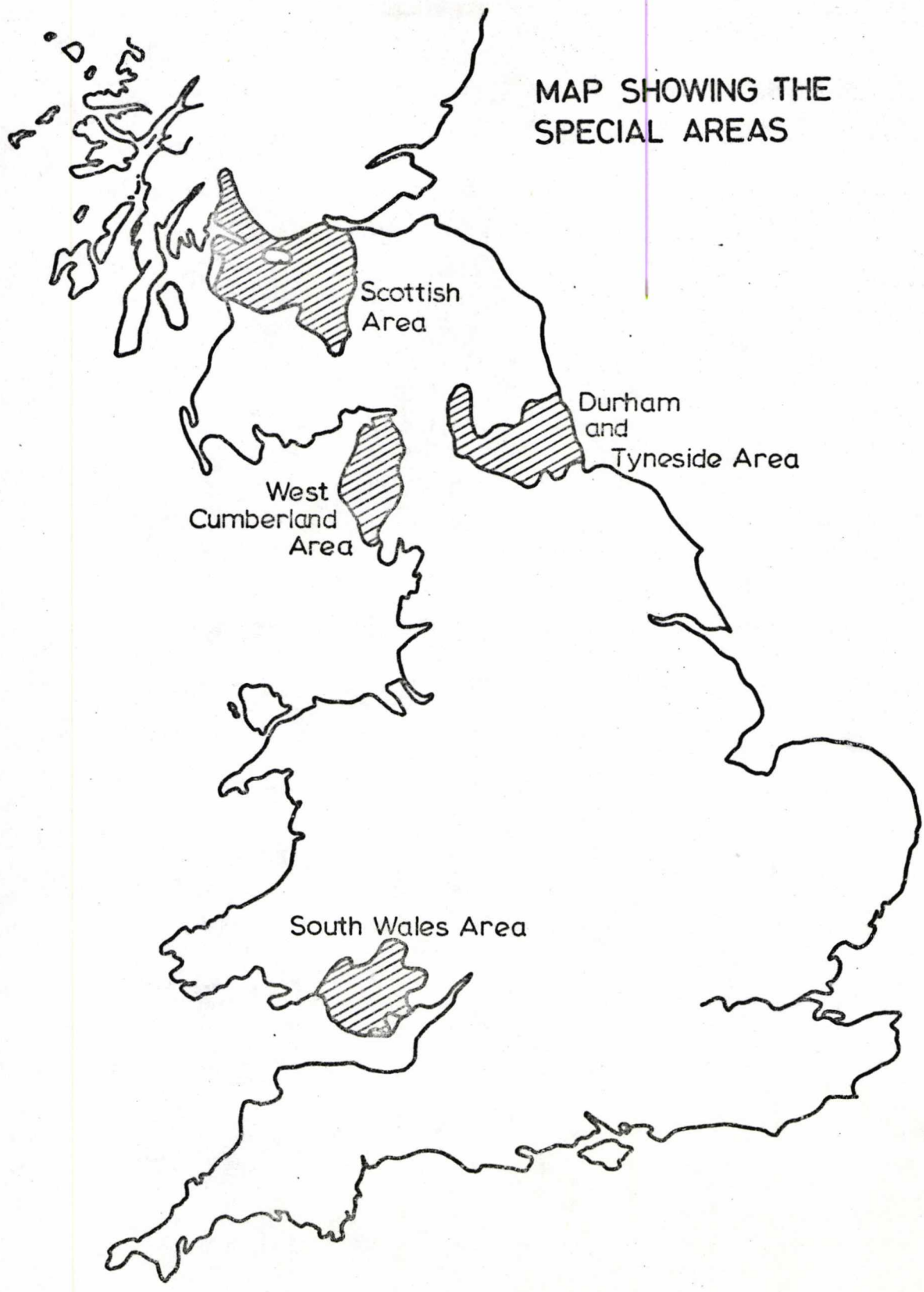
MAP SHOWING THE
SPECIAL AREAS
Scottish
Area
Durham
and
Tyneside Area
West
Cumberland
Area
South Wales Area
J-P

TABLE XIV

The growth of insured employment in the regions, 1929 - 1935 (1929 = 100)

	SOUTH EAST	SOUTH WEST	LONDON	MIDLANDS	SCOTLAND	NORTH EAST	NORTH WEST	WALES
1929	100	100	100	100	100	100	100	100
1930	101	100	99	95	95	91	88	90
1931	102	99	98	91	87	84	85	85
1932	100	97	98	91	87	83	87	81
1933	106	100	101	97	88	89	91	84
1934	112	104	106	102	92	92	93	87
1935	117	107	108	106	93	94	94	89

Source: H W Richardson Economic Recovery in Britain 1932-9 (1967), 270.

CHAPTER FIVE

Regional Policies 1932 - 1936

Chapters Five and Six return to the theme of the development of regional policies and the reasons for the delay in formulating a programme of industrial diversification and expansion for the regions. Whereas policy in the years before the world slump had implicitly attended the recovery of the export staple industries to promote growth in the regions (whilst short-term policy attempted to ease the financial and mental strains of concentrated unemployment), more drastic measures were needed after 1932.[1] The value of UK exports fell by almost 40 per cent. between 1929 and 1935 and only a strong favourable swing in the terms of trade alleviated a seriously weakened balance of payments position.[2] The present chapter deals with the development and implementation of policy to the end of 1936. At this point, the case for a more interventionist industrial policy for the depressed areas had been coherently put by the first Commissioner for the Special Areas in his final Report before his resignation.[3] Since the Government took time to consider these ideas and whether or not to act upon them, it marks a convenient dividing point in the formulation of regional policy in the thirties.

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1 The policies of the twenties were discussed supra, Chapters Two and Three.

2 See H W Richardson Economic Recovery in Britain 1932 - 9 (1967), 44-65.

3 Third Report of the Commissioner for the Special Areas (England and Wales)(Cmd 5303 1936). Hereafter EW 3.

In the previous chapter it was suggested that the Special Areas Act of 1934 marks the culmination of a tendency towards co-ordination and development of the relief aspect of the measures to help the high unemployment regions whilst, at the same time, containing new elements which would profoundly alter the aims and direction of the whole range of assistance to the depressed areas. At the same time, important changes were becoming apparent in the Government's relationship with the staple industries. These changes have an important bearing on the role assigned to the Commissioners for the Special Areas and must, therefore, be related before the working of the Act of 1934 is considered.

Changes in Long-term Policy 1932 - 1936

Despite the collapse and weak revival in world trade during the 1930s, the Government seemed to persist in its plan of rationalising the export staples in the hope that increased efficiency would lead to increased output and better job security in the depressed areas. In the coal mining industry, for example, the Mines Department remained, as it had been under the minority Labour Government of 1929-1931, an active supporter of rationalisation.[4] Moreover, in their 1935 election manifesto, the National coalition proposed to nationalise coal mining royalties in order to give the Mines Department a more effective weapon to persuade the mine owners to amalgamate in order to eliminate the relatively inefficient units.[5] However, the Act of 1930 operated in such a way as to make this objective extremely difficult to attain. Under the Act, the total output for the whole industry, for

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4 M W Kirby Business History article op. cit., 166.
5 The Times, October 29, 1935.

each district, and for each colliery undertaking was organised on a system of quotas with an attempt at fixing prices. Such an arrangement had the effect of guaranteeing a market at a guaranteed price for both the most and the least efficient mines, thus helping to maintain the least productive units.[6] There can be little doubt that the National Government was aware of these effects and wanted them to continue. The powers establishing a cartel in the industry were contained in Part 1 of the Act of 1930 and were due to expire at the end of December, 1932. The National Government revealed its commitment to this control of competition by extending the life of this section of the Act to the end of December, 1937, in Section 1 (1) of the Coal Mines Act of 1932.[7] Moreover, the Government was active in strengthening the cartel throughout the first half of the 1930s. There had been great difficulty in securing the co-ordination of prices between districts and in preventing the dumping on the home market of coal allocated for export.[8] The Government introduced a Bill to eliminate both these practices, but its spokesmen in Parliament made it clear that a strong scheme from the industry itself would be acceptable.[9] Thus, the selling side of the industry was reorganised so that effective inter-district co-ordination of prices was secured and the opportunities for evading the minimum price provisions were reduced.[10] Thus, the Government was strengthening an organisation which served to support the inefficient.

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6 W H B Court Coal: History of the Second World War UK Civil Series (1951), 22.

7 Part 1 was subsequently re-enacted by the National Government in the Coal Act of 1938.

8 Mines Department Coal Mines Act 1930 Report by the Board of Trade under Section 7 of the Act on the Working of Schemes under Part 1 of the Act during the Year 1933 (Cmd 4477 1933), 7/8.

9 Mines Department Coal Mines Act 1930 Report by the Board of Trade under Section 7 of the Act on the Working of Schemes under Part 1 of the Act during the Year 1934 (Cmd 4769 1934), 2.

10 Mines Department Coal Mines Act 1930 Report by the Board of Trade under Section 7 of the Act on the Working of Schemes under Part 1 of the Act since the December Quarter, 1935 (Cmd 5474 1937), 2-13.

At the same time, the measures to promote the amalgamation and rationalisation of the industry under Part 11 of the Act of 1930 have been widely characterised as total failures.[11] They were not given the same degree of support as the cartel-maintaining programme. Thus, a change seems to have taken place in the Government's aims for and expectations of its policies towards the coal mining industry. In spite of the high degree of sophistication achieved in the disposal of surplus quota tonnage and the improvements in the methods of making allocations to districts,[12] the cartel system essentially aimed at preventing a price war and at maintaining employment in the industry. It is clear the Government was convinced that unemployment in the coal mining industry would rise if the cartel were to collapse and free competition return.[13] The benefit of a more efficient industry after the elimination of the least productive units was less important than the preservation of jobs in the industry. The inconsistency between the two aims of the Act of 1930 - higher efficiency and greater coal mining employment - has been noted by Kirby.[14] It seems clear that for political and social reasons the Government was unwilling to actively reduce productive capacity even in this industry in which small producers accounted for only a fraction of total output.[15] The social and political costs of contributing to an increase of unemployment

11 Kirby EHR article op. cit., 280; Jones et al. op. cit., 121-5; Kirby Business History article op. cit., 172.

12 For the improvements in the system of allocations, see Cmd 4477 op. cit., 3.

13 On February 1, 1934, the Secretary for Mines wrote, "Part 1 has enabled the available employment to be spread among the greatest possible number of men. If it were revoked, the available employment would be concentrated and I estimate that there would be an addition of nearly 150,000 to the number of workpeople totally unemployed". PRO CAB 24/247 Part 1 of the Coal Mines Act, 1930: Memorandum by the Secretary for Mines.

14 Business History article, passim; EHR article, 283/4.

15 N K Buxton has suggested that 45 per cent. of collieries raised only 5 per cent. of total output. "Entrepreneurial Efficiency in the British Coal Industry Between the Wars" EHR XXIII (1972), 489.

amongst miners in the steam coal valleys of South Wales and in the South West Durham coalfield were not to be faced. Moreover, there were attempts to further bolster employment by negotiating bilateral agreements with certain Scandinavian countries, but the net effect was not to increase total coal exports, but to benefit one British export coalfield at the expense of another.[16] Thus, in the coal mining industry at least, the original intentions of long-term policy seem to have been profoundly changed by the mid-thirties.

A similar pattern is evident in the iron and steel industry. Whilst an exact repetition could not be expected because coal was unique in its organisation, a broadly comparable sequence occurred in other basic export industries. In iron and steel, the Government granted high levels of tariff protection in order that a cartel might be formed. It was requested to achieve a thorough reorganisation of the industry and not use the tariff wall as a shield for inefficient production.[17] As in the case of coal, the Government seemed ready to strengthen the cartel (by, firstly, extending the period of protection, and, secondly, by raising the level of protection) but did not apply vigorous pressure for a concentration of production in more efficient plant.[18] The case of Richard Thomas and the Ebbw Vale plant suggests that regional unemployment considerations had displaced the drive to greater efficiency as the main element in the Government's dealings

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16 Supra, Chapter Three, pp 109/110.

17 Report of the Import Duties Advisory Committee on the Present Position and Future Development of the Iron and Steel Industry (Cmd 5507 1937), 12.

18 Duncan Burn The Economic History of Steelmaking 1867-1939 (Cambridge 1941), 450-82; Arthur Fletcher Lucas Industrial Reconstruction and the Control of Competition: The British Experience (1937), 103-23; Ernest Davies National Capitalism; The Government's Record as Protector of Private Monopoly (1939), 43-75.

with the export industries. It seems highly likely that Richard Thomas were pushed by the Government to change their original plans to build a new strip mill at Redbourne, Lincolnshire, and to accept a location at Ebbw Vale.[19] The Company's first announcement that they intended to move from their plant at Swansea to the East Midlands provoked intense pressure from South Wales, the Commissioner for the Special Areas in England and Wales, and the Prime Minister, Stanley Baldwin.[20] Fears about the worsening of regional unemployment had once more prevailed over the desire to improve average efficiency levels in the export industries.

The Government also tried to promote rationalisation in the ship-building industry. In this case, the Government's influence was much less then in either coal or steel because the industry was undertaking its own planned programme of capacity reduction through National Shipbuilders' Security Ltd. (NSS), albeit an organisation which owed its formation to Government lobbying.[21] NSS was far more severe in its reorganisation programme than almost any other trade group. Shipbuilding was burdened more heavily than most other industries by surplus plant, with 77 per cent. of berths empty in 1934.[22] NSS tried to operate a policy of closing yards evenly throughout the various shipbuilding districts in

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19 David E Pitfield 'Regional Economic Policy and the Long-Run: Innovation and Location in the Iron and Steel Industry' Business History XVI (1974), 163.
20 Ibid, 162/3.
21 Supra, 106.
22 Leslie Jones op. cit, 133-6.

the country, but the tramp builders were the worst-hit and suffered the biggest reduction in capacity. Thus, the tramp yards on the North East coast suffered the largest number of closures but also had the highest rates of unemployment among shipbuilders . Of the 11 yards dismantled by NSS in 1932, for example, nine were situated in the Northumberland and Durham area.[23] The most celebrated example was the purchase and dismantling of Palmers' Yard at Jarrow in March, 1935. The outcry against this type of policy was intense for in the Jarrow case NSS had effectively removed the only substantial source of employment from the town.[24] If the Government could not control this reduction in the number of berths and the consequent disruption of the economic and social lives of the shipbuilding communities, it could try to secure a greater volume and a greater security of work in the remaining yards.[25]

In adopting this course of action, the Government was drawn hesitantly once more into granting direct subsidies to private industry. The Government introduced the British Shipping (Assistance) Act of 1935, in which a temporary subsidy was given to British tramp owners to enable them to meet the competition from foreign subsidised shipping. The Act also contained a 'scrap and build' scheme under which loans were given to owners to build or modernise specific categories of ships in

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23 Ibid, 138/9.

24 See Ellen Wilkinson The Town that was Murdered (1939), 143-171.

25 The standard procedure followed by NSS was, firstly, to purchase the yards which were considered surplus (Palmers' was still working at the time of its purchase). The yards would then be dismantled and sold as scrap, although a few were placed on a care and maintenance basis. Finally, the land would be sold with an embargo on the future use of the site for shipbuilding purposes. Thus, in a town like Jarrow, which had been heavily dependent upon work in the shipyards, the local labour force was effectively presented with the ultimatum that they move area or be prepared to exist on the 'dole'. In the case of skilled workers, particularly, such a situation represented a huge loss of status and the investment in their education and training.

return for scrapping twice that amount of existing tonnage. The preservation of employment levels in the waterside, transport and shipbuilding industries was clearly an important feature in this section of the Act. The President of the Board of Trade, Walter Runciman, told Parliament,

> "I should also like to add that, unless we take steps of this nature now, at the present time, more and more of our shipping concerns will find themselves in grave difficulty, and the employment of our people, both in the running of vessels and the staffing of our ports and in the construction of new vessels and the repair of those which are already afloat, will be detrimentally affected".[26]

However, these proposals did not arouse much enthusiasm among British ship owners, and the net effect on the shipbuilding industry was small.[27] More direct assistance to shipbuilding was given in the form of a grant to Cunard towards the completion of the Queen Mary which left John Brown's yard on the Clyde in 1936.

The Government had not yet begun its most direct method of increasing the prosperity of shipbuilding - by massively increasing the naval rearmament programme. The 1935-36 expenditure by the Admiralty on contract work was £12·7 millions as opposed to £9·7 millions in the previous year. However, the boom in naval rearmament expenditure came after 1936, with £38·9 millions being allocated to this class of work by 1938-39.[28]

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26 Hansard (Commons) Vol. 297, 682/3, February 1, 1935.

27 The Ships Replacement Committee which had been established to supervise the scrap and build scheme approved only 37 successful applications by 1937. Scrap tonnage was scarce throughout because of an expected rise in freight rates and owners were nominating vessels for scrap with no competitive value. Report of the Ships Replacement Committee (Cmd 5459 1937).

28 Bretherton et. al. op. cit, 409.

Thus, the Government had effectively changed the focus of its policies towards the export staple industries from a determination to promote greater efficiency to a tolerance of cartel arrangements which tended to preserve existing industrial structures. The desire to protect jobs in the depressed areas was a significant element in this switch in attitudes.[29] However, the Government had not yet given up all hope of export-led prosperity for the Special Areas. Chamberlain announced to the Commons that

> "... the quickest and most effective contribution which any Government can make towards an increase of employment is to create conditions which will encourage and facilitate improvement in ordinary trade".[30]

As far as Chamberlain was concerned, these conditions had been achieved by the coming to power of a (National) Government of guaranteed stability (signified by its ability to balance the Budget), and by the introduction of a cheap money policy to make borrowing easier. He also believed that the institution of the tariff had considerably boosted the confidence of the business and industrial community.[31] However, the significance of this attitude for the development of a regional policy is the continued failure to recognise the need for a more interventionist approach. Despite the inability of 'ordinary trade' to alleviate unemployment in the regions during the twenties and the early thirties, the Government appeared to be clinging to the orthodox approach. However, the change in the aims of industrial policy, the admission by Baldwin in a speech at Himley Park on June 8, 1935, that the National Government, like its predecessors had been

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29 The Government also wanted the depressed industries to regain their former profitability, and it was thought that the prevention of a price-cutting war would help in this direction.

30 Hansard (Commons), Vol, 297 , 2208/9, February 14, 1935.

31 For an excellent assessment of the comparatively moderate effect of National Government policy in the thirties, see Richardson op. cit, 124-288.

beaten by the problem of the depressed areas,[32] and the passage of the Special Areas Act in 1934 were more encouraging signs that the Government was at last searching for new methods of overcoming the problem of regional unemployment differentials. Moreover, the possibility of a general election during 1935 had made a more vigorous regional policy an imperative, and it is to the part played by the Special Areas policies in this more energetic approach that attention must now be turned.

The Early Phase of the Special Areas Legislation

Between January, 1935, and the outbreak of the Second World War, the Special Areas measures came to play a leading role in the Government's assistance towards the depressed areas. The assessment of these policies will, thus, take up the bulk of the present and the following chapters. The principal source for these sections will be the reports issued by the two Commissioners appointed by the Act, and the papers of the different Ministries which were concerned with the administration of the Special Areas work. The administrative papers held at the Public Records' Offices (PRO), whilst a vast store of detailed information about the operation of the various schemes, are somewhat disappointing about the methods for formulating policy and the pressures for the changes noticeable in administration and legislation over the period.[33] It appears likely that the departmental files will provide a less bountiful harvest for historians than was obtained when the Cabinet papers were first opened to public inspection

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32 Manchester Guardian, June 10, 1935.

33 Such observations do not apply to the Treasury files (particularly the Chancellor of the Exchequer's papers in class T 172) nor to the Cabinet records held at the Land Registry, Portugal Street.

after the relaxation of the fifty year rule. The reports of the Commissioners, however, provide an admirable central source material, but there are, similarly, limitations to their usefulness for the historian of regional policy. In the first instance, the preparations for and the declaration of War prevented the issue of a report for the year 1938-39 during which the industrial side of the work of the Commissioners seemed to be gathering momentum and to be reaching a crucial stage of development; in addition, the Commissioners' reports, especially in the case of the Commissioners for the Special Areas in Scotland, were as concerned as the PRO material with the minutia of administration and are rarely concerned with the wider issues of policy. However, there are passages in all reports, but especially in the final report of Sir Malcolm Stewart, which adopt a broader perspective.[34]

Despite the wide functions of the Commissioners - being charged with the initiation, organisation, prosecution, and assistance of measures designed to facilitate the economic development and social improvement of the scheduled areas - and the hopes fostered by the Chancellor of the Exchequer's statement that more direct methods than the normal Parliamentary machinery were needed in dealing with the Special Areas, the two Commissioners were initially given a fairly restricted field of action.[35] In the previous chapter it was suggested that their powers were in no way commensurate with the hopes and expectations aroused by their appointment. The Commissioners were by no means unfettered extra-Parliamentary officials able to initiate a fundamentally new approach to solving regional unemployment, but

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34 EW 3, op. cit.
35 Supra, Chapter Four, 153-8.

were caught between the public's and the Government's definition of their roles. The Special Areas legislation, thus, became a centre of conflict, with the Government fighting off public opinion in a long holding operation punctuated by a series of withdrawals designed to placate an electorate which was always capable of demanding a greater degree of Government economic intervention, but which was never sufficiently incensed or educated to demand a combination of demand management and regional ad hoc policies.[36] The solution of the unemployment problem was always a high Government priority, but external considerations often took precedence and retarded the development of policies of expansion.[37]

The two Commissioners, who had been appointed at the end of 1934,[38] were faced with the potentially insuperable problem of overcoming regional unemployment differentials without a clearly-defined sphere of action. It was obvious that they had not been appointed to formulate a programme on the scale of the Lloyd George or the Roosevelt 'New Deals', but their exact role was not immediately clear. The first two

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36 An assessment of the intellectual and practical limits of the planning movement during the thirties (the nearest that interwar Governments came to the managed economy) is found in Winch op, cit, Chapter 10.

37 The other concerns which were given higher priority during the inter-war period included the balance of payments, foreign policy, the balancing of the budget, and foreign confidence in the currency.

38 The Commissioner for England and Wales was P M Stewart. He was the Chairman of the London Brick Co, the President and Managing Director of Associated Portland Cement Manufacturers. He was a progressive industrialist, being Chairman of the Cement Industry Joint Industrial Council from 1919 to 1946. He had also been very active in public and social service. The Commissioner for the Special Areas in Scotland was Sir Arthur Rose, who had undertaken the special investigation into the depressed industrial districts in Scotland for the Government during the Spring and Summer of 1934.

years' experience of the Special Areas legislation is an attempt to find their true niche. It is not surprising, therefore, that friction occurred between the Commissioners and the Government and their Civil Servants during this exploratory period. For example, Section 1 (3) of the Act of 1934 placed the Commissioners under the general control of the appropriate Minister and this section was interpreted as obliging the Commissioners to seek Ministerial sanction to all main spheres of policy.[39] However, the main source of initial friction was the Treasury. Stewart seems to have instantly aroused the opposition of Chamberlain and his advisers. Chamberlain appears to have wanted the Commissioner in England and Wales to play a much less active role than Stewart had envisaged for himself.[40] Moreover, the Treasury was still imbued with the spirit of the economy cuts of 1931, and desired to keep the Commissioner on a tight financial reign. In January, 1935, soon after

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39 First Report of the Commissioner for the Special Areas (England and Wales) (Cmd 4957 1935), 5. Hereafter, EW 1.

40 Stewart wrote in December, 1934, that he wanted to be able to "put a fair number of the [unemployed] men on work of real value". PRO T 161/669 S398531, Stewart to Chamberlain December 1, 1934. This suggestion must have appeared to Chamberlain like a re-phrasing of the argument for a boost to the public works programme, for he wrote in reply, "If the Commissioners were allowed to supplement the ordinary Government grants themselves, local authorities in the areas would be in effect 'on the dole', and the consequences as regards both local government and the Exchequer would be serious and lasting.....It would be contrary to all principles of sound administration and finance for financial assistance to be made available to local authorities for one service from two Government sources. Moreover, it would be against the whole conception which the Government formed of the functions of the Commissioners that they should embark upon experiments which could, if they proved successful, be applied later to depressed areas in other parts of the country. And thirdly, the Government do not regard public works as providing any real help towards the solution of the depressed areas. Such works as are economically sound should go on and not be hampered by local difficulties, but having regard to the large [sic] programmes of recent years undertaken largely in anticipation of needs for years to come it is not expected that there will be any large volume of such works". Ibid, Chamberlain to Stewart December 3, 1934.

the appointment of the Commissioners, the Treasury seemed rather complacent about being able to contain Stewart.

> "We think that if Mr. Stewart is carefully handled it should not be difficult to keep him both contented and reasonably straight. It seems desirable that you /Chancellor of the Exchequer/ should see him and tell him in confidence of the general budget situation so that he may see (what probably has not dawned upon him at present) that there are not countless millions available out of revenue. He should then be given permission (as the Minister proposes) to go ahead with grants on small schemes which he thinks to be valuable for industrial development or social improvement - say schemes up to £50,000 or in exceptional cases, such as the Gateshead sewers, rather more. He should then be asked to recognise that the Government have the whole of that matter - which interlocks with the proposals of Mr. Lloyd George - under consideration and that they need a little time to decide what they can do. If the words used contain some encouragement though no commitment, it should be quite sufficient to calm Mr. Stewart for the time being".[41]

This passage has been quoted at such length because it is revealing on a number of counts. Firstly, the highly patronising manner of the Treasury officials towards their Commissioner, who had been the leading executive of a number of international companies, was hardly likely to produce a smooth relationship. Secondly, the overwhelming concern with the state of the Budget and the very narrow limits within which the Treasury conceived that the Commissioner would operate leave the Commissioner with hardly any room to fulfil his statutory functions. Treasury officials seem totally unaware of the pressures on the unemployed and the severe hardships that they were facing. Thirdly, the extract reveals that the Commissioners were, from the outset, acting in such a way as to push the administration in unwanted directions.

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41 PRO T 172/1828 Discussion among Treasury Officials aided by the presence of Sir Horace Wilson.

The friction between Chamberlain and Stewart about the proper role of the Commissioners at this early stage must have been very great for the Chancellor of the Exchequer added to the margin of a Treasury memorandum, "I am afraid we have made a mistake in our Commissioner and I anticipate more trouble".[42]

The likelihood of the English Commissioner remaining a thorn in the side of the National Government was comparatively remote; the Commissioners were made part of the administration and followed the traditional administrative practices, neither was in a position to be manipulated by militant opinion in the Special Areas, nor did they have the time or money to initiate grandiose plans which might have proved an embarrassment to the Government. They operated from offices in London and Edinburgh respectively - that is, both were working outside their scheduled areas. Each was given a small staff of civil servants from the various Ministries which had Parliamentary responsibility for the different aspects of the Special Areas work.[43] Thus, the traditional methods were pursued by these supposedly extra-Parliamentary officials with the result that the Commissioners had to endure the delays and financial stringency which seem unavoidable in such circumstances.[44]

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42 Pencilled note in the margin of a memorandum dated January 21, 1935, PRO T 161/669 S 39853/1.

43 The Commissioner for England and Wales was given a Secretary and Assistant Secretary from the Ministry of Labour, and one official from the Board of Trade, the Ministry of Agriculture and the Ministry of Health. Also at the Assistant Secretary level was a Controller of Finance and Establishments. The Scottish Commissioner had a similar staff drawn from the Scottish Office. PRO BT 55/14.

44 Delays had been most frequent between the first proposal of a scheme and the eventual start of work. By 1936, these delays had become so bad that even the civil servants began to look for improvements. An investigation was undertaken which attributed the slowness to process schemes to four causes; the complexity of the schemes themselves which required a detailed consideration, the necessity of consulting at least one and sometimes more Departments before proposals could be formulated to the Ministry of Labour, the Ministry of Labour had to duplicate much of the work of the Commissioners'

The combination of these influences and the pressure of contemporary opinion determined the direction in which the Commissioners' energies were channelled.[45] The first important point to note about the work of the Commissioners is, however, more negative; it was generally agreed that the duty of promoting the economic development and the social improvement of the scheduled areas did not entitle them to undertake public works schemes to create jobs for the unemployed. Both Commissioners rejected a policy of relief works,[46] and they agreed with Chamberlain that only works which were 'economically justifiable' should be undertaken. However, the Commissioners seemed to have a wider view than the Treasury about what would be in this category. Stewart, for example, wrote in his second report

> "While I should deprecate a return to the policy of financing schemes primarily in order to give employment, I would gladly have approached the Government for authority to give grants to authorities to assist much-needed schemes like the tunnel under the Thames near Purfleet, the construction of an orbital road around London, or of a bridge over the Severn at Chepstow, had I not been debarred by the interpretation put on the word payable... It would, of course, have been a condition that a large proportion of the labour and materials would have come from the Special Areas but I have reason to believe that that condition would not have prevented the local authorities from co-operating with me".[47]

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staff in order to answer the questions of the Treasury, and, finally, it was essential, in order to comply with the wording of the Act of 1934, to ensure that no other Government Department had the power to make a grant towards the scheme concerned. PRO LAB 23/151 Memorandum by Ryan.

45 The Commissioners' industrial policies will be considered separately in the final section of this Chapter.

46 EW 1, 23, Commissioner for the Special Areas in Scotland: Report for the Period 21st December, 1934, to 30th June, 1935 (Cmd 4958 Edinburgh 1935), 14. Hereafter Scotland 1.

47 Second Report of the Commissioner for the Special Areas (England and Wales) (Cmd 5090 1936), 25. Hereafter EW 2.

However, the limited, experimental role envisaged for the Commissioners could not incorporate such a fundamental approach to the raising of the level of economic activity in both the depressed areas and in the country as a whole.

The Commissioners' work in this first phase of policy was, thus, of only marginal importance in correcting massive regional unemployment differentials. An examination of the financial commitments incurred by Stewart during this period reveals a surprising picture for those whose expectations are conditioned by post-1945 regional policies. Table XV shows that more money was allocated to health and welfare work than to industrial development, and almost as much was scheduled for small holdings and allotments as for industry. The full explanation for this pattern is complex, but the two most significant elements were the limited extent of the Commissioners' powers, and the uniquely distressed condition of parts of the Special Areas. However, this type of social welfare expenditure seems to have been the approach most favoured by the instigators of the Special Areas Act, and thus the aims of this sphere of policy deserve close attention.

The Commissioners' encouragement of health and welfare services in the Areas is not difficult to explain. At this time, there was a body of work suggesting a link between poverty, poor nutrition, and poor health standards.[48] Unemployment had long been recognised as one cause of poverty, and thus, there was a strongly paternalistic and rational motive for spending on hospitals, maternity centres, district nurses and

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48 John Boyd Orr Food, Health and Income (1936); G C M M'Gonigle and J Kirby Poverty and Public Health (1936).

similar services. In addition, interest in the social survey revived in the 1930s.[49] The re-discovery of the substantial section of the population below the poverty line in such relatively affluent towns as Bristol and York obviously had its impact upon the approach to the manifestly more acute problem of the Special Areas. Moreover, environmental conditions were worse in parts of the scheduled areas than in the remainder of the country, and it was believed that these factors also influenced the health of the population. The local authority housing census undertaken in 1936 revealed that 20·6 per cent. of families in Sunderland, and 25·2 per cent. in Hebburn were overcrowded by the adopted standard (the segregation of living and sleeping rooms, the segregation of the sexes, and a maximum of two persons over ten years of age per room).[50] Conditions in Scotland were much more alarming, with over 40 per cent. of families classified as overcrowded in Coatbridge, Port Glasgow, Clydebank, and Motherwell.[51] These figures compared with the national averages of 3·8 per cent. for England and Wales and 22·6 per cent. of families overcrowded in Scotland. Further, an official investigation into maternal mortality showed above average puerperal mortality in the counties of the Special Areas.[52] These findings were underlined by the results of separate official inquiries into conditions in Sunderland and Merthyr Tydfil which had revealed poverty and inadequate social services which needed urgent attention.[53]

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49 H Tout The Standard of Living in Bristol (Bristol 1938), D Caradog Jones Social Survey of Merseyside (3 Vols. 1934), B Seebohm Rowntree Poverty and Progress (1941).

50 Ministry of Health Report on Overcrowding Survey in England and Wales (1936).

51 Eigth Annual Report of the Department of Health for Scotland (Cmd 5407 1937), 21.

52 Report on an Investigation into Maternal Mortality (Cmd 5422 1937), Report on Maternal Mortality in Wales (Cmd 5423 1937).

53 Report of an Inquiry into the Effects of Existing Economic Circumstances on the Health of the Community in the County Borough of Sunderland and in Certain Districts of County Durham (Cmd 4886 1934) Report of the Royal Commission on Merthyr Tydfil (Cmd 5039 1935).

Thus, both Commissioners were fully justified in turning their attention to such problems as housing, water supply, sewers and drains - it was work that was urgently needed, but it required the expenditure of far greater sums than the Commissioners had at their disposal in order to bring the standards in the Special Areas up to the hypothetical national average level.[54]

Expenditure on land settlement, the mysteriously-named voluntary (local amenity) schemes, and the other measures of social improvement is not as easily explained. The persistence of depression, and the very long spells of unemployment which the workers in the depressed areas had to endure,[55] contributed to a need to find some occupation for the unemployed, and, also, to the belief that the future occupations for many would be outside normal industrial employment. Studies of the long-term unemployed had suggested that social and psychological costs grew greater the longer a person remained out of work,[56] and that this might be as true for the skilled as the unskilled worker.[57] Moreover, medical opinion began to associate the traumas of unemployment with a variety of nervous and psychological disorders.[58] In these circumstances, if men could not find employment, they should be helped to find occupation. Land settlement appeared to be a perfect method of keeping such men, especially the older long-term unemployed, busy and of giving them an interest in life. Moreover, Stewart's keen interest in this work and his close connections with the Land Settlement Association ensured that he would place great emphasis on trying to

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54 These services and facilities are less well-developed to-day in the regions than in the South East, and have been cited as a serious psychological disincentive to bring entrepreneurs into the regions. J R Parkinson "Regional Development: Policies, Programmes, Plans" Scottish Journal of Political Economy (February 1964).

55 In April, 1935, 51·1 per cent. of all male applicants for benefit aged 18-64 years in the Special Areas had been out of work for more than twelve months. EW 2, Appendix 3.

put men on the land - on small-holdings and on allotments. The most important part of this work was the small holdings policy in which Stewart hoped to co-operate with local authorities, the Land Settlement Association and to institute his own scheme in order to assist large numbers of workers and their families to be able to make their living from the land.[59] At the other end of the scale, Stewart placed much trust in the theraputic value of an allotment for the long-term unemployed man.[60] The Scottish Commissioner planned a similar programme, but he intended to introduce a greater variety of small-holding schemes, and also wanted to establish an 'industrial farm'.[61] The essential element of all these schemes was to make agriculturalists out of industrial workers, with the most ambitious plans aiming at making families fully self-sufficient (that is, independent of unemployment insurance and assistance benefits). Land Settlement can be legitimately seen as an attempt to relieve the Exchequer of some of the burden of assistance payments.[62] It is significant that the Ministry of Labour and, later, the Unemployment Assistance Board (which held the responsibility for the working of the unemployment insurance and assistance schemes) were intimately concerned with formulation and the administration of land settlement experiments during the thirties.[63]

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56 E Wight Bakke The Unemployed Man: A Social Study (1933), 67.
57 H L Beales and R S Lambert Memoirs of the Unemployed (1934), passim.
58 Morris Robb "The Psychology of the Unemployed: A Medical Point of View" in Beales and Lambert op. cit, 274.
59 PRO LAB 18/32.
60 EW 1, 48.
61 The industrial farm was to "provide employment and training for older men whose hope of return to industrial employment is remote and who, by reason of age, cannot be expected to undertake the arduous responsibilities of independent small-holdings...." Scotland 1, 19. For details of other Scottish land settlement schemes, ibid, 17-21.
62 See Chapter Four, 160.
63 These Ministries submitted a memorandum to the Committee of Inquiry into Land Settlement Schemes, PRO LAB 23/35; see also, PRO LAB 23/78.

The device of the voluntary (local amenity) scheme was to provide a similar function for the younger long-term unemployed men who might have a better chance of securing industrial work. These schemes amounted, in effect, to public works without pay or bureaucratic planning. The unemployed undertook, without payment, to improve the facilities of their town or village by clearing derelict sites, laying out recreation grounds, or making gardens. The unemployed were expected to suggest the schemes themselves and then to carry them out for the general betterment of their surroundings and to keep themselves physically fit. The Commissioners provided the essential tools, boots, and overalls and managed to persuade the Treasury to authorise expenditure on free midday meals.[64] The work was popular with the unemployed,[65] perhaps because they were so badly-fed that the meal provided a definite incentive to work.[66] There was distinctly less involvement in those schemes which did not supply food for the workers concerned.[67] Not surprisingly, this programme received support from the Treasury which approved strongly of such low-cost measures.[68] One cannot imagine, however, that Keynesian economists would display such approval at the logic of these arrangemnts.

Thus, a certain amount of the early part of policy was concerned with the social aspects of concentrated regional unemployment. There were, however, elements which were designed to alleviate the economic

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64 PRO LAB 23/53

65 Labour Councils and some trade unions were less enthusiastic; see News Chronicle and Daily Herald, April 18, 1935.

66 PRO LAB 23/54.

67 The Treasury continually pressed the Commissioners to do more of this work, and in turn, the District Commissioners were urged to encourage more schemes. PRO LAB 23/53, Tribe to Forbes Adam, March 11, 1935.

68 Ibid.

difficulties of the scheduled areas. As in the late twenties, the most significant attempt to combat regional unemployment differentials was by encouraging the mobility of labour. However, the policy of the thirties was different in that there were no longer deliberately-accelerated public works schemes to attract the unemployed to the relatively prosperous areas; in the mid-thirties the consumer durable and other expanding industries of the Midlands and the South-East were to provide the magnet. The boost to transference at this time may be taken from the Reports of the four Special Investigators who had been sent out to the depressed areas in the summer of 1934. A new effort was made on a wider front to draw the unemployed away from the coalfields and other distressed areas. In September, 1934, the transference facilities had been extended to all categories of males working in the cotton industry;[69] recruitment for the training schemes which prepared men for transfer was increased for the year 1935/36;[70] the Cabinet received a note from the Chairman of the Inter-departmental Committee which had been considering the first reports of the Commissioners which advised that the Government should speed up transfer.[71]

Thus, the new emphasis given to transfer was widespread, and the Commissioners both placed great weight on the contribution that the policy could make to the improvement of economic and social conditions in the scheduled areas. Whilst the distance from the expanding industrial districts of the English Midlands and South-East made transfer of lesser importance to the Scottish Commissioner, Stewart envisaged that the programme could be of immense help to the younger

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69 PRO LAB 2/2037 ET 4934 1934 Amd.
70 PRO T161 S 27334/08
71 PRO CAB 27/577 Note by Chairman of the Inter-departmental Committee annexed to the Report of the Inter-departmental Committee on the Reports of the Commissioners for the Special Areas, October 27, 1935.

workers in the isolated mining areas of South Wales and South West Durham in breaking free from their depressing dependance upon a decaying coal mining industry and the unemployment relief agencies.[72] New sources of transferees were sought as the Ministry of Labour turned to the supply of juveniles in the Special Areas. It was argued that the flow of juveniles into the prosperous areas, and the success in helping them to settle there permanently could both be raised if hostel accommodation were supplied for the first six months of their stay in the new areas. Such accommodation was provided in the Midlands, but especially in and around London.[73] Moreover, an advertising campaign was begun in September, 1935, to find lodgings for transferees of all ages for it had become increasingly difficult once more for sufficient housing to be found to take the stream of workers from the depressed areas.[74] As can be seen from Table XVI, family removals were also encouraged in the period 1934-36 in conjunction with the various types of land settlement schemes. Thus, the highest numbers of workers moving from the depressed areas with Government assistance was recorded in 1936. From this point, the growing chorus of complaint against transfer began to register with the administration, and the policy was never again given the same sort of prominence as in the two years before 1936.

In this section an attempt has been made to show how the new Commissioners, with no departmental responsibilities or clear statutory guidelines to indicate their path for them, came to adopt certain

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72 EW 1, 63-65.
73 PRO LAB 9/29
74 PRO LAB 2/2121 EM 2583 1941.

policies towards the unemployed and the problems of the depressed areas. There was obviously much continuity as the Commissioners took responsibility for such measures as land settlement, social service, and industrial transference within the scheduled areas. However, it will be remembered that at the time of the passing of the Special Areas Act of 1934, Government spokesmen emphasised the experimental side of the work they hoped that the Commissioners would undertake.[75] The continuation of existing policies hardly amounts to an experimental programme even if, as in the case of land settlement, the existing policies were pursued with much greater vigour and with much greater intensity. However, no mention has yet been made of the development of the industrial side of the Commissioners' work - the aspect which has borne the greatest fruit for contemporary regional policy. The development of the trading estate and industrial inducement policies was complex and at times confused and, thus, will be considered in a separate section.

Industrial Policy.

From the outset, both Commissioners saw that the development of new industry was the only method of bringing substantial assistance to the scheduled areas. Sir Arthur Rose wrote

> "I have placed Industrial Development, as the only real cure for unemployment, in the forefront of my programme, and I am pursuing measures to this end in so far as I am able to do so under the terms of my mandate".[76]

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75 Supra, Chapter Four, 154-6.
76 Scotland 1, 10.

The Commissioner for England and Wales, at the end of a rather gloomy first report, described the cry for work throughout the Areas and which could be satisfied only by the creation of jobs and the expansion of industry.[77] The Commissioners, initially, tried to make the Areas more attractive to private enterprise by demolishing and clearing old factory sites which would then be available for building purposes. However, they could not exploit the full potential of these sites by laying out roads and building factories because of the limits on their activities.[78]

Both Commissioners were soon converted to the belief that only a programme of industrial diversification into light manufacturing trades would provide the secure economic future that the scheduled areas so manifestly lacked in the interwar period.[79] But the wording of clause 1 (5) (a) forbad the Commissioners from granting direct help to private industry, thus, they had to search for more circuitous methods of encouraging the diversification of the regional economies. They were compelled, initially, to work through the Development Councils - regional boards of local industrialists and leading personalities which tried by publicising their region's special advantages to attract industry, investment, and tourists. The Commissioners helped with finance for publicity and research work and for a variety of public relations exercises.[80] The Development Councils were not notably

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77 EW 1, 70.
78 Ibid, 7.
79 Ibid, 14, Commissioner for the Special Areas in Scotland: Report for the Period 1st July, 1935, to 31st December, 1935 (Cmd 5089 Edinburgh 1936), 7/8; hereafter Scotland 2.
80 The Commissioners mounted exhibitions and lost no opportunity of mentioning in their reports that the Special Areas did contain expanding industries, in order to counter the picture of them as devastated industrial areas. See EW 2, 33, Scotland 2, 9.

efficient, and in most cases the Commissioners had to suggest making changes in existing arrangements in order to make the best use of the money available.[81]

Little could be expected of this type of work, especially in times of slackness in the economy. The enormity of the problems facing the Commissioners was revealed by the results of a questionnaire sent to 5,829 member companies of the Federation of British Industries. Stewart asked these companies, all operating outside the scheduled areas, if they had opened any works or branches in the Special Areas within the previous five years; if they had considered the choice of a site in the Special Areas within the previous five years; and, finally, if, after the passing of the Act of 1934, they were prepared to consider such a choice.[82] The response rate was very poor - 4,066 firms did not reply - and the replies which were received painted a very depressing picture of industrial prospects for the Areas. Only 64 responses contained at least one affirmative answer to the three questions, and, of these, 35 firms stated that they had considered during the previous five years the establishment of a factory in the Special Areas, but had decided against it.[83] In the face of such gloomy results, the grants to the Development Councils and the other early attempts to publicise the Special Areas (including an exhibition at Charing Cross underground station with the motto "Do not pass by the Special Areas"[84]) seem little more than irrelevances. Baldwin's appeal to industrialists during 1935 to locate in the Areas may have had more effect in view of his status as Prime Minister, but more direct pressure was needed.[85] The case of Richard Thomas and the Ebbw Vale plant showed that this

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81 New Development Councils had to be formed from smaller organisations in the North East (PRO BT 104/1), and in Cumberland (West Cumberland News November 23, 1935.

type of approach could yield promising results.[86] However, if a credible industrial industrial policy were to get off the ground, it was clear that the restrictive parts of the Act of 1934 would have to be greatly amended, or a new set of measures would have to be introduced.

After a brief period of goodwill towards the Commissioners, the press reached the same conclusion. From the earliest, the Times suggested that the Commissioners were too remote from the centres of influence within the Government to get their policies implemented and, consequently, the leader writers had very low expectations of the amount of real progress that could be anticipated.

> "/The Commissioner/ has a special task which has particular regard to the revival of moral as well as physical fitness and it requires the stimulation of many activities by voluntary organistaions, by local authorities, by Government Departments and by the Commissioner's direct action. The Commissioner has been given charge of some phases of the recovery work; but the main questions of policy, the direction of national effort to stimulate employment remain the responsibilities of the Government. The Government's obligation has not ceased or diminished because a particular responsibility has been entrusted to a Commissioner".[87]

The Times asked the Government to decide whether the Areas should be regarded as really hopeless or whether they were worth saving and

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82 EW 1, 15.
83 EW 2, 5.
84 EW 1, 14
85 The main points of the appeal are given in ibid, 15.
86 Supra, 168/9.
87 The Times, January 29, 1935, The Commissioner's Plans.

capable of being saved.[88] However, conditions in the Areas were by no means as bad as the writer was trying to suggest, for as the Commissioners had emphasised, severe depression was restricted to a number of small, isolated districts.[89] Other newspapers were more realistic in their views, with the Daily Herald suggesting that the Commissioners had been given inadequate powers to combat an extremely difficult problem. The Herald was convinced, however, that the Government would use the appointment of the Commissioners as an excuse for their own inactivity.[90] The paper repeatedly advocated the Labour Party policy of a threefold attack through:- state aided works to show that the rehabilitation of the Areas was an integral part of Government policy; low-tariff agreements for Special Areas industries; and new industries for the Areas.[91] The Labour Party envisaged a National Planning Authority and a National Investment Board to help create new employment in the depressed areas, but, by comparison, their proposals for new industries in the Areas seem somewhat weak. They had not yet explicitly committed themselves to the diversification of industry but advocated publicly owned factories in the depressed areas for the extraction of oil and other by-products from coal and schemes of afforestation.[92] The Times, however, returned to the subject of the depressed areas with a more coherent programme for the industrial diversification of the regions. It argued that the Special Areas Act, the Slum Clearance Bill and the Ribbon Development Bill together with the tariff and bi-lateral trade

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88 The Times, March 2, 1936, An Unsolved Problem.
89 Supra, footnote 80, p 188.
90 Daily Herald, July 18, 1935.
91 Daily Herald, November 17, 1936, Another Betrayal.
92 The Labour Party Report of the 35th Annual Conference (1935), 23.

agreements had affected the regional balance of industry which the Government should counter by means of laying out trading estates in the Areas and by giving them priority in the provisidn of new social and recreational facilities. The ultimate goal was to create regions which had internal balance and were able to offer a wide range of opportunities to the prospective entrepreneur.[93] Less idealistic, but none the less trenchant criticism came from newspapers in the Areas, with calls for the granting of wider powers to the Commissioners,[94] and claims that the Government departments were inhibiting the Commissioners in their work.[95]

Moreover, such opinions were beginning to be echoed in Parliament. In a vote of censure on the Government's Special Areas policy, Harold MacMillan called for measures to help industry overcome its aversion to locations in the depressed areas.[96] Significantly, he argued that demand had to be expanded to raise the confidence of both consumers and businessmen.[97] The theme of regional development was later taken up by Arthur Greenwood who called for greater state involvement in the working of the economy, particularly by creating regional planning bodies which would attempt to transfer industry to the depressed areas.[98] However, little consolation could have been drawn from Neville Chamberlain's Budget in which he reiterated the Government's belief that only trade recovery could help the unemployed.[99]

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93 The Times, July 8, 1935, The Industrial Drift.
94 North Mail and Newcastle Chronicle, July 18, 1935, A Human Document.
95 West Cumberland News, March 7, 1936.
96 Hansard (Commons) Volume 304, 232, July 9, 1935.
97 Ibid, 234-6.
98 Ibid, Volume 304, 1682, July 23, 1935.
99 Ibid, Volume 300, 1978, April 17, 1935.

The whole picture was radically changed by Baldwin's decision that a general election would be necessary to obtain a mandate to accelerate the re-armament programme.[100] The Government's depressed areas programme had to be made secure from anticipated Labour criticism. Chamberlain's diaries reveal that the Conservative Party machine thought that it might have been forced to fight a general election on an unemployment policy platform.

> "I have been revolving in my mind the election issue. S[tanley] B[aldwin] and the C[entral] O[ffice] have been talking on the assumption that it would turn on unemployment and especially the depressed areas...We shall, in fact, have, I hope, in the autumn a number of plans which will help in this direction....[but] we can never win an election on them. What we want is some issue that will put them in the background and if possible substitute for the hope of fresh benefits a fear in the public's mind - always the strongest motive to induce people to vote".[101]

One of the plans introduced during the autumn of 1935 was the approval to the Commissioners to try to find some method of establishing trading estates in the Special Areas. The rather cynical electioneering motives which led the Government to come to a decision after months of vacillation,[102] are evident in the following extract from a confidential note prepared for the Minister of Labour.

> "Sir Malcolm Stewart has been pressing for some time for Government approval of his proposal to establish such estates. When the Government came to draw up their election programme for the 1935 election they wanted some proposals in regard to the Special Areas; the legal difficulties of setting up estates under the Special Areas Act of 1934, which had previously seemed insurmountable

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100 Middlemas and Barnes op. cit, 864-8, James C Robertson "The British General Election of 1935" Journal of Contemporary History (1974).

101 Cited by Iain Macleod Neville Chamberlain (1961), 182.

102 Refusal to allow the Commissioners to develop trading estates was based on the clause in the Act of 1934 which prevented the Special Areas Fund from being used to assist undertakings carried on for gain.

"were overcome and the provision of trading estates appeared in the election programme".[103]

This promise to set up trading estates, the Government attempts to aid the basic export industries, and the miniscule assistance that the Commissioners could give to industry[104] were sufficient to defend the coalition; no further initiatives were announced.

This expanded programme was not enough to stifle the critics of Government policy. The Times called for greater vigour to bring work to the depressed areas and to remove the responsibility from the Commissioners to the Government in order that a more comprehensive range of measures could be introduced.[105] The Labour Party, again with the help of the discontented Tories, continued to censure Government economic policy at every opportunity.[106] The Special Areas policy had obviously not been a great vote-winner in the Areas, for in 1935 Labour regained much of the ground lost in these constituencies, especially in the North East, in the debacle of 1931. However, there was now a further element to the voices of protest; the publication of the reports of the Commissioners for the Special Areas added a new dimension to the debate about Government policy. Any criticism made by Stewart or Rose concerning official policy towards the regions was all the more damaging to the Government's

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103 PRO BT 104/27 Confidential Note on the Team Valley Trading Estate.

104 Sir Malcolm Stewart gave grants to the South Wales and Monmouthshire Industrial Development Council to investigate new markets for local coal and both Commissioners were financing experiments to extract oil from coal. EW 1, 21; Scotland 2, 9.

105 The Times, February 14, 1936, Distressed Areas; March 3, 1936, An Unresolved Problem; March 28, 1936 Waste of Unemployment.

106 See, for example, the Labour censure motion on March 2, 1936, especially the speech by Dalton, Hansard (Commons) Vol. 309, 1023-32. See also the supply day debate on unemployment March 3, 1936, and the speech by Robert Boothby calling for a greater degree of economic planning from the Government. Ibid, 1276-86.

fortunes because the complaints seemed to come from within the administrative machine. The Opposition certainly tried to make as much political capital as possible out of the Commissioners' protests about lack of power, and the call for a more comprehensive policy towards the Areas reverberated through the national and local press.[107]

Thus, for the third time within thirty months, pressure was building to a sufficient pitch to call forth another of the Government's strategic withdrawals. The Government's guarded approval to the trading estates policy was followed in May, 1936, by the introduction of the Special Areas Reconstruction (Agreement) Bill under which the Treasury undertook to pay the administrative costs and act as guarantor to a company known as the Special Areas Reconstruction Association Limited [SARA], which was to "provide financial assistance to people setting up or carrying on businesses in the scheduled Areas".[108] The Memorandum of Association stipulated that"no loan, or loans to any one Company shall exceed £10,000 or be repayable over a period exceeding five years except with the previous consent in writing of the Treasury". Thus, both SARA and the trading estates were condemned initially to a small role in promoting the diversification of industry because they were concerned so much with small-scale industry. Moreover, the method of assistance was by loan which would have to be repaid within a relatively short period and this might have deterred the smaller concerns from seeking the help of SARA. However, both SARA and the trading estates are highly significant in breaking down the laissez-faire taboo on handing direct subsidies to private industry which has

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107 The Times, loc.cit, Daily Herald July 18, 1935. Economist, 20 July, 1935, North Mail and Newcastle Chronicle July 18, 1935, Western Mail, July 18, 1935.

108 See R O Roberts "Special Financial Facilities for Industries in the Depressed Areas with particular reference to the experience of South Wales" Manchester School (1953)

become such an essential element of post-1945 regional policy. Having made this conceptual breakthrough, the shift from a social emphasis to a more economic/industrial bias could be accomplished. Both SARA and the trading estates did have a wider significance and rationale. They were attempts to overcome the difficulty of raising long-term capital in fairly small amounts which were not sufficiently large to warrant a public issue.[109] This gap in the capital market had been first publicised in the early thirties by the MacMillan Committee,[110] and in the years before 1936 there had been a steady proliferation of investment companies trying to fill the void.[111] However, there had been no organisation specifically to aid small-scale industry manufacturing in the Special Areas before these two initiatives.[112] But these measures were more significant for the benefits that would accrue after the Second World War than for the gains that were registered before 1939.

There were other signs during 1936 of a broadening of the Government's assistance to the Special Areas. During 1935, two Bills had been introduced to promote railway development, and a clause was inserted into the Bills to stipulate that when Government credit was employed, there would be reasonable preference for the Special Areas with regard to materials and labour.[113] In addition, the Government was also having discussions with representatives of both sides of

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109 G R Allen has suggested that trading estate companies enable an entrepreneur to hire, on an extensive scale, factors of production which he would otherwise need to purchase out of capital. "The Growth of Industry on Trading Estates, 1920-39, with special reference to Slough Trading Estate" OEP (1951) , Vol. 3, 272/3.

110 Committee on finance and Industry Report (Cmd 3897 1931), 174.

111 T Balogh Studies in Financial Organisation (Cambridge 1947), 301-7.

112 Raymond Frost "The MacMillan Gap 1931-53" OEP (1954) Vol, 6, 181-208.

113 EW 2, 16/17.

industry to consider plans to reduce unemployment.[114] Thus, in the middle years of the thirties there was a broadening of Government concern for the depressed areas. Whilst no dramatic achievements were recorded, the foundations of a more interventionist policy were being laid.

The small immediate impact of these initiatives was not sufficient to quench the fires of criticism which were spreading throughout the summer and autumn of 1936. The Government's opponents derived considerable benefit from the recommendations made in the final reports presented by Stewart and Rose. Both Commissioners submitted their resignations during 1936,[115] and used their final reports to survey and review the progress made since the passing of the Act. The report submitted by Sir Malcolm Stewart has been taken as an indictment of the Government for neglecting the unemployed in the depressed areas for the tone is rather gloomy and despairing.[116] He wrote

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114 The Absorption of the Unemployed into Industry: A Discussion Between the Minister of Labour and the Representatives of Certain Industries (Cmd 5317 1936)

115 Sir Arthur Rose resigned because of ill-health, but the circumstances of Stewart's departure are less clear. The Ministry of Labour files do not contain his letter of resignation, only the reply from Ernest Brown. This extract from the reply gives no convincing answer to the question of whether the departure was a result of accumulated, persistent friction between the Commissioner and the Department. "I have often felt that, coming from the sphere of direct business objectives, you must have felt the wide ramifications of the Government machine and the formality that inevitably attends its working profoundly irritating. But I am glad to think that, in spite of this, you have understood our difficulties and that your relations with myself and my Department have been most cordial". PRO LAB 8/19 Brown to Stewart, November 13, 1936. Despite the amicable tone of the last sentence, L St. Clair Grondona, who had independently decided to resign his post as District Commissioner for West Cumberland at the same time, revealed in conversation on August 13, 1973, that Stewart had been so frustrated by the lack of vision in the Civil Service, in particular the Treasury, that he had eventually decided to leave.

116 Branson and Heinemann op. cit, 60, Dennison (1939) op. cit, 101/2.

> "There is evidence that the work done and the measures initiated are proving helpful to the Areas and that their benefits will in many cases be increasingly felt. Nevertheless, it has to be admitted that no appreciable reduction of the numbers of the unemployed has been effected. This, however, was not to be looked for seeing that the Special Areas Act makes no direct provision for the purpose. Such increased employment as is likely to result from the operation of the many schemes initiated will prove altogether insufficient, in the absence of a spontaneous growth of new industries and an expansion of existing industries to offset the release of labour brought about by increased mechanisation and rationalisation".[117]

This conviction that the Commissioners could not materially affect the severe depression in some parts of the Areas led Stewart to plead for the broadening of the Commissioners' powers and responsibilities.

> "Seeing that the Special Areas Act provides no means of directly reducing unemployment, the all-important question that arises from a study of the results obtained from its administration is whether the time is not now ripe for a second experiment which, whilst continuing work already embarked upon, would make an attempt to deal more directly with the problem of unemployment".[118]

Stewart was clearly convinced that the industrial policies should be strengthened to become the major elements of Special Areas policy. He argued that there should be both national policies to decrease unemployment and also methods of attracting additional jobs to the depressed areas. He had attempted the latter by persuasion, but had achieved little, and called for the powers to be able to take stronger measures. The compulsory location of industry in the areas of high unemployment must be rejected as "unnecessary and dangerous" but he argued that the growth of industry in London should be controlled and

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117 EW 3, 3.
118 Ibid, 4.

directed elsewhere.[119] Thus, he was advocating a negative location policy - hoping that, by a redistribution of industry away from the most rapidly-expanding zone, dynamic centres would be spread more evenly throughout the country. To ensure that the scheduled areas would attract a share of this 'mobile' industry, Stewart suggested that the State should provide inducements to encourage industrialists to the Special Areas. The Government could help in four ways:- by granting income tax relief to limited liability companies in the Special Areas; by granting tax exemption on the first £500 of profits; by relieving industry in those areas of all local rate burdens; and, finally, by granting long-term loans at low rates of interest to procure the introduction of new technology into the Special Areas.[120] The report as a whole is a highly stimulating document which deserves a very important place in the history of modern regional policies. The publication of the report provoked intense debate about the Government's responsibility towards the depressed areas, and it is hardly surprising that the recommendation of State-provided inducements to industrialists should have raised most controversy since previous policies had been based on the premise that private industry could only be directly subsidised in an emergency (as was the case with the coal mining industry subsidy of 1925/26) or when it was in the national interest to nurture specific industries (such as agriculture and shipbuilding). Stewart was, in effect, making regional unemployment a national emergency which the Government should take the responsibility of rectifying.

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119 Ibid, 6/7.
120 Ibid, 11.

Stewart also made recommendations of a more specific and less controversial nature to improve the social capital of the Areas:- he wanted improved road and rail communications with West Cumberland, financial assistance for improvements to Maryport harbour, and the formulation by the Government of plans for bridges over the Severn and the Tyne.[121] He had, thus, been drawn to the conclusion that the proper role for regional policy was as a stimulus for the economic growth of the depressed areas. It is true that his recommendations also related to an expansion of the social service side of the Commissioners' work, but the proposals about the location of industry were at the heart of his report.[122] They also rapidly became the centre of controversy. The Economist saw no argument in principle against the granting of financial incentives on a strictly limited basis to industries willing to set up in the Special Areas,[123] whilst the Daily Herald approved of the plans but considered that they would be rejected by the Government as "too socialistic".[124] In the regions, however, the bulk of opinion wanted priority to be given to aid to the basic export industries and then for attention to be turned to the plans to broaden the regional industrial structures.[125]

The departure of Sir Arthur Rose aroused far less debate than that of Stewart, but he, too, advocated that the Commissioners be given a much wider mandate. He also called for an expansion of the industrial

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121 EW 3, 11-13.

122 Stewart wanted local authorities to be given assistance with heavy rate burdens; those workers who had been unemployed for more than five years to be removed from the live register and to be given a special pension; and for the land settlement and social welfare policies to be expanded and intensified. Ibid, loc. cit.

123 The Economist, November 7, 1936.

124 Daily Herald, November 11, 1936.

125 Western Mail, November 17, 1936, Welsh Special Area Demands; and West Cumberland News, November 21, 1936.

policy, though to a lesser extent than his English colleague.[126] He advocated a planning co-ordinating committee for Scotland, financial help for small experimental enterprises, and a detailed inquiry into the unemployment figures. In addition, the Government could restore the amenities of the depressed areas by making generous financial aid available for a protracted period.[127] In general, the Scottish Commissioner advocated a far less radical review of the role of Special Areas policy than his colleague. This tone can be traced to three main elements:- firstly, Rose had had previous experience of public service and was unlikely to have become as frustrated as Stewart with the procedural difficulties; he seems to have found his Minister more sympathetic than did Stewart; and the Scottish Special Area had none of the severely depressed areas with very high unemployment levels which faced the English Commissioner in South Wales, South West Durham, and in parts of West Cumberland. In spite of these more favourable conditions, Rose recommended a broader policy and a greater emphasis to the industrial aspect of his work. Thus, the platform from which the Special Areas policy could be expanded in the years before the outbreak of the Second World War had been firmly built by the first Commissioners.

Conclusion

In the first twenty months of the Special Areas legislation, great strides had been made towards the development of a modern regional policy. Industrial diversification had emerged as the most worthwhile avenue of exploration after the initial period of uncertainty and

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126 The Commissioner for the Special Areas in Scotland: Final Report by Sir H Arthur Rose (Cmd 5245 Edinburgh 1936), 8. Hereafter Scotland 3.

127 Ibid, 13.

experiment. The highlighting of industrial expansion as the principal aim of policy owes much to the energies and persistence of the Commissioners, especially of Stewart. A further important factor which has not yet received attention from commentators on regional policy was the political awareness of the leaders of the National Government who relaxed their objections to subsidising industry when it appeared politically expedient to do so. However, by allowing the industrial policy to become the focal point of the Special Areas programme, the Government was being forced into a review of its regional policy. The measures advocated in Stewart's final report are far removed from the aims of the original Act and, thus, the Government had to decide whether to expand the scope of its legislation or to try withstand whatever pressures might be generated by the reports. The speed with which attitudes about the function of depressed areas policy changed between the spring of 1934 and the autumn of 1936 (from a social relief policy for industrially 'derelict' areas to a much more interventionist approach to promote regional economic growth) is quite remarkable. The speed of the transformation is all the more remarkable in the light of the reticence of theoretical economists to enter the debate - the progress can be seen as a triumph for pragmatism and the experimental approach. However, the triumph was not yet complete; the industrial policy could still be rejected by the Government if it wished to confine the activities of its Commissioners to a less demanding role. The Government's reactions to the recommendations of the Commissioners and the impact upon regional policy will form the central point of the next chapter.

TABLE XV

Summary of estimated commitments and expenditure of the Commissioner for the Special Areas in England and Wales to September 30, 1936

	£	£
INDUSTRY		
Harbour and Quay	503,230	
Clearance and Improvement of sites	179,050	
Trading Estate Companies	1,250,000	
Development Councils	24,950	
Miscellaneous	36,970	
		1,994,200
HEALTH		
Hospitals	1,281,840	
Maternity and Child Welfare	34,680	
District Nurses, Ambulances	41,880	
Baths	120,000	
Water Supply	107,000	
Sewerage and Sewage disposal	879,330	
Miscellaneous	11,290	
		2,476,110
HOUSING		190,720
AGRICULTURE		
Small holdings	1,855,330	
Group holdings	82,160	
Allotments	14,660	
		1,952,150
VOLUNTARY (LOCAL AMENITY) SCHEMES		37,000
OTHER MEASURES OF SOCIAL IMPROVEMENT		480,660
MISCELLANEOUS		69,160
		£7,200,000

Source: EW 3, 165/6

TABLE XVI

Labour Transference from the Depressed Areas, 1928 - 1938

1 Transference through the Employment Exchanges

	Men	Women	Boys	Girls	Total	Household and Family Removals*
1928	3,600**	360***	1,840	n.a.	n.a.	-
1929	36,834	2,239	2,622	1,994**	43,698	2,850
1930	28,258	1,752	1,313	1,708	33,031	2,100
1931	17,889	2,631	868	1,986	23,374	1,680
1932	8,359	2,651	628	2,502	14,140	990
1933	5,333	4,038	1,117	2,955	13,443	605
1934	6,828	4,420	1,661	3,512	16,421	1,308
1935	13,379	6,350	5,376	4,648	29,753	3,718
1936	20,091	8,008	9,449	5,958	43,506	10,025
1937	24,000		7,675	6,450	38,125	7,673
1938	18,000		4,131	5,496	27,627	4,000

2 Subsidiary Schemes

(a) Transfers to prospective employment

1928	1,500**
1935	1,016
1936	2,039
1937	2,052

(b) Labour transferring with the help of free fares to employment found other than through Employment Exchanges

1936	4,000
1937	3,000
1938	2,000

(c) Household Removals to Stewarts and Lloyds, Corby, Northants.

1935	354
1936	15

Sources: A D K Owen "Social Consequences of Industrial Transference" Sociological Review 29 (1937); Annual Reports of the Ministry of Labour; PRO CAB 24/198 CP 324(28) Industrial Transference Scheme, Memorandum by the Minister of Labour; PRO LAB 8/212 Facilities under the Industrial Transference System.

* Household removals began in 1928, Family Removals in 1935.
** Part of year only.
*** Women and girls transferred after training. No records exist of other female transfers in this year.

CHAPTER SIX

Shaping modern regional policy

In this chapter, the Government's response to their Commissioners' calls for a more industrially-oriented regional policy will be examined. As the Special (Development and Improvement) Act of 1934 was due to expire at the end of March 1937, it was always likely that the Government would take advantage of the hiatus between the receipt of the final reports and the termination of the Act to thoroughly reconsider its position vis-a-vis the Commissioners and the extent of their powers to promote the economic development and the social improvement of the scheduled areas. The course of these discussions and their results as embodied in the Special Areas (Amendment) Act of 1937, mark a further crucial period in the growth of the modern regional policies.

The Amendment Act

Throughout the summer and autumn of 1936, disapproval of the Government's conduct of its Special Areas programme grew and once more the Cabinet was forced to make a strategic concession to its opponents who, on this occasion, were armed with 'official' backing - from the Commissioners themselves. Unfortunately for the National Government it appeared that public opinion was concentrated on the Commissioners' final reports at a time when unemployment was becoming a major issue for other reasons. In the first instance, the visit of the King to

South Wales during November, 1936, and his obvious concern for the plight of the depressed areas, was receiving wide coverage from the press.[1] In addition, the unemployed were once more registering their own rejection of Government policy by converging on London in another great hunger march.[2] This event was the famous Jarrow Crusade which began on October 4, 1936, and was timed to arrive in London as Parliament re-opened.[3] The march was prompted, in part, by the failure of the negotiations to set up a modern steel plant in the town. The contribution of the industry's central cartel agency, the British Iron and Steel Federation (set up at the instigation of the Government to reorganise the industry) to the still-birth of what would have been a low-cost competitor aroused a furore of criticism, some of which, inevitably, was directed at the Government for their part in the formation of the cartel and their apparent unwillingness to apply pressure to aid the fortunes of the unemployed in a very depressed town.[4] The Government was undoubtedly concerned by the crescendo of criticism, for it began to show a far greater consideration of the way its attitude to the marchers was being presented in the newspapers. Kingsley Wood prevented the Home Secretary, Simon, from publicly denouncing the march as unconstitutional,[5] and the Cabinet authorised the issue of service blankets to the marchers in what seems a fairly blatant public relations exercise.[6]

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1 The Economist, for example, suggested that the King's visit was one of the factors which aroused public opinion to the conviction that the depressed areas could not be left without further aid. November, 21, 1936.
2 Wal Hannington Never on our Knees (1967), 315-9.
3 Ellen Wilkinson op. cit, 172-189.
4 Burn op. cit, 461/2, Wilkinson op. cit, 172-214.
5 PRO HLG 30/61
6 PRO CAB 24/267 CP 36

This example of the Government's sensitivity to public feelings was exceptional. In general, the administration tended, as it had in 1934, to misinterpret the prevailing mood. In a debate on November 17, 1936, Neville Chamberlain told an incredulous Commons that the Special Areas Act was to be included in the Expiring Laws Continuance Bill.[7] This threat to preserve the status quo was qualified by two promises later in Chamberlain's statement; he said that he would introduce an amending Bill to give the Commissioners further powers and that he was prepared to accept, in principle, that the Commissioners should be able to grant inducements to industrialists.[8] After the publication of the Reports of the Commissioners and the outcry over Jarrow there was a widespread hope that the Government would prepare a new, more effective legislative programme for the depressed areas. The Labour Party spokesmen in the Commons were furious that the Government was not prepared to scrap the original, inadequate legislation. Lawson, who had Parliamentary responsibility for unemployment and the depressed areas, accused the Government of trying to stifle criticism and changing its plans to placate the upsurge of public feeling.[9] Harold MacMillan was once more merciless in his

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7 Hansard (Commons), Volume 317, 1585, November 11, 1936.
8 Ibid, 1596.
9 Ibid, 1605.

expression of dissatisfaction of Government inactivity. He chided the Government for having made a long strategic retreat over the question of unemployment by fighting a series of delaying actions before conceding as little as possible to public opinion. The philosophy of the Government, he proclaimed, was neither High Toryism, nor New Toryism, but Plaza-Toro-ism.[10] Moreover, the Government's Parliamentary tactics did little to placate their detractors. The scepticism which greeted Chamberlain's acceptance of Stewart's proposals to expand the powers of the Commissioners seemed perfectly justifiable when the Minister of Labour, Ernest Brown, appeared immediately to renege on the promise by emphasising the continuity of Special Areas policy.

> "The proposition is that while we intend to take further action in order to do our very best to help get new industries into these areas, we shall keep the foundations upon which the admirable work done by the Commissioners has been based, and bring in our amending Bill, and the House will have the right to discuss the measure, to reason, weigh and decide".[11]

His failure either to elucidate the new policies or to add anything of substance to Chamberlain's statement suggested to the Labour Party that the Cabinet was once more trying to wait for the heat of criticism to subside and to gain time to prepare measures which might seem less precipitate.

The Government was compelled to adopt such delaying tactics principally because its policy formulation processes were not sufficiently

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10 Ibid, 1663
11 Ibid, 1674.

flexible to cope with the need for a rapid evaluation of the Commissioners' reports. The preparation of policy was in the hands of the Cabinet Committee on the Reports of the Commissioners for the Special Areas.[12] In its report to the full Cabinet on February 15, 1937, (over three months after Chamberlain's Commons statement accepting Stewart's proposals in principle) the Committee relied heavily upon the advice proffered by an interdepartmental committee which had been considering the final reports. The interdepartmental committee had been concerned with two main problems:- the possible extension to the schedule of areas recommended by Sir Arthur Rose; and Stewart's ideas for the granting of inducements to industry to set up in the Special Areas.[13] The first topic was approached with the conservative respect which civil servants are traditionally supposed to hold for the status quo.

> "Extension of the Special Areas must be looked at not only in the light of the intrinsic merits of the claim of some areas to share in the treatment accorded to others, but also in the light of aggregate potentialities of the practicable measures likely to be of real assistance to such areas as are treated as 'Special' and of the range within which they must be restricted if they are to produce appreciable results". [14]

The emphasis on 'Special' seems an irrelevant semantic point in assessing amendments to a schedule of areas in what was originally introduced as the Depressed Areas Bill; whilst the hope for appreciable results remained unrealisable for the criteria by which the working of the legislation was to be judged had still not yet been defined. Moreover, the conviction that these results could be expected only if the areas remained fairly restricted did not appear to pay any heed to the

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12 This Committee had originally been set up to consider the reports of the four special investigators during the autumn of 1934, and had subsequently been re-convened at the submission of each report from the Commissioners for the Special Areas.

13 Report PRO CAB 24/268 CP57(37), hereafter Report.

14 Ibid, 5.

criticism that, until the arbitrary boundaries were revised, no progress could be made owing to the exclusion of the economically dynamic centres of some of the areas.[15] The Committee thought that they would be able to advise the Cabinet more clearly on the extension to the schedule by dividing into two types the schemes undertaken by the Commissioners. They identified schemes of social improvement and indirect development (for example, site clearance, sewerage and other public works schemes) on the one hand, and schemes of direct economic development with inducements to industry on the other. The extension of the former type of scheme to new areas, it was argued, was principally determined by the availability of money. Those schemes had already, in the opinion of the Treasury, proved very costly in the Special Areas, and the cost would increase proportionately as the Areas were extended.[16] However, the Committee appeared to be swayed by other factors as well as the financial implications of expanding policy.

> "The possibility of extension of these powers to other areas is not solely or even mainly to be decided in terms of money; the vital consideration is that there is only a limited amount of effect which they are capable of producing. These powers aim at the establishment within the Special Areas of industries not already there. But the total number of undertakings which are looking for a home or which are ready to move from their present homes and which will be attracted to the Special Areas by inducements which are within the sphere of practical politics is limited. Broadly speaking, therefore, the wider the areas are drawn, the smaller will be the effects of these measures on any particular place".[17]

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15 Sir Arthur Rose had called for the inclusion of Glasgow and other districts adjacent to the Scottish Special Areas on the grounds that the whole central lowland area "constituted a single community, in that economic changes affecting any part reacted for good or ill on the area as a whole". Scotland 3, 3.

16 Report, 5.

17 Ibid, 5.

This reasoning seems, to a large extent, a mere rationalisation of the parsimony and scepticism evident in the first case, but it is reinforced by the erroneous beliefs about industrial location and movement predominant at this time at the Board of Trade.[18] The second argument in the memorandum appears to be based upon three highly debatable hypotheses:- firstly, that the aim of industrial policy should be to attract completely new industries to the depressed areas; secondly, that there were only a limited number of industrialists looking for new factories and so the available money should be concentrated on attracting as many as possible to the Special Areas; and, lastly, that only a compulsory location of industry policy would be of real assistance to the depressed areas. The first premise is undermined by an examination of Table XVII which suggests that the main problem of the Special Areas, except in the case of South Wales, was not a total absence of some industries, but an over-dependence on the export staples. The aims of an inducement policy should, therefore, have been to encourage the expansion of existing industries to achieve a more diverse industrial structure.[19] The accuracy of the second hypothesis was questioned by the rapid growth of the trading estates before the War when a surprising number of producers wanting better, more modern, more spacious factory premises were revealed. The belief that schemes "within the sphere of practical politics" would have only a limited effect on the location of industry reflects the view, current in the Board of Trade that the cost burdens of producing in the Special Areas resulting from increased transport costs for raw materials and for

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18 The Board of Trade view is stated more fully in the evidence of the department to the Barlow Commission. PRO HLG 27/19, Memorandum and Evidence of the Board of Trade.

19 For contemporary academic opinion of the aims of location of industry policies, see S R Dennison' State Control of Industrial Location' Manchester School VIII (1937), and S R Dennison The Location of Industry and the Depressed Areas (Oxford 1939), 101/2.

finished products to the London market would not enable profitable manufacturing away from the South East region.[20] Thus, the only means of bringing real help to the Depressed Areas would be by a compulsory location of industry policy which would be morally and politically impossible.[21] However, the success of the trading estates can again show that the hindrances to the mobility of industry were not so pervasive.

Thus, the weight of opinion among the members of the interdepartmental committee was that the schedule of areas should not be altered.[22]

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20 PRO HLG 27/19, 48.

21 Ibid, 50/1.

22 Applications for inclusion in the schedule had been received from; in England, Camborne, Redruth, Bideford, Glossop, Hadfield, Darlington R D, Stillington, Cinderford, Coleford, and Lydney (the Forest of Dean), Wouldham (Kent), Aspull, Blackrod, Clitheroe, Hindley, Ingleton, Liverpool, St. Helens, Westhoughton, Wigan, Withnell, and the whole county of Lancashire, Prudhoe, Walbridge, and Weetslade (Northumberland), Codnor Park (Nottinghamshire), Barnsley, Castleford, Conisborough, Goole, Guisborough, Hoyland, Hull, Mexborough, Middlesbrough, and Pontefract (Yorkshire); in Wales, Ammanford, Anglesey, Brynamman, Burry Port, Cardiff, Carmarthenshire, Cwmaman, Gower, Kidwelly, Llanelly, Neath, Newcastle Emlyn, Newport, Pontardawe, Swansea, Wrexham; and in Scotland, Glasgow, Lennoxtown, Leith, the Moray Firth area (including Banff, Buckie, Cullen, Findochty, Fraserburgh, MacDuff, Peterhead, Portsoy, Thurso, Wick), Wanlockhead, West Lothian, and from organisations representing the whole country.
Source: Report, op. cit, Appendix 1.

Nevertheless, three other alternatives were presented; the inclusion of the high unemployment areas in Lancashire and the Forest of Dean; the granting to the Minister of Labour and to the Secretary of State for Scotland of the power to include areas into the schedule after an ad hoc inquiry; and to set up a statutory Committee which would advise which areas should be included.[23] As if to emphasise the desirability of maintaining existing boundaries, the committee suggested that there should be a formula by which places could be excluded from the schedule after a certain improvement had been made if provision had to be made to take in new areas. The political costs of dropping towns from the schedule can only be speculated on, but there can be little doubt that there would have been grave consequences both in Parliament and in the press.

In spite of the widespread dissatisfaction with the Special Areas policy, the committee seemed equally unwilling to enlarge the scope of aid to industry in the scheduled areas. The evaluation of Stewart's proposals was coloured by a profound belief that relief from income tax on profits, exemptions from tax, and assistance with rate payments could have no real effect upon the location of industry.

> "It may be doubted whether, in fact, these three inducements (more especially the first two) would be found in practice to attract industry in any appreciable degree. As regards income tax, the lowering or waiving of a tax on profits cannot in itself do anything to enable a concern to make profits. It cannot turn a loss into profit". [24]

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23 Report, 9.
24 Ibid, 10.

The Board of Trade seems to have been so convinced that it would have been impossible for manufacturers in the depressed areas to avoid bankruptcy that it is not surprising that the Special Areas legislation was in such a low key. The implicit assumption that industrialists were shunning the Areas as a result of a considered appraisal of the relative costs of production has been shown by subsequent research to have been unlikely.[25] However, the committee were bound by Chamberlain's Commons statement to formulate an inducement programme, and, thus, some compromise had to be reached. The proposals were, in fact, highly realistic but small in scope. The committee suggested that inducements should be variable so that an attempt could be made to spread new jobs throughout the scheduled areas; that subsidies should be paid for a maximum period of seven years; and that tax relief should be paid out of the Special Areas Fund in order to avoid tampering with tax legislation.[26] However, the civil servants deemed themselves unable to make a decision about the vital supporting policy proposed by Stewart - of controlling the industrial growth of London - and, after expressing doubts about the advisability of such a scheme, concluded that a decision should be made at a higher level.[27] Thus, the civil servants had recommended to the Cabinet that the existing policy should be expanded, but to nothing like the extent favoured by the first Commissioners for the Special Areas.

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25 See, for example, PEP Report on the Location of Industry (1939), 56, W F Luttrell Factory Location and Industrial Movement Vol 1 (1962), 57-84. The Board of Trade's view was also criticised by contemporary commentators; see The Times October 9, 1937 'The Location of Industry', and the New Statesman November 6, 1937, 'Industry - Where and Why', 710.

26 Report, 11/12.

27 Ibid, 15/16.

This report formed the basis for the considerations of the Cabinet Committee convened at the publication of Stewart's report. The decision was duly taken not to extend the schedule of areas, but a new scheme was proposed under which a contribution of 25 per cent. would be made to public utility companies, operating outside the Special Areas, to acquire and develop sites for industry.[28] A further schedule of 'certified areas' which, like the Special Areas had endured high levels of unemployment for long periods and were dependent upon one major industry, would be drawn up and the public utility companies would have to operate within the boundaries of these areas in order to qualify for a grant.[29] However, logic demanded that any initiative taken in the theoretically less depressed 'certified' areas should also be undertaken in the original Special Areas. These considerations seem to have occurred to Neville Chamberlain who submitted a memorandum to the Cabinet Committee in which he stated

> "I consider that something should be done to meet these suggestions both in relation to the Special Areas and to the other areas..... and to that end I am ready to provide a sum of money which will be available to assist the establishment of new industrial undertakings, in the form of a loan of capital on favourable terms". [30]

The Cabinet agreed and proposed to set aside £2 millions for a Treasury Fund which, at Chamberlain's insistence, was to be controlled by the Treasury and would, thus, be outside the formal Special Areas machinery. However, informal links were forged since loans were to be made on the

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28 The committee argued that the imposition of a legal control on expansion in Greater London would probably mean that potentially good sites would remain undeveloped and would result in claims for compensation. They recommended, "it seems doubtful whether a public inquiry into the question of the statutory control of the location of industry is worthwhile or desirable". Report, 30.

29 PRO CAB 23/87 Cabinet 8(37) February 17,1937.

30 This proposal seems to have been designed to meet pressure from Lancashire industrialists who had met Chamberlain's adviser and asked for assistance without Special Area status. Report, Appendix 3.

advice of a Committee whose personnel overlapped with the various other advisory bodies assisting in the administration of the Special Areas legislation. Chamberlain's insistence upon retaining control at the Treasury can be seen, in part, as a reflection of his scepticism about the value of the scheme and his fears that the fund would soon be exhausted by the Commissioners.[31] It is remarkable, considering his lack of faith in the aims of an industrial policy, that Chamberlain allowed such a memorandum to go forward to the Cabinet.[32] Moreover,

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31 Chamberlain added a handwritten note to a memorandum prepared by Hopkins on 'How to attract industry to the Special Areas', "I think it is possible to destroy any proposal for attracting new industries to the Special Areas. But politically speaking this is not a wholly satisfactory method as it leaves things as before. On the other hand, the Commissioner had made certain proposals and politically it might be helpful to say, 'These are frankly unorthodox and uneconomic but we are ready to try them in those areas'. If they failed, as I think they would, we should have done with him, but we should have met the reproach that we will neither accept suggestions nor produce any of our own. In view of the provisional conclusions arrived at in this memorandum, I suggest that the Commissioner's actual proposals be very carefully examined and reported on, not so much with a view to whether they are likely to be effective for the purpose the Commissioner has in mind, as to whether they are likely to be so harmful in consequence as to be dangerous!' It seems, therefore, that the political pressures for greater intervention were compelling the Treasury to concede points much against their will, but they intended to pre-empt the Commissioners and public opinion by setting up and retaining control of a fund which could be carefully supervised. PRO T 172/ 1828 Memorandum dated November 14, 1936. (original emphasis).

32 Against the second sentence of the following extract, "Moreover, owing to the nature of the fundamental causes which have been mentioned, it would be rash to expect that the old industries in these areas will reach a sufficient level to absorb all the unemployed. In these circumstances the Government agree with the Commissioners that the permanent necessity is the introduction of new industries into those areas", Chamberlain added "Do they?" Perhaps, the enactment of the policy despite the opposition of the Chancellor of the Exchequer, who was also one of the leading personalities in the Cabinet, gives some idea of the strength of public opinion pressing for a broader policy towards the Special Areas. PRO T 172/1828, Memorandum by Chegwidden for the Chancellor, November 2, 1936.

Treasury officials seem to have held similar views to those of the Chancellor. Sir Richard Hopkins wrote,

> "My first review leads me to the same conclusion as has often been reached by others before - that there is no satisfactory solution to be found in a Government attempt to lure all and sundry to the places which, above all others, they desire not to go....If it were decided to try some specious looking expedients [sic] on a minor scale it would be best to leave them to the Commissioner for application to the Special Areas alone. If an attempt were made to tackle the problem effectively on the grand scale - it would be necessary, as it seems to me, to include at any rate Lancashire in the field and it would be best for the task to be done by a Minister on the advice of a Business Committee".[33]

In the light of this evidence it is tempting to conclude that the Treasury Fund (and, possibly, the whole of the Special Areas programme) was merely a device to placate public opinion whilst not committing the Government to any appreciable expenditure - for the setting aside of only £2 millions suggests that the Treasury had not yet decided to look beyond 'specious looking expedients', Moreover, the retention of control over the Fund by the Treasury in matters concerning industrial policy is somewhat remarkable, especially since the general supervision of the Commissioners was entrusted to the Minister of Labour and the Secretary of State for Scotland, whilst the trading estate programme was the responsibility of the Board of Trade. Perhaps it is the attitude of the Treasury, above all else, which explains why the Special Areas policy remained on such a small scale in the years before the Second World War.

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33 PRO T 172/1828 Memorandum by Hopkins, November 16, 1936.

In spite of the official doubts about the efficacy and purpose of the Special Areas legislation, the Government chose to issue a White Paper at the same time as it published its Amendment Act.[34] Although the White Paper was officially issued by the Ministry of Labour, Chamberlain was clearly a major influence. It had long been one of his complaints that the coalition was not making sufficient political capital out of its Special Areas programme.[35] Both he and his close adviser, Sir Horace Wilson, had complained of Baldwin's failure to defend this aspect of the Government's record during the 1935 General Election campaign.[36] Chamberlain seems to have been quite happy to publicise the Government's efforts for the Special Areas despite his own apparent doubts about the value of the measures enacted and proposed.[37] Whatever the estimation of the opinions and the motives of those involved in the formulation of the legislation, there is no doubt that the Special Areas (Amendment) Bill proposed a significant extension to the industrial policies of the Commissioners. Clause 2 gave to the Commissioners the power to let factories to persons wishing to establish industrial undertakings in the areas (thus, overriding the previous embargo on aid to private industry);[38] clause 3 enabled the Commissioners to grant rent, tax, and rate rebates for up to five years to prospective industrialists in the areas; whilst

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34 Ministry of Labour Statement Relating to the Special Areas. Including a Memorandum on the Financial Resolution to be Proposed. (Cmd 5836 1937).

35 Feiling op. cit, 291.

36 Middlemas and Barnes op. cit, 932.

37 In view of the opinions recorded above there must be doubts about the sincerity of much of the paper, especially the following; "The Government have good reason to believe that the time has now come when, with the aid of some financial assistance directly applied, it will be possible to introduce into the areas new undertakings of the 'light' type and thus provide more stable, because more diversified, employment". Ministry of Labour Statement op. cit, 9.

38 This wording was to create difficulties over the interpretation of when an industry was established. No company trading before the introduction of the Act could get aid. PRO T 187/34.

clauses 5 and 6 established the Treasury contributions to both site companies and to industrialists in the scheduled areas. A further erosion of the original Act allowed the Commissioners to make grants to field drainage and to roads which were not to take through traffic. The Amendment Act perpetuated the Special Areas machinery until the end of March, 1939.[39]

Whilst the Bill aroused the antagonism of some Labour members, particularly those from South Wales, much of the intense bitterness of the previous November had subsided.[40] The Labour Party was now beginning to issue its own reports on the depressed areas after collating the results of the work of their Commission[41] which had visited each of the depressed areas.[42] The Labour Party called for the appointment of a Cabinet Minister for the Areas; the re-drawing of the boundaries to include Lancashire and new areas in the North East, South Wales and Scotland; more generous grants for local authorities; Government control of industrial location; state control and export subsidies for the coal mining industry; the raising of the school leaving age; improvements to the road and rail systems; and a greater degree of socialist planning.[43] The Labour Party now expended equal

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39 PRO LAB 16/33, Special Areas (Amendment) Bill, Notes on Clauses April 1, 1937.

40 See, particularly, the interruptions to the speech by the Minister of Labour by S O Davies, Griffiths et al, Hansard (Commons) Vol. 321, 1008-30, Passim, March 9, 1937.

41 The members were Hugh Dalton, George Dallas, Mrs. Ayrton Gould, and two representatives from each of the Areas visited.

42 Labour and the Distressed Areas: A Programme of Immediate Action (January 1937); and regional reports for West Cumberland (March 1937); the North East (April 1937); South Wales (May 1937); Central Scotland (July 1937); and Lancashire (September 1937).

43 Labour and the Distressed Areas: A Programme of Immediate Action, passim.

energies in promoting their own plans as in criticising those of the Government.[44] The younger Conservative rebels continued to attack the Government for giving insufficient attention to the ideas of the economic planning movement. MacMillan, for example, wanted to know why the Government spokesmen had made no mention of monetary and fiscal policy, the location of industry, working hours and pensions in the debate about the Special Areas.[45]

The Amendment Bill was greeted outside the House with greater enthusiasm.[46] The press seemed, in general, to be more favourably disposed to the extension of the Commissioners powers in the industrial sphere than with the remainder of the Bill,[47] and the London papers tended to show greater approval than those in the regions.[48] However, the apparently chance publication in the same week as the Bill, of the Second Industrial Survey of South Wales provided further fuel for the critics of Government policy. This three volume study suggested that, despite heavy migration from the region, there was a surplus of labour which amounted to a minimum of 80,000 men, many of whom were considered

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44 See Hansard (Commons), Vol. 322, 1462, 1483-9, April 19, 1937.
45 Ibid, 322, 98, April 6, 1937.
46 The Times, for example, proclaimed, "There is no hesitation, and no hampering limitation in the new measures announced by the Government to attract industry to the distressed areas". March 2, 1937, The Government and the Areas.
47 The Economist summed up the situation, "In spite of the recent spurt in activity, the Special Areas problem is almost as far as ever from solution. It may be further away, since the cause of the present activity bears a strong family resemblence to the over-stimulus of certain industries which was the root cause of the trouble". The widespread antipathy towards rearmament seems to have led to an exaggeration of its contribution to the postwar depression and the late-thirties acceleration in activity. March 6, 1937, 570.
48 See the Times March 3, 1937, Government Plans for the Special Areas: Regional Reports; West Cumberland News, March 13, 1937; Western Mail, March 3, 1937.

by the authors to be too old for further work.[49] The second volume considered the suitability of local sites for light industrial development (the authors agreed with the Commissioners that this was the best long-term policy for eliminating unemployment) and reported in favour of several on the Abergevenny/Merthyr road, and also along the Coastal Plain.[50] Unfortunately for the Government, the coastal towns were not in the schedule of Special Areas and were, thus, unable to receive direct assistance from the Special Areas Fund. The survey team added independent weight to the calls to have the boundaries re-drawn. Similarly, the non-party group PEP made use of the Second Industrial Survey to reinforce its demands for a more coherent location of industry policy than that afforded under the Special Areas (Amendment) Act.[51] Thus, after an initially favourable response, the criticisms of the Amendment Bill grew and became both widespread and persistent, although not all the opponents of the measure wanted a more interventionist approach.[52]

The Policy in Operation

As inadequate as the new plans seemed to some critics, the new Commissioner for the Special Areas in England and Wales[53] was

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49 The National Industrial Development Council of Wales and Monmouthshire The Second Industrial Survey of South Wales (3 Vols.) (Cardiff 1937), 389.

50 Ibid, Vol. 2, 96 et seq.

51 Planning, 94, March 9, 1937.

52 The Treasury, the Board of Trade, and MPs from all the depressed areas were receiving letters from industrialists worried that they would be forced out of business by firms rushing to the Areas to take advantage of the inducements. PRO T 161/777 S41642.

53 Sir Malcolm Stewart had been succeeded by Sir George Gillett. He was a JP, and had been a member of the LCC between 1910 and 1922. He had been elected MP for Finsbury (Labour) in 1923, was Secretary to the Department of Overseas Trade 1929-31, and followed MacDonald into coalition in 1931. The earlier change of Commissioner in Scotland had brought in Sir David Allan Hay, a chartered accountant from Glasgow, and former President of the Scottish Unionist Association.

justified in assessing the passage of the Act of 1937 as the most important event of the year for the inhabitants of the Special Areas.[54] In addition to the Commissioners and the Treasury, there was now a third agency operating in the field of trying to diversify the economies of the depressed areas. In December, 1936, Lord Nuffield had written to the new King to express his support and wished to make some display of his approval of the National Government, and, in particular, of Baldwin, the Prime Minister.[55] Lord Nuffield had decided that, since the Special Areas were presenting intractable problems, he would donate £2 millions to provide employment for the inhabitants in a manner which would not be subject to the Parliamentary limitations placed on the expenditure of public money.[56] The sum was placed in a trust fund which Lord Nuffield wanted exhausted as rapidly as possible in order to bring the earliest possible relief to the Areas. In deference to his wishes, the Trustees[57] decided that the money should be used to provide share capital for new concerns, although some money was reserved for assistance through loans. In practice, the Nuffield Trust Fund was used to aid the riskier projects which were ineligible for assistance from SARA and the Treasury Fund because of the stipulation that these two organisations should obtain an economic

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54 Report of the Commissioner for the Special Areas in England and Wales for the Year ended 30th September, 1937 (Cmd 5595 1937), 16. Hereafter EW 4.

55 PRO LAB 23/150, Letter dated December 14, 1936.

56 P W S Andrews and E Brunner The Life of Lord Nuffield: A Study in Enterprise and Benevolence (Oxford 1955), 276-282.

57 Lord Portal (Government Industrial Adviser, Chairman of SARA, and member of the Treasury Fund Advisory Committee), Sir Nigel Campbell (Treasury Fund Advisory Committee), and Seebohm Rowntree. This co-ordination of policy by overlapping administrations has been described as a "cat's cradle of joint committees, interlocking directorates and informal conferences". M P Fogarty "The Complications of Location" Manchester School XV (1947), 254.

return on their operations.[58] In retrospect, the Treasury considered that the Nuffield Trust modus operandi had been most effective.

> "The Nuffield Trust money has been the most powerful inducement in the case of larger concerns and the trust has therefore been the strongest influence on the location of industry, and practically all the larger concerns established in the economically less desirable parts of the Special Areas have been induced to go there mainly by the operations of the Nuffield Trustees".[59]

The mere fact that the Nuffield Trust contributed to share capital, whilst SARA and the Treasury Fund gave only repayable loans may have added to its popularity with entrepreneurs.[60] Up to September 30,1939, 158 firms had been assisted by these three organisations which had become so established in the economic life of the Special Areas that no finance houses would grant loans to Special Areas firms unless the company had been investigated and approved for a grant by the three organisations.[61]

The expansion of the Commissioners' powers, the establishment of the Treasury Fund, and the operation of the Nuffield Trust provide the genesis of modern regional policy. In one important respect, however, much progress had still to be made. Regional policy was still under the direction of the extra-parliamentary Commissioners for the Special

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58 Up to May, 1939, only 67 of the 721 applicants to SARA had been successful. PRO LAB 23/155 Morrison to Tribe May 11, 1939.

59 PRO T 161/853 S43433 Evidence on the relative value of different forms of assistance as a means of inducing the establishment of industries in the Special Areas. December 21, 1938.

60 The 'independent' status of the Nuffield Trust was esteemed, since there was no outcry against what amounted to small-scale de facto nationalisation.

61 PRO T 187/61 and R O Roberts "Special Financial Facilities for Industry in the Depressed Areas with particular Reference to the Experience of South Wales" Manchester School XXI (1953), 56.

Areas - the Government had still not assumed the formal responsibility for reducing regional unemployment differentials and promoting growth in the depressed areas. During the years before the Second World War the demands on the Commissioers' offices of administering the industrial diversification programme began to place increasing burdens on the time and expertise of the civil servants and the growing band of industrial advisers. With the increased powers came the need for greater information and improved techniques so that the most efficient use could be made of the inducements to industry.

Sir George Gillett appointed Lord Portal, Frank Hodges, Sir Frederick Marquis, and Hugh Roberts to assist him as Industrial Advisers in co-ordinating and consulting him over the now rather disparate industrial policy.[63] In addition to the new responsibilities, the existing policies were moving beyond the planning stage and competing for the Commissioners' time. Both Stewart and Rose had made the choice of the sites for the first trading estates and had voted token sums for their development before resigning, but in the spring of 1937 the Commissioners' offices began to feel the pressure of increasing work loads as disputes arose with the trading estate companies over the extent and pace of progress.[64] Moreover, the Government began to become very interested in the development of the Team Valley estate near Gateshead which had become a focal point for both critics and supporters of Government policy. The following extract reveals that the Board of Trade viewed the experiment as one of genuine interest

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62 EW 4, 54,

63 Although no independent appointment was made for Scotland, Lord Portal advised the Scottish Commissioner. Report of the Commissioner for the Special Areas in Scotland for the Period 7 July 1936 to 31 August 1937 (Cmd 5604 Edinburgh 1937), 27. Hereafter, Scotland 4.

64 The history of the squabbles over the development of Team Valley can be found in PRO BT 104/25.

and value.

> "This is the first Government trading estate and constitutes a most interesting experiment in practical state socialism respectably cloaked as loans to private enterprise. It is a complete breakaway from the orthodox laissez-faire attitude of Governments in relation to the location of private industry". [65]

Although the statement seems to exaggerate the degree of Government involvement with private industry, there is no doubt that the leading spokesmen of the coalition were coming to view the Commissioners activities in a different light. There was a much greater effort to publicise their work and to make the most of the public relations potential of the estates. Neville Chamberlain cited Team Valley as an example of the Government's willingness to take advice and introduce "abnormal methods" of dealing with unemployment;[66] Queen Mary was persuaded by the Governemnt to visit the North Eastern Trading Estates stand at the British Industries Fair during February, 1938, to give extra publicity to the venture.[67]

The Commissioners' industrial policy was evolving an extensive range of measures to reduce regional unemployment differentials, but they were far from adequate in view of the enormity of the problem. Some attempt was made to assess the needs of each area and adapt available policies to these requirements. For example, it was soon realised that the Team Valley estate, sited close to the fairly prosperous Tyneside zone, would offer relatively little benefit to

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65 PRO BT 104/27 Note on Team Valley Estate, March 12, 1937.
66 Hansard (Commons), Vol. 321, 1581. March 12, 1937.
67 PRO BT 104/28.

the other scheduled areas in Northumberland and Durham. Gillett decided to acquire and clear sites at Pallion (Sunderland), and at St Helens Aukland (South West Durham) which were then leased to North Eastern Trading Estates Ltd. (NETEL) to be run as small trading estates. Thus, the Commissioner rapidly developed what has become known in times of fuller employment as a 'growth pole strategy', but which, on account of the low level of consumer incomes in the region during the late thirties, was not given full opportunity to realise its maximum potential.[68]

The problems facing the Scottish Commissioner were somewhat similar to those facing Stewart and Gillett in the North East, with the exception that the economic and social focal point of the Scottish lowland area, Glasgow, was outside the schedule of areas. Nevertheless, it was possible to site the Scottish trading estate close to the Glasgow city boundaries at North Hillington near Renfrew aerodrome, where 320 acres were available for industrial development.[69] Although begun later than Team Valley, North Hillington was brought into operation very rapidly since, within two years of the formation of the site company,[70] 73 factories had been let of which 61 were actually in production.[71] As in the other areas, the trading estate in Scotland

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68 See Thomas Wilson Policies for Regional Development (Edinburgh 1964), 12; A J Brown The Framework of Regional Economics in the United Kingdom (1972), 285.

69 The importance of administrative boundaries was illustrated when the Glasgow authorities wished to include North Hillington in the city limits which would have precluded the Commissioner from giving further assistance to the estate from the Special Areas Fund. Scotland 4, 7.

70 Scottish Industrial Estates Ltd. (SIE) formed in January, 1937.

71 PRO BT 104/92.

became the focal point of the Commissioner's activities and, as the scheme progressed, it became the chief recipient of capital from the Special Areas Fund.[72] North Hillington, situated to the south-west of Glasgow, did little to alleviate the high unemployment in such towns to the east of the city as Airdrie, Coatbridge, Motherwell, Wishaw, and Hamilton. It was obviously uneconomic for the inhabitants of these towns to commute across Glasgow and the Commissioner decided that it was unlikely that private enterprise would, unaided, locate in this zone. He was convinced that the only way to get industry into this part of Lanarkshire was to create an industrial estate there. He had the area surveyed and decided to purchase land for three small estates at Carfin, Chapelhall, and Larkhall. Sir Steven Bisland, the Chairman of Scottish Industrial Estates was approached to supervise the estates. As in the case of South West Durham, the Commissioner had adopted a far more rigorous programme of industrial development than had seemed possible under the earlier legislation. However, the obstructiveness of his agents, SIE, almost prevented the commencement of this new programme.[73] In general, however, the formation of responsible local administrative boards, the growth of the central advisory staffs, and the tendency of economic recovery in the Areas to expose the more intractable problems made the detailed approach to the industrial development of the Areas possible.[74]

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72 Report of the Commissioner for the Special Areas in Scotland for the period 1st September 1937 to 30th September 1938 (Cmd 5905 Edinburgh 1938), 54. Hereafter, Scotland 5.

73 SIE wanted a new site company, with the same board of directors, to be formed to administer the Lanarkshire estates because it was felt that the new venture could not possibly be as successful as North Hillington. The directors did not want the North Hillington company burdened by uneconomic handicaps in case of a request to sell at some time in the future. PRO BT 104/94 Valentine to Milne March 11, 1938.

74 Scotland 5, 61.

The same more detailed approach is also evident in developments in the other Special Areas. The exclusion of the coastal towns and the topography of the scheduled areas was a crucial factor in the progress of industrial development in South Wales. As the natural nuclei of population, industry, and services were located in the main ports and the scheduled areas consisted, to a large extent, of narrow, steep-sided valleys, the development of sites for light industry was difficult. Large areas of flat land could not be found, road and rail communication was not as extensively-developed as in other parts of the country and these disadvantages made labour and raw materials supply and access to market less than ideal.[75] Nevertheless, the Commissioner's officials were able to find ways of adapting the trading estates policy to meet local conditions. A site company was formed, South Wales and Monmouth Trading Estates Ltd. (SWMTEL) wich obtained a major site at Treforest and smaller projects were begun at Dowlais, Cyfartha, Ynyswen (Rhondda), Porth (Rhondda), Llantarnam, and Cwmbran.

West Cumberland also suffered from isolation and a sparse settlement pattern and seemed to have less potential for light industry than the Welsh mining valleys.[76] However,local opinion was incensed that little benefit had been derived from the Special Areas legislation in the first phase of policy and they were determined to gain some assistance from the expanded industrial policies after the

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75 A survey of potential sites commissioned by Stewart had concluded that since the main concentrations of population were outside the scheduled areas, the location of a trading estate could not be determined, as it had been in the North East, by proximity to the market. Closeness to available reserves of labour dictated the choice of Treforest. PRO BT 104/32

76 A survey of this area concluded that it was impossible for the area to be economically self-supporting and that an ordinary trading estate would stand little chance of survival. PRO BT 104/42 December 10, 1936.

passing of the Act of 1937. The local press dubbed it 'the Cinderella Area' and a 'forgotten corner of England'.[77] Gillett was, thus, obliged to help in the formation of the West Cumberland Industrial Development Company (WCIDC) which was allowed to provide factory accommodation for guaranteed customers. However, the WCIDC thought this policy inadequate and wanted to develop a full trading estate at Maryport and to build speculative factories like the other site companies. The Treasury rejected these proposals as doomed to failure.[78] Unabashed, the WCIDC demanded, firstly, that the whole of West Cumberland be designated a trading estate so that they could build factories wherever they pleased; and, secondly, that they be given the power to buy and modernise old factories because the construction of new factories was a slow process.[79] The Commissioner's attempt to find a via media between the demands of the Cumbrians and those of the Treasury resulted in an agreement that the company could develop two small estates at Cleator Moor and at Maryport, that they could build one small and one larger factory before obtaining customers, and that they could develop individual sites. Thus, the contribution of local pressures from the depressed areas in the development of the various refinements of the growth pole and trading estate policies such as advance factories, small sites, and the dispersal of new factory-building should not be overlooked. It is also clear from a number of these examples that local pressure group activity was a potent force

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77 West Cumberland News March 13, 1937.
78 PRO T 161/844 S41536 Memorandum November 10, 1937.
79 PRO BT 104/42 passim.

in the development of industrial policy, demanding expansion and adaptation of the existing measures. The local trading estate officials and industrialists also helped to provide some of the skills and information which the smallness of the Commissioners' staffs and budgets made it impossible to supply from London and Edinburgh. However, the new industrial policies needed greater knowledge of the areas, greater expertise in administration, and an intimate aquaintance with business and industrial methods which their small staffs and the informal network of administrators throughout the country would have found it difficult to supply if the programme were to be boosted as a result of its initial success. The improvised machinery had been successful in supervising the still experimental policy before the Second World War. After 1945, when the trading estates programme was stepped up, the responsibility for its development was given to a Government Department, the Board of Trade.

Thus, by the outbreak of the Second World War a broad range of policies to assist new undertakings had been developed.[80] To a limited extent, therefore, the industrial policies of the Commissioners were helping to diversify the economies of the depressed areas. The amount of new employment created and the range of new skills brought to the areas was not yet large for the programme had not gained sufficient momentum and the level of expenditure had not been sufficiently high

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80 It must be emphasised that these measures were reserved for the establishment of <u>new</u> plant. Factories on trading estates could be occupied by firms transfering within the Areas only when expansion of output seemed likely and the facilities for expansion were not available on the established site. Other contributions were made to industries in the depressed areas only if they were either extending existing buildings to manufacture a new product range or were being forced to move in order to expand or to develop. PRO LAB 8/211 Notes on a Conference held on March 3, 1937.

to have a radical impact upon the unemployment statistics.[81] Dennison argues, moreover, that many of the firms assisted were already connected with the depressed areas and, thus, their location was not materially affected by the offer of inducements.[82] The trading estates policy had, by the outbreak of the War, gained popular approval - even the Treasury considered that this form of aid to light industry was the most effective method of providing industrial employment.[83] The policy was, essentially, long-term and needed to be incorporated into a growth pole strategy to be of maximum effectiveness.[84] However, the omission of such large towns as Swansea, Cardiff, Newport, Glasgow, and the Teeside conurbation from the schedule of Areas meant that the development had to take place in sub-optimal locations.

The small scale industrial programme, the development of the isolated sites for industrial uses, was also administered in such a way as to deprive the areas of the full benefits of its introduction. Administration seems to have been less concerned with long-term economic development that with demonstrating to the inhabitants of the towns with the highest unemployment rates that some efforts at job creation were being made on their behalf. However, in the light of the continuing Treasury opposition to 'relief works', this policy filled a valuable social, economic and political function. The Commissioners'

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81 For example, only 3,114 jobs had been created on all the trading estates in the North East Special Area by the end of May, 1939. Many were undoubtedly intra-regional transfers, and, thus, not 'new' jobs to the area. PRO T 187/61 Progress Report May 31, 1939.

82 Dennison (1939) op. cit, 102.

83 PRO T 161/853 S43433 op. cit.

84 Thomas Wilson op. cit, 20.

powers to offer rebates were regulated in such a way that the highest assistance was given to firms willing to set up on the smaller sites where unemployment was highest. The lowest inducements were allocated to firms on the major trading estates - North Hillington, Team Valley, and Treforest. The level of local unemployment among insured workers was to act as a rough priority list regarding the level of inducements offered.[85] Thus, the achievement of higher rates of regional economic growth had not yet been recognised as the goal of regional policy (nor could such a development have been expected in a period when unemployment rates were so historically high in the depressed areas and when there was always surplus capacity in the economy) and policy was governed by a rather confused array of motives. The Commissioners were trying to promote the long-term industrial diversification of their Areas, to bring some measure of immediate relief to the Areas, and to placate irate public opinion in some parts. To add further complications, the assistance provided by the Commissioners had to be given in such a way as to avoid arousing the anger of established manufacturers. The rebates on tax and rates were initially granted for only two years, with the possibility of a tapering subsidy thereafter, on the advice of both the Treasury and the Industrial Advisers who were afraid that firms in the Special Areas would gain a competitive advantage from the grants of public funds.[86]

This examination of the administration of the Special Areas policy

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85 PRO LAB 8/211 Notes on a Conference held on March 3, 1937.
86 See PRO T 161/853 loc. cit; andPRO BT 104/46 Tribe to Somervell, March 22, 1937.

in the years immediately before the outbreak of the Second World War has concentrated, to a large extent, on the development of the industrial side of the Commissioners' activities. These are the developments which have had the greatest impact on contemporary regional programmes and provoked most criticism and discussion at the time of formulation and introduction. But an examination of the commitments made by the two Commissioners up to September, 1938, reveals that only 25 per cent. of the total was made to the trading estate and inducement to industry programme.[87] In all, 30 per cent. of all commitments went to projects presented in the statistics as 'industrial'. However, since one third of the total also went to such public works schemes as hospital building, sewerage and sewage disposal, and road improvements, it appears that the direct reduction in the numbers unemployed in the Areas had become a far more overt aim of policy than during the earlier period. By comparison with the situation at the end of the first phase of policy,[88] the Commissioner for England and Wales was devoting a much smaller proportion of his financial commitments to such schemes as land settlement, the voluntary (local amenities) schemes, and the other measures of social improvement by the time War was declared.[89] Thus, modern regional policy had begun to take shape.

The Downgrading of Land Settlement and Transference

A further element in the increasingly industrial/economic orientation of the work of the Commissioners was the disillusion, after

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87 Table XVIII and Table XIX.

88 Table XV .

89 These items, together with the miscellaneous commitments accounted for 35 per cent. of the total commitments of the Commissioner for the Special Areas in England and Wales up to 1936, and only 26 per cent. up to September, 1938.

a thorough appraisal of results, with two policies which had been given prominence during earlier phases of regional policy implementation. Land settlement and industrial transference both began to fall into disfavour as the industrial side of the Commissioners' work began to receive greater prominence.

In his final report, Sir Arthur Rose noted,

> "It may be argued that these /Land Settlement/ schemes do not directly and immediately offer employment on a scale commensurate with the initial expenditure involved, but if in Scotland there is to be a permanent solution to the unemployment problem I am convinced it must be sought by bold experiments in land utilisation which may indicate new opportunities for the permanent absorption of surplus labour". [90]

Thereafter, the incipient doubts about the practicability and the cost of the schemes began to weigh more heavily than the belief that the correct role to be played by land settlement in overcoming unemployment would eventually be found.[91] A Committee of Inquiry was established to examine the role of land settlement, and its papers suggest the difficulties experienced with the policy in England and Wales, at least, resulted, to a large extent, from the collapse of the policy envisaged by Sir Malcolm Stewart of starting his own land settlement company.[92] Replacement schemes were hurried and ill-planned. The Land Settlement Association (LSA) undertook the major share of the work planned for the original company. However, its policy of

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90 Scotland 3, 15.

91 Gillett announced an expansion of his programme for 1938, but he made explicit his reservations about the policy; EW 4,138. Later the same year he announced the formation of a Committee of Inquiry into the policy. Report of the Commissioner for the Special Areas in England and Wales for the Year ended 30th September, 1938 (Cmd 5896 1938), 70. Hereafter EW 5.

92 Stewart had hoped to form the Home Settlements Trust with the aid of Colonel Stibbard, who died as plans were reaching fruition in May, 1935.

providing most of the information and services from the head office in London led to a mushrooming of the central staff and an increasing burden of administrative costs.[93] At the same time, it was difficult to recruit sufficient local staff of the required calibre to convert the unemployed into efficient farmers.[94] These practical and administrative difficulties, together with the need to produce results quickly, led the LSA to disregard financial considerations and resulted in absolute confusion in its accounts.[95] Disarray at head office was mirrored in waste, rush and disorder in some area organisations.[96]

However, the worst problems lay in dealing with the unemployed men and their families. The men were recruited voluntarily at the Employment Exchanges, but only those who were considered to have little prospect of future employment in their own trades were encouraged to try land settlement by the Unemployment Assistance Board staff.[97] The typical recruit was therefore of middle age and had been unemployed for long spells.[98] As a consequence, the recruits were less fit, less accustomed to work discipline, and less quick to learn than had been anticipated and training periods had to be lengthened to give the men ample preparation.[99] The longer spells of training were not sufficient; men continued to drop out of the programme for a variety of reasons:-

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93 PRO LAB 23/42 Draft Report; Summary and Conclusions.
94 PRO LAB 23/43 Report of Land Settlement Association, 9.
95 PRO LAB 23/42 loc. cit.
96 PRO LAB 23/39 Evidence of Major James Francis Harter November 23, 1938.
97 PRO LAB 23/35 Memorandum by the UAB.
98 The average settler was a man of 39 years of age, with 3·2 children, and had been out of work for about five years. PRO LAB 23/43 Report of LSA, 14.
99 PRO LAB 23/35 Memorandum by UAB.

some were not fit enough to undertake heavy agricultural work;[100] others were under pressure from their wives who found adapting to the strange environment even more difficult than their husbands;[101] and low morale was common.[102] Thus, the numbers who withdrew either in training or when they had been placed on the estates were sizeable.[103] Coupled with this high failure rate, there was considerable scepticism about the value of such schemes among local labour leaders.[104]

Bad luck also seems to have played its part in adding to the difficulties faced by the settlers. There were outbreaks of disease among both pigs and poultry on some of the LSA estates,[105] and the rise in the price of feedstuffs exacerbated the other rises in costs.[106] However, the Ministry of Agriculture and Fisheries notes on the economic background for land settlement suggest that the project was doomed from its inception.[107] The Ministry recognised that owing to increased effectiveness in the use of machinery fewer men were needed on the land, but, because industry was not absorbing surplus agricultural labour in sufficient numbers, conditions on the land were

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100 EW 4, 147/8
101 PRO LAB 23/35 Memorandum of the Ministry of Labour.
102 Ibid.
103 Of the 1100 LSA holdings ready for occupation on March 31, 1939, only 334 were worked by tenants, with a further 377 taken by men whose training was not yet complete, leaving 299 completely vacant. PRO LAB 23/42.
104 The Lord Mayor of Newcastle, on hearing the initial statement by Stewart that he intended to settle the unemployed on the land, is reported to have said, "I have never heard anything so ridiculous in my life. They are only playing the fool with the whole problem. What we want is work". North Mail January 15, 1935.
105 EW 4, 146.
106 Ibid, 147.
107 PRO MAF 48/104 April, 1935.

depressed. Thus, wages were low, and the attempts to make agriculture more labour intensive were meeting with little success. In the light of this survey, it is surprising that the small holdings experiment was begun, still less that it was allowed to consume so much of the Special Areas Fund before a review was demanded. However, the political acceptability of land settlement, the close connections that the first Commissioner for England and Wales had with the LSA, and the more general desire to promote home agriculture during a period of autarky and disruption of traditional trading relationships seemed to have had greater weight than the rational consideration of economic prospects. The experiments of the thirties have played their part in the disappearance of land settlement programmes from the range of policies considered accaptable in combatting high regional unemployment. However, in addition to the cost factors, since 1944 the Government has accepted the responsibility for the level of employment and for ensuring rising living standards. Labour intensive land settlement of the type discussed above must inevitably be only a little better than minimum standards, and will only be attractive when seen as an alternative to unemployment. Thus, as long as unemployment can be reasonably expected to last for only short periods, land settlement will be unattractive. Moreover, with lower rates of unemployment than in the interwar period, land settlement will, hopefully, no longer be needed as a prop to the finances of an unemployment insurance or national assistance system.

The industrial transference scheme also began to encounter difficulties in the years before the outbreak of War. Table XVI shows

that the numbers transfering declined after 1936, and fell dramatically during 1938. This change can be ascribed to two factors; a growing resistance to transfer among the unemployed in the Special and other depressed areas; and the decision of the Government to pursue the policy less intently.

As the pace of industrial activity in the Special Areas began to quicken and as unemployment began to fall, there was obviously less incentive for the inhabitants of the depressed areas to move to find work. If they were to remain in their home areas they might be re-absorbed into their own industries in a familiar environment. It seems clear that the more hopeful economic outlook in the Areas was responsible, in large part, for the decline in numbers transfering for a study of migration in the interwar period found a very close correspondence between variations in the relative unemployment rates for each county, and that county's gains and losses by migration.[108] As a result of this marked disinclination to transfer, the Ministry of Labour instituted a review of the industrial transfer system in 1938 at which it was recorded,

> "The dearth of applicants who are suitable for transfer was commented upon at most of the depressed area offices visited. It was often stated that the best of the workers had already transferred or were in employment locally, and that, probably because of the long period of unemployment which they had experienced..... a high proportion of the applicants at present registered was bordering on the unemployable".[109]

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108 H Makower, J Marschak, and H W Robinson 'Studies in the Mobility of Labour: Analysis for Great Britain, Part 1' OEP 2 (1939), 82.

109 PRO LAB 8/218 Minute July 9, 1938.

Moreover, the review brought to light the fact that a considerable proportion of the transferees returned to their homes within two years of their original move. Although statistics were poor, it was estimated that approximately 30 per cent. of those who had been transferred in 1936 had already returned home by 1938.[110] In an investigation of the reasons for the return of juvenile transferees carried out in October and November, 1937, it was found that a large proportion of the boys had experienced little difficulty in finding work on their return, whilst many of the girls had been recalled by their parents to take up domestic duties following the employment or re-employment of older members of the family.[111] Thus, the prospects of maintaining the flow of transference seemed to be poor.

The Ministry of Labour also seemed satisfied that assisted transfer and voluntary, unassisted migration had drained the Areas of their surplus of skilled workers and, as a result, the number of potential transferees was nearly exhausted. There were jobs in the relatively prosperous areas for unskilled labourers, but these were in short-term jobs connected with rearmament (such as laying out airfields in the more remote parts of the countryside) and offered little hope of permanent transfer.[112] Thus, the prospects of gaining results on the same scale as in the middle years of the decade were diminishing.

Transference was also meeting with more fierce criticism, especially after the introduction of the industrial policies of the Commissioners.

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110 PRO LAB 8/218 loc. cit.
111 PRO LAB 23/161 Juvenile Transfer Scheme March 16, 1938.
112 PRO LAB 8/218 loc. cit.

Whilst the policy was never popular with the labour movement, their opposition to transfer increased during the late thirties. The General Council of the TUC issued a statement on March 5, 1937, in which the reservations about transference were recorded; the policy was regarded as a poor alternative to what might have been done for the Special Areas, but it was considered marginally better than no policy at all.[113] In 1939, the Labour Party viewed

> "with concern /the Government's/ scheme of transference of young persons to other areas and to the trades which lend themselves to the exploitation of young and juvenile labour at the expense of the adult worker".[114]

Moreover, the Commissioners seemed to be less enthusiastic about the possibilities of transfer as the industrial policy began to gather momentum. The new Scottish Commissioner, Sir David Allan Hay, was reported as expressing a strong preference for a policy of taking work to the workers rather than demanding individual mobility of labour.[115] His English colleague expressed more general reservations in his report for 1937.[116] The local authorities in the Special Areas, also expressed fears because transference, being biased towards young adult workers,[117] was leading to a reduction in the number of householders, and thus, rateable income, whilst leaving behind an older, increasingly dependent population.[118] This opinion was given added weight by Owen, in an article in the Sociological Review, who suggested that if

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113 Trade Union Congress Report of the 69th Annual Congress (1937),
114 The Labour Party Report of the 38th Annual Conference (1939), 271.
115 Manchester Guardian, November 25, 1936.
116 EW 4, 31.
117 Goronwy H Daniel 'Labour Migration and Age Composition' Sociological Review XXXI (1939), 286.
118 PRO LAB 23/75 The Burden of Local Rates in South Wales, Memorandum May 22, 1935, and notes of a meeting held on January 9, 1937.

transference were to continue at high levels, some towns and villages would be doomed to a long period of wasting decay which would make increasing demands on state subsidies and social welfare benefits. At the same time, he argued that the supply of scarce resources such as housing, education, and other forms of social capital in the relatively prosperous areas was being placed under increasing pressure as a result of the influx of population from the depressed areas.[119]

Thus, the reviewers of the industrial transference scheme recommended that it should be scaled down and the effort concentrated in the places where unemployment was highest.[120] However, the adaptation of the policy to the needs of the severely depressed parts of the scheduled areas relied to a great extent on promoting intra-regional mobility. Sir George Gillett had an almost insoluble economic and social problem in South West Durham where there was a network of isolated mining villages and towns where coal mining had become uneconomic and no new industry had grown to replace the lost colliery employment. Stewart had commissioned a survey of the area which had suggested that

> "No specific general industrialisation of South West Durham is practicable, and therefore, no steps can usefully be taken to that end....The only hope of any improvement in West Durham is to eliminate these deplorable villages which, broadly speaking, are no longer fit to be inhabited, and the cart tracks which serve them as roads".[121]

The Report recommended, nevertheless, that a company be formed to

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119 A D K Owen 'The Social Consequences of Industrial Transference' Sociological Review XXIX (1937), 238-49.
120 PRO LAB 8/218 loc. cit.
121 PRO LAB 8/14 Report by Sir Alexander Gibb and Partners November 5, 1936.

clear sites and search out prospective industries for the region. The South West Durham Improvement Association (SWDIA) was formed and was advised by the Commissioner's office in London to begin a fourfold programme:- preparing two or three sites for industry; clearing derelict buildings from other sites; investigating ways to demolish derelict housing in the pit villages; and, removing the old slag heaps.[122] The most contentious of the SWDIA policies was the plan to acquire houses in villages in which a significant proportion of the houses had been condemned under the slum clearance programme. The aim was to demolish tracts of inhabited, but dilapidated housing which could not be condemned as slum property, and to place the tenants in newer accommodation in communities which still had viable industries. By December, 1938, plans had been prepared to acquire and demolish houses in two villages, Byers Green and Sunnybrow, but the sitting tenants had expressed their opposition and refused to move.[123] The outbreak of War brought this experiment to an end, before either of the initial schemes had been tested.

Thus, the experiments with a mobility of labour policy in the interwar period met with a growing hostility from those it was designed to help after it had become clear that there was an alternative to migration; to press for efforts to bring work to the unemployed labour. Recent work has suggested, however, that during the interwar period, transference from the depressed areas made a positive contribution to the reduction of regional unemployment differentials, after taking

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122 PRO BT 104/17 Forbes Adam to Tribe September 23, 1937.
123 PRO BT 104/50 Minute for December 22, 1938.

into account regional multiplier effects.[124] This statement is especially true of the peak periods of mobility during the late twenties and the mid thirties. However, the impact was minor in comparison with the size of the regional unemployment problem. The unpopularity of the transference scheme during the interwar period has contributed to the failure to introduce a mobility of labour policy since 1945, and has been regretted by some regional economists.[125] However, the interwar scheme was not totally successful. It is estimated that only 28 per cent. of all people migrating from the depressed areas during the period were assisted by the various schemes of the Ministry of Labour.[126] These schemes were put into action without sufficient consideration of their effects; for example, in the mid-1930s there was overcrowding and a shortage of accommodation in the prosperous areas at the same time as employers in the depressed areas were complaining of a shortage of skilled labour, but transference persisted.[127] However, a detailed study of the working of the industrial transference scheme during the interwar period would enable today's legislators to analyse the deficiencies in both contemporary and interwar labour mobility policies in order to assess their relevance to the modern regional problem.

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124 David E Pitfield 'Labour Migration and the Regional Problem' University of Stirling unpublished Ph D thesis (1973).

125 See, H W Richardson and E G West 'Must we always take work to the workers?' Lloyds Bank Review (1964); K Hartley 'Public Policy and the regions' District Bank Review (1966); A E Holmans 'Restriction of industrial expansion in south east England: A reappraisal' OEP (1964); and on the 'move-industry' side, two articles by A P Thirlwall 'Migration and Regional Unemployment: Some Lessons for Regional Planning' Westminster Bank Review (1966); and 'A Measure of the Proper Distribution of Industry' OEP (1967).

126 PRO LAB 8/218 Review, paragraph 21.

127 PRO CAB 21/644.

Rearmament, Industrial and Other Depressed Area Policies

Despite the expansion in the scope of the Special Areas programme, the Government continued its policy of bringing assistance to the depressed areas in a broad range of policies. In addition to maintaining the assistance to the basic export industries under the coal mines legislation and the subsidies to tramp shipowners and shipbuilders,[128] the Government broadened its regional policies on two main fronts:- by introducing a regional bias in rearmament work, and by extending some of the Special Areas assistance to parts of Lancashire and the North West.

It is obvious that the Government's decision to intensify and accelerate its rearmament programme might have been adapted to help the depressed areas in a number of ways. Firstly, the maintenance of an adequate level of aggregate demand to approximate to full employment has been interpreted as an essential precondition of any effective regional policy.[129] Government defence expenditure rose from an average of

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128 For the earlier development of these policies, see supra, Chapters Two and Five. In the two and a half years before the outbreak of War only marginal alterations were made to the coal mines policy. Central selling was introduced, and under an Act of 1938 the private ownership and control of coal royalties was removed. The Act also removed the rigorous conditions for compulsory amalgamation under Part II of the Act of 1930. On the other hand, the scale of assistance to shipbuilders was dramatically increased. Following the help to Cunard to complete the Queen Mary, further financial aid was given towards the cost of building the Queen Elizabeth, again on the Clyde. However, the biggest change came when the President of the Board of Trade announced to Parliament on March 28, 1939, that more generous provisions would be made to tramp shipbuilders to overcome the limitations of the Act of 1935. A less demanding scrap-and-build scheme was introduced, capital grants were made available, and £10 millions were put aside for loans on favourable terms for tramp building. However, defence, and not economic, needs were the major force behind the legislation. Hansard (Commons), Vol. 345, 1852-6, March 28, 1939.

129 L Needleman and B Scott 'Regional Problems and Location of Industry Policy in Britain' Urban Studies 1 (1964), 158.

10-12 per cent. of total central Government expenditure between 1924 and 1934, to more than 50 per cent. in the last months before the declaration of war.[130] By the latter date, over 1½ million workers were directly employed on carrying out armament orders.[131] As the Government had to borrow from 1937 onwards to finance this expansion, the Special Areas and the economy as a whole, at last received the benefits of a period of deficit financing. However, the institution of an additional tax, the National Defence Contribution, to pay for part of the programme, at a downturn in the world economy suggests that the Treasury was not yet converted to Keynesian methods.[132]

The Government could also have used rearmament as a more direct regional policy in two ways; by emphasising the directional effects of armament expenditure, since many of the industries concerned were already located in the scheduled areas; and, secondly, by attempting to ensure that Special Areas firms were given preference in the allocation of all contracts. The Government did, in fact, pursue both policies, but the second was consolidated only after the rearmament boom was already in progress.

Since both Scotland and the North East had heavy concentrations of rearmament industries such as shipbuilding, heavy engineering and machine

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130 Bretherton et al. op. cit, 85.

131 It is possible that only part of this total represents a net addition to the total numbers employed. Wage rates were rising as a result of rearmament, private investment in fixed capital, stockholding and exports all declined and delivery dates on private orders lengthened, suggesting that resources were being diverted from private to rearmament work. Ibid, 62-95.

132 Robert Boothby The New Economy (1943), 28/9. Firms operating within the scheduled Special Areas were, however, given exemption from the National Defence Contribution as the result of the petitioning of the Commissioners. EW 4, 60.

tools, and all the Special Areas contained the linked coal mining and ferrous metal industries, it is not surprising that unemployment rates in the Areas fell during 1937. Thus, the Commissioner for England and Wales reported in 1937 that

> "The Government's armament programme has undoubtedly contributed to the recovery of the Special Areas, largely through the increased demand for coal, iron and steel generally and considerable warship building in the North East....Nevertheless, so far as I have been able to ascertain, the greater part of the recovery in the Special Areas, with certain exceptions, has been independent of armament work". [133]

However, the Commissioner was more ready to admit the role of rearmament work in cushioning the sharp dowturn of 1937/38.[134]

It is possible to exaggerate the effects of rearmament orders on economic conditions in the Special Areas. The directional effects even during the later stages, were quite pronounced. Naval building gave much greater benefit to the Clyde, which had traditionally been the main centre for warship construction, than to the North East coast yards;[135] West Cumberland, South Wales and South West Durham gained little from the early phases of rearmament;[136] and there was no real attempt to diversify the armament industries of the Special Areas.[137] In the industries and areas directly concerned, it seems clear that the placing

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133 EW 4, 11.
134 EW 5, 15.
135 N K Buxton 'The Scottish Shipbuilding Industry between the Wars: A Comparative Study' Business History X (1968), 116-120.
136 EW 3, 17.
137 The Scottish Economic Committee pressed strongly for factories to build aircraft to be located in the Scottish Special Area. Scotland 5, 60.

of Government orders led to bottlenecks and the lengthening of delivery dates on work for private firms or individuals.[138] There was a general shortage of skilled labour in the rearmament and building industries as early as 1936,[139] which affected the North East and Scotland severely because employers had been reducing apprentice ratios following the slump years early in the decade.[140] Thus, the effects of rearmament expansion were not entirely beneficial.

As far as more direct preference for the Special Areas was concerned, the Government granted preference in rearmament contracts to tenders from firms in the Special Areas 'all other things being equal'. The benefits were obviously not sufficient, for the Scottish Economic Committee had sent an earlier delegation to the Secretary of State in November, 1936, to protest at the inadequate amount of work placed with local firms.[141] The Government consequently ordered a review of its procedures after which the Departments reported that little improvement on existing results could be expected for the Areas. A memorandum by the Admiralty suggests that the geographical concentration of particular industries, rather than the operation of any preference determined the destination of most contracts.

> "The Admiralty's biggest contribution to the relief of unemployment in the areas is naturally through the medium of contracts for new ship construction. The fact that the shipbuilding industry and

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138 EW 4, 11.
139 PRO CAB 21/644 The Supply of Labour in Industries Affected by Rearmament, May, 1936. Also, T Balogh 'Economic Policy and Rearmament in Britain' Manchester School VIII (1936), 82.
140 H M D Parker Manpower: A Study of Wartime Policy and Administration (History of the Second World War U K Civil Series 1957), 36.
141 PRO BT 104/83.

its adjuncts are largely concentrated in the Special Areas enables a considerable share of Admiralty contracts to be allocated to them even without the exercise of the preference other things being equal".[142]

However, the Commissioners continued to press for greater opportunities for firms in the Special Areas, especially since it was thought that a stable, secure Government order could help some of the less firmly-established firms on the trading estates.[143]

There was also heavy pressure from the depressed areas (with support within the Cabinet[144]) to try to have new defence and ordnance factories built within the scheduled areas. The Special Areas White Paper had made the point that local labour would be needed to build and run these factories and that several would continue to provide work after the end of the rearmament programme.[145] Although Sir George Gillett reported the opening of several factories in South Wales and the North East,[146] local opinion in Cumberland and Scotland was not satisfied with progress.[147] Jarrow also sent a delegation asking that the former Palmers' shipyard be developed as a naval base.[148] However, the Government had decided that the speed of the programme could not be sacrificed to the needs of the Special Areas; the factories would be built only in those places in which it was thought that suitable skilled labour could be obtained;

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142 PRO CAB 24/265 CP 315(36)
143 PRO BT 104/16 Notes for Contracts Co-ordinating Committee Dec. 9, 1938.
144 Sir Kingsley Wood and Ernest Brown, having received the Report of Royal Commission on Merthyr Tydfil, suggested to their colleagues that the establishment in the town of a Government factory making armaments would boost morale and employment. PRO CAB 24/264 CP 229(36) August 27, 1936.
145 Op. cit, 6/7.
146 EW 4, 18.
147 West Cumberland News, March 13, 1937; PRO BT 104/83 loc. cit.
148 PRO BT 104/13 Minutes April 29, 1937.

there was not sufficient time to train workers in the Special Areas in such skills as, for example, were required for vehicle and aircraft manufacture.[149] There were some substantial benefits for the areas such as the opening on the North Hillington estate of a factory by Rolls Royce which was to provide 10,000 jobs in aircraft assembly.[150] The effects of the rearmament programme on the depressed areas were complex, being at the same time beneficial and disappointing in what was attempted and what was achieved.

The final topic to be considered relates to the Government's greater flexibility over the definition of depressed areas to receive official assistance. The Government seemed prepared to designate parts of the North West as officially recognised depressed areas. Following the meetings between Sir Horace Wilson, Sir Joseph Hall and Sir Thomas Barlow,[151] the Government included in the Act of 1937 provisions to certify areas for assistance. Pressure for assistance had come not only from prominent industrialists, but also from Lancashire MPs. Rhys Davies had stressed that Lancashire, with its massive population, presented a problem twice as great as that of the whole of Scotland.[152] Local academics had also been calling for parts of Lancashire to be given the power to offer inducements to industry to locate in such areas as Blackburn, Burnley, Rossendale and Wigan.[153]

Thus, throughout 1938, areas in Lancashire, Cheshire and Derbyshire were certified under Section 5 of the Special Areas Act of 1937.[154]

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149 PRO CAB 23/85 Cabinet 57(36) October 14, 1936.
150 The Times, May 17, 1939, Government Work and Special Areas.
151 Supra, footnote 30, p 215.
152 Hansard (Commons), Vol. 321, 1529, March 12,1937.
153 University of Manchester, Economics Research Section Readjustment in Lancashire (Manchester 1936) passim.
154 Table XX. See also, supra, 215.

Parts of the highly industrialised North West gained under the rearmament boom, but special efforts were made to locate Government ordnance factories in the less prosperous zones.[155] The Government also began to step up its efforts to encourage the reorganisation of the cotton textile industry in order to try to promote greater economic security. After a series of failures with both voluntary and Government-assisted schemes, the Government included in its Cotton Industry (Reorganisation) Act of 1939 machinery for fixing compulsory minimum prices by the setting up of a Statutory Cotton Industry Board.[156] In addition, high unemployment districts in Lancashire figured in the Loan Facilities Bill which was to provide loans to new undertakings to be established in areas of heavy unemployment.[157] Thus, the Government was taking steps to counter the criticisms over the boundaries of the Special Areas. There were, however, no moves to include the major towns in areas to receive assistance - regional growth had not yet become a priority.

Conclusion

By the outbreak of the Second World War a more recognisably modern regional policy had evolved. Great strides had been made in the growth of industrial policy and in a more flexible attitude to the boundaries of the assisted areas. However, the administration of the policy was still backward, and the aims of the Commissioners seems to have been somewhat confused. The direct effects on the areas were

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155 In November, 1938, a bitter debate raged in the War Office about proposals to site a factory at Wigan to help relieve a serious unemployment problem. PRO CAB 21/663 Rearmament Programme: Siting of Government Factories. November, 1938.

156 See Hansard (Commons), Vol.345, 1733, March 27, 1939.

157 PRO CAB 23/100 Cabinet 39(39), July 26, 1939.

slight and were to remain so until the Treasury became converted to Keynesian demand management techniques and to the need for a greater level of expenditure on its regional programme. The progress made since the introduction of the Act of 1934 was remarkable, but policy still assumed the continued existence of large numbers of unemployed in the depressed areas. Neville Chamberlain had announced in March, 1937, that the Government was attempting to combat unemployment with a five-fold policy:- assistance to ailing industry; the introduction of new industries; land settlement; transference; the improvement of the social services, with the object of helping the surplus unemployed remaining in the depressed areas.[158] This policy was still being pursued in 1939, and the last three elements (which passively assume the continuation of high regional unemployment) were still important.

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158 Hansard (Commons) Vol. 321, 1572-87, March 12, 1937.

TABLE XVII

The distribution of certain industries in certain regions of Great Britain based on the average number of persons employed as recorded at the census of production

	Greater London	Northumberland Durham and Cleveland	Glamorgan Monmouth Carmarthen	Lanark Renfrew Dunbarton
Cotton	*	-	*	3
Wollen and Worsted	*	*	*	2
Silk and Rayon	1	-	-	*
Boot and Shoe	8	*	*	2
Iron and Steel	1	13	9	11
Tinplate	*	-	90	-
Mechanical Engineering	12	8	*	14
Electrical Engineering	39	3	*	*
Shipbuilding	7	29	4	25
Cycles and Motors	21	1	*	2
Grain Milling	19	4	7	3
Tailoring	34	1	*	5
Chemicals	22	14	*	3
Paper	16	2	*	6
China and Earthenware	2	1	-	2
Coal Mines	-	19	18	4

Figures relate to the percentage of the total GB employment recorded in each region.

* less than one per cent.

Source: Royal Commission on the Geographical Distribution of the Industrial Population, Memorandum of Evidence of the Board of Trade, Annex 1, Table (ii), 97.

TABLE XVIII

Summary of estimated commitments, including expenditure, of the Commissioner for the Special Areas in England and Wales to September 30, 1938.

	£	£
INDUSTRY		
Harbour and Quay	554,000	
Clearance and Improvement of Sites	412,000	
Trading Estates and Individual Sites	4,005,000	
Development Councils	34,000	
Inducements	100,000	
Miscellaneous	47,000	
		5,152,000
HEALTH		
Hospitals, Maternity and Child Welfare	3,023,000	
District Nursing and Ambulances	67,000	
Baths	98,000	
Water Supply	175,000	
Sewerage and Sewage Disposal	2,277,000	
Street Works	400,000	
Miscellaneous	72,000	
		6,112,000
HOUSING		1,162,000
AGRICULTURE		
Small Holding Schemes	3,082,000	
Group Holding Schemes	133,000	
Assisted Allotment Schemes	23,000	
Land and Field Drainage	22,000	
		3,260,000
VOLUNTARY (LOCAL AMENITIES) SCHEMES		59,000
OTHER MEASURES OF SOCIAL IMPROVEMENT		905,000
MISCELLANEOUS		120,000
		£16,770,000

Source: EW 5, 92.

TABLE XIX

Summary of estimated commitments, including expenditure, of the Commissioner for the Special Areas in Scotland to September 30, 1938.

	£	£
INDUSTRIAL DEVELOPMENT		
Trading Estates and Site Factories	996,104	
Harbour and River Work	40,279	
Inducements	46,074	
Publicity and Information	45,525	
Miscellaneous Surveys and Inquiries	9,530	
		1,137,512
PUBLIC WORKS		
Sewage and Drainage	930,899	
Water	200,167	
Parks and Recreation Grounds	37,520	
Swimming Baths	27,660	
Hospitals	700,000	
Housing	708,000	
Maternity and Child Welfare Centres	7,881	
Roads	15,567	
Others	13,600	
		2,641,294
LAND		
Group Occupational Scheme	21,414	
Allotments and Plots	10,000	
Smallholdings and Instruction	21,325	
Farming Experiments	123,840	
Land Reclamation	11,250	
Miscellaneous	6,141	
		193,970
SOCIAL SERVICE		228,188
		£4,200,964

Source: Scotland 5, Appendix 2.

TABLE XX

Areas receiving assistance under section 5 of the Special Areas (Amendment) Act of 1937

As from April 21, 1938:

(a) the County Boroughs of St. Helens and Wigan, the Borough of Leigh, the Urban Districts of Newton in Makerfield, Haydock, Ashton in Makerfield, Billinge and Winstanley, Abram, Golborne, Hindley, Standish with Langtree, Aspull, Blackrod, and Westhoughton.
(b) the Borough of Heywood.
(c) the County Borough of Birkenhead.

As from April 27, 1938:

the County Borough of Blackburn, the Boroughs of Darwen, Accrington, and Haslingden, and the Urban Districts of Rishton, Great Harwood, Clayton-le-Moors, Church and Oswaldthistle.

As from May 10, 1938:

the County Borough of Burnley, the Boroughs of Nelson and Colne, and the Urban Districts of Padiham, Brierfield, and Barrowfield.

As from May 16, 1938:

the Boroughs of Ashton-under-Lyme, Dukifield, Massley, and Staley-bridge, the Borough of Glossop, the Urban District of Longendale, and the Rural District of Tintwhistle.

As from June 14, 1938:

the County Borough of Oldham, and the Urban Districts of Chadderton and Lees. The County Borough of Bootle.

As from August 22, 1938:

Middleton.

As from February 9, 1939:

the Urban District of Trawden.

Source: Ministry of Labour Gazette.

PART FOUR

REVIEW AND CONCLUSIONS

CHAPTER SEVEN

The Impact of Interwar Policies on the Legislation of 1945

Although rapid progress had been made in the development of machinery to bring economic aid to the depressed areas since the mid-thirties, the discriminatory policies were still of minor importance at the outbreak of war. The programme continued to be under the control of the Commissioners, expenditure was trifling in relation to the size of the known economic and social problems of the depressed areas, and the goals of the policy had not yet been coherently formulated.[1] However, the experience of these years was to have a long-term influence on the growth of regional policy in the United Kingdom. This is apparent from a study of the impact of the Special Areas measures on the first post-war regional legislation, the Distribution of Industry Act of 1945, which has been described as the foundation of modern British regional policy.[2]

However, the lines of influence from the regional policy of the late thirties to that of the post-war world were not direct. The lessons of the Special Areas were given heavier emphasis and wider relevance in economic policy after the publication of the Report of the Royal Commission on the Distribution of the Industrial Population (the Barlow Report),[3] and the White Paper Employment Policy.[4] As a result of these documents, the nascent programme of the thirties was brought into

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1 Supra, Chapter Six.
2 McCrone op. cit, 107.
3 (Cmd 6153 1940).
4 (Cmd 6527 1944).

the formal work of Government departments, its goals were more clearly defined, and it played a far more substantial role in economic policy. Although progress was substantial and rapid, not all the lessons of the thirties were implemented in the Act of 1945. The failure to adopt, in full measure, the recommendations of the Barlow Report requires consideration.

The Establishment of the Royal Commission.

The Royal Commission, like many of the more important developments which occurred in regional policy between 1937 and 1939, had its proximate origins in the final report issued by Sir Malcolm Stewart. He had been somewhat disgruntled at the limitations on his powers and responsibilities, and was concerned, therefore, to have a re-appraisal of the machinery of the Special Areas legislation instituted in order that a more comprehensive regional economic development programme might be introduced. He raised issues which had previously seemed of only marginal relevance to the Special Areas legislation. In particular, his discussion of the need for a national location of industry policy of prohibiting factory building in certain areas and offering inducements to industrialists to site their factories in the depressed areas aroused considerable controversy.[5] The press seemed to welcome the idea that new enterprise should be positively encouraged to set up in the regions, although the reception given to the proposals for a more exhaustive location of industry policy was more mixed.[6]

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5 EW 3, 6-10; Appendix 1, 165.
6 The Times November 18, 1936, 'A Tour of the Areas'; The Economist November 7, 1936, 249/50; Daily Herald November 11, 1936.

The main themes were echoed in the Commons in the debate on the inclusion of the Special Areas Act in the Expiring Laws Continuation Bill (thus, apparently, giving notice that the Government intended that the existing machinery should remain in operation without substantial overhaul).[7] Members of Parliament were given a further chance to develop their thoughts the following day on a private member's motion dealing with the location of industry.[8] However, the Government was not prepared to respond and issue an authoritative statement until the Cabinet had considered the recommendations of its interdepartmental committee examining the final reports of Stewart and Rose. The procedure was slowed still more by the decision to submit the interdepartmental committee's report to a sub-committee of the Cabinet before being considered by the whole Cabinet.[9]

Stewart's report seems to have profoundly shaken the civil service and Government Ministers, for it was almost four months before the Cabinet was ready to discuss what action should be taken to implement the recommendations of the Commissioners.[10] The interim period had been occupied by frequent discussions. Despite the conclusion of the inter-departmental committee that a public inquiry into the location of industry would be neither desirable nor worthwhile,[11] the Cabinet approved the setting up of a Royal Commission on the control of the expansion of industry in Greater London,[12] and the Minister of Labour announced on March 6, 1937, that

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7 Hansard (Commons) Volume 317, 1581-1756, passim. November 17, 1936.
8 Ibid, 1814-65. November 18, 1936.
9 PRO CAB 27/579 Reports of the Committee on the Reports of the Investigations into the Depressed Areas.
10 PRO CAB 23/87 Cabinet 8(37), February 17, 1937.
11 PRO CAB 24/268 CP 57(37), Committee on the Reports of the Commissioners for the Special Areas, Appendix 1, Report of the Interdepartmental Committee, 30.
12 PRO CAB 23/87 Cabinet 9(37), February 24, 1937.

> "The Commissioner has called attention to the fact of the growth of London, and has expressed the opinion that further extension of industry should be controlled, as a means of securing a more even distribution of production, in which, he hopes, the Special Areas will share. This extension is occurring not merely in London but in other great cities, and it gives rise to grave problems not merely of industry, but of health, communications, vulnerability from the air, and other problems that go far beyond the issue raised by Sir Malcolm Stewart. The Government feels that these wider issues deserve authoritative and comprehensive study, and they propose to appoint a Royal Commission for the purpose".[13]

The widening of the terms of reference to this extent reflects the forceful argument of Neville Chamberlain that a Royal Commission restricted to considering the growth of London would be of little value.[14] It also reveals, perhaps, that the Government still did not value a regional policy very highly as an unemployment policy; only when the strategic, public health, and communications questions were added was there sufficient justification to appoint the Royal Commission.

However, the Government seems to have been determined that the Royal Commission should be accorded high status and not be seen as a time-gaining sop to public opinion. If the prestige of the Chairman is any guide to the value that the Government attaches to the work of a Royal Commission, it is clear that much was expected from this inquiry. On the first list of prospective Chairmen were Lord Riverdale, Sir Josiah Stamp, and Lord Moyne, whilst Sir Herbert Samuel, Lord Astor, Lord Lee, Lord Kennet, and Lord Mancroft were included on the second list, along with the eventual chioce, Sir Montague Barlow.[15] Neville

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13 Hansard (Commons) Volume 321, 1026/7, March 6, 1937.
14 PRO CAB 23/87 Cabinet 9(37), February 24, 1937.
15 PRO HLG 68/50.

Chamberlain had earlier suggested that he would have liked to appoint Lord Beveridge, but Barlow, the Minister of Labour in the Conservative Government of 1922-24 and thereafter a prominent industrialist, was appointed on July 7, 1937.[16] In order to give due attention to all the aspects of the Commission's terms of reference ("to inquire into the causes which have influenced the present geographical distribution of the industrial population of Great Britain and the probable direction of any change in that distribution in the future; to consider the economic, social or strategical disadvantages arising from the concentration of industries or of the industrial population in large towns or in particular areas of the country; and to report what remedial measures should be taken in the national interest")[17] the members of the Commission were drawn from very diverse backgrounds.[18] However, the Chairman found it extremely difficult to channel the deliberations of such a variety of specialists and, thus, was forced to appeal to the Ministry

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16 Ibid.

17 Barlow Report, vii-viii.

18 The members were Professor Leslie Abercrombie (Professor of Town Planning in University College, London), Ernest Bevin (of the Transport and General Workers' Union), Francis D'Arcy Cooper (Chairman of Unilever, and a number of other leading companies), Mrs Lionel Hichens (Oxford County Council), Mrs A V Hill (Hornsey Borough Council and Social Service Committee), Professor J H Jones (Professor of Economics in the University of Leeds), Sir Francis Joseph (a Director of the Midlnd Bank and of the London Midland and Scottish Railway Company, and President of the Federation of British Industries in 1935), Parker Morris (Town Clerk of Westminster), Sir Arthur Robinson (Secretary to the Ministry of Health, 1920-1935), Sydney Arthur Smith (Surveyor), George Thomson (Trade Unionist), and Sir William Whyte (Chairman of the Town Planning Institute of Scotland). Bevin was forced by ill-health and overwork to resign shortly after the investigation work had begun on March 17, 1938, and was replaced by another trade unionist, H H Elvin.

of Health to suggest the broad avenues which the Commission might usefully explore.[19] This sense of drift became so acute that Barlow became afraid that the Commission had no idea what to recommend and that the report would be a fiasco.[20] It is not surprising that common ground was difficult to find in view of the diverse interests of the members and of the vast amount of evidence taken.[21] Nevertheless, the Barlow Report is highly regarded for its exposition of the causes and consequences of the location of industry,[22] and, together with the volumes of evidence presented by such a wide variety of organisations at such a crucial time in the development of regional policy, makes a fertile source for the historian of the Government attitude to unemployment.

The Commission's Analysis of Unemployment in the Regions

The decision of the Chairman to withstand pressures from those who wanted rapid results in order that a more deliberative, thorough approach

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19 In a letter to Gilbert of the Treasury Maude wrote, "It seems difficult to avoid giving Sir M Barlow some sort of lead, however vague, and, on the whole, I would suggest that the most useful indication might be that the Commission should pay particular attention to the question of persuading (rather than compelling) industrialists to site their factories in the right places and not in the wrong ones, and that the Commission would be doing valuable work in collating and sifting all the experience which has been gained on this subject in connection with the industrial estates in the Special Areas, the garden cities (Welwyn, Letchworth, etc.) and the estates such as Trafford Park and Slough". PRO HLG 68/50 February 6, 1938.

20 Ibid, Maude to Treasury June 15, 1938.

21 Oral evidence was taken from 40 Government departments and other organisations, from 10 individual witnesses, and written evidence was taken from 72 organisations.

22 McCrone op. cit, 102-5.

might be adopted is a major factor in the decision to survey such a vast amount of ground. Barlow wrote

> "In view of the wide terms of reference and the importance attached by Parliament, the Press, and the public generally, to the findings of the Commission, it is essential that full consideration should be given to all relevant evidence; a sketchy report not based on a full consideration of all the facts would be of little use to anyone... there is considerable pressure in Parliament and elsewhere in favour of a report being issued with all speed, but it is not often realised by those who have little direct experience of the rather cumbrous machinery of enquiry by Royal Commission or similar bodies, how slow such machinery must be in operation".[23]

This extract reveals not only the deliberative approach favoured by the Chairman, but helps measure the interest in the regions at the end of the interwar period. The causes of regional unemployment and the contemporaneous expansion of London and the South East had clearly captured the imagination as the regional industrial policies began to gather momentum.

Although the Chairman wanted a wide-ranging inquiry, the common view of the work of the Commission was to perfect the policies for aiding the Special Areas.[24] The problem of the Special Areas did occupy much of the time of the Commission and their report stands as a milestone in the analysis of the regional problem and the development of remedial measures. However, their main concern was to investigate the national distribution of population and industry and to examine the relationship between the factors which were responsible for the relative gloom in some areas and those which contributed to the more prosperous conditions in other parts. The Barlow Commission was not the first organisation to adopt this kind of perspective on the causes of unemployment in the

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23 PRO HLG 27/33 Points for Consideration: Memorandum by the Chairman, March, 1938.

24 The Times asserted that any inquiry should be chiefly concerned with helping the Special Areas and preventing their re-apperance. Dec. 4, 1938, 'Location of Industry'.

regions. In his final report, Sir Malcolm Stewart had drawn attention to the relationship between congestion in and around London, the growth of manufacturing industry in the area, and the apparent dearth of new enterprise in the coalfields.[25] In the House of Commons, the need to direct the location of new enterprise to the depressed areas had been the frequent call of 'planners' of all political persuasions.[26] This aspect was taken up and developed at some length by the Royal Commission.

The Barlow Report saw the long-term aim of Government policy as providing the most advantageous spatial distribution of industry throughout the country, with congestion in the South East being seen as essentially part of the same problem as the Special Areas. The Board of Trade, for example, noted that the decline of the export-oriented basic industries which had been heavily dependent upon coal as a source of power and as a raw material, and the rise of the building/automobile/ consumer durable group of industries which seemed to gain from concentrating near the large population aggregations (which provided the necessary market and adaptable labour force) had, in large part, caused the shift of the centre of industrial expansion to the Midlands and the South East.[27] London had become the largest new centre of rapid industrial expansion, but the other large cities had also expanded, though not to the same extent as London and its periphery.[28] However, the competition for land in and around these larger cities had created problems of congestion; rising central land prices, the migration of industry to the outskirts, the

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25 EW 3, loc. cit.

26 See, for example, the speech by Anderson (Whitehaven) Hansard (Commons) Vol. 307, 192/3, December 4, 1935; BY Edwards Ibid, 1041, Dec. 11, 1935; by Greenwood, Ibid, Vol. 309, 2208/9, March 11, 1936; by Boothby Ibid, 2209, March 11, 1936; and by Bevan Ibid, Vol. 311, 1951, May 7, 1936.

27 Royal Commission on the Distribution of the Industrial Population Minutes of Evidence (hereafter Evidence) Evidence submitted by the Board of Trade, paras. 100-105.

28 Evidence Evidence submitted by the Ministry of Labour, para. 27.

separation of workplace and dwelling causing workers to have to experience expensive, time-consuming journeys to work, and contributing to the massive increase in traffic volumes which, in turn, brought demands for expensive improvements to transport facilities in town centres.[29]

The Report of the Royal Commission served to explode the myth of the 'drift of industry to the South' which had been much discussed during the interwar period. The Commissioners for the Special Areas had been asked for comment upon the effects on their own areas of the transfer of big industries. Both Gillett and Hay discovered very few examples and the Commissioner for Scotland could only point out that in his area the transfer of a large employer was little different in effect from the results of a long depression during which many large factories would have ceased production.[30] This view was reiterated by Frank Pick who suggested that the migration of industry to London and the South East was exaggerated because it had been confused with the establishment of new industries within the region as a whole, and the shift of industry within the Greater London area itself. He calculated that between 1932 and 1936, only 21 factories had been transferred from the provinces to the capital, a figure which should be compared with the 779 factories established in the area over the same four year spell.[31] Moreover, there had been ample evidence to suggest that the bulk of the expansion around some of the larger cities had come from structural elements peculiar to the areas of

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29 Barlow Report, 49/50.

30 "Cases of departure of an industry have been few, and indeed final closing of a works had not been common. The more usual happening was the temporary reduction of a factory to a care and maintenance basis, ready to resume when trade revives". PRO HLG 27/177 Memorandum by the Commissioner for the Special Areas in Scotland.

31 He did suggest that there were 17 cases which a dubious case could be made for transfer. Evidence Evidence submitted by Frank Pick, Vice-Chairman of London Passenger Transport Board.

expanding industry.[32] Birmingham Corporation suggested that some of their local industries which had been in decline since 1918 had successfully adapted their production to demands for different goods, whilst both the Radio Manufacturers Association and the Motor Cycle Manufacturers and Traders Union stressed the adaptability of the light engineering trades in marketing new products.[33] These trends, together with the greater buoyancy of the tertiary sector and its tendency to concentrate in the larger towns, contributed to the location of the main centres of expanding industry away from the coalfields to the larger urban centres where the difficulties of congestion were becoming visible.

The main emphasis of any measures to halt the decline of the coalfields had, therefore, to be national in scope since it had become vital to secure a balanced distribution of industry in the country as a whole rather than preventing a supposed drift away from particular regions. The scope for remedial action was also widened when decentralisation had to be taken into account. The aim for regional policy had thus been defined; to obtain a greater industrial balance in the whole country by providing a more diversified and stable economic structure in the individual regions. A major shift away from the social role of the alleviation of unemployment had taken place. The importance of this change was that the congested regions were brought within the compass of regional policy; it was thought that the cost of travel, delay, rising land prices, shortage of development land, and ever-increasing demands

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32 Michael Beesley suggests that the establishment of factories in the West Midlands region was higher in the north west zone than in the south west because of the favourable industrial structure, consisting of complex assembly industries, which were more highly generative of new establishments. 'The Birth and Death of Industrial Establishments: The Experience of the West Midlands Conurbation' Journal of Industrial Economics IV (1955), 47/8.

33 The Corporation cited the case of a local jewellery firm which had begun to manufacture razor blades. PRO HLG 27/62.

for improved social capital gave less than ideal conditions for expansion in parts of the Midlands and South East. Thus, some of the Barlow Report's recommendations concerning the building of new towns, garden cities, and the development of existing urban centres in the depressed areas to alleviate unemployment by introducing a dynamic industrial core, allude to the present-day strategy of promoting expansion by 'growth poles'.[34] After a period of neglect during the fifties, these policies were re-adopted during the following decade in the manner recommended by the Barlow Commission.[35] Moreover, this combination of national economic planning and physical (town and country) planning was almost completely unknown in this country before the Barlow Report. The Royal Commission emphasised the profitability of combining and rationalising the planning process not only in relation to new town building but also in its call for the drawing up of a national plan for the location of industry to form the framework for local zoning schemes.[36]

Although de-centralisation formed a major part of the Barlow strategy, the most effective treatment of the problem of national industrial imbalance was to come from the encouragement of new industries to locate in the depressed areas. This conclusion was not reached without a controversial debate about the role of Government in relation to private industry. The most persistent advocacy of the inappropriateness of a location of industry policy came from the Board of Trade representatives who argued that a Government location ploicy would inevitably increase costs of production by raising transport costs for industries

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34 Barlow Report, 205/6.
35 McCrone op. cit, 106-48.
36 Barlow Report, 205, 210/11, 230.

diverted from the South East. The Board feared that the repercussions on the level of national output would be serious, as the following extract from the Memorandum of Evidence reveals.

> "If it can be assumed that the industrialist himself has made a just appreciation of the economic advantages of the different sites open to him, it must be supposed that the manufacture on an alternative site which he has not chosen will in general be commercially less efficient. Any decrease in efficiency in an industry must at all times have disadvantages for the industry itself and for the general economic life of the nation, but the dangers which arise from any general lack of efficiency are possibly most dangerous in the case of industries or businesses engaged in the export trade. Any action which might tend to impose on the British manufacturer disadvantages not shared by his competitors abroad, whether by increasing his costs, or by preventing him from carrying on his work in the most efficient manner, might have a serious effect on our export trade and thus upon the whole economy of the country".[37]

This extract has been quoted at length because it states very coherently the concern felt by a significant number of economists and administrators. They feared that intervention would mean lower competitiveness and thus higher unemployment in the depressed areas. The logic of this position depends upon the premise that business decisions are made after consideration of all the relevant information, in a rational manner and that a free choice of sites could be granted.[38] Moreover, it is a position which, at that time, was supported by no empirical evidence.

However, it is unlikely that the selection of one particular site is so crucial in such a small, densely populated island with such a relatively well-developed communications network as Britain since the

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37 Evidence, Evidence submitted by the Board of Trade, pr. 117.

38 The Secretary of the Board of Trade, W Palmer, thought that industry was becoming 'more Scientific' in its choice of sites, since he considered that such decisions were generally taken by boards of Directors on the advice of experts. Evidence, Third Day, Q853.

First World War. W F Luttrell has suggested that in the 1945-52 period, it was most unusual for boards of Directors to consider new sites in the detail assumed by the Board of Trade.[39] Nevertheless, unit costs were much the same at the original sites and the new locations after the initial settling in period, suggesting that the Board of Trade's assumptions about the crucial importance of an optimal location were rather mistaken.[40] Admittedly, such factors as the high general demand for labour, rising land prices, and Government controls were not nearly so pressing in the years before 1939, but there are grounds for supposing that local factor shortages might have conspired to make the location decisions, particularly in the late thirties, almost as rushed as in the post-1945 period; in the engineering industry in London employers were finding difficulty and having to endure delays in filling vacancies for certain grades of skilled men as early as July-December, 1936.[41] In addition, throughout the late thirties industrialists were having to move further from the centre of London to the North and West in order to find sufficient land for factory space at suitable purchase or rental price.[42]

The Board could see no reason for the Government or any other agency interfering in business decision making. The failure to appreciate the non-economic factors in industrial location led it to assume that the

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39 "In the majority of cases, the selected location seems to choose itself during the search, and it was unusual for a firm to make a detailed comparison of the advantages and disadvantages of two or more alternative locations". W F Luttrell Factory Location and Industrial Movement Volume 1 (1962), 78.

40 Ibid, passim, but see, especially, 295-354.

41 RGD Allen and Brinley Thomas 'The Supply of Engineering Labour under Boom Conditions' Economic Journal XLIX (1939), 265-74.

42 P G Hall The Industries of London Since 1861 (1962), 121-139.

existing geographical distribution of industry was the most efficient for the nation as a whole.[43] Presumably, the Board hoped that economic forces would eventually bring back some degree of vitality to the depressed industrial regions when depression had forced wages down whilst congestion and labour shortages had forced costs up in the more prosperous areas. The centre of industrial expansion would then shift once more to exploit the now favourable cost position in the regions. However, this approach ignores the existence of the social costs of unemployment on the one hand, and the economic benefits of concentration and large-scale production on the other.[44]

Other departments and organisations were, however, more prepared to encourage industry to the depressed areas, although few took such a wide view of the aims of policy as the members of the Royal Commission. The reduction in regional unemployment was seen as the proper goal of policy by the majority of the witnesses. This approach is hardly surprising since numerous groups giving evidence had had some responsibility for dealing with unemployment in the interwar period. The Ministry of Labour,

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43 "In the first place, there is no evidence that the industrialist has in the main incorrectly assessed the value of the various complex and often mutually opposing factors which have to be weighed before he could decide in which part of the country he should risk his capital. If in some cases he has made mistakes he has paid for them himself and these mistakes have not been without value in building up a body of experience by which he and others have subsequently profited. It can probably be assumed that in general the present distribution of the industries of the country approximates very closely to the distribution which enables each of these industries to operate most economically and efficiently, and there is, therefore, reason to suppose that this distribution is well adapted to serve the interests of the country as a whole". Evidence, Memorandum of the Board of Trade, para. 122.

44 Whilst this method of putting words into the mouth of the Board of Trade representatives might seem somewhat unfair, it must be stated that at no stage did they acknowledge the existence of the costs of unemployment nor of the social/psychological factors which might have contributed to the continuous growth of London, the Home Counties, and the Midlands beyond what might be considered as the limits of economically competitive production.

for example, made reference to the social costs of the choice of a particular location.

> "It seems obvious, however, that every practicable step should be taken to secure that in the establishment of industrial undertakings the fullest attention should be paid to all the aspects, economic and social of the question in each case and that industrialists should be induced to take the fullest advantage of the information available from all sources that would guide them to a decision that would be in their own and the general interest". [45]

Thus, it appears that the Ministry favoured Government interference in location decisions, but that it should be limited to persuasion to induce industry to the desired spots. The Ministry considered that the free-enterprise, laissez-faire individualist approach had failed, because in allowing industrialists to site their factories where they had wished, there had been unsatisfactory results in the form of concentrated, localised unemployment.[46] Nevertheless, there was no sign of any commitment to a compulsory location of industry policy; moreover, the Ministry still regarded many of its policy commitments to the unemployed and to the depressed areas as in the experimental phase and, thus, disengagement was theoretically possible. The Special Areas legislation was still regarded as an interesting pilot scheme but there was no real conviction that any of the lessons learned could be applied on a more extensive scale. In 1938, transference was given equal weight with the policy of influencing industrial location;[47] and a location of industry policy was

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45 Evidence, Memorandum of the Ministry of Labour, para.122.
46 Ibid, Q2594-6, Tenth Day.
47 The answers of the Ministry witnesses were somewhat confused on this topic. When asked if he were advocating that industry be taken to the workers, Wolfe answered in the affirmative. Evidence, Q 2594. However, in its Memorandum, the Ministry noted that it was the duty of the Government to direct the natural population movement to areas in which there was a demand for labour. Evidence, Memorandum of the Ministry of Labour, paras 34, 117.

regarded as an expedient of the last resort to be restricted to cases where a demonstrable need existed.[48] Thus, the Ministry of Labour seemed to oppose a laissez-faire attitude to industrial location but was unwilling to commit itself to any degree of systematic control of private industry.

A similar stance was taken by most Government departments. The Ministry of Health, for example, did not oppose control of location on principle, but made it clear in their evidence that any system would place such intolerable burdens upon the industrialist that it would be unworkable.[49] They suggested that a system of licensing new factory building would be inadequate to cope with these essentially long-term problems, and thus a zoning programme would have to be adopted. Such a plan would, it was argued, inevitably result in the failure to develop prime industrial sites.

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48 Summarising its assistance to the depressed areas, the Ministry of Labour evidence noted, "The measures referred to above have been directed to relieving the effects of depression in certain districts in which unemployment has been most acute. They have necessarily, therefore, been partial in scope and have not endeavoured to deal with the problem of the location of industry on a national scale. They do, however, imply a recognition by the state that it has an interest in this problem and that it is desirable, in the general interest, that new undertakings about to be established should be located with due regard to the possibility of setting up factories in the districts where workpeople are available". Evidence, Memorandum of the Ministry of Labour, para. 119. This paragraph should be taken with the reply to a question about the nature of Government policy. "I should like to say that is rather in the nature of summarising what the Government took to be its obligation in the emergency presented by the Special Areas. We do not say that they have assumed that as a responsibility for the future, but our argument was that the Government assumed that as an obligation for an emergency therefore it is an interesting experiment for the future". Evidence, Q 2595 , Tenth Day.

49 Evidence, Memorandum of the Ministry of Health, para. 37.

> "It cannot be doubted that the prohibition of industry over large areas, regardless of the character of the land affected would be a drastic extension of planning practice; and since, ex hypothiesi the interest to be served would be a national and not a local one, much of the area affected might well consist of land which was, in fact, in varying degrees unsuitable for purposes other than those of industry and was from a local standpoint well fitted for industry". [50]

Thus, the opposition to an active control of new factory building was formidable in those departments which had responsibility for industrial policies, labour and unemployment questions, and land use and planning.

Organisations outside the Government were, however, far more sympathetic to an extension of intervention in industrial location . The Federation of British Industries, for example, considered that existing measures had been valuable in encouraging local enterprise to establish undertakings in the newer industries, but they were concerned about the creation of new plant in industries already suffering from excess capacity.[51] The Scottish Economic Committee wanted these inducements to be continued, but operated in larger, more coherent areas.[52] It must be added, however, that the three Government departments already mentioned gave their evidence within twelve months of the Amendment Act of 1937, and were unable or unwilling to form an opinion about the value of inducements in attracting industrialists to the depressed areas. However, it appears that the impact of the inducement policy on outside bodies was generally favourable and that this acceptibility had made the inclusion of this type of policy in future regional programmes much more likely.

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50 Ibid, para. 41.
51 Ibid, Memorandum of the FBI.
52 Ibid, Evidence submitted by the Scottish Economic Committee, para. 13, March 3, 1938.

However, control of industrial location had become firmly associated with an unemployment policy. Most witnesses seemed to picture the Royal Commission as searching for a more effective battery of measures to combat regional unemployment rather than an inquiry of national scope.[53] It is doubtful if even those organisations which proposed a more vigorous central control of the economy had national economic growth targets in mind. The Scottish City Councils, for example, were convinced that they could not expect short or long term improvement in their economic position without the introduction of new industry. A more active Government industrial policy was thought to be a pre-requisite for the growth of industry in Scotland.[54] A broader view was taken by two organisations. The Association of County Councils in Scotland wanted a system of full State control of the siting of industry to secure a balanced regional distribution of industry.[55] The TUC advocated the creation of a Central Authority, headed by a Cabinet Minister, which would direct industry to the most suitable location. The proposals and the analysis of the TUC were very similar though not identical to those contained in the Barlow Report, with equal emphasis being given to the problems of congestion and regional unemployment.[56]

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53 It must be admitted, however, that the Commission did not take this view. The list of witnesses, for example, shows that evidence was taken from a wide variety of organisations from the relatively prosperous areas. Representatives from the London County Council, the London Passenger Transport Board, Slough Trading Estate, the Corporation of Birmingham, and many other similar bodies were asked to appear before the Commission.

54 Evidence, Memorandum of the Association of Counties of Cities in Scotland, paras. 33-49.

55 Ibid, Association of County Councils in Scotland, Q 2298/9

56 PRO HLG 27/127.

The Report of the Royal Commission.

The diversity of the material considered, and the different perspectives held by the various members of the Royal Commission were evident in its Report. In addition to a majority report, there was a Note of Reservations by Professor Jones, George Thomson, and Sir William Whyte, and a separate Minority Report signed by Professor Abercrombie, Mrs Hichens and H H Elvin. However, despite its fragmentary structure, the final report contained a surprising accord over basic points. There was unanimous agreement over the following conclusions:-

(1) Because the problems were so urgent national action was needed.

(2) A Central Authority was necessary.

(3) The Authority's powers should exceed those of a normal Government department.

(4) National action should aim to redevelop congested urban areas, attempt to disperse population from these areas, and encourage industrial dispersion to and diversification within all regions.

(5) The growth of London demanded immediate attention.

(6) The Central Authority should bear in mind the provision of garden cities, satellite towns, trading estates and the expansion of existing small towns in its work of dispersal of population and industry, and local authorities should be encouraged to participate with financial assistance from the Government.

(7) The Central Authority should have the right to inspect all planning schemes.

(8) Although the general question of unemployment was outside their terms of reference, the administrative experience should better enable the Central Authority to anticipate depression in certain areas and encourage development before the depression occurred.

(9) The Authority should collect and collate information about

industrial location, undertake research, and provide advice to Government and industry.[57]

However, opinions were divided over the means, the degree of direct control over industrial location, to achieve these goals.

The Majority Report recommended that the Central Authority consist of a Chairman (appointed by the President of the Board of Trade) and three other members; it would collect and co-ordinate research; advise central and local government and industrialists on location; and regulate the establishment of new industrial enterprise in London and the Home Counties except in the cases of domestic housing, the retail and distributive trades, storage and public utilities. The regulatory power would be capable of extension to other areas.[58] The Note of Reservation, however, advocated a more positive policy, arguing that the Central Authority would achieve these aims only if it were given executive power. There would be a twofold strategy of negative control (the power to restrict the erection of industrial establishments) applied initially to London and subsequently to other congested areas revealed by the survey to be undertaken by the Central Authority; and, secondly, positive methods of encouraging regional development by transfer of the powers of the Commissioners for the Special Areas to the Central Authority which would be able to broaden the areas of activity.[59] Thus, striking progress had been made since the passing of the Special Areas Act of 1934 (in which the granting of any subsidy to private industry had been expressly forbidden) to a point at which the least progressive of the Reports of a

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57 Barlow Report, 201-3.
58 Ibid, 204-7.
59 Ibid, 208-17, and especially 209-16.

Royal Commission advocated the control of industrial expansion in the South East. Moreover, there had been a more significant broadening of the aims of regional policy. Instead of simply being an attempt to alleviate conditions in the areas of concentrated unemployment, the proposed future goal of all measures would be to encourage

> "a reasonable balance of industrial development, throughout the various divisions or regions of Great Britain, coupled with appropriate diversification of industry in each division or region throughout the country".[60]

This much more demanding objective of bringing greater economic stability between and within regions necessarily implied a greater degree of Government intervention and control of the economy.

The Minority Report proposed a more radical solution. The signatories agreed with the general analysis of the causes and with the aims of the majority, but they felt that the need for immediate action had neither been seen nor rendered possible by the Majority Report. In particular, the relationships between a location of industry policy and the need to assist the Special Areas called for the establishment of a new Government department with comprehensive powers over the establishment of new industry.[61] The new department, to be headed by a Minister of Cabinet rank, was to assume the planning functions of the existing Ministries of Health and Transport, and was to receive the powers and duties of the Commissioners for the Special Areas. The new Ministry would help set up regional boards to assist in the main task of controlling the location of industry. This was to be accomplished by the creation of prohibited zones in which

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60 Ibid, 153.
61 Ibid, 218-20.

new industrial development and extensions to existing factories were to be prevented except for service industries, perishable goods industries, and other essential local trades.[62] In the medium and long term, the Ministry would be responsible for encouraging research and for the formulation of a national development plan around which the regional and local schemes could be framed. Thus, the Minority Report was even more compelling in its call for the creation of zones in which the industrialist could not begin production, but this negative power was to be balanced by conferring on the Ministry not only the power to grant inducements as under the Special Areas Acts, but also the ability to undertake such national development work as the construction of new towns, trading estates and national parks.[63] The extent of these responsibilities would have necessitated a far greater direct and indirect control of private enterprise than hitherto; the lessons of the Roosevelt 'New Deal' and the controlled German economy had been closely followed.[64]

Unfortunately, the price paid for such a comprehensive report was delay in publication. The Report finally became available in January, 1940, well after the outbreak of war. Conditions had changed materially since the Royal Commission had undertaken its research; in particular, the Government had adopted a far more interventionist approach in dealing with industry in order to secure the output of essential materials and to minimise the risks from losses from enemy bombing.[65] Thus, the Government

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62 Ibid, 223.
63 Ibid, 227.
64 The Royal Commission received a memorandum on 'Planning in some other Countries' presented by G L Pepler of the Ministry of Health which considered in detail the development of planning in the United States and in certain European countries, notably Germany, Italy, France, Sweden, and Holland. The memorandum appears as Appendix IV to the Barlow Report, 288-316.
65 Particularly important in this context was the Government's decision to take war production away, if possible, from the main industrial conurbations and to disperse factories into the more remote areas.

decided to shelve the report. The Minister of Health told the Commons,

> "But we are now under conditions in which planning, control, authority is being exercised to an extent which none of the signatories to the report could possibly have envisaged when they started upon their labours.....The Government is choosing the sites and is giving priority in alloting the material. These matters are being settled after consultation with the Minister of Labour as to where the labour is to go. All these things happen now, and they are all producing difficulties which we shall have to face. It is no use pretending that merely by the device of setting up a new Minister, we shall be getting away from these difficulties." [66]

The Parliamentary Secretary to the Board of Trade emphasised that his staff had been too busy with war work to give much attention to the report, and that there was little likelihood of finding time in the future.[67] Only in January, 1941, was there a meeting of Ministers to discuss the report.[68] A sub-committee on the location of industry was formed, but it tended to frame its thoughts more in terms of trying to improve on the Special Areas legislation than with the advances made by the analysis of the Barlow Report. The principal element in this outlook was the expectation of high rates of regional unemployment following the Armistice.[69] These fears were to persist and to profoundly affect the scope of post-war legislation.

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66 Hansard (Commons), Volume 359,1039, April 17, 1940.
67 Ibid, 1093.
68 PRO CAB 87/91 War Cabinet Sub-Committee on the Location of Industry.
69 These fears were made explicit in a memorandum presented to the sub-committee. "The revival of the depressed areas will continue only so long as the demand for munitions continues, while the new Government factories involve the creation of new centres of industrial activity, which again depend for the existence of prosperity on the demand for munitions....Reduction in the demand for munitions will not be compensated for by immediate revival of demand in other directions. In particular, the export trades will at best take some time to recover, and thus the depressed areas of the thirties will be faced with their old problems." Ibid, Memorandum January 9, 1941.

The Distribution of Industry Act of 1945

The setting of the needs of the high unemployment regions into a context of national policy which had begun with the Barlow Report, was continued in the White Paper Employment Policy,[70] in which the Government accepted the responsibility for maintaining a high and stable level of employment after the war. Chapter Three of the White Paper was concerned with the distribution of industry and labour. It was clearly recognised that there would have to be a wide range of discriminatory measures to correct any tendency to regional imbalance if a high national average level of employment were to be maintained.

> "The first line of attack on the problem of unemployment in these unbalanced areas must be to promote the prosperity of the basic industries on which they primarily depend.....Secondly, these industries, and the areas which are primarily dependent upon them, will share in the benefits which will flow from the Government's policy of maintaining domestic demand at a high level. But it will not be enough to rely on the general maintenance of purchasing power to solve all the problems of local unemployment. A solution on these lines will be too long drawn out and might involve the partial depopulation of industrial regions which are a national asset and which we cannot afford to lose.
>
> The Government, therefore, propose to attack the problem of local unemployment in three ways:-
>
> (a) by so influencing the location of new enterprises as to diversify the industrial composition of areas which are particularly vulnerable to unemployment.
>
> (b) by removing obstacles to the transfer of workers from one area to another and from one job to another.
>
> (c) by providing training facilities to fit workers in declining industries for jobs in expanding industries". [71]

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70 Op. cit.
71 Ibid, 11.

This passage holds great significance both as the point at which many of the previously incomplete interwar unemployment policies were finally united and, secondly, as the concise statement of Government regional policy aims for the post-1945 period. The persistence of structural unemployment in the twenties and thirties had suggested that re-training should play a bigger part in industrial manpower and unemployment policies after the war,[72] whilst the dissatisfaction with transfer during the late thirties had its impact in the lower priority given to the policy after the war.[73]

More significantly, however, this Chapter of Employment Policy is of great importance since it marks the fusion of the academic and the more pragmatic approaches to the reduction of unemployment. Whilst Keynes may have correctly assessed the impact of the General Theory upon professional economists,[74] the slowness of his theories to gain general acceptance was partly a result of his failure to convince his audience of the suitability of an aggregate demand approach in the British case of highly concentrated regional unemployment.[75] Moreover, the rapidly growing regional policies were similarly incomplete without high, stable aggregate demand policies. It is now commonplace that location and manpower programmes are of little practical value in demand-deficient economies.[76]

The promised structural/regional policies outlined on the previous page seem to indicate that the Government was following the economic

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72 In the debate on the White Paper, Ernest Bevin, the Minister of Labour and National Service noted, "One of the first things we must do is to establish training under Government auspices and no longer regard it as remedial action for long-term unemployment". Hansard (Commons), Volume 401, 224/5, June 21, 1944.

73 Supra, Chapter Six, 233-43.

74 A book on economic theory which will largely revolutionise....the way the world thinks about economic problems. Keynes to G B Shaw, January 1, 1935, cited in R F Harrod The Life of John Maynard Keynes

growth orientation of the Royal Commission. Moreover, the Government promised to

> "secure a balanced industrial development in areas which have in the past been unduly dependent on industries specially vulnerable to unemployment". [77]

The White Paper committed the Government to a more rigorous policy of controlling industrial expansion in congested areas, and of encouraging industry to go to the depressed areas. The Government promised to build factories in the depressed areas and offer them to industrialists and to give financial assistance to those wishing to establish plant there. The basic services of these areas were also to be more fully developed and modernised.[78] However, some aspects of the Barlow recommendations were not included in the White Paper. There was no formal commitment to a central body to advise on or to control location, and the spearheading role of new town building received no mention.

Despite the Barlow analysis and the Government promise to maintain full employment, there were widespread fears of the re-appearance of unemployment after the Armistice. In the debate on the White Paper, it appeared that the spectre of the Special Areas was still haunting many Members of Parliament. A number suggested that the measures included in Employment Policy would be inadequate to prevent the re-appearance of the problem of the depressed areas. Silkin argued, for example, that

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(1972 edn.), 545.
75 Donald Winch Economics and Policy: A Historical Study (1969), 167-97.
76 L Needleman and B Scott'Regional Problems and Location of Industry' Urban Studies I (1964), 158.
77 Employment Policy, 11.
78 Ibid, 12.

compulsory powers over the location of industry would be essential to prevent unemployment,[79] whilst Pethick Lawrence suggested that only with a large public sector was there any prospect of directing sufficient enterprise to the depressed areas.[80] Moreover, concern about possible unemployment and slow recovery in the export industries was frequently voiced.[81] Thus, the aim of regional policy was again being moulded to counter the type of problem experienced during the interwar period, rather than to act on the more penetrative analysis of the Barlow Report.

An examination of Cabinet minutes confirms this impression. At the meeting on November 16, 1944, Ernest Bevin expressed his fears that heavy, localised unemployment might return.

> "The Minister of Labour and National Service said that early action should be taken to ensure that areas which were dependent upon a single industry did not lapse into depression when the war demands for the products of the heavy industries slackened off. If this were not done during the transition from war to peace, the opportunity would be lost".[82]

Many MPs had had first-hand experience of the dislocation which had followed the collapse of the post-war boom in 1920. A determination to take all possible steps to prevent its occurrence in the future was, thus, an understandable reaction. Moreover, since the immediate origin of the re-awakening of concern with the problem of the location of industry was the commitment given in Chapter Three of Employment Policy, it is not

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79 Hansard (Commons), Volume 401, 256, June 21, 1944.
80 Ibid, 266.
81 Ibid, speeches by Moelwyn Hughes, 293/4, Sir Cyril Entwhistle, 295-8, Willie Gallacher, 298/9, Sir Hugh O'Neill, 366, Manny Shinwell, 398-402.
82 PRO CAB 65/44, Cabinet 151(44), November 16, 1944.

surprising that the topic should have become firmly associated solely with a relief of unemployment policy once more. Some of the wider aspects of the location of industry and regional growth were 'detached' in this reversion to the more traditional role for the policy. The proposals about new and satellite town building, for example, had been separated and were for consideration by a distinctly different branch of Government. To consider this policy, a committee had been established under Lord Reith and included among its membership the former Commissioner for the Special Areas in England and Wales, Sir Malcolm Stewart. The committee had been appointed to

> "consider the general questions of the establishment, development, organisation, and administration that will arise in the promotion of New Towns in furtherance of a policy of planned decentralization from congested urban areas; and in accordance therewith to suggest guiding principles on which such towns should be established and developed as self-contained and balanced communities for work and living". [83]

The debt to the Barlow Report and to the town planning experiments at Letchworth, Welwyn Garden City, and the Speke estate at Liverpool are obvious.[84] However, the suggestion of the Barlow Commission that such developments be used both to decentralise industry from congested areas and to provide potential growth centres for the backward regions was not considered by the New Towns Committee. They recommended that the Government alone was competent to take such decisions,[85] and, thus, in the absence of the type of 'Super-Ministry' envisaged by Barlow the proposal was allowed to drop. There were, however, two attempts in the immediate post-war period to use new towns to stimulate industrial growth

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83 First Interim Report of the New Towns Committee (Cmd 6759 1946), 1.
84 See the Barlow Report, 127-36.
85 Final Report of the New Towns Committee (Cmd 6876 1946), 11.

in the former depressed areas; Aycliffe and Peterlee were both built, in part, with this purpose in mind.[86] However, it was not until the sixties that the recommendations of the Barlow Report were consciously followed.[87]

Thus, the failure to set up a Central Authority as suggested by the Royal Commission and the subsequent fragmentation of regional policy in its various aspects resulted in the weakening of the economic approach to the problem advocated in the Barlow Report. It seemed, moreover, that opposition within the Cabinet prevented the Government from undertaking a massive regional development programme as part of its distribution of industry policy. Lord Beaverbrook and the Minister of Information, Bracken, produced a memorandum in which they argued that the Government should restrict itself to filling the gaps in regional social capital left by private enterprise, and, thus, not to use large-scale public works to provide social capital and jobs in the depressed areas.[88]

With the discouragement of a developmental role for a distribution of industry policy and the failure to fully grasp the message of the Barlow Report, the aims of the policy were again imprecise and not coherently articulated. The President of the Board of Trade drafted a Bill

> "to provide for the development of industries in certain areas; and to control the provision of industrial premises with a view to securing the proper distribution of industry".[89]

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86 The Distribution of Industry (Cmd 7540 1948), 17.
87 McCrone op. cit, 111.
88 PRO CAB 66/58 WP (44) 652 Distribution of Industry, Memorandum by Lord Privy Seal and the Minister of Information, November 15, 1944.
89 PRO CAB 87/94 Draft Bill, February 2, 1945.

Thus, the aim of promoting regional growth was enshrined in the Bill which had already lost some of the provisions which would have made the achievement of a higher rate of economic growth in the depressed areas less difficult. In other respects, however, the return to the Special Areas approach of the thirties was more apparent. Indeed, the Bill drafted by the President of the Board of Trade was designed to replace the measures of the thirties.

The boundaries of the scheduled areas were re-drawn to include the major regional towns, and thus the new areas were seen as, "in the main continuous and compact regions and are suitable economic and social units for development as a whole".[90] The frequent complaints of the Special Areas administrators had been heeded in the selection of what were now to be known as the 'Development Areas'.[91] The main cities of Glasgow, Cardiff, Swansea and Newport as well as those on the Tees were added to the pre-war schedule.[92] The western anthracite section of the South Wales coalfield and the coastal towns were added to the South Wales Development Area; and in Scotland a geographically separate zone around Dundee was included. Thus, one of the main shortcomings had been corrected.

However, the Barlow recommendations concerning the administration of policy were not so favourably received; the Development Areas policy

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90 The Distribution of Industry op. cit, 11.

91 The District Commissioner for the North East had argued in a memorandum of recommendations to the Government on the administration of the Special Areas Acts that the areas chosen should have been economic units rather than politically or administratively defined. PRO LAB 23/165, Memorandum, undated.

92 In 1946, Wrexham and the St Helens-Wigan district of Lancashire were added, and in 1948 North East Lancashire, Merseyside, and the Inverness/Dingwall region of the Scottish highlands were scheduled.

was entrusted to the Board of Trade rather than to any Central Authority. Some of the limitations of the Commissioners for the Special Areas had, however, been realised, for policy was no longer the responsibility of extra-Governmental officials; although the ideal of the Barlow Commission had not been realised, the compromise was, at any rate, an improvement on previous methods.

The Board of Trade assumed many of the powers exercised by the Commissioners, being able to build factories in the Development Areas; to grant loans to industrial estate companies (in effect, the interwar trading estate companies); to assist in the supply of essential services; and to reclaim derelict land. In addition, some of the Commissioners' powers to give financial inducements to private industry were given to the Treasury which could make grants or loans on the advice of the Development Areas Treasury Advisory Committee (DATAC) provided that the Committee was assured that the project was commercially sound and that an alternative source of finance was unavailable. Thus, the loans to small companies made by SARA and the larger sums made available from the Treasury Fund during the interwar years had been amalgamated under DATAC.[93]

In framing this policy Dalton, the President of the Board of Trade, had placed heavy reliance on improvements in the organisation of the capital market and greater control of capital issues in the post-war world to provide the majority of the finance for an industrialist who

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93 DATAC, unlike the interwar official organisations, had been allowed to make grants. This extension, to a large extent, filled the void left by the exhaustion of the funds of the Nuffield Trust which had been contributing to the share capital of new industries during the thirties. However, the role of the Trust as a supplier of capital to the riskier enterprises was expressly forbidden by the terms of reference of DATAC.

wished to establish himself in the Development Areas. The Government was to be considered as the last resort for finance.[94] Moreover, a number of Cabinet Ministers had initially expressed their opposition to the Government's making any grants towards the cost of paying interest or dividends, or to its making subscriptions to share capital. They thought it undesirable that the Government should become involved in this aspect of private enterprise.[95] However, the precedent set by the Special Areas legislation ensured the continuation of these measures after 1945, for the Cabinet was unwilling to withdraw facilities which had been granted before the war.[96]

However, the power of the Commissioners to make rebates to industrialists on rates, tax and rent in order to induce industry to the Special Areas was not incorporated into the Distribution of Industry Bill. The Treasury had previously been very unhappy with the granting of this blatant, direct subsidy to private industry because civil servants had felt obliged to try to minimise complaints from industrialists in the relatively prosperous areas by restricting the duration of such subsidies to the period of initial development of the enterprise.[97] Moreover, it had been noted that these contributions had usually been given in addition to other forms of assistance, and there were fears that, in many cases, the contributions had been sought merely because they had been available and, thus, had had little real effect upon the establishment of

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94 PRO CAB 66/57 WP (44) 640, Legislation on a Balanced Distribution of Industry, Memorandum by the President of the Board of Trade, November 10, 1944

95 PRO CAB 65/49 War Cabinet 15(45), February 7, 1945.

96 Ibid.

97 PRO T 161/853 S43433, Royal Commission on the Distribution of the Industrial Population. Evidence on the Relative Value of different Forms of Assistance as a Means of Inducing the Establishment of Industries in the Special Areas, December 21, 1938.

of new industry in the depressed areas.[98] Finally, the inducements had been most useful in encouraging the spread of industry within the areas, and the more widespread construction of trading estates coupled with the demand policies after 1945 would, it was hoped, reduce the need for such a programme. The President of the Board of Trade also wanted to reduce Government discrimination between industrialists which had occurred as a result of the granting of inducements. Dalton saw the role of post-war Development Areas policy as doing no more than offsetting the disadvantages of establishing a factory in the regions, and, in this light, there was little need for a fuller exploitation of the inducement programme.[99] It is clear, therefore, that the heavy emphasis given in the Barlow Report to positive discrimination in favour of the depressed areas was ignored in the framing of this legislation. However, subsequent experience has suggested that this approach may have been unwise. The re-introduction of tax incentives in the form of accelerated depreciation facilities during 1963,[100] and in 1967 with the Regional Employment Premium and the rebate in Selective Employment Tax when regional policy again became an important political issue, suggests that this exclusion from the Act of 1945 was somewhat premature.

Clause 8 of the Bill required industrialists who planned to build a factory to give the Board of Trade prior notification of their intentions. The Board felt it necessary to have advance warning of any proposals

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98 Ibid.
99 PRO CAB 65/44 War Cabinet 168(44), December 13, 1944.
100 In the Finance Act and the Local Employment Act.

affecting the industrial balance of particular areas and had originally wanted notification of new building, extensions, and changes of use so that they could try to bring influence to bear on entrepreneurs where necessary. However, the Cabinet felt that this was an unjustifiable intervention which would hamper and discourage initiative.[101] The President of the Board of Trade was not totally committed to such a broad policy and conceded that only notice of new factory building should be given to his department.[102] The provision of this information was obviously an important pre-requisite of any policy of control of factory building which had been recommended in the Barlow Report and in the White Paper. As a temporary expedient, however, the wartime building licensing system continued to control the location of new factory space. However, with both political parties committed to a certain extent of de-control, a more permanent device had to be found. Thus, in the Town and Country Planning Act of 1947, the Industrial Development Certificate was introduced which made compulsory the obtaining of a Board of Trade Certificate before planning permission could be given to any new industrial undertaking of greater floor area than 5,000 square feet. Thus, the influence of the Government over industrial location could have been much greater in the years after 1945 than in the interwar period with this new element of control, provided that the full potential of the new measures was appreciated and used coherently, and provided that the administration was prepared to pursue a policy of regional development. The continuous monitoring of regional economic and social conditions advocated in the Barlow Report which would have given greater prominence to regional development in national economic policy was,

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101 PRO CAB 65/44 War Cabinet 168(44), December 13, 1944.
102 PRO CAB 65/49 War Cabinet 15(45), February 7, 1945.

however, not implemented and, thus, the attention devoted to the regional problem would in the post-war world depend on the vigilance of the pressure groups in the depressed areas and the willingness of the Government to provide assistance to backward areas.

Conclusion

The influences of the experiments undertaken during the thirties are clearly evident in the Distribution of Industry Act. However, the most striking feature of the Act of 1945 is the failure to incorporate under one organisation the type of comprehensive approach advocated in the Barlow Report. The pressures of unemployment were obviously thought to be far too urgent to allow time for the formulation of a more revolutionary programme and discouraged any policy which might tend to antagonise industrialists and deter them from establishing new factories. Thus, the machinery proposed by the Royal Commission was not introduced. Nevertheless, McCrone has suggested that the immediate post-war measures were highly successful.

> "Circumstances could not have been more favourable. After the destruction of the War, the control of investment and the restriction of demand for all sorts of products, there was a tremendous impetus for industrial expansion and development. Moreover the Government were determined to keep the level of aggregate demand high to secure full employment. With such a large amount of new development ready to take place, the potential industrial mobility was greater than at any moment in Britain's recent economic history. Thus, the situation was highly opportune for steering industry to new locations". [103]

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103 Op. Cit, 112.

However, the failure to either set clear objectives or institute a permanent location of industry policy review and research procedure, allowed the regional policy to be given a much lower priority after a period of apparent success up to 1949. The policy was in danger of becoming, as it had been in the interwar period, a disconnected series of ad hoc responses to political pressures without a coherent rationale or aims.

CHAPTER EIGHT

The Progress of the Depressed Areas during the Interwar Period

In attempting any comment on the effectiveness of Government help to the depressed areas during the interwar period, a series of methodological and statistical problems of great magnitude must be faced. Broadly speaking, these problems may be simply put as, "What constitutes a depressed area? What criteria are to be examined? What data are to be used?"

The choice of data

It has been argued above that regionally-biased measures were introduced and developed throughout the interwar period and that regional policy was not restricted to the Industrial Transference and the Special Areas schemes. An assessment of the effects of regional policy cannot, therefore be confined to the areas covered by these two schemes. A broader definition of a depressed area will be needed to assess the more long-term impact of regional policy measures in the interwar period. Thus, it is essential to consider, once more, what constitutes a region and what local characteristics are to be isolated. The task may be, to a certain extent, simplified, for as Richardson states

> "But the problem is a notty one, plagued with ambiguities, and it is sometimes possible for the regional economist to avoid facing it at all. He may, for instance, accept a fait accompli and work with the administrative regions adopted by Government departments. Indeed, if his interest is in empirical research he may have no other choice since data may only be available for official regions". [1]

1 H W Richardson Regional Economics (1969), 223.

The limitations of the statistical series produced during the interwar period have played the major role in the choice of areas to be considered.[2] However, because the transfer scheme and the Special Areas legislation did play such an important part in the regional programme as a whole, there has been an attempt to concentrate mainly on the four 'planning regions'[3] which formed the principal recipients of aid under these schemes:- South Wales, the North East coast, Central Scotland, and Cumberland. However, the inadequacies of the available data have made this impossible in some cases.[4]

The availability of data will also play an important part in the choice of criteria by which the progress of the depressed areas is to be monitored. However, other factors deserve consideration, especially the framework within which regional policies operated, and the function they were to perform. Today, regional policies are formulated with the intent of maximising regional employment and/or output so that national growth can be raised substantially.[5] Thus economic indeces such as output and productivity levels are used to messure the effectiveness of policy. However, during the interwar period, the social and political consequences of unemployment were the most powerful inducements to encourage Government intervention,[6] although the concern to restore the export industries to more prosperous conditions might be taken as an indication of the concern

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2 The areas considered are Northumberland and Durham, Cumberland, Glamorgan and Monmouth, and Central Scotland.

3 For a definition of a planning region, see Richardson (1969) op. cit, 229.

4 The Census of Production data, for example, give no separate figures for Cumberland which is included in the 'Rest of Great Britain'.

5 L Needleman and B Scott 'Regional Problems and the Location of Industry Policy in Britain' Urban Studies I (1964), 153; E T Nevin 'The Case for Regional Policy' Three Banks Review (1966), passim; E G West 'Regional Planning: Fact and Fallacy' Lloyds Bank Review (1966), passim.

6 Supra, Chapter Two.

about economic performance.[7] Thus, different criteria ought to be used to measure the performance of interwar policy. There are insuperable difficulties in trying to quantify social and political discontent at a more sophisticated level than, for example, the frequency and numbers involved in hunger marches. Even at this level, the interpretation of data and the attempt to postulate causal connections is exceedingly formidable and beset with problems. The role of cultural factors in determining the regional response to economic difficulties even at this crude stage needs careful consideration and probably renders the exercise valueless.[8] It seems obvious, moreover, that social and political unrest had its roots in economic insecurity, and thus the rate of regional unemployment, the trends in regional unemployment, local industrial structures, and regional population patterns are as relevant to an assessment of interwar regional policy measures as they are today.

In order to obtain information on these indeces the population estimates provided by the Registrar General, the employment and unemployment data resulting from the administration of the Unemployment Insurance scheme, and material from the Census of Production must form the principal source materials for the discussion in this chapter. However, none of these series is a totally reliable and accurate indicator of the information required. There are distinct limitations to the usefulness of all these series, but, in particular, of the Unemployment Insurance data, which make it essential to place important qualifications on the interpretation of the statistics. These limitations are considered more fully in Appendix One where the value of each series is discussed.[9]

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7 McCrone has argued convincingly that such social and political factors have also been important in the development of post-war regional policy. Op, cit, 26-30.

8 W R Garside has suggested that organised and unorganised labour in the North East has traditionally been less militant than, for example, in South Wales. Loc. cit.

9 Infra

Population

The trends in population growth and mobility are obviously important indicators of economic conditions. It can be expected that population will move to those areas in which their prospects of economic security and reward are felt to be greatest.[10] Throughout much of the nineteenth century the coalfield areas had acted as powerful magnets, drawing people from both adjacent agricultural districts and from more distant parts.[11] From the figures in Table XXI, it is clear that during the interwar period the counties containing the coalfields which had been rapidly exploited during the previous century were no longer witnessing population expansion at the previous rates.[12] Population growth stagnated in all the depressed areas in the interwar period; in the extreme case of South Wales a decline was recorded. This stagnation was not principally caused by changes in relative rates of natural increase. Birth rates in the areas tended to be somewhat higher than the average for England and Wales as a whole;[13] and death rates tended to follow the national average, although they were marginally higher in the coalfields.[14] The failure of the populations of the depressed areas in England and Wales to expand at the average rate of eight-and-a-half per cent. must, therefore, be explained by migration from those areas.

It is clear that London and the South East were acting as magnets for population during the interwar period. Between 1921 and 1931, 34·0 per cent. of the increase of national population was absorbed in Greater

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10 F R Oliver 'Inter-Regional Migration and Unemployment' JRSS (1964), 127.
11 Friedlander and Roshier loc. cit.
12 For data on the experience of the previous century, see Brinley Thomas 'The Migration of Labour into the Glamorganshire Coalfield 1861-1911' Economica Volume X (1930).
13 In 1932, for example, crude birth rates were 18·5 per 1,000 total

London; in the period 1931-1937, the figure had risen to 35·4 per cent.[15] Interwar Governments played their part in encouraging and directing this mobility, both through the work of the Labour Exchanges and through the Industrial Transference scheme.[16] The encouragement of migration away from some parts of the depressed areas was justified, both in the long and short terms. Some parts of the coalfields had owed their previous expansion to the rapid exploitation of finite natural resources which were nearing the end of their period of economic working. Cumberland, for example, had depended, to a large extent, for its growth on its most-easily-accessible deposits of haematite iron ore which had been exhausted long before the interwar period.[17] In addition, the coal seams in almost one third of the pits in County Durham were almost worked out in the early thirties.[18] Clearly, when the economic exploitation of natural resources on which these communities were based was nearing an end, such towns and villages could only expect their populations to decline. The encouragement of migration from these centres was, thus, a rational policy.

In addition to inter-regional movements, there were clear changes in the population distribution at sub-regional level. The frequent alteration to local authority boundaries at this level, however, make the exact measurement of these changes impossible.[19] The broad trends of movement

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population in Northumberland and Durham as against 15·3 in England and Wales. Registrar General's Statistical Review for England and Wales for the Year 1933, Text, 181.

14 Report on an Investigation into Maternal Mortality (Cmd 5422 1937), 53-60.

15 Barlow Report, 162.

16 Supra, Chapter Three.

17 Reports of Investigations into the Industrial Conditions of Certain Depressed Areas (Cmd 4728 1934), 16.

18 Ibid, 80.

19 In the period 1934-38, for example, on the North East Coast, there were two changes in the boundaries at Crook, Spennymoor, Bishop Aukland, Sunderland, Consett and Seaham Harbour in a widespread re-structuring exercise.

among the population can, however, be ascertained from the insurance data published in the Local Unemployment Index. Whilst these figures relate only to workers covered by the Unemployment Insurance Acts and, therefore, their representativeness of the total population will vary with differences between towns in activity rates, age structures and the composition of the local workforce, they provide more stable area boundaries at this sub-county level than the estimates of the Registrar General.[20]

For the North East, these data suggest stagnation and decline in the coal mining belt and in the non-estuary heavy industrial towns over the period 1926-1938.[21] At the same time, there appears to have been an influx of population to the main conurbations on the Tyne and the Tees, with the insured population of Newcastle expanding by 25 per cent. over the same period, with the majority of the expansion recorded after 1930; Darlington expanded in the same period by 45 per cent, These figures should be seen as no more than broad indicators in the trends of population mobility; as such, they conform with the pattern suggested by other authors using different, but equally unreliable, data. Daysh, for example, notes that West Durham (heavily dependent on employment in the coal mines) lost approximately one quarter of its 1921 population by migration between 1921 and 1939,[22] much of it to the two main centres of population of Tyneside and Teeside.[23] The Ministry of Health witnesses to the Barlow Commission pointed out that these trends (the tendency for population to concentrate in the larger urban units and for a shift to

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20 Changes in Employment Exchange Districts were not uncommon. Infra, Appendix One.

21 The insured workforce of Bishop Aukland (coal) fell by 3 per cent. over the period; that of Crook (coal) by 15 per cent; and that of Gateshead by 19 per cent.

22 G H J Daysh, J S Symonds et Al. West Durham (Oxford 1953), 48.

23 Ibid 53/4.

to the south in the centre of population growth) were part of a more widespread national movement.[24]

In South Wales a similar tendency was evident, with re-distribution of population away from the steam coal valleys of the east to the coastal towns and to the relatively prosperous anthracite western section of the coalfield.[25] The migration of the population from the region as a whole was however, much more extensive than in other depressed areas and the relatively prosperous sub-regions grew much less rapidly than their counterparts in the North East. The population of Swansea County Borough, for which local authority data are available, grew by only 2·2 per cent between 1921 and 1938.[26] Thus, in spite of the difficulties of assessing the exact size of population movements in the depressed areas, the general pattern is relatively clear; a tendency to migration from the depressed areas to the more prosperous parts of the United Kingdom, and a redistribution within the depressed areas away from the most heavily depressed locations to the larger urban units.[27]

Employment

As is to be expected, the figures for the numbers of insured persons in the depressed areas follow fairly closely the trends evident in the population data; with below average increases in all the areas for which

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24 Evidence, evidence of the Ministry of Health, Q477, October 6, 1937.
25 An Industrial Survey of South Wales op. cit, 34; Brinley Thomas 'Labour Mobility in the South Wales and Monmouthshire Coal Mining Industry, 1920-1930' Economic Journal (1931).
26 Based on figures from the Registrar General's Review.
27 In terms of historical comparison, however, both migration between adjacent counties and that between non-adjacent counties declined in the interwar period from previous levels. Friedlander and Roshier loc. cit.

figures are available, and in the extreme case of South Wales, a decline was recorded.[28] However, it cannot be too strongly emphasised that these data relate only to workers covered by the Unemployment Insurance Acts, they are not workforce data.[29] It is probable, moreover, that if the insurance figures could give a more complete picture of the growth of the total workforce in different regions, the disparity between the experience of the depressed areas and of the Home Counties would be even more pronounced, for the available data take little account of white collar work, which was concentrated in the southern half of the country. The Census of 1931, for example, recorded that almost 70 per cent. of those of managerial status in England and Wales were resident in the southern half of England.

A better idea of the disparity in regional performance is evident from the figures of insured persons in employment in selected areas.[30] In comparison with the prosperous Home Counties region, it is evident that the depressed areas suffered comparative stagnation over the period as a whole and were much more prone to cyclical fluctuations in employment. The Lancashire figure has been included for comparative purposes. This county contained both prosperous and depressed zones, and it is clear that this greater industrial variety helped to offset the worst problems of depression as experienced by, for example, South Wales, where a massive reduction occurred in insured employment over the period as a whole and, especially, over the slump years of the early thirties. The heavy dependence of the depressed areas on a narrow range of industries has already been noted.[31] The depressed areas were, thus, more exposed to

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28 Table XXII.
29 Appendix One.
30 Table XXIII.
31 Table XVII.

structural unemployment than the country as a whole because of this high degree of specialisation. They were also more liable to cyclical unemployment because of their high commitment to investment goods and general purpose goods industries (principally mining and quarrying).[32] Moreover, owing to the heavy engagement of their dominant industries in foreign trade, these regions were sensitive to fluctuations in its level.[33] As a result of improved manufacturing technology, the development of substitutes, and the more intensive use of scrap, there was a tendency to stagnation in the demand for the output of the basic export industries.[34] Thus, it was essential that employment be diverted away from the export staple industries in order to promote greater economic security.

There is evidence to suggest that such movements were taking place throughout the interwar period. On the North East coast there had been a marked shift from coal and ferrous metals to chemicals, shipping and dock work, distribution, and the catering trades throughout the twenties.[35] Over the period 1923-1937, distribution, building and public works contracting experienced the largest expansion in insured workforces.[36] At the same time, however, there was a steady contraction in employment in coalmining in both the Northumberland and the Durham coalfields.[37] The loss of their traditional markets, and the expansion in the use of oil-

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32 Joseph Sykes has calculated that in 1929, 45·5 per cent. of the insured population of what became the Development Areas were engaged in these two groups as against 30·0 per cent. in Britain as a whole. In 1939, the percentages were 47·7 and 27·5 per cent. respectively, 'The Development Areas' Manchester School XVII (1949), 129.

33 Joseph Sykes 'Some Results of the Distribution of Industry Policy' Manchester School XXIII (1955), 19/20.

34 Coal, for example, was badly hit by these trends, Court op. cit, 21.

35 An Industrial Survey of the North East Coast Area Op. cit, 44.

36 Table XXIV.

37 Table XXV.

fired shipping hit the area which, before the first world war, had exported 40 per cent. of the total production as cargoes or bunkers.[38] Productivity gains in the Northumberland and Durham fields measured in output per man-shift were less than in the relatively prosperous fields of Yorkshire and Derbyshire.[39] This same tendency is also apparent for South Wales, Cumberland and Scotland and is hardly surprising since the depressed area coalfields had been worked for longer periods and had already exploited the easier seams before the interwar period.

From Table XXVI it is clear that the engineering group of industries (shipbuilding, general and electrical engineering) were concentrated in the North East. In this sector, employment was highest in the manufacture of goods for which demand was relatively stagnant. In general engineering the demand for locomotives and armaments was depressed during the later twenties.[40] During the same period, shipbuilding was heavily depressed in relation to the output of the years 1910-1913, particularly at the Hartlepools and the Tees, with less unemployment on the Tyne and the Wear.[41] This sector had slipped into deeper depression by 1934 with the closure of the LNER workshops, hitting employment in Gateshead, and severe depression in armaments and shipbuilding.[42] Thereafter, the increased expenditure on rearmament had a beneficial effect on engineering employment, especially in the shipbuilding industry. Between 1932 and 1937 warship construction climbed from 2,750 tons to 23,465 tons on the North East coast.[43] However, increases in output of this magnitude tended to disrupt private work, and it is, therefore, difficult to make any accurate assessment of this aspect of official policy of employment-promotion.[44]

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38 Industrial Survey op cit, 6.
39 E C Rhodes 'Output, Labour and Machines in the Coal Mining Industry in Great Britain' Economica NS 46 (1945), 103.
40 Industrial Survey op. cit, 17.
41 Ibid, 21.
42 Cmd 4728 op. cit, 78-85.
43 L Jones op. cit, 125.
44 Supra, Chapter Six, 245-8.

In Cumberland, employment in coal mining seems to have declined less during the twenties than in other depressed areas.[45] However, the rate of unemployment rose rapidly in 1930 and 1931, as the demand for locally-produced haematite iron and acid steel declined rapidly. The West Cumberland ores were unsuitable for basic steel for which demand was much more buoyant. Market preferences in addition to great productivity increases had resulted in the steady closure of blast furnaces in the area after the First World War, although the output of pig iron in Cumberland had reached its peak much earlier, in the 1880s.[46] The shrinkage in the demand for acid steel after 1930 resulted in increased unemployment not only in ferrous metals, but in the linked iron ore mining, coal mining and coke production industries.[47] Since one of the principal uses of acid steel was in naval work, only with the rearmament boom did demand revive, unemployment decline and gloom lift.

The same general forces were responsible for shaping the experiences of South Wales. The violence of the fluctuations in employment and the noticeable decline in employment reflect, however, the greater dependence on one industry, coal mining, for employment. It was estimated that over half of the insured workers in industrial South Wales were engaged in coal mining in 1924, and this figure had fallen only to 45 per cent. by 1930.[48] The region was heavily dependent on exports, sending 50 per cent. of output overseas, and the area accounted for over 40 per cent. of the total exports of coal from the United Kingdom.[49] The decline in the demand for steam coal, a result of the swing to iol-fired ships and the disruption of traditional overseas markets led to heavy, persistent

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45 Table XXV
46 Jewkes and Winterbottom op.cit, 78-81.
47 Ibid, 113-115.
48 Industrial Survey, op. cit, 10.
49 Ibid, 24.

unemployment in South Wales.[50] The absolute decline in the number of insured workers attached to coal mining was greater in South Wales than in any other region.[51] In 1937, however, the region still contained 17·2 per cent of the total number of insured workers attached to coal mining in Britain.[52] As in the case of the other coalfields, increased productivity (in particular the greater use of coal cutting and conveying machinery) meant that employment fell to a greater extent than output, thus intensifying the unemployment problems resulting from the loss of traditional markets. The decline in total insured employment in the other major industry of the area, metals, was not so drastic. There was a major reorganisation in iron and steel; after the imposition of the tariff, output rose on import substitution work. There had been a marked tendency for the industry to locate in coastal sites in order to have easier access for imported ores.[53] The exhaustion of local ores had resulted in the older valley-head sites becoming uneconomic. In tinplate, employment was fairly well-maintained throughout the early thirties, though only by the use of much short-time working arising from the operation of quota schemes by the cartel established in 1932.[54] Table XXIV suggests, however, that the main influence upon the trend in the employment figures was the decline in the number of insured coal miners which was only partially offset by rises in the insured labour forces of the distributive trades and public works contracting. Moreover, these industries provided

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50 The biggest market for South Wales coal had been France, but in 1931 the French imposed import quotas. The Spanish, another important South Wales market, also restricted coal imports during the thirties. South Wales was further hit by the League of Nations embargo on trade with Italy. Exporters had to compete for this reduced demand with Polish, subsidised German, Russian and Belgian producers. Second Industrial Survey of South Wales op. cit, 39-47. Volume One.

51 Table XXIV. 52 Table XXVI.

53 Second Survey op. cit, 95/6. 54 Ibid, 120.

the only major job sources apart from the pits in the Welsh valleys, and, thus, there are grounds for suspecting that the vigour of their expansion was, in part, a result of the decline of colliery employment.[55]

The main trends in employment in Scotland, a much more diverse region industrially, are more difficult to ascertain. The only industries which were heavily concentrated in the region were shipbuilding and ferrous metals, both of which recorded a moderate loss of insured employment over the period 1923-37.[56] The tendency for employment to decline in certain manufacturing industries over the same period is a reflection of the concentration in Mid-Scotland of heavy branches within manufacturing for which demand had passed its peak rate of growth. Shipbuilding and locomotive construction, for example, were concentrated in the region and both recorded declines in their insured workforces.[57] At the same time the growth of the lighter manufacturing industries such as clothing, printing, food, drink and tobacco and the services resulted in a rise in the proportion of women in the insured workforce.[58] In many respects, Mid-Scotland was the least depressed of all the distressed coalfield areas. The total number of insured persons in the area grew more rapidly than in South Wales and the North East, and the fall in insured employment between July, 1929, and July, 1932, at 17 per cent. was less than in the other two regions (24 and 23 per cent. respectively).[59] As far as the growth of the insured workforce and the numbers of insured workers in employment are concerned, Scotland's record does not compare unfavourably with that of Lancashire, which tended to receive less attention in official depressed areas policies.

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55 Ibid, 77/8

56 Tables XXVI and XXIV.

57 A K Cairncross (ed) The Scottish Economy: A Statistical Account of Scottish Life by Members of the Staff of the Glasgow University (Cambridge 1954), 120/1.

58 The female percentage of the total insured workforce in South West Scotland rose from 25·6 per cent. in 1924 to 27·5 per cent. in 1930. Industrial Survey op. cit, 12.

59 Based on Table XXIII

The broad trends evident in all the depressed areas were, thus, a substantial fall in employment in coal mining and lesser absolute falls in other basic export industries, whilst insured workers tended to concentrate into such industries as building, public works contracting and distribution. The main effort of Government policy was centred on restoring the prosperity of the export industries. In the coal mining industry, official policy aimed, initially, to reduce costs, but during the thirties the practical effect was to maintain the existing structure of the industry by means of price fixing arrangements.[60] There was great variation in the employment experience of the depressed coalfields over the period 1927-1939. South Wales and the Cumberland and Westmorland field contracted at a faster rate than the average, whilst Northumberland, Durham and Scotland employment contracted less than the average for the industry as a whole.[61] A recent author is convinced that the State-backed cartel operated in such a way as to slow the reduction of coal mining employment.

> "It is reasonable to assume that in the seriously depressed market for coal the statutory cartel system was moderately successful in retarding the process of structural decline which had been proceeding in the twenties. In these years also output was reduced principally by short-time working and the closure of seams - with detrimental effects on costs of production".[62]

The policy of encouraging cartels in other industries (and aiding shipbuilding more directly through subsidies and rearmament work) also served to assist the increase in employment in the depressed areas during the thirties. In shipbuilding and ship repairing the number of insured workers had fallen from 177,300 in 1924 to 69,200 in 1932. The total

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60 Supra, Chapters Two, Five and Six.

61 Figures for individual coalfields are given in Table XXIII. In Great Britain the index of wage earners on colliery books fell from 100 in 1927, to 82 in 1932 reaching 77 in 1933 and rising to 79 in 1938.

62 Kirby EHR article, 279.

subsequently doubled, reaching 130,600 in 1937 and 137,900 in 1938.[63] In all cases, however, it is impossible to explain variations in employment and unemployment in terms of Government policy. In coal mining, market conditions were responsible, in large measure, for the differing employment records of the various fields. The fall was most intense in Cumberland and Westmorland because of the depressed condition of the local iron and steel industry,[64] and the loss of the export trade with Ireland after 1931 added to the severity of the collapse.[65] In shipbuilding, the growth of rearmament orders undoubtedly helped to revive employment,[66] but these Admiralty orders were so heavy that they resulted in the disruption of private work because of supply bottlenecks.[67] Thus, it appears impossible to postulate causal connections between Government export industry policy and the variations in the employment records of the industries except in the broadest terms.

For those industries in which employment was expanding during the interwar period in the depressed areas, there are similar problems of measuring the impact of Government policy on employment patterns. In each of the depressed areas for which figures are available, there was a marked growth in the number of insured workers in the distributive trades.

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63 January/July averages calculated from the Ministry of Labour Gazette returns for insured population and unemployment by industry.

64 The Ministry of Labour Gazette records that 16 furnaces were in blast in April, 1927, but that by July, 1932, the figure had fallen to 3. The peak of recovery occurred in 1937, when 10 furnaces were in blast for nine months of the year.

65 Jewkes and Winterbottom op. cit, 104.

66 The growth of rearmam entwork on the North East coast is given above; on the Clyde, warship construction rose from 2,750 tons in 1932 to 42, 970 tons in 1937.

67 Supra, Chapter Six. 245-8.

The highly competitive nature of the industry and the lack of a greater degree of Government interference in this industry in the depressed areas than in the remainder of the country suggest that the regional growth in employment was not shaped by Government policy.

In building, however, the picture is more complex. Government policy on council housing and slum clearance will obviously affect employment in the industry. Subsidised local authority housebuilding generally accounted for less than one quarter of total housebuilding (except in 1926/7 and in 1938) and was, on average, more important during the twenties than in the following decade.[68] Employment in the industry tended to be concentrated in southern England, where private housebuilding accounted for a higher proportion of total effort than elsewhere.[69] Building employment in the North East tended to be more heavily dependent on subsidised work, especially during the twenties;[70] in Scotland, also, the local authorities were far more active than private enterprise in this sector in the interwar period.[71] Thus, in this industry there is strong reason for believing that Government policy did result in the promotion of employment. Moreover, building employment in Northumberland and Durham expanded at a rate above the national average for the industry, and the Scottish figure was only marginally below the national rate.[72]

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68 G P Braae 'Investment in Housing in the United Kingdom, 1924-1938' Manchester School XXXII (1964), 22.
69 M Bowley 'Some Regional Aspects of the Building Boom, 1924-1936' Review of Economic Studies V (1938), 174, 183.
70 An Industrial Survey of the North East Coast Area, op. cit, 30.
71 Evidence, Evidence of the Department of Health for Scotland, Q 273, October 6, 1937.
72 Barlow Report, 271.

The influence of Government spending on employment was more apparent in the case of public works conntracting, which also expanded its work-force in all the depressed areas. In all areas, the fluctuations in employment in this industry tended to reflect the policy of the Government in power, with an increasing number of jobs created during the late 1920s and early 1930s.[73] Employment on these schemes was usually only for short periods and the work was so arranged as to give short spells of employment to as many men as possible.

The net effect of Government policy seems, therfore, to have been to prevent the decline of employment which might otherwise have taken place in Scotland and the North East and to lessen the rate of decline in the badly depressed South Wales region. As valuable as this policy was, employment in the depressed areas expanded less rapidly than the national average; and national average employment growth records were not sufficient to prevent heavy persistent unemployment from occurring throughout almost the whole interwar period.[74]

Regional Industrial Structures

It has been suggested above that one of the main reasons for the comparative economic difficulties of the depressed areas during the interwar period was their heavy dependence upon a narrow range of basic export industries which were experiencing stagnation or deceleration during this period as a result of a decline in demand and increased competition. Table XXVI

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73 An Industrial Survey of the South West of Scotland, 104; An Industrial Survey of the North East Coast Area, 30; An Industrial Survey of South Wales, 108.

74 Owing to the decline in the birth rate and the relatively small proportion of the population over retirement age, potential employment was at a historically high proportion of the total population. Most of this potential was, of course, lost in unemployment during the interwar years.

illustrates this point more clearly. Although Northumberland and Durham contained only 4·9 per cent of the total insured population, approximately one fifth of the nation's coalminers and one fifth of the shipbuilders were concentrated in these two counties. Similarly, Scotland was unduly dependent on iron and steel and on shipbuilding. Employment in South Wales was heavily concentrated in coal mining, iron and steel and other metals (principally tinplate). When these industries went into decline during the interwar years, the regional multiplier effects on industries producing for the local market inhibited their expansion and such industries as distribution, building and hotel service were relatively less important in the depressed areas than in the relatively prosperous London and Home Counties region.[75] At the same time, the linkage effects of depression in the basic export industries tended to create a downward spiral of depression in the wider region.

Whilst linkage and multiplier effects were worsening the distress in the coalfields of depression in the export industries, the more favourable industrial structures of the Midlands and, especially, the South East, produced an opposite effect to the syndrome of depression. The light engineering and assembly industries of these regions provided a basis for an expansion of enterprise in a way which was impossible in the depressed areas.[76] In addition to the more favourable structural elements, there was in southern Britain a greater concentration of purchasing power to provide the mass market for the 'new' consumer industries which achieved their breakthrough during the interwar period, increasing their share of UK net output from 12·5 per cent. in 1924 to 19·0 per cent. in 1935.[77] Average family size

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75 Table XXVII. 76 C H Lee op. cit, 85.
77 Alfred E Kahn Great Britain in the World Economy (1946), 106.

was smaller, 3·58 persons in the South East in comparison with 3·99 in Northumberland and Durham and 4·00 in South Wales at the Census of 1931. Middle class consumers tended to be concentrated in the southern half of the country,[78] and female activity rates tended to be higher than in the coalfields.[79] These conditions in the South facilitated the rise of the mass consumption industries when the reallocation of consumers' expenditure towards durable goods began to gather momentum in the early thirties.[80]

Thus, the conditions which had encouraged the growth of output in the South were not present to the required extent in the depressed areas. In theory, however, costs such as wages and rents should have fallen in the depressed areas and encouraged entrepreneurs to migrate from the prosperous parts of the country. There was, however, no shortage of development land within easy access of the London market in the interwar years.[81] Thus, 'push' factors inducing industrialists to leave this most congested part of the prosperous areas were weak. The 'pull' factors were also less strong than might have been supposed. Regional wage differentials were not great despite the wide variation in unemployment rates between Ministry of Labour divisions. In engineering, which was more dispersed than most manufacturing industries, the average weekly earnings of fitters and labourers on the North East coast were 91 per cent. of those in London in October, 1926, and 92 per cent. in July, 1938.[82] By contrast, differentials by skill were

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78 Supra, 299.

79 A calculation based on the 1931 Census returns gives 32·2 per cent. of the female population aged 14 years and over occupied in Greater London, in contrast with 16·9 per cent. in Northumberland and Durham, and 14·5 per cent. in South Wales.

80 H W Richardson 'The Role of Consumption in Interwar Fluctuations' in Derek H Aldcroft and Peter Fearon British Economic Fluctuations (1972), 186

81 P G Hall The Industries of London Since 1861 , loc. cit.

82 K G J C Knowles and D J Robertson 'Earnings in Engineering 1926-1948' BOUIS 13, (1951), 180, 195.

much wider. Doubts were also expressed by contemporary observers about the quality of the workforce in the depressed areas. These workers were thought, unjustifiably,[83] to be more militant and obstructive then those in other parts of the country,[84] and they were considered incapable of adapting to the demands of semi-skilled work in light engineering without extensive, costly retraining.[85] Thus, the operation of 'natural forces' would appear to have offered little support to the depressed areas during the interwar period.

The case of Scotland will illustrate the need for outside intervention to promote diversification. Scotland was exceptional in that the industries which were expanding in the nation as a whole accounted for a significantly smaller proportion of insured employment locally in 1937 than in 1923. Leser and Silvey point out that, in 1923, the industrial structures of Edinburgh and, to a lesser extent, Glasgow, were favourable for expansion.[86] However, by 1937, they conclude,

> "there has been a shift of industry away from Scotland which cannot be explained on account of its industrial structure. An industrial expansion in some Scottish areas such as to offset the decline in others may have been prevented by insufficient mobility of labour within Scotland, and Scottish industries may have been too much bound up with each other's fate".[87]

Given the high unemployment and the opportunities to commute to work, it is difficult to believe that a shortage of labour, even of key skilled workers, could have accounted for this failure of Scottish industries to

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83 The Ministry of Labour produced a memorandum showing that strike records were no worse in the coalfields than in other parts of the country. PRO LAB 10/57, R C on the Distribution of the Industrial Population

84 A number of the replies to the questionnaire sent out by Malcolm Stewart cited fears of industrial unrest among the reasons for not locating in the Special Areas. EW 1, 16.

85 The Ministry of Labour memorandum suggested that industrialists may have shunned the coalfields because the labour was not 'machine minded'.

86 C E V Leser and Ann H Silvey 'Scottish Industries during the interwar period' Manchester School XVIII (1950), 168.

87 Ibid, 174.

expand at the same rate as in the whole of Great Britain. It appears that the regional multiplier effect resulting from the depression in the export industries may have restricted growth in Scotland to a much greater extent than in England where the geographical separation of expanding and contracting industries tended to be much greater. However, the ability of the expanding industries to record average growth records in the other depressed areas reflects the greater tendency of the employed to concentrate in the construction industries and the low productivity services noted above. Thus, positive action to foster the growth of the expanding manufacturing industries such as vehicles, electric cables, and electrical engineering which were under-represented in the depressed areas would have helped to a considerable extent to diversify regional industrial structures.[88]

This conclusion is reinforced by an examination of the data on new factory building during the thirties revealed in the Board of Trade Surveys of Industrial Development. However, these statistics exclude certain important categories and, thus, must be treated with some care.[89] These figures provide information about the distribution of new industrial enterprise for the period 1932-38. In this span, a total of 1,568 factories in the groups covered by the Survey were opened in the Greater London area, amounting to 43 per cent. of the total number of such factories opened.[90] In the same period, there were 734 factories opened in the North West (20 per cent. of the total); 322 in the North East (9 per cent. of the total); 62 in Wales (2 per cent. of the total); and 146 in Scotland (4 per cent. of the total). The pre-eminence of the Greater London area is, thus, fully apparent, especially when it is realised that over half the factories opened in Wales

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88 Table XXVI. 89 Appendix One.
90 These calculations are for factories opened only; no account is taken of factories closed or extended.

one third of those opened in the North East, and approximately the same proportion in Scotland, were opened in 1937 and in 1938 when the trading estates policy of the Commissioners for the Special Areas had begun to produce results.[91] In the first four years covered by the Survey, the majority of factories opened in Wales were in the metals and engineering groups; in the North East the majority were in metals, textiles and clothing; whilst Scotland experienced expansion in bricks, pottery and glass, textiles, clothing and food, drink and tobacco.[92] The rapidly expanding groups such as electrical engineering, automobiles and chemicals tended to concentrate in the Midlands and South East areas.[93] From their responses to the questions of the Board of Trade staff, it appeared that industrialists in these expanding trades could find convenient premises in the prosperous areas, whilst the availability of raw materials tended to be a far more significant factor in the case of firms starting production in the depressed areas.[94] However, these data are notoriously unreliable, and were regarded as incomplete by the Board of Trade at the time they were first published.[95]

Thus, the industrial structures of the depressed areas were not diversified by the free working of economic forces. It remains to be seen, thus, what part was played by the Government to rectify this problem. A location of industry policy was developed after the passage of the Special Areas (Amendment) Act of 1937, but it came too late and was on too restricted a scale to significantly lessen the dependence on the export industries. Between January, 1937, and September 30, 1939, 388 firms had been assisted to establish in the Special Areas by means of renting factory space on the Government trading estates and/or the payment of the various forms of

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91 Table XXVIII.
92 Evidence, Memorandum of the Board of Trade, Annex IV, Table 3.
93 Ibid, Annex IV., Table 4. 94 Ibid, Annex III, Table A.
95 Appendix One.

financial inducements.[96] At the later date, approximately 5,000 workers were employed in the factories erected by North Eastern Trading Estates Ltd.[97] and Government assistance from the Treasury and the Special Areas Fund had helped to secure 2,600 jobs in the Scottish Special Area.[98] Roughly one-third of the firms assisted were in the metals and engineering industries, which were already well-represented in most of the depressed areas.[99]

There is, however, evidence that the trading estates were attracting some firms in the expanding consumer durables/vehicles group of industries. At Team Valley there were manufacturers of radios, refrigerators and laminated glass; at Treforest, cameras, electrical appliances and telephone accessories; and aero engines, golf clubs, electric cables, and car testing equipment at Hillington.[100] The developments were, therefore, encouraging but the job totals given above appear insignificant beside the 217,000 unemployed, on average, during 1938, in Scotland, and the 134,000 in Wales in the same year. Moreover, there are doubts that all the jobs created on the estates were not 'new' in the sense that they had merely involved the transfer of productive capacity from one part of the wider region to another in order to become eligible for financial aid from the Special Areas Fund.[101] Thus, the maximum effect of the direct employment provided by the inducements and facilities in Scotland amounted to jobs for approximately one per cent. of the total number of insured persons unemployed in the Scottish division of the Ministry of Labour. However, it seems clear that the factories on the trading estates offered greater opportunities for female employment than had previously existed in the Special Areas.[102]

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96 PRO T 187/61 List of Firms Established in the Special Areas. n.d.
97 Industrial Estates: A Story of Achievement (1952), 21.
98 PRO T 187/61. 99 Table XXVI
100 PRO T 187/61. 101 Appendix One.
102 M P Fogarty Prospects of the Industrial Areas of Great Britain (1945), 178.

However, the insurance returns tend to reflect the scale of the problem of unemployment amongst male insured workers rather than the under-employment of women. It is doubtful, therefore, whether the fall in the official unemployment statistics would have reflected the direct employment created.

Nevertheless, despite the limited nature of the achievement before the outbreak of war, the introduction of factories in plastics, furniture, chemicals, clothing, textiles and food processing was a boost for business confidence in the distressed coalfields towards the end of the interwar period.[103] It demonstrated, if further proof were needed, that the industrial structures of these areas were not fixed and that diversification could be successfully attempted, even in such places as Jarrow which had earlier been a by-word for the high unemployment, one-industry town.[104]

Unemployment

The methodological and statistical problems are probably greater in relation to unemployment than with any of the topics considered.[105] Nevertheless, the reduction of unemployment rates in the regions was seen as one of the principal motives of Government action and, thus, the unemployment records of the depressed areas deserve consideration. The wide regional differentials in unemployment rates among insured workers in the period before the world slump have already been considered,[106] but calculations at this level are too blunt an instrument to cast much light on the workings of Government policy.

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103 EW 4, 41.
104 Assistance was given to a number of firms wishing to establish in the town; PRO T 187/61.
105 Appendix One.
106 Supra, Chapter One, Part Two.

It is, however, difficult to select unemployment data to measure the effects of official measures. Much of the intervention was concerned with trying to reduce unemployment in the export staple industries, but the early failure of private enterprise to regain international competitiveness meant that these programmes were applied to heavily depressed industries.[107] Thus, measures such as the transference and Special Areas programmes had to be devised to relieve concentrated, localised unemployment. The methodological and statistical difficulties of using the Unemployment Insurance data must be faced for these are the only regionally disaggregated figures of unemployment which are available.[108] Table XXIX shows unemployment among insured workers in coalfields in the depressed areas.[109] It will be seen that, with the exception of the coalfields of South Wales and Cumberland and Westmorland, unemployment rates were not significantly higher than the national average for the industry. However, two important qualifications must be added. Firstly, the falling trend throughout the later thirties was accompanied by declining workforces in these coalfields, particularly in Wales and Cumbria.[110] Secondly, the leakage into such industries as public works contracting and building was extensive in certain areas. Over one third of the total increase in the public works industry took place in Northumberland, Durham, Mid-Scotland and South Wales which together held only approximately 15 per cent. of the total insured population.[111] Only if employment in these labour-intensive Government-financed industries were more secure than in coal mining could any permanent reduction in regional unemployment be expected.

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107 Supra, Chapters Two and Three. 108 Appendix One.

109 The period 1930-1939 was chosen since during those years Government intervention was at its height, and with the other unemployment policies it might have been expected that conditions in the industry would have exhibited a pronounced improvement.

110 Table XXV.

111 Table XXIV.

However, public works contracting tended, during the interwar period, to be used to give short spells of employment to the unemployed. Thus, the depressed areas remained depressed and aggregate unemployment differentials persisted. Tables XXX and XXXI show rates of unemployment among insured workers in various county districts and these figures expressed as a percentage of the unemployment rate for London and the South East division of the Ministry of Labour.[112] The county was chosen as the unit of study in order to overcome some of the inadequacies of data based on the much wider administrative divisions. Even under the Special Areas legislation, Government action was restricted to a smaller area than the full division.

It will be seen from the Tables that the South Wales counties were particularly badly-hit by unemployment whilst those in Scotland escaped the worst of the problem, except for the years of intense cyclical unemployment, 1931-1933. During the first half of this trough period (when an active regional policy was in abeyance) regional unemployment differentials tended to narrow as high unemployment rates afflicted the more prosperous regions, but the widening after 1932 reflects the much slower pace of recovery in the depressed areas. It must be remembered that during these years and for the remainder of the decade, the momentum of expansion tended to be carried by the consumer durable/automobile/building development block of industries which was concentrated in the relatively prosperous areas.[113] The trough of the depression appears to have lasted in most depressed counties between 1931 (when sharp rises in unemployment rates were recorded in all counties) and 1937 (when an equally significant improvement took place). The tendency of differentials to rise during the middle thirties

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112 The figures relate to the period 1927-1938, from the Local Unemployment Index, first published in January, 1927.

113 H W Richardson Economic Recovery in Britain 1932-9 (1967), passim.

together with the conclusions reached earlier in this chapter,[114] suggest that the faster pace of recovery in the relatively prosperous regions was primarily responsible for generating the revival of the capital goods industries of the depressed areas, given the lag in the export sector during the thirties. The slowness of recovery in the depressed areas is best explained by the more intensive use of factors of production being possible before new men or plant were required. As the accelerator effects of expansion in the prosperous areas began to quicken the pace of activity in the depressed areas, the rearmament boom helped further reduce the rate of unemployment. Exports also showed a slight recovery in 1937, but the level of the 1920s was not reached during the thirties.[115] Thus, the check to recovery in 1938 can also be explained in terms of external factors rather than in any changes in Government policy. However, rearmament seems to have prevented the deterioration from becoming worse.[116]

The ineffectiveness of Government policy can be assessed from the Local Unemployment Index data. The main trading estates were situated near Pontypridd, Gateshead and Paisley. These towns do not, however, show markedly different trends in their unemployment rates from other neighbouring towns over the period 1936-9.[117] It is only at this level that the direct benefits of such a small scale inducement policy as operated under the Special Areas Acts could hope to be identified. Thus, it appears that neither the export industries programme throughout most of the interwar period, nor the location of industry policy of 1937-39, were effective in significantly narrowing regional unemployment differentials. Unemployment

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114 Supra, 309/310.
115 Key Statistics op. cit, Table N: see also, Bank of England Quarterly Bulletin, March 1974, Table B, for a slightly different picture. Both sources agree, however, on the basic trends of the current balance.
116 Supra, Chapter Six.
117 Table XXXII.

remained concentrated in the depressed areas throughout with the result that secondary social and economic problems were more intense than in the Midlands and the South East.

Thus, long-term unemployment remained a more intractable problem in the depressed areas than in other parts of the country.[118] It has been argued that the long-term unemployment problem was one of the main forces on the Government at the time of the passage of the Special Areas Act of 1934.[119] However, Table XXXIII suggests that the Special Areas programme and the industrial policies were unsuccessful in reducing the proportion of all applicants for benefit who had been out of work for longer than one year. The proportion did not begin to fall until 1937/38 and rose again in the months before the outbreak of War. The intensification of transference, the refinements made to industrial policy, and the early phases of the Special Areas programme, therefore, seemed to have had little impact on the figures. Moreover, the regional data shows that even after the economic progress made during the middle thirties in the depressed areas, long-term unemployment remained a problem of appreciable proportions at the outbreak of War.[120] The Special Areas also contained an undue burden of men who had been out of work for more than one year.[121] All the Special Areas possessed higher proportions of men continuously unemployed for at least one year than the wider regions of which they formed part, and although the figures reveal a slight downward trend (as do the national figures for the same period), it is clear that the policies introduced under the Special Areas Acts had, by no means, reduced long-term unemployment to small proportions during their period of operation.[122]

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118 For the earlier incidence of this problem in the interwar years, see Chapter One, Part Two.

119 Supra, Chapter Four. 120 Table XXXIV. 121 Table XXXV.

122 The lack of statistics for the period after September, 1938, is particularly unfortunate for there is no way of knowing if the improvement in the figures was maintained up to the outbreak of War. If this were so, the effectiveness of Government policies must be given the greater part of the credit.

South Wales: A Case Study

In this final section, the aim will be to study the impact, or suggest the probable impact, of various policy alternatives on a sample region - South Wales. This section will also illustrate the various statistical problems outlined above, for it was impossible to find figures in every case which related to the unit chosen for study: the counties of Monmouth and Glamorgan. Thus, in certain instances, figures for the Ministry of Labour Wales division have been used.

In the first instance, it seems that Governments could have significantly reduced unemployment in the two counties by action to reduce national unemployment. There is a high R^2 value for a regression of United Kingdom unemployment on unemployment in each of the two counties.[123] If, however, Government aggregate policies are considered, it seems incontrovertible, in the light of modern economic analysis, that insufficient expansion of demand occurred in the interwar period. The broad trends of Government policy at this level have received attention from a considerable number of economists and economic historians since 1945.[124] There seems little point here in attempting to do much more than summarise the main elements of official action. Perhaps the most important factor was the maintenance of the balanced budget, except for two brief periods (during the post-war boom and during the slump year of 1931/2). Within such a framework, monetary and fiscal policy, in the context of the social and political situation of Britain in the interwar years, can have had only a marginal

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123 The R^2 value for UK unemployment on unemployment in Monmouth was 0·84, and for Glamorgan, gave a result of 0·86. These figures indicate a strong relationship between national and county unemployment. A qualification needs to be added, however, for there were only twelve observations in the analysis (1927-1938), and this rather small number weakens somewhat the force of any conclusions drawn from the analysis.

124 Winch op. cit, 67-251; Stewart op. cit, passim; Derek H Aldcroft The Inter-War Economy Britain 1919-1939 (1970), Ch. 9.

expansionist effect. The trend of both monetary and fiscal policy in the cyclical slump years of the early twenties was deflationary as the Government raised taxation and cut spending, whilst the Bank first restricted the money supply and then raised interest rates for a spell in 1920 and 1921.[125] Fiscal policy tended to be mildly expansionist for the remainder of the decade with increased Government expenditure financed by increased tax yields, excise duties and a betting tax.[126] Monetary policy, in contrast, tended to be restrictive as a result of the need for deflation before and after the return to Gold in 1925.[127] The burden of debt redemption acted as an increasingly heavy weight on the budget particularly when the balance of payments necessitated a high Bank Rate.[128]

During the thirties, total Government expenditure in real terms rose from 1934 onwards, especially towards the latter half of the decade when defence spending began to gather momentum.[129] However, the multiplier effects of this expansion were decreased by the raising of additional taxes, particularly the National Defence Contribution.[130] The abandonment of Gold in 1931 permitted a more expansionary monetary policy, though its role in the recovery seems to have been primarily permissive rather than the more positive claims made by contemporaries.[131] However, the conversion of a large block of War Loan to a low rate of interest during 1932, saved money on debt servicing and released resources for use elsewhere.[132] During the

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125 Susan Howson 'The Origins of Dear Money, 1919-20' EHR 2nd Ser. XXVII (1974), 106/7.
126 Aldcroft The Interwar Economy, 328/9.
127 Pollard The Gold Standard and Employment Policies, 3.
128 Ursula Hicks notes that debt interest had required 12·3 per cent. of the revenue in 1914. By 1919, the proportion had risen to 29·8 per cent. and reached 38·7 per cent. in 1925. There was no considerable reduction before 1933. The Finance of British Government, 1920-1936 (Oxford 1938), 312.
129 Peacock and Wiseman op. cit, 159.
130 Supra, Chapter Six, 245.
131 Richardson Economic Recovery in Britain, 182-206.
132 Ursula Hicks (1938) loc. cit.

expansionary phases of Government policy, however, the net effect was not sufficient to eradicate the high rates of unemployment in the South Wales counties. Nevertheless, the Government did attempt to promote some expansion within the framework of orthodox economic and financial theory, as Aldcroft suggests.

> "However, although adherence to the doctrine of the balanced budget effectively constrained the use to which fiscal policy could be put, this did not necessarily mean that it was always a destabilising force. There was room for manoeuvre within the framework of the balanced budget...Various categories of expenditure transfer payments, public investment and Government spending as a whole tended to rise or increase their relative importance during the depression years of 1921, 1929-32 and 1938. These upward shifts were largely accidental but they were nevertheless in the right direction and therefore exerted moderating influence on the downswings. Unfortunately, they were far too small to have much effect and were offset to a large extent by the compensatory tax increases in 1931-2." [133]

This failure to expand aggregate demand sufficiently meant that, according to the regression analysis given above, the policy which could have substantially reduced unemployment in the two counties was not implemented to a sufficient degree to be effective. The Government tended to turn throughout the whole interwar period to policies to boost output and efficiency in the export industries, and it is to the effectiveness of this policy that attention must now be turned.

An analysis of the South Wales example shows that the relationship between the rate of unemployment in the counties and the output of coal from South Wales was exceedingly complex. The R^2 value for a regression of the output of coal from South Wales and the rate of unemployment in Glamorgan and Monmouth is in neither case as high as for the previous calculation involving the United Kingdom unemployment rate, and, thus,

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133 Aldcroft The Inter-War Economy, 314.

there would appear to have been less likelihood of reducing unemployment in the South Wales counties to small proportions by action to boost the output of coal from the area. Nevertheless, if output could have been raised sufficiently, it is clear that, given the high dependence on pit-work in these two counties, unemployment would have fallen. A scatter graph illustrates this point more clearly.[134] It seems clear, especially in the case of Monmouthshire, that there was a core of unemployment which could not have been reduced, or which would have taken a very long time during which output would have had to increase by a very great extent to be reduced. Similarly, it seems possible to suggest that whenever output of coal fell to relatively low levels (say, to less than 38 million tons in any year) there occurred an acceleration in the rise in unemployment in the two counties, possible evidence of a 'shake-out' of labour during cyclical downturns. However, the small number of observations again make all conclusions drawn from these calculations less than reliable, and thus, they must be treated with caution.[135]

Industrial policies pursued by the Government were concerned with raising output by means of reducing costs and raising efficiency in the industry and enabling British producers to become competitive in export markets.[136] Efficiency, as measured by output per manshift, did rise in South Wales from 1·92 tons in 1922, to 2·35 tons in 1938.[137] However, output, which had been at almost 57 million tons in 1913,[138] did not rise over the interwar period. In 1927, output from South Wales had fallen to 45·1 m. tons and reached 48·1m tons in 1929. Output fell each year to a

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134 Figure I.

135 The R^2 value for the regression of South Wales coal output on unemployment in Monmouthshire was only 0·52, whilst that for Glamorgan was much higher at 0·69.

136 Supra, passim.

137 Rhodes op. cit, 103.

138 Coal Industry Commission Report and Minutes of Evidence Volume II (Cmd 360 1919), 795, May 16, 1919.

total of 34·4 million tons in 1933 and stagnated during the middle years of the decade before rising to 38·8 million tons in 1937.[139] This combination of a downward trend in output, and a rising trend in productivity meant that the number of jobs in the South Wales coalfield fell steeply over the interwar period,[140] and only fairly heavy rates of migration from the area prevented the unemployment rate from rising considerably as a result of these developments in the coal mining industry in South Wales.[141] In the light of the difficulty in finding markets for South Wales coal, the need for even greater productivity advance before the industry became competitive in world markets and the secular decline in output reversed, and the uncertain returns in lower unemployment rates from increasing the output of coal, it reasonable to conclude that the export industry policies as pursued in the interwar period might have had only a relatively minor total effect on unemployment in this region.

Using national average figures, it is possible to suggest that the encouragement to the coal mining industry to amalgamate during the 1920s may have resulted in greater unemployment in the regions. Dowie has shown that output per employee in the coal mining industry rose by 4·4 per cent. in the period 1924-1929, and by only 1·1 per cent. in the period 1929-1937.[142] It seems likely that the operation of the cartel in maintaining the existing structure of the industry, including the relatively inefficient producers, and permitting through the quota system, a greater use of short-time working restrained productivity growth during the thirties.[143] The corollary is, thus, that unemployment was one of the costs of the higher productivity achievement during the earlier decade, especially in coalfields such as South Wales, where the

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139 Calculated from weekly figures in the Board of Trade Journal.
140 Table XXV
141 Supra, the comments on population change in the areas, p 298.
142 J A Dowie 'Growth in the Interwar Period: Some More Arithmetic' EHR 2nd Ser. XXI (1968), Table I.
143 SUPRA, Chapters Five and Six.

chances of finding alternative employment were slim. It is possible, therefore that the Government's encouragement to amalgamation during the twenties, in so far as Government support provided a greater number of combinations than would otherwise have been the case, might have worsened the unemployment situation in the coalfield areas, although the net effect would not have been very great for there were good economic reasons for the formation of larger, more efficient units during the period.[144]

The other main programme of aid to the depressed areas during the interwar period came in the explicitly regional policies of Transference and the Special Areas legislation. The regional impact of transference is difficult to assess because of lack of data - there are no figures of origins of transferees by county, and the only regional figures were those presented to the Barlow Commission and relating to the period January, 1936, to June, 1937.[145] In 1936, 12,160 men, boys and girls were transferred by the Ministry of Labour from the South Wales division. An additional 17, 682 men moved to other areas to look for work or to take up jobs which they had found for themselves, making a grand total of 29,852 migrants from South Wales during the year.[146] During the year, unemployment in the Wales division averaged 194,213.[147] Thus, if mobility on this scale had no effect on the level of unemployment in South Wales, if it could have been maintained for a number of years, and if all moves were permanent, migration might have been expected to have eradicated unemployment in South Wales by 1942. However, all these assumptions are patently false. The loss of purchasing power when migrants departed had

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144 N K Buxton op. cit, passim.

145 Evidence, Evidence of the Ministry of Labour, App. 4, February 3, 1938.

146 There are no separate figures for boys and girls moving independently of the transference scheme, but the figures must have been small; a more serious limitation is the lack of information about the movement of women.

147 Average of monthly figures given in the Ministry of Labour Gazette

a downward multiplier effect on employment in the depressed areas, the volume of transference in 1936 was at its peak,[148] and the problem of returning migrants caused great concern to the administrators of the scheme.[149] Thus, transference could have been effective only over a very long time span, and was an inappropriate policy to relieve the urgent unemployment problem in the depressed areas.

The data in relation to expenditure from the Special Areas Fund is, however, more complete. It is possible to deduce from the Commissioners' Reports that in South Wales local authority works to the value of £1·53 millions were partly or totally assisted from the Special Areas Fund.[150] If it is assumed that none of this work would have been undertaken but for the Commissioners' grants, it is possible, using the 'employment value' estimates made by Bretherton and associates, to calculate a maximum number of jobs created by this expenditure.[151] There appear to have been approximately 6,500 jobs provided from the Fund in this way. In addition, there were a maximum of 5,700 jobs created in firms which had become established in the South Wales Area with the help of the inducements and/or factory space on the trading estates in the period up to the outbreak of War.[152] Relating the total of 12,200 jobs once more to the figure of unemployment in Wales in 1936, 194,213, (a relatively prosperous year in the division during the interwar period) it will be seen that a considerable expansion was needed in the programme before a rapid, substantial reduction in the regional unemployment total could have been expected.

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148 Table XVI.
149 Supra, Chapter Six, 239.
150 EW 3, 191; EW 4, 204; EW 5, 113.
151 An average for the figures (direct labour) of public health and of sewage works, amounting to 4,240 employed per £1 million spent. Bretherton et al. op. cit, 303.
152 Calculated from PRO T187/61 op. cit.

Moreover, the expansion would have had to have been concentrated in the public works aspect of the Special Areas programme for experience in much more favourable conditions for a location of industry policy with high levels of demand and competition for development land, has shown how little can be expected from locational policies when confronted with high regional unemployment. Between 1945 and 1965, there were 285 factory moves into Wales and 93,700 jobs were created in the region - amounting to less than half of the 1936 unemployment figure.[153]

Thus, the South Wales case suggests that the Government did not give enough effort to aggregate demand expansion, potentially the most effective method of reducing unemployment in the region, and concentrated, instead, on policies that, at best, would have provided only a long-term solution to the unemployment problems of the area.

Conclusion

It must be emphasised, once more, that the difficulties in making any assessment of regional policy and its effects are immense. The inadequacy of the available statistial series and the complete lack of regional data at some points makes the task of interpretation more perplexing and the conclusions less reliable than for the post-1945 period when statistical techniques and coverage have both improved. Moreover, any attempt to isolate the impact of Government regional policies during the interwar period is beset with the problem of allowing for the contribution of such extraneous factorsas the world trade cycle, the European rearmament of the thirties, and the trend to autarky after the slump of the early thirties. In comparison with these influences, the actual effects of Government policies seem to have been slight. In the

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153 Board of Trade The Movement of Manufacturing Industry in the United Kingdom 1945-65 (1968), 40, Appendix B.

two crucial areas of creating work to relieve the immediate pressures of unemployment and of promoting diversification to achieve greater stability in the long run, the Government's policies were inadequate. With our present interpretation of the causes of regional unemployment, diversification and development of social capital would appear to have offered the most successful means of promoting regional growth and reducing regional unemployment. These aims were not formally or coherently expounded until the publication of the Barlow Report in 1940, and it is perhaps unfair to judge policy in the 1930s by these criteria.[154]

When the basic indeces, the rate of unemployment and the proportion of long-term unemployment are considered, it is impossible to attribute much more than minor impact to the effects of Government policy.[155] Regional unemployment differentials persisted, the towns which might have been expected to show a reduction in unemployment rates remained as depressed as neighbouring centres, and long-term unemployment was regionally concentrated until the outbreak of the Second World War. It seems reasonable to conclude that the real progress in helping the regions in the interwar period was the development of coherent policies and the weakening of the laissez-faire unwillingness to take action, rather than the creation of new jobs and the reduction of unemployment.

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154 Supra, Chapter Seven.

155 An important qualification concerning the role of public works contracting must be added. It is clear that without the growth of employment in this industry (especially in South Wales where in July, 1937, approximately 7 per cent of the insured workforce in the region was attached to the industry) unemployment would have been higher. Evidence, Evidence of the Ministry of Labour, Table III, February 3, 1938.

TABLE XXI

Index numbers of the population of certain depressed areas, 1920-1939, (1920 = 100)

	SOUTH WALES*	CUMBERLAND	NORTH EAST**	WEST-CENTRAL SCOTLAND***
1920	100	100	100	100
1921	101	101	101	101
1922	103	102	103	101
1923	103	103	104	102
1924	104	103	105	103
1925	105	103	105	102
1926	104	103	105	102
1927	104	103	105	102
1928	102	100	103	103
1929	102	99	103	103
1930	100	99	102	101
1931	98	98	102	102
1932	98	99	102	103
1933	97	98	102	103
1934	96	98	102	104
1935	96	97	101	104
1936	94	97	101	105
1937	92	96	100	105
1938	92	96	100	106
1939	92	96	100	106

* Glamorgan and Monmouthshire.
** Northumberland and County Durham.
*** Ayr, Renfrew, Lanark, and Dumbarton.

Sources: Registrar Generals Statistical Review of England and Wales, County Tables, Annual Reports of the Registrar General for Scotland, County Tables.

TABLE XXII

Estimated total numbers of insured persons aged 16-64 in certain areas, 1923-1937*

	July 1923	July 1929	July 1932	July 1937	Percent Change 1923-37
Home Counties	913,660	1,153,680	1,305,330	1,589,730	+74·0
Northumberland and Durham	618,510	612,930	651,870	647,860	+ 4·7
Mid-Scotland**	792,240	793,930	831,960	867,570	+ 9·5
Glamorgan and Monmouthshire	457,250	434,930	456,570	437,490	- 4·3
Lancashire	1,696,660	1,779,890	1,840,000	1,826,320	+ 7·6
Great Britain	10,826,020	11,700,000	12,400,000	13,244,000	+22·3

* Excluding special schemes for banking and insurance.
** Lanark, Renfrew, Dumbarton, Midlothian, and West Lothiam.

Source: Royal Commission on the Distribution of the Industrial Population Evidence Evidence of the Ministry of Labour,290, February 3, 1938.

TABLE XXIII

Estimated numbers of insured persons, aged 16-64, in employment, in certain areas, 1923-1937.*

	July 1923	July 1929	July 1932	July 1937	Percent Change 1923-37
Home Counties	821,220	1,099,810	1,113,140	1,504,180	+83·2
Northumberland and Durham	521,250	523,370	403,140	544,630	+ 4·5
Mid-Scotland**	663,050	693,400	574,780	724,200	+ 9·2
Glamorgan and Monmouthshire	432,210	346,370	263,380	343,670	-20·5
Lancashire	1,443,500	1,552,650	1,358,880	1,588,490	+10·0
Great Britain	9,597,520	10,561,750	9,565,270	11,924,600	+24·2

* Excluding special schemes for banking and insurance.
** Lanark, Renfrew, Dumbarton, Midlothian, and West Lothian.

Source: Royal Commission on the Distribution of the Industrial Population Evidence Evidence of the Ministry of Labour, 291, Feb. 3, 1938.

TABLE XXIV

Increase or decrease between July, 1923, and July, 1937, in the estimated numbers of insured persons, aged 16-64, in certain industries and areas.*

	Total increase or decrease in GB.	Northumberland & Durham	Mid-Scotland	Glamorgan and Monmouth
Distribution	+804,430	+32,280	+47,670	+23,960
Building	+344,170	+15,470	+18,160	+ 3,050
Coal Mining	-339,750	-62,000	-27,250	-85,330
General Engineering	- 26,410	- 490	-12,380	- 1,210
Hotel etc. Service	+184,740	+ 6,770	+ 8,970	+ 3,380
Cotton	-151,060	+ 10	- 6,010	-
Motors, Cycles, Aircraft	+160,130	+ 1,260	+ 3,610	+ 1,050
Public Works	+168,590	+21,760	+12,000	+23,770
Chemicals	+ 25,570	+ 9,120	- 1,670	- 1,660
Gas, Water, Electricity	+ 52,730	+ 2,930	+ 1,480	+ 1,250
Road Transport	+ 61,070	+ 2,670	+ 1,370	+ 2,400
Trams, Buses, etc.	+ 95,380	+ 7,700	+ 9,340	+ 3,980
Iron and Steel	- 31,570	- 5,800	- 6,020	- 2,110
Electric Cables	+106,180	- 40	+ 350	+ 270
Shipbuilding	- 74,090	-20,770	-19,800	- 5,530
Dock, Harbour, Canal Service	- 16,020	- 40	- 520	- 2,620
Metals other than Iron and Steel	+ 20,760	- 1,380	- 440	+ 1,670
Total: All Industries and Services	+2,417,980	+29,350	+75,330	-19,760

* Excluding agriculture and special schemes for banking and insurance.

Source: Royal Commission on the Distribution of the Industrial Population Evidence, Evidence of the Ministry of Labour, 294, Feb. 3, 1938.

TABLE XXV

Coal mining: index numbers of wage earners on colliery books, selected districts, 1923-1939. (1927 = 100)

	Northum-berland	Durham	Cumberland and Westmorland	South Wales	Scotland
1923	122	131	108	127	127
1927	100	100	100	100	100
1928	91	98	94	89	88
1929	95	106	81	91	90
1930	93	103	82	91	89
1931	85	89	74	82	81
1932	83	82	60	76	76
1933	81	79	53	74	74
1934	84	84	58	73	77
1935	85	82	54	70	77
1936	87	83	43	67	79
1937	89	89	51	70	83
1938	89	89	57	72	84
1939	89	87	58	69	83

January/July averages.

Source: Ministry of Labour Gazette

TABLE XXVI

Percentage of Great Britain total of insured persons aged 16-64 in certain industries and areas at July 1937.*

	London & Home Counties	Northumberland & Durham	Mid-Scotland**	Glamorgan and Monmouth
Distribution	32·9	4·3	7·7	2·8
Building	30·9	4·0	5·3	1·8
Coal Mining	0·9	19·6	6·7	17·2
General Engineering	23·7	5·5	9·6	0·7
Hotel, etc. Service	42·7	3·7	4·6	1·8
Cotton	0·4	0·0	3·4	-
Motors, Cycles, Aircraft	29·7	1·0	2·5	0·5
Public Works	18·8	9·6	6·1	10·8
Printing etc.	46·3	2·1	7·6	1·1
Misc. Metals	21·3	1·6	2·9	1·2
Chemicals	30·7	7·1	4·9	0·6
Gas, Water, Electricity	34·7	4·6	5·3	2·5
Road Transport	32·4	3·7	7·1	2·4
Tram and Bus Service	31·9	5·4	9·8	3·0
Iron and Steel	0·4	5·1	11·1	12·0
Electric Cables, etc.	61·3	0·3	0·6	0·2
Shipbuilding	8·9	21·2	23·2	2·8
Metals other than Iron and Steel	9·0	2·7	7·8	19·4
Electrical Engineering	23·4	7·4	2·4	0·7
Total: All insured industries and services	26·0	4·9	6·6	3·3

* Excludes agriculture and special schemes for banking and insurance.
** Counties of Lanark, Renfrew, Dumbarton, Midlothian, and West Lothian.

Source: Royal Commission on the Distribution of the Industrial Population Evidence Evidence of the Ministry of Labour, 293, Feb. 3, 1938.

TABLE XXVII

Analysis of 23 industries in which insured employment was expanding between 1923 and 1937 more rapidly than the average for all industries

	London & Home Counties	Lancs	North Mid-lands *	Mid-lands **	North-umber-land & Durham	Mid-Scot-land	Glamor-gan & Monmouth
Number of the 23 industries found in area in 1923	23	23	23	23	23	23	23
Total insured population in the 23 industries in 1923 (thsnds)	1,342	456	330	498	139	255	83
Number in the 23 industries as a percentage of total insured popn in area in 1923	55·5	26·9	23·5	41·1	22·5	22·2	18·3
Total insured populn. in the 23 industries as a percentage of total insured populn. in Great Britain							
1923	33·3	11·3	8·2	12·3	3·5	6·3	2·1
1937	32·9	11·3	8·6	12·0	3·7	5·7	2·3
Increase in the 23 industries between 1923 and 1937 as a percentage of total increase in GB in the industries	32·2	11·2	9·3	11·4	4·1	4·8	2·6

23 industries included distribution, tramway and omnibus service, laundries, dyeing, dry cleaning, building; motors, cycles, aircraft, silk and artificial silk, electric cables, etc, electrical engineering, hotel, public house, restaurant service.

* West Riding, Nottinghamshire, and Derbyshire.
** Staffs, Warwicks, Worcs, Leics, and Northants.

Source: Royal Commission on the Distribution of the Industrial Population Report (Cmd 6153 1940), 39.

TABLE XXVIII

The distribution of factories opened by region, 1932-1938

	1932	1933	1934	1935	1936	1937	1938
South and South-West	62	20	23	10	13	24	12
Greater London	261	220	235	213	256	215	168
Wales	10	2	5	4	5	13	23
Midlands	94	63	89	69	65	76	58
Eastern Counties	31	17	17	26	10	10	5
North West	112	94	94	121	116	120	77
North East	46	33	39	45	48	61	50
Scotland	20	14	18	22	29	22	21
Total	636	463	520	510	542	541	414

Source: Board of Trade Surveys of Industrial Development (1933-1938).

TABLE XXIX

Percentage of insured workers in coal mining, aged 16-64, unemployed in certain coalfields, 1930-1939.

	North-umber-land	Durham	Cumberland and Westmorland	Wales & Monmouth	Scotland	Great Britain
1930	19·8	17·5	24·8	23·6	19·8	20·6
1931	29·2	31·9	29·9	29·7	27·0	27·9
1932	30·8	34·2	46·2	42·6	31·1	34·5
1933	22·2	35·0	43·7	39·6	31·0	33·1
1934	19·2	25·2	35·4	38·8	27·4	34·0
1935	17·7	26·9	31·4	31·8	25·4	26·5
1936	13·8	20·3	44·9	30·3	23·0	22·3
1937	9·4	11·6	32·4	20·6	16·9	15·9
1938	15·0	15·6	21·6	19·4	19·8	16·7
1939	6·6	10·3	19·4	16·1	13·4	12·5

January/July averages.

Source: Ministry of Labour Gazette, (1930-1939).

TABLE XXX

Percentage of insured workers, aged 16-64, unemployed in selected counties, 1927-1938.

	Cumb-erland	Durham	North-umber-land	Mon-mouth	Glam-organ	Ayr	Dumb-arton	Lanark	Ren-frew
1927	10·7	21·8	16·9	23·3	24·1	7·2	8·2	12·6	11·5
1928	14·9	21·8	17·8	22·9	24·5	11·2	8·0	14·2	11·6
1929	17·4	17·9	16·1	22·5	21·3	11·9	10·3	15·1	12·0
1930	22·7	24·5	21·3	28·8	28·1	19·1	20·6	22·0	18·8
1931	29·2	36·6	27·7	33·8	36·7	25·0	39·5	31·8	32·3
1932	33·1	40·5	31·2	42·0	40·4	24·7	49·8	32·9	33·0
1933	33·0	39·3	29·2	40·6	37·9	24·7	43·9	32·5	31·5
1934	28·7	34·2	25·2	36·0	36·9	22·6	31·8	29·4	27·2
1935	29·5	33·9	24·3	33·5	36·4	21·1	27·4	27·4	25·5
1936	28·5	27·6	20·4	32·7	34·9	17·9	21·6	24·2	20·5
1937	21·7	19·5	15·4	21·1	23·7	13·8	14·1	18·2	15·5
1938	20·4	20·5	14·5	23·6	26·4	14·2	14·0	18·3	16·3

Monthly averages.

Source: Ministry of Labour Local Unemployment Index (1927-1938).

TABLE XXXI

Rates of unemployment among insured workers, aged 16-64, in selected counties, expressed as a percentage of the figure for the London and South East divisions, 1927-1938.

	Cumb-erland	Durham	North-umber-land	Mon-mouth	Glam-organ	Ayr	Dumb-arton	Lanark	Ren-frew
1927	195	396	307	424	438	131	149	229	209
1928	271	396	324	416	445	204	145	258	211
1929	311	320	288	402	380	213	184	270	214
1930	280	302	263	356	347	236	254	272	232
1931	237	298	225	275	298	203	321	259	263
1932	242	296	228	307	295	180	364	240	241
1933	282	336	250	347	324	211	375	278	269
1934	359	428	315	450	461	283	398	368	340
1935	339	404	286	399	433	251	326	326	304
1936	396	383	283	454	485	249	300	336	285
1937	334	300	237	325	365	212	217	280	238
1938	255	256	181	295	330	178	175	229	204

Source: Table XXX.

TABLE XXXII

Percentage of insured workers unemployed on the registers of employment exchanges serving certain towns, 1927-1939*

	1927	1928	1929	1930	1931	1932	1933
CUMBERLAND							
Maryport	12·0	31·0	45·1	43·6	61·8	54·1	67·3
Whitehaven	10·8	20·8	22·6	27·3	31·7	38·9	39·2
NORTH EAST							
Bishop Aukland	39·9	39·2	29·9	46·8	51·0	57·9	56·8
Crook	23·2	25·6	20·4	26·0	38·4	49·4	46·9
Gateshead	29·2	30·8	25·5	37·7	44·8	44·6	42·9
Newcastle	16·3	18·0	17·4	20·9	25·8	26·7	25·4
Sunderland	24·1	20·9	20·8	27·6	44·2	46·7	41·5
SCOTLAND							
Alexandria	20·7	17·6	24·8	53·5	63·4	57·3	53·1
Larkhall	12·2	24·3	28·4	30·3	38·6	42·2	37·0
Motherwell	12·5	18·7	16·1	21·3	40·9	45·7	46·3
Paisley	9·6	9·2	10·1	16·3	24·2	24·3	23·4
Wishaw	13·5	19·5	21·5	28·8	48·0	50·7	45·7
SOUTH WALES							
Cardiff**	14·1	17·7	18·6	23·0	27·9	29·6	29·4
Ebbw Vale	23·0	13·2	12·6	31·8	35·3	38·6	40·4
Merthyr Tydfil	48·6	66·4	44·7	55·5	61·0	60·9	58·5
Pontypridd	26·8	26·5	30·9	40·1	49·1	60·5	51·1
Risca	34·4	25·8	32·7	24·4	37·3	38·1	45·4

* Monthly averages. The figure for 1939 is an average of eight months (January - August).

** Not included in the schedule of Special Areas under the Act of 1934.

Source: Ministry of Labour Local Unemployment Index (1927-1939).

TABLE XXXII, continued.

1934	1935	1936	1937	1938	1939	
						CUMBERLAND
57·9	57·6	51·7	39·7	40·5	30·9	Maryport
29·8	39·8	48·7	30·1	21·8	21·4	Whitehaven
						NORTH EAST
53·5	52·0	48·1	35·5	33·9	31·7	Bishop Aukland
40·9	39·4	35·5	24·9	27·8	23·3	Crook
43·3	44·4	38·5	28·8	27·8	26·2	Gateshead
24·6	23·3	19·0	14·3	13·1	12·2	Newcastle
46·3	44·0	34·6	25·6	26·0	23·9	Sunderland
						SCOTLAND
44·4	44·9	34·9	24·3	25·5	22·2	Alexandria
32·6	32·4	32·8	22·6	25·8	22·1	Larkhall
38·1	32·5	29·5	20·3	20·0	19·5	Motherwell
19·9	19·3	16·1	12·3	14·6	13·0	Paisley
41·7	38·6	32·6	23·1	29·1	26·1	Wishaw
						SOUTH WALES
27·2	26·8	24·3	18·8	18·4	14·8	Cardiff
36·1	35·3	30·6	15·1	14·2	11·2	Ebbw Vale
59·2	55·5	52·9	41·6	41·8	38·7	Merthyr Tydfil
54·7	52·8	52·1	37·4	34·9	33·0	Pontypridd
43·7	39·6	43·4	22·2	33·5	22·4	Risca

TABLE XXXIII

The percentage of all applicants for benefits or allowances who had been continuously on the registers of employment exchanges in Great Britain for more than twelve months, 1932-1939.

	1932	1933	1934	1935	1936	1937	1938	1939
January	13·8	18·4	21·5	19·7	20·4	21·3	16·5	15·4
February	14·0	18·9	21·9	19·8	21·7	21·5	16·7	16·6
March	15·1	19·6	22·9	21·0	23·0	21·5	17·3	18·1
April	15·2	20·3	23·3	22·0	23·4	24·8	17·3	19·0
May	14·9	21·3	23·3	22·4	24·4	23·8	17·0	20·3
June	15·4	22·3	22·3	22·5	23·7	24·5	16·6	21·7
July	15·4	22·3	21·4	22·5	23·9	23·6	16·9	22·5
August	16·1	22·6	21·5	23·0	24·5	23·7	17·4	22·2
September	16·9	23·3	21·9	23·0	23·8	23·6	17·1	
October	18·3	23·2	21·4	23·5	23·4	22·2	16·9	
November	18·5	23·3	21·3	23·4	23·0	20·4	16·6	
December	19·1	23·3	21·6	23·7	22·4	18·0	16·6	
Annual Average	16·1	21·6	22·0	22·2	23·1	22·4	16·9	19·5*

* Average of eight months (January-August).

Source: Ministry of Labour Gazette, (1932-1939).

TABLE XXXIV

Applicants for benefit or allowances who had been continuously on the registers of employment exchanges in Great Britain by division, 1938-1939.

	Percentage of male applicants unemployed for more than 12 months at	
	February 1938	February 1939
South East	6·6	7·9
South West	8·6	9·1
Midlands	15·9	19·9
North East	18·2	20·2
North West	23·1	26·3
North	35·5	35·3
Scotland	29·5	31·3
Wales	30·7	33·1
Great Britain (males and females)	16·7	16·6

Source: Ministry of Labour Gazette (1938), 234, and (1939), 264.

TABLE XXXV

The percentage of male applicants for benefit or allowance, aged 18-64, who had been continuously on the registers of employment exchanges serving the Special Areas, 1935-1938.

	July 1935	July 1936	July 1937	July 1938
West Cumberland Special Area	56·5	47·5	55·1	52·5
Durham and Tyneside Special Area	50·8	52·2	50·6	43·1
South Wales Special Area	53·9	54·7	54·7	44·2
Scottish Special Area*	47·1	48·0	44·6	41·1

* Scottish figures for 1936-1938 relate to counts made in June.

Source: Reports of the Commissioners for the Special Areas.

APPENDIX ONE

The Statistical Sources.

Although the historian of the interwar period is relatively well-supplied with statistical material, he is under as much obligation as a medievalist to examine his sources critically and to assess their value for his purposes. Only rarely is it possible to find a reliable series which privides exactly the information required. In most cases, incomplete or inadequate data must be used, and its interpretation must be clarified and justified. In particular, the reliability and exact basis of the figures need to be examined.

Population

Since the Census of the population is taken only every ten years (and two readings would be totally insufficient for such a short span as the interwar years), the estimates made by the Registrar General for England and Wales and the Registrar General for Scotland must be used for the intercensal years. The procedure adopted to calculate the aggregate figures was to trace forward the previous census population, making due allowance for births, deaths, and migration (as far as was possible from the limited available records of these movements). During the interwar period, a striking degree of accuracy was achieved, with the estimated population for England and Wales being only approximately 140,000 too few in a total of almost 40 millions for 1931. Thus, the Registrar General for England and Wales was able to comment,

"The closeness of the agreement between the forecast and the realised census figure is, of course, largely an accident; the quality of the intercensal records, in particular those relating to migration, is not of an order to justify an expectation of extreme accuracy in the estimates based thereon. The agreement serves, however, to confirm for all practical purposes the substantial correctness of the chain of intercensal estimates made in respect of the years between 1921 and 1931". [1]

For local populations, the methods were essentially the same as for the national estimates, with the difference that the allowance for migration was much more difficult to ascertain. Whilst Government departments kept statistics of passenger movements to and from countries outside the United Kingdom, most internal movements were completely unregistered. However, the Registrar General's Office attempted to interpret changes in the electoral register in the following manner in order to provide accurate estimates of local populations.

"But it has to be borne in mind that changes in the register are not all attributable to migration; the mere attainment of franchise age by the existing population, in so far as this is not counterbalanced by deaths of persons already on the register, affects the electorate and falls with varying weight on areas of different age constitution. The incidence of this natural growth factor can be and has been estimated approximately by means of census age classifications of local populations, and some allowance has been incorporated in the estimation formula. Again persons admitted to the franchise are restricted to certain classes above the ages of 21 and 30 in the case of males and females respectively, numbering about 40 per cent. of the total population, and the assumption had to be made that movements within the franchise qualifications correspond to similar movements within the whole population. Finally, electoral registration can only take place after three month's residence in an area,

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1 Registrar General's Statistical Review of England and Wales for the Year 1930 (1932), Text, 98.

> "and such migration change as is reflected is that of a period at least three months prior to the periods to which the records relate. Notwithstanding these defects it is reasonable to suppose that any marked migration in either direction will sooner or later make its impression on the electoral record...." [2]

The method was refined somewhat for the 1928 estimates when more reliable data were needed in connection with the distribution of Exchequer funds to local authorities under the Local Government Act of 1929. The Parliamentary electorate was now used, as it covered a slightly larger section of the population than the local government electorate. All local authorities were circularised to provide the Registrar General with information and statistical data concerning local population movements, and local registrars of births and deaths were asked to furnish returns of large institutions in order to secure their proper representation in the estimates. Finally, the results were checked against independently-produced statistics to expose anomalies.[3]

Thus, despite the fact that migration from all parts of the derelict zones made the calculations perhaps less relaible than for wider areas in which population movements were less significant, by taking the latest corrected figure for a population in every case - thus, ensuring that more accurate information had been included - relaible estimates of county and local populations are assured.

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2 The Registrar General's Statistical Review for England and Wales for the Year 1927 (1929), Text, 99-100.

3 The Registrar General's Statistical Review for England and Wales for the Year 1928 (1930), Text, 147/8.

Employment and Unemployment

The measurement of unemployment is an extremely difficult exercise in social statistics involving the use of concepts which must be, to some extent, arbitrary.[4] To compute the rate of unemployment at any time, it is necessary to both define and measure both unemployment and the workforce. In neither case can a satisfactory definition be found which does not involve the use of arbitrary, and, to some extent, unrealistic assumptions. A crucial factor in any definition tends to be the method of measurement, such as registration at labour exchanges, census returns, and sample surveys. In Britain in the interwar period the figures most normally used both for unemployment and the workforce are those compiled from the workings of the National Insurance scheme. The original Unemployment Insurance Act of 1911 applied to 2¼ million workers in engineering, shipbuilding, iron founding and building out of a total workforce of 19·4 millions.[5] In 1916, the coverage rose to 3½ millions when the Act was amended to cover munitions workers. The major change during the interwar period occurred under the Act of 1920 which extended the scheme to include all workers except those in agriculture, domestic service, the railways, the self-employed, those under 16 years of age, local authority workers, those employed by their immediate family, the police, civil servants, teachers, nurses, and non-manual workers earning in excess of £250 per annum. From 1923, when the scheme began to operate fully, there are statistics based on returns made by 11¼ million workers, representing

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4 National Bureau Committee for Economic Research The Measurement and Behaviour of Unemployment (Princeton 1957).

5 Data relating to the size of the workforce is taken from C H Feinstein National Income, Expenditure and Output of the United Kingdom 1855-1965 (Cambridge 1972), Table 57, T 125/6.

approximately 60 per cent. of the total workforce. Some of these excluded groups were subsequently added to the scope of the Act, but the relative coverage of the scheme was not significantly altered during the interwar period.[6] Thus, the employment data from the Insurance returns relate only to a proportion, albeit a majority, of the total workforce. However, it has been possible to construct more comprehensive workforce figures based on income data, but these estimates have not been disaggregated by region and district, an essential pre-requisite for any work on regional economies and unemployment.[7] Thus, the Unemployment Insurance series must be used and their deficiencies noted.

With regard to unemployment, the difficulties are exceedingly large and there seems to be no realistic alternative to the Insurance figures for an extensive coverage.[8] However, the definitional problems in the use of these returns are enormous. The unemployed are usually defined as those unable to find jobs at suitable rates of pay. The data from the Insurance scheme fails to meet the quantitative requirements of such an ideal definition. Under the Unemployment Insurance Acts, eligible persons who lodged their insurance books with the Employment Exchanges during spells of unemployment were entitled to benefits. Thus, it is to be expected that people would register if they hoped to obtain benefits. The file of books so lodged, coded by industry, provided the record of

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6 In 1934 workers aged 14 and 15 became insurable, and in 1936 agricultural labourers were also included. Gardeners, chauffers, and certain categories of domestic servants became eligible to enter the scheme in 1937/8. On the other hand, in 1928, people over the age of 65, who were entitled to state pensions were excluded.

7 Agatha L Chapman Wages and Salaries in the United Kingdom 1920-1938 (Cambridge 1952).

8 Angus Maddison has produced figures for the whole interwar period, but these tend to be based on a very broad workforce definition. Economic Growth in the West (1964), 216-222.

unemployment published in the Ministry of Labour Gazette. However, it must be concluded that those outside the scope of the Acts and those who thought that registration would not assist them in finding employment would not be so rigorous in their attendance at the Exchanges to record their unemployment. In addition, the practice of making the unemployed wait for a period before benefits were paid (usually one week, but this was reduced by the first Labour Government) made it unlikely that those who expected only short-term unemployment of less than one week would record their state at the Employment Exchange. Similarly, the administrative procedures at the Exchanges affected the composition of the statistics. The insurance books of persons known to be sick, deceased, or emigrated were excluded from the file of persons unemployed, as were the books of those known to have transferred to employment outside the scope of the scheme and those disqualified for benefit by participation in a trade dispute. Where information was lacking on these points, the book was retained in a special file for two months (the two months' file), and then excluded from the unemployment figures. In every case the inclusion or exclusion of a book depended upon administrative practices and less upon the definition of unemployment noted above.

This administrative system was particularly ill-adapted to record adequately the reduced intensity of work in certain industries and to take full account of short-time working.[9] However, the question whether those working only on certain days of the week or on some other rota system so that they average less than the normal working week is exceedingly difficult to incorporate into any definition of unemployment and, clearly

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9 J Jewkes and H Campion 'The Mobility of Labour in the Cotton Industry' Economic Journal XXXVIII (1928).

some sort of arbitrary decision such as that made by the insurance scheme administrators to allow certain types of short-time working to be eligible also for unemployment benefits,[10] would have to be made.[11]

The definitional problems are particularly difficult in relation to the female workforce. It is impossible to obtain any realistic assessment of female unemployment since there is no way of knowing how many unoccupied women would have been willing to seek paid employment at prevailing wage rates, had it been available. It is clear that social attitudes were operating in both directions. On the one hand, female employment was more acceptable following the contribution of women to the national effort during the First World War; families were smaller and the relative status of women in society was changing. However, economic circumstances militated against a more enlightened social attitude to the employment of women during this period. It would appear that the full potential of women's employment was not realised and there was no significant increase in aggregate female activity rates over pre-1914

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10 W R Garside has related the case of miners at the Lambton Colliery who organised a rota giving them 3 week's work in every 4. It is impossible to definitively state whether these workers should have been included in the employed categories (that they were not in search of work) or be included with the unemployed. Op. cit, 284.

11 Any three days of unemployment within six consecutive days, or two unemployment periods of less than three days each separated by a spell of not more than ten week's work were considered as continuous unemployment, and a second 'waiting period' before benefit could be paid was unnecessary. Employers were able to adapt their methods of engaging labour to these conditions and spread the available employment over a larger number of workers than would have been possible if the Unemployment Insurance scheme had not been at hand to maintain the surplus labour when it was not in employment. See Jewkes and Campion op. cit.

levels.[12] However, the problem of female underemployment seems to have been highly regionalised, with more opportunities for women's work and rising activity rates in the prosperous areas.[13]

On the other hand, there is some evidence from both Government records[14] and from published sources that a number of unemployed workers chose to remain unemployed because state benefits and allowances provided an improvement on their previous take-home pay.[15] The family allowance provisions of payments for dependants and the increase to those who reached the age of majority meant that those with large families and the younger unemployed were particularly affected. It is an insuperable problem if these workers should have been included in the unemployed categories since they were not genuinely in search of employment.

A check on the accuracy of the Insurance figures as a measure of the general unemployment rate can be made using the occupation tables of the Census of 1931, when, for the first time, respondents had to record if they were unemployed. For Great Britain, the Census reveals that 2,525,000 were unemployed at the end of April, 1931. The National Insurance figures for the same day indicate that 2,515,000 people were out

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12 Edward James 'Women at Work in Twentieth Century Britain' Manchester School, Volume 30 (1962).

13 Supra, Chapter Eight, footnote, 79, p 310.

14 PRO PIN 7/167, Letter from the North East Divisional Office to Nicholson, October 9, 1936.

15 Men Without Work: A Report made to the Pilgrim Trust (Cambridge 1938), 164-71, 201-12; G Cameron et al. Disinherited Youth (Edinburgh 1943), 44.

convenient series published for the benefit of social scientists. Thus, the unemployment returns reflect, to a significant extent, changes in the law and in the administration of the Unemployment Insurance scheme.[19] For example, in the period before 1929, the rate of unemployment among insured women had averaged approximately 60 per cent. of the male rate. However, in the early 1930s, when the condition that claimants must be 'genuinely seeking work' was dropped the female average rose to 80 - 90 per cent. of the male rate. When the Anomalies Act of 1931 partially reversed the previous policy, female rates tended to return to pre-1929 levels. It appears that in attempting to use the Insurance returns as a measure of unemployment, the historian must be aware, not only of changing economic circumstances, but also of various legislative and administrative changes which altered the level of or the conditions for obtaining unemployment benefits. Thus, it is clear that the attempts to define and measure unemployment are essentially arbitrary and extreme caution is needed in drawing conclusions from those unemployment returns which are available.

The presentation of the Insurance statistics present further difficulties for the social scientist wishing to interpret the unemployment levels of the interwar period, and reinforce the need for extreme caution in handling the data. In the first instance, although the number of unemployed were counted each month, the workforce figures (on a national, industrial, or regional basis) were always out of date. The percentages of unemployment were calculated up to September of each year on the basis

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19 W H Beveridge 'An Analysis of Unemployment I' Economica NS Vol III (1936), 358/9.

of the total number employed in July of the previous year; for instance, the percentages of unemployment in the year October, 1935, to September, 1936, were calculated on the basis of the total number insured on July, 1935. Thus, for industries either gaining or losing workers in relatively large numbers, there will be a marked discontinuity in the figures in October of each year. This point is illustrated in Table XXXVIII which shows the monthly unemployment rate for the shipbuilding and ship-repairing industries for the period 1931-1935. It will be seen that in the first four years, when there had been a marked decline in the workforce, covered by the insurance scheme, attached to the industry, there was a notable jump in the rate of insured workers unemployed in October. Whilst it is true that the Ministry published revised figures for the June-September period when the new total of insured workers in the industry became available, the net effect was only to bring forward the discontinuity by three months. Only revised estimates each month of the insured workforce of each industry would have eliminated this distortion; and, judging by the time taken to prepare the annual figures, such calculations were obviously beyond the capabilities of the Ministry of Labour in the interwar period. Thus, there seem to be immense problems in determining what use, if any, can be made of the industry tables of the insurance data.[20]

At a more fundamental level, however, the industry unemployment statistics are based upon assumptions which are, to some degree, arbitrary and possibly misleading, since there does not appear to be any

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20 It must be remembered that the statistics were disaggregated by industry only after 1923. Prior to that date only figures of unemployment rates by occupation are available, and great care is needed in drawing conclusions about the conditions in the various industries from this data. Supra, Chapter One, Part Two.

satisfactory method of defining an 'industry workforce' apart from the total number of workers actually employed at any given time in any particular industry. The Insurance data, however, defined the unemployed into the industry in which they had experienced their last spell of paid employment. Thus, there were coal miners who had not worked in the industry for a number of years, and whose prospects of re-employment in that industry were slight. The authors of the Second Industrial Survey of South Wales noted the close connections between the workforces of the coal mining and public works contracting industries. As the mining workforce began to decline during the middle thirties, that of public works began to increase. As much of the employment created on such work schemes was only short-period 'relief' work of the type financed from the Special Areas Fund, many ex-miners would work for a few weeks and then return to their unemployed state, but now classified by the Ministry of Labour in its Insurance figures as being attached to the public works contracting industry.[21] Thus, the decline in unemployment in the basic export industries in the depressed areas (which was achieved largely as a result of declining 'workforces') needs to be treated with some scepticism.

Similarly, it must be emphasised that any definition of a region must rest, to some extent, on arbitrary assumptions for there is no real consensus on what constitutes a 'region'.[22] Within each division for which figures of insured employment and unemployment were published by the Ministry of Labour, there were towns with comparatively low rates

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21 Op. cit, 76-8.
22 H W Richardson Regional Economics, loc. cit.

of unemployment and towns with rates far in excess of the national average.[23] However, at village or hamlet level - for which statistics of Insurance origin are unavailable - phenomenal rates of unemployment could persist for long periods. In 1935, 80 per cent. of the workers in Tow Law (on the South West Durham coalfield) were unemployed, almost 100 per cent. of those in Shildon, and at West Aukland, only 10 per cent. of the male workers had had a job since 1928.[24] Thus, the disaggregated data from the Insurance scheme could fail to reveal some of the worst aspects of the unemployment problem at the sub-regional level. Indeed, there are grounds to suspect that the re-drawing of administrative boundaries was used to 'hide' unemployment rates in 'sensitive' areas. The unemployment rate in Jarrow, for example, fell from 70·1 per cent. to 48·7 per cent. in November, 1935, when the Jarrow and Hebburn employment exchange districts were amalgamated.[25] At this time, the high rates of unemployment in the town and the difficulties of starting new industries in the town had thrown it into the public limelight.[26] Thus, the data required by contemporary commentators and by historians are immediately submerged in a different set of figures which need more careful attention before any conclusions may be drawn.

The aim of this section has been to emphasise that the normal methods of defining and measuring unemployment in the interwar period on the basis of the Unemployment Insurance data are unsatisfactory, and, in

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23 Richardson Economic Recovery in Britain op. cit, 273/4.
24 T Sharp A Derelict Area: A Study of the South West Durham Coalfield (1935), 23, 33-9.
25 Ministry of Labour Local Unemployment Index (1935).
26 Ellen Wilkinson op. cit, 259-73.

certain respects, misleading since the returns are based upon a limited and unrepresentative sample of the total workforce. This conclusion is valid both for the aggregate figures and for those presented by region and by industry for which special statistical and methodological problems arise. However, there are insuperable problems in attempting to produce a workable definition of unemployment, and any statistical series is certain to be based, to some extent, on assumptions which are both arbitrary and unrealistic.

The Surveys of Industrial Development

After considering the essentially administrative character of the Insurance figures, it might seem that the Surveys of Industrial Development, not having resulted as the by-product of any Government scheme to aid industry, are an ideal source for the social scientist - being free from administrative bias, and supplying objective data about the opening of new factories throughout the country. However, such ideal information cannot be obtained from this source. Firstly, the Surveys covered only new enterprise in manufacture, and, thus, establishments in such sectors as laundries and dry cleaning were excluded. Secondly, and perhaps more important, the Surveys related only to factories where 25 or more people were employed, and, therefore, did not include many of the smaller establishments.[27]

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27 Board of Trade Survey of Industrial Development (1933), 1.

Reflecting the contemporary interest in the reasons for the location of industry, the Board of Trade attempted to obtain information on what had prompted the industrialist to select his particular site. Industrialists setting up new factories were asked to say which of a series of factors had been most important in their choice.[28] However, there was no attempt to be at all rigorous in the collection of this information. It was collected verbally and was regarded as being, in many respects, vague and incomplete for there was little opportunity for careful and exhaustive questions to provide reliable statistics.[29] Thus, this aspect of the work of the Board of Trade must be treated with the utmost care and it seems impossible to draw any firm conclusions from such flimsy evidence.

The Sources

Enough evidence has been cited to suggest that although the historian of the interwar period is confronted by an apparent richness of statistical data, great care is needed in the use and interpretation of the available figures. Caution is all the more essential because some of the series used (particularly those relating to unemployment) have become more reliable and wider in their coverage since the interwar years. It has to be recognised that these series provide a less reliable source for the earlier period. None ofthis should detract from the fact, however, that there are a number of sources which, if used with

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28 The following factors were cited; accessibility to raw materials, proximity to markets, suitability of labour, cheap land, low rent or low rates, proximity to other factories in the same industry, convenience of premises, proximity to employers residence. It will be seen, therefore, that some of the categories were extremely vague and broad.

29 See Survey (1933), loc. cit.

discrimination and proper attention, can help the historian of the interwar period understand the problems he is studying.

TABLE XXXVI

Unemployment in 1931 (thousands)

	Great Britain	
1	Persons aged 16-64 insured under U.I. Acts recorded as unemployed at April 27, 1931	2,515·5
2	Less Adjustments for over-counting of dockers	11·0
3	Add Persons aged 14 and 15	41·0
4	Persons aged 65 and over	144·4
5	Persons aged 16-64 not insured	344·4
6	Adjustments to average 1931 level	
	(a) Insured persons	126·2
	(b) Others	26·0
7	Equals Great Britain average 1931 level	3,176·5
	Northern Ireland	
8	Persons aged 16-64 insured under U.I. Acts recorded as unemployed in 1931	75·1
9	TOTAL United Kingdom average level	3,251·6

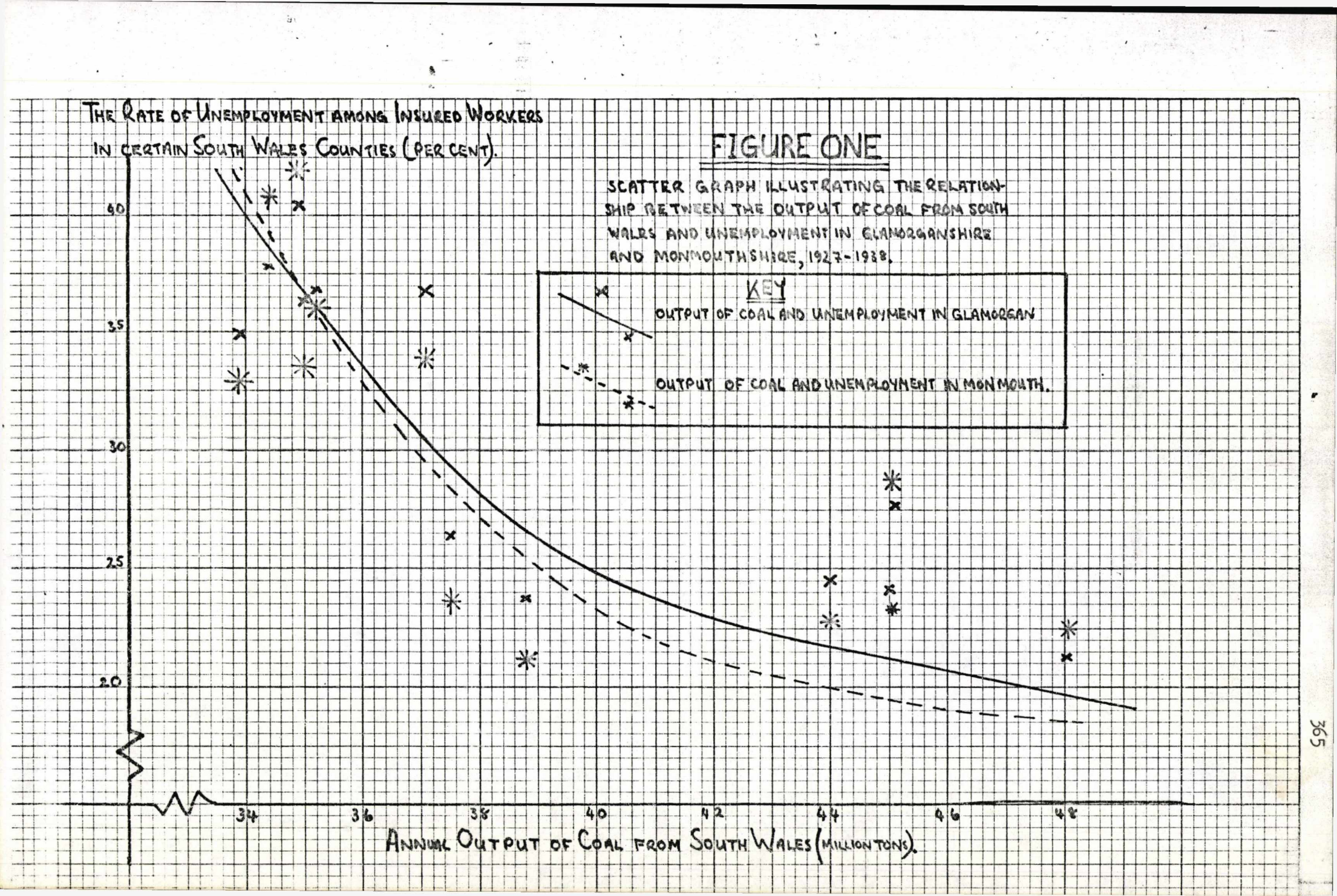
Source: C H Feinstein National Income, Expenditure and Output of the United Kingdom 1855-1965 (Cambridge 1972), 221.

TABLE XXXVII

Unemployment 1921-1938 (total unemployed as a percentage of total employees).

1921	12·2	1930	12·3
1922	10·8	1931	16·4
1923	8·9	1932	17·0
1924	7·9	1933	15·4
1925	8·6	1934	12·9
1926	9·6	1935	12·0
1927	7·4	1936	10·2
1928	8·2	1937	8·5
1929	8·0	1938	10·1

Source: C H Feinstein National Income, Expenditure and Output of the United Kingdom 1855-1965 (Cambridge 1972), Table 58, T 128.


THE RATE OF UNEMPLOYMENT AMONG INSURED WORKERS IN CERTAIN SOUTH WALES COUNTIES (PER CENT).
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ANNUAL OUTPUT OF COAL FROM SOUTH WALES (MILLION TONS).
FIGURE ONE
SCATTER GRAPH ILLUSTRATING THE RELATIONSHIP BETWEEN THE OUTPUT OF COAL FROM SOUTH WALES AND UNEMPLOYMENT IN GLAMORGANSHIRE AND MONMOUTHSHIRE, 1927-1938.
KEY
OUTPUT OF COAL AND UNEMPLOYMENT IN GLAMORGAN
OUTPUT OF COAL AND UNEMPLOYMENT IN MONMOUTH.

CHAPTER NINE

Conclusions

The aim of this thesis has been to try to account for the slow emergence and limited scope of regional policies in the interwar period. Despite the wide differentials in insured unemployment rates between Ministry of Labour divisions, a regional policy of the modern type (measures to bring jobs to the depressed areas coupled with a less extensive programme of encouraging the mobility of labour) was not implemented until after 1937, under the Special Areas (Amendment) Act. Regional policy per se was not only slow to evolve, but it received little attention from politicians and commentators during the interwar years.

This slow emergence and low priority during the interwar period occurred because regional policy was seen by contemporaries to be largely irrelevant to the solution of the unemployment problem. The attention of professional economists tended to be turned to the theoretical problems of the depressed export industries rather than to the actual conditions faced by industrialists, workers and the unemployed.[1] The result was that all proposals tended to be judged by their effect on the competitive position of the export industries. This attitude imposed a severely restricting framework within which policy could operate and induced near paralysis in the formulation and implementation of major programmes to curb unemployment, both in the regions and in the country as a whole.[2]

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1 Hancock, Economica article, op.cit, 320.

2 The objective of reducing the cost of living which was thought to be the best method of regaining competitiveness in the export industries tended to be framed in terms of reducing wages, fixed costs and Government expenditure and involvement in the economic life of the nation. Thus, a lead from the centre was actively discouraged. See PRO T 172/1208 cited supra, 50.

It has been argued above that the main effort of the Government during the twenties was to promote cost reduction in the export industries, initially by lowering wages.[3] However, wage reduction was bitterly opposed by the trade union movement. Workers in the export trades tended to face the most insistent demands for cuts in wages, and industrial strife ensued. There were disputes in the coal mining industry, for example, over wage levels in 1921, 1925 and 1926. (It might be argued that without the freak dislocation of German production when the French invaded the Ruhr, there would have been an even more protracted industrial war in the pits).[4] The involvement of millions of other trade unionists in the General Strike of 1926, effectively meant that in this industry the economic costs of attempting to reduce money wages would be far too great for further attempts to force them down by confrontation.[5] The centre of militancy tended to turn to another export industry, cotton textiles, which experienced fierce industrial disputes during the thirties. In coal mining, however, attempts were now made to reduce costs by other methods. Coal and other export industries were encouraged to lower fixed costs by amalgamation, to concentrate production in the most efficient units, and to form larger productive units.[6] Nevertheless, wages could not be allowed to rise and make the achievement of competitiveness more difficult, and, thus, there was still no place for an expansionist policy. Throughout almost the whole interwar period, unemployment was rarely conceived as a problem in the aggregate (except in the case of the solvency of the Unemployment Insurance Fund) but rather in terms of the difficulties of the individual industries engaged in the export trade.

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3 Ibid.

4 Supra, Chapter One, Part Two.

5 Pigou, for example, held that with perfectly free competition, there would be a strong tendency for wage rates to be so related to demand that full employment was inevitable. He analysed unemployment as evidence of frictional resistances preventing money wage adjustments. The Theory of Unemployment (1933), 252.

6 Supra, Chapter Three.

This concern to avoid all steps which would make the achievement of competitiveness in export markets more difficult, was not conducive to the formulation of policies to promote employment on public works in the regions. Such programmes were on a very small scale during the twenties and Budgets tended to be only mildly expansionary during the later years of the decade as a result of the balanced budget multiplier.[7] Such conditions are unlikely to be suitable for the growth and development of a modern regional economic policy; restrictions on the size and scope of public works programmes and a shortage of expanding industry in search of supplies of land and labour were the opposite conditions from those needed for the successful development of the modern type of policies.

Nevertheless, it was argued in Chapter Three that the formative influences on much of what was attempted in regionally-discriminatory measures were evident in the earlier decade. In order to appease pressure from local authorities in the depressed areas and from the unemployed themselves, the Government had to make a number of strategic concessions which, it was hoped, would placate the dissatisfied elements whilst leaving the essential work of cost reduction in the export industries basically unharmed. The Government began to make ad hoc grants to local authorities in the depressed areas; it began to cooperate with a wide range of voluntary and charitable organisations undertaking a variety of social welfare work with the unemployed; and, most significantly, it became more actively involved in the encouragement and direction of mobile workers under the Industrial Transference scheme. The inability of the export industries to regain their former prosperity and the rise in unemployment

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7 D H Aldcroft The Interwar Economy: Britain, 1919-1939 (1970), 304.

in the major exporting coalfields during the late twenties made the development of a new initiative, the transference scheme, inevitable. Transfer was an ingenious attempt to respond to pressure from the local authorities and from the unemployed for real help without compromising the policy of cost reduction. The ITB reported,

> "We have not excluded from our survey the possible creation, by direct intervention in the employment market, of opportunities for employment through transfer. At the same time, we have felt bound to have regard to the settled financial policy of the country and to follow the general lines of this policy in reviewing any of the more ambitious schemes, involving the heavy outlay of money, which have been brought to our notice.
>
> Acting upon this view, we have not felt it within our province to examine, for example, such matters as the reorganisation of the coal and iron and steel trades by amalgamation and grouping, or the possibilities of immediately increasing the employing capacity of the iron and steel and coal trades (and so reducing the size of the 'surplus') through such aids as a general subsidy to those trades or a tariff on imported steel or a bounty on export coal". [8]

The development of transference was important in that whole regions (which comprised adjacent employment exchange areas in which there had been heavy unemployment and where insured employment was largely dependent upon an export industry) were designated for assistance, rather than aid being restricted, as had previously happened, to isolated, badly-depressed local authority districts. When the transference scheme was extended, in September, 1929, to cover the whole of the five counties where the worst unemployment rates had been concentrated, the official identification of the problem areas had been completed.[9]

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8 ITB Report, op. cit, 5.
9 PRO LAB 2/1327 ITB 147/2 1928(Amd), cited supra, 99.

Transference was of vital importance to the Government in its policy against regional unemployment; until 1937 transference remained the principal measure to reduce the rate of unemployment in the regions. It was, essentially, an attempt to spread unemployment more evenly throughout the country and, thereby, to relieve the social and economic difficulties of those districts in which the unemployed were concentrated.

During the slump years of the thirties, the influences shaping regional policy changed significantly. Firstly, the rise in unemployment rates among insured workers, and the electoral triumph of the National Government committed to retrenchment led to a virtual cessation of the growth of regional policies evident in the latter years of the previous decade, and a return to the social welfare ad hoc policies of the early and middle twenties. Regional policies were severely cut back (especially in the case of transference and training) at a time when regional unemployment rates were at their height.

The recognition that a substantial proportion of unemployed workers were experiencing long spells between jobs and that the depressed areas were only minimally participating in the recovery of the middle thirties resulted in the re-awakening of public attention in unemployment. A series of articles in the Times entitled 'Places without a Future: Desolate Durham', and the greater frequency and violence of the 'hunger marches' during this period served to focus attention on specific, high unemployment areas and to renew pressure of opinion on the Government to renew its discriminatroy policies for the depressed areas.[10] Moreover,

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10 Supra, Chapter Four, 116-140.

conditions were now more favourable for the development of a more economic/industrial policy than during the earlier decade. Although the improvement of the competitive performance of the export industries remained the central element of unemployment policy, the reduction of costs no longer appeared to be the main objective. In the severely restricted world trading conditions of the thirties, the encouragement of cartellisation was now the central aim. By restricting competition, minimum prices could be fixed, profits for the most efficient concerns could be assured, and a united position could be adopted in negotiations with Continental cartels over trade agreements. Since cartellisation was based on protection of the home market behind tariff walls and tended to preserve jobs in the depressed areas by perpetuating the existing structure of the industries concerned,[11] conditions were more favourable for attracting industry to the depressed areas. The tariff could have been used to protect the mobile industries against foreign competition; the fixing of minimum prices would have lessened the competition from domestic producers, especially during the difficult 'settling in' period for the factory moving to the depressed areas; and the laissez-faire industrial policy seemed to have weakened with the passing of the Coal Mines Act of 1930, the imposition of the tariff and the less rigid policies on subsidising private industry.

The failure of such a policy to be formulated under the Special Areas Act of 1934 must be primarily explained in terms of the specific pressures which culminated in the passage of the Act. The concern with the plight

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11 For an assessment of the effects of cartellisation in the coal mining industry, see M W Kirby EHR article, op. cit, passim.

of the long-term unemployed and the interest shown by the press in the small, isolated communities where the main source of employment had closed resulted in the fixing of attention on the psychological needs of the unemployed and the social requirements of the depressed areas but their economic position tended to be ignored. These influences coincided with a period in which the Government was rationalising its dealings with the large numbers of social welfare organisations which had multiplied in the depressed areas during the trough of the depression. Thus, the Special Areas Act was more of a coordinating measure and a culmination of existing measures than a watershed in the development of modern regional policy.[12] It must be added that many of the influences which had militated against the introduction of an economic/industrial policy during the twenties persisted during this following decade. Despite the innovation of the tariff and the advances in industrial policy, the hold of laissez-faire principles over the Government and administration was still strong in matters relating to private industry; there was still sufficient development land available for industrialists in the relatively prosperous areas; and there was still strong opposition to an expansion of the public works programme among influential Cabinet Ministers. Chamberlain had spoken for the whole Government when he had intimated that heavy unemployment would probably persist for a decade or more[13] - such sentiments do not suggest that an experimental policy to reduce unemployment was in the minds of legislators during the first half of the thirties.

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12 Despite the assertions of Government spokesmen that they planned to introduce a policy of experimentation for the Special Areas, it was wildly inaccurate to suppose that the Government had encouraged the Commissioners to formulate industrial policies for the Areas and then had so circumscribed their powers that such a policy could not be implemented.

13 Supra, Chapter Four, 120.

It is significant, however, that during one of the early Commons debates on the Special Areas legislation, MacMillan and others advocated the encouragement of industry into the depressed areas.[14] This approach was echoed in the reports of the two Commissioners for the Special Areas who both concluded that the development of an industrial policy was essential if unemployment were to be alleviated in their scheduled areas. These officials had a vague, undefined relationship to the administration, but their criticisms of Government policy were seized by the press and by the unemployed as comments 'from within' and helped to raise pressure for a more expansive policy. Because of the severe restrictions on their powers and the narrow role apparently envisaged for them, the Commissioners persisted in their calls for the amendment of the Act of 1934 to enable them to deal with the practical problems of regional unemployment. The Government was compelled to make a series of concessions to public pressure - pressure which was magnified by the demands of the Commissioners. The trend of these changes was to allow the formulation of a small-scale, but neverthelesss important, industrial policy. Firstly, the Commissioners were given permission in principle to set up trading estates with the timing of the move greatly influenced by the politcal demands of the 1935 General Election; the Government tried to assist the capital problems of small industries by setting up the Special Areas Reconstruction Association. The recommendations contained in the final report of Sir Malcolm Stewart were widely publicised and prompted a further retreat by the Government

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14 Hansard (Commons), Volume 304, 232, July 9, 1935.

in the Amendment Act of 1937; finally, new measures were introduced to reduce unemployment in Lancashire. In the years between 1934 and the outbreak of the Second World War, impressive progress was made in the formulation of measures which form modern regional policy; by 1939, most of the policies which have subsequently been re-introduced since 1945 had been introduced under the Special Areas legislation.[15]

Progress was all the more remarkable since, in the deliberations of the Royal Commission on the Distribution of the Industrial Population, is found the most far-reaching review of measures to narrow regional unemployment differentials. The economic approach advocated by the Barlow Commission was in advance of its time; many of its recommendations were not adopted until the middle sixties when the widening of regional unemployment differentials again provoked discussion about the role and constituent parts of regional policy. However, in the latter years of the War, fears about the recurrence of high rates of unemployment in the depressed areas prompted a return to many aspects of the policies of the thirties (with the important accompaniment of an aggregate demand management framework). These fears were so real and immediate that no time was taken to fully assess and understand the Barlow approach.[16]

This analysis of the development of Government regional policy during the interwar period, thus, attaches great importance to the export industry policy and to the grants of assistance to the unemployed and their

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15 The introduction of an economic/industrial policy, however, did not take place under the original Act as suggested by Loasby, but under the legislation of 1937.

16 Supra, Chapter Seven.

representatives in the depressed areas. This work has concentrated on the formation of Government policy, but there is clearly much scope for research on the role of the labour movement and its relationship with the unemployed. The Feelings of the unemployed, as expressed through hunger marches and other forms of demonstration, were always sufficiently powerful to keep the Government on the defensive over its unemployment policy. When the demands of the unemployed were widely echoed in the press and in Parliament, the Government was usually forced to make concessions.[17] It seems remarkable, therefore, that the organised labour movement did not make more use of this apparently effective lever on the Government to fight to implement some of its own proposals to reduce unemployment.

This interpretation of the development of Government policy thus emphasises the role played by policy towards the basic export industries as the central element of the measures to reduce unemployment in the regions. Whilst conceding that regional policy was small in scale and of only peripheral interest to the Government (except when political considerations forced regional unemployment into the limelight), there was an essential continuity, and considerable progress was made in the evolution of policy even though the direct returns (in the form of reductions in regional unemployment differentials) were slight.[18] This interpretation, thus, tends to confirm the accepted view of events whilst suggesting only a

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17 The demonstrations against the formation of the UAB and the standardisation of benefit levels provides a good example. The intense anger of the unemployed, the pressure in Parliament, and the publicity given to the latest Lloyd George 'New Deal' caused the Government to relent and to suspend the new UAB scales where applicants would have had to accept a cut in benefits. Gilbert op. cit, 183-5.

18 Many commentators have, by concentrating exclusively on the policies of Transference and the Special Areas failed to appreciate the continuity of the measures and, thus, have misinterpreted the aims of the two major schemes.

a change of emphasis over such questions as the importance of transference the co-ordinating function of the Act of 1934, and the degree of progress made between 1937 and 1939 in the formation of an industrial policy.

It is hardly surprising that evaluations of Government policies made after an examination of Public Record Office material should conform largely to the existing interpretation. There are several reasons for expecting this result. In the first instance, the Government was, and still is, guided in some of its policy choices by the deliberations and conclusions of official and semi-official bodies such as Committees of Inquiry and Royal Commissions whose reports have usually been published and were thus open to researchers within weeks or months of their presentation to the Cabinet. Two examples from the present work will illustrate this point. The Report of the Industrial Transference Board was obviously an important formative influence on Government policy - the majority of its proposals were quickly implemented by the Ministry of Labour, and major changes in policy were reported in the Gazette and in the Ministry's Annual Reports.[19] Thus, the justification for the introduction of the policy and the rationale behind it, as well as the outlines of the administration of the scheme have long been known. Cabinet papers can clarify the Government's reaction to the evidence, the examination of the ITB and the proposals before them, but the crucial factor of the acceptance of and action upon the analysis of the ITB is obvious from subsequent events. In a similar way, the published accounts of the evidence given before the Barlow

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19 The Government's reason for the need to increase transfer by official means was given in the Report of the Ministry of Labour for the Year 1928 op. cit, 16-18 and in the Ministry of Labour Gazette (August 1928), 276. Thereafter, the major changes in policy were included in these two sources.

Commission are an excellent source of information concerning attitudes during the late thirties of Government departments to the problems of the distribution of industry. Indeed, the establishment of the Royal Commission and the need to testify before it provided the stimulus for most of the departments to systematically revise their attitudes. The Ministry of Labour files, for example, which are concerned with the topic are restricted to those involved with the presentation of the department's evidence to the Barlow Commission.[20]

Secondly, many of the more important decisions and the reasons for them are recorded in other sources which have long been available to researchers. Two examples of ideas and decisions important in the development of regional policy during the thirties can be cited at this stage to clarify the point. Neville Chamberlain's central part in the development of regional policy throughout much of the interwar period has been stressed on numerous occasions. His decision that the Government should set up an extra-Parliamentary body to supervise unemployment benefits and to undertake methods of maintaining the morale of the unemployed by physical education and allotments was given great emphasis.[21] Its importance lay not only in the eventual formation of the UAB, but also as an indication of the pessimistic attitude from a senior Cabinet Minister who saw no alternative to having to tolerate the persistence of heavy

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20 Apart from the Ministry's submission to the Commission (PRO HLG 27/30) and a memorandum by the Ministry's Industrial Relations Department on the effect of trade disputes and trade union activity on the location of industry (PRO LAB 10/57), the only Ministry of Labour papers relating to the question are the records of a meeting called by the Commissioner for the Special Areas to discuss the inducement policy within his scheduled areas (PRO LAB 8/211).

21 Supra, Chapter Four.

unemployment. The quotation chosen to illustrate this decision was taken from an entry in Chamberlain's diary cited by Feiling in his biography.[22] However, passages could equally well have been taken from Hansard,[23] or from Cabinet memoranda[24] to illustrate the Chancellor's attitude to the possibility of reducing the level of unemployment, and from different Cabinet minutes to show the importance of the decision in relation to the formation of the UAB.[25] The more important attitudes and ideas are, thus, not confined in official, unpublished papers - Ministers took pains to explain and justify their actions both in Parliament and to the press.[26] The broad outline of Government policy and the Government's justification for its actions have, thus, been available to researchers, especially those interested in the more contentious issues which provoked debate and criticism.

The second example will help to evaluate more clearly the usefulness of Government archive material for the researcher. The Cabinet's examination and assessment of the proposals made by Stewart and Rose in their final reports was both protracted and complex.[27] The speeches made by Chamberlain and Brown in various debates between November, 1936, and April, 1937, illustrate the outlines of this process of assessment and reveal that the Government had under consideration the granting of

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22 Supra, Chapter Four, footnote 43.
23 Hansard (Commons), Volume 274, 1218, February 16, 1933; Volume 276, 379-81, March 22, 1933.
24 PRO CAB 24/234 CP 364 (32) Interim Report of Unemployment Committee, Note on, initialled by Chamberlain October 28, 1932.
25 PRO CAB 27/501, First Meeting of the Unemployment Insurance Committee, December 20, 1932.
26 Thus, the Times carried reports in April, 1935, that the Cabinet was considering Lloyd George's New Deal proposals. Alternative sources include Feiling op. cit, 242; and Middlemas and Barnes op. cit, 809.
27 Supra, Chapters Five and Six.

inducements to private industry, the extension of the Special Areas to include zones such as the depressed parts of Lancashire, the establishment of a Royal Commission to examine the growth of London and related issues, and the direction of defence contracts to firms within the scheduled areas; these Ministers also presented and justified, as they had already done in Cabinet meetings, the range of new measures included in the Act of 1937.[28] Thus Cabinet and departmental papers offer little new information on the chronology of events (with certain exceptions noted below), the topics that the Government had under consideration, and the reasons for their choice of action. However, the PRO material is of vital importance in any understanding of the process of decision-making - the topics under review but which were rejected and not raised in Parliamentary debate; the topics which, with the benefit of hindsight, seem central to the question to be considered but which were never raised; and the actual methods by which decisions were reached. Thus, only an examination of the relevant Cabinet papers can reveal that the Government went against the advice of its civil servants in deciding to offer some of the benefits of Special Areas status to other parts of the country under the Act of 1937; that, despite the decision to offer inducements to industrialists to locate in the Special Areas, no mention was made of taking steps to boost the output of industry in the more prosperous parts of the country to try to persuade firms to expand so that they would need to find new factory space and new supplies of labour; and that the important proposals tended to reach the Cabinet only after a preliminary report had been prepared by the various inter-departmental committees of civil servants, and that the Cabinet usually centred its discussions around the recommendations of these inter-departmental committees rather than starting from the original report or set of

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28 Hansard (Commons), Volume 317, 1585-99; November 11, 1936; Volume 318, 1870-82, December 8, 1936; Volume 321, 1008-30, March 9, 1937; Volume 321, 1572-87, March 12, 1937; Volume 322, 149-62, April 6, 1937.

proposals.[29] Public records, thus, are most useful in examining the process of decision-making,[30] and have been employed most successfully in this manner.[31]

However, this tendency in the data means that works which are heavily reliant upon Public Records as source material cannot greatly amplify what is already known, in relation to Government policy, about the sequence of events and the reasons for the formulation of specific policies. Richard Crossman's reminder of the power and influence of informal groups of powerful Ministers within the Cabinet who take the major decisions and direct policy must add further doubts about the value of such records for the historian and about the improbability of finding a new interpretation of historical problems from this source.[32]

These doubts are not intended to argue that Public Record Office data are useless for the historian. In addition to their value in shedding light on the process of decision-making, the departmental papers can help

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29 These decisions were noted in PRO CAB 27/577-579, and have been discussed, supra, Chapter Six.

30 To cite another example of this aspect of the value of Cabinet papers for the historian, it is clear that the proposals to institute a location of industry policy were not presented to the Cabinet in the autumn of 1934 because, despite the recommendations of the Special Investigator into industrial conditions in Durham and Tyneside, the inter-departmental committee had rejected the policy as unworkable and had not passed it on to the Cabinet for consideration. Supra, 170/1.

31 See, for example, D E Moggridge The Return to Gold 1925: The Formulation of Economic Policy and its Critics (1969); and Susan Armitage The Politics of the Decontrol of Industry: Britain and the United States (1969).

32 Crossman noted that there had been considerable delay during the economic crisis of 1966 before the matter was discussed before the full Cabinet. He was of the opinion, apparently justifiably, that the direction of economic policy was in the hands of a small group of Ministers and advisers close to the Prime Minister. R H S Crossman 'The Crossman Diaries' edited in the Sunday Times, March 2, 1975.

unravel changes in a complicated policy where administrative intervention was frequent, and, thus, help establish a more accurate chronology than was possible before.[33] The sections in Chapters Three, Five and Six dealing with the alterations to the Industrial Transference scheme rely very heavily on Ministry of Labour files held at the Public Records Office to document the administrative changes in the detail which is unavailable in any other source. Secondly, whenever departmental reviews of specific policies were instituted, they provide detailed surveys and analyses of particular measures which are an invaluable source material for the historian of the period.[34] The more informal departmental minutes can also provide valuable insights into the 'real' opinions (that is, free expressions which are not formed with one eye on the dangers of capital being taken by party political opponents) of individuals[35] and of administrations,[36] but these unguarded disclosures are rare indeed.

Nevertheless, the evidence of the public records can help arbitrate in cases where there are doubts about the accuracy of Ministerial statements as reliable records of Government attitudes to economic and social problems. If, for example, the official records showed willful disregard of certain coherently-formulated views, there would be strong grounds for criticising Government policy. Moggridge, in his work on the return to gold,

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33 See, for example, the work of B B Gilbert on social policy in which he makes use of PRO material to record the changes in a complex administrative field. Op. cit, passim.

34 The review of transference and land settlement undertaken by the various Ministries during the late thirties have been extensively used in Chapter Six.

35 See the comments in pencil written by Chamberlain in the margin of Treasury memoranda about the work of the Commissioner for the Special Areas in England and Wales. Supra, Chapter Five footnotes 41 and 42.

36 Thus, rather cynical party political advantage played a significant part in the timing of the introduction of the trading estates policy. Supra, Chapter Five, footnote 103, p 194.

addressed himself to a study of this type in sorting out those factors which influenced the ultimate decision to return from those which were largely ignored.[37] He demonstrated that, although the decision was unfortunate and represented a triumph for short run interests, by the standards of the time and the analytical tools then available, the return to gold was a rational policy.

> "The return to gold, in many ways, represented one of the last attempts to apply simple convential principles to financial and economic problems with a minimum of analysis. The decision and its supposed results largely represented a leap of faith for those involved. By its proponents, the return to gold at $4·86 was seen as an attempt to 'solve' several problems with one instrument. True this instrument was not supposed to 'solve' all problems, but it was to be an employment policy, a stabilisation policy, both national and international, 'of sorts', and an exchange policy. It was assumed that once this policy came into force, the traditional instruments of central bank policy, as refined since 1918, could deal with most other problems". [38]

There is obviously scope for a similar exercise in relation to Government policy to reduce regional unemployment. Recent work has tended to berate Governments for their persistent failure to embrace a policy of expansion. Skidelsky, for example, has written,

> "The absence of developed Keynesian theory was not a decisive barrier to the adoption of what might loosely be termed Keynesian policies, as is proved by the experience of the United States, Germany, France and Sweden which in the nineteen-thirties all attempted, with varying success, to promote recovery through deficit budgeting", [39]

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37 Op cit, 11.
38 Ibid, 89.
39 Op. cit, 426.

its expansionist leanings in the period 1933-5.[41] But columnists were not consistent for there had been persistent calls for retrenchment and a balanced budget during the slump years,[42] and it seems clear that even the calls for expansion during the period 1933-5 were limited to pleas for redistribution within the small, balanced budget.

> "No method of distributing a Budget surplus by reducing taxation or increasing expenditure can - at least in the short run - increase the volume of purchasing power available for spending: it can only achieve an increase in particular forms of spending and a diminution of others. The only way in which budgetary policy can increase the total available volume of purchasing power is not by means of a surplus, but by means of budgeting for a deficit and financing the deficit between revenue and expenditure either by the creation of legal tender currency or by borrowing from the banking system in such a way as to increase the total volume of credit outstanding. Neither of these expedients is likely to find favour with Mr Chamberlain, seeing that it is essential at the present stage of the trade cycle to avoid the disturbance to the policy of cheap money which any such radical departure would involve".[43]

In the party political sphere, neither the Liberals nor Labour could fundamentally shake the Conservative Party hegemony over the interwar years. The Labour Party proposals at the General Election of 1929 included plans to expand the programme of national development, but the record of the Labour Government of 1929-1931, with economic policy in the hands of Thomas and Snowden does not suggest the implementation of a fundamentally new

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41 Supra, Chapters Four and Five.

42 See The Economist of August 8, 1931, 255; August 22, 1931, 339; September 12, 1931, 460; in June, 1932, the newspaper's columns proclaimed, "So far as the merits of a balanced budget are concerned, there is little room for dispute. Of all means of bringing about 'monetary expansion' the creation of a Treasury deficit is the most likely to become unmanageable and to start the vicious spiral of uncontrolled inflation". Economist, June 18, 1932, 1339.

43 The Economist, April 14, 1934, 802. (Emphasis added).

approach.[44] The Lloyd George Liberals, on the other hand, were consistent in their demands for expansion throughout the interwar period. But the various editions of the Liberal 'New Deal' all contained substantial sections on policies to promote greater efficiency in the export industries;[45] in essence, giving approval to Government policy. Moreover, Lloyd George's personal interest lay in agricultural and land policy which received at least as much emphasis from him in his speeches as the other policies for reducing unemployment.[46] Thus, concerted persistent criticism of the type to persuade Governments to re-appraise their policies came neither from the established press, nor from politicians with enough support to force concessions from the Government.

Professional economists were similarly incapable before the mid-thirties of supplying the necessary leadership or theoretical foundation to encourage the Government to adopt an expansionary policy for the depressed areas. In a highly stimulating recent article recounting his experiences as an economic adviser to Lloyd George, Professor G C Allen suggests that the morale of the profession had been weakened by the failure to eradicate unemployment;

> "Several of the economists whom I approached were diffident about their ability to give any practical help, believing, perhaps rightly, that the resources of economics were unequal to the task. The attitude of some was determined not so much by doubts about the capacity of their science to provide remedies as to scepticism about the competence of governments to apply them".[47]

Moreover, in the article he illustrates the diversity of opinions held by economists during the early thirties, and the impossibility of gaining agreement on any subject - even on the need for a tariff.

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44 Supra, Chapter Three. 45 Ibid, 103/4.
46 G C Allen 'Advice from Economists - Forty-Five Years Ago' Three Banks Review, 106, (June 1975), 36.
47 Ibid, 41.

The TUC emerges as a consistent proponent of expansion, especially during the 1930s. In 1931 Congress called for an increase in public expenditure to create employment,[48] and repeated these demands in subsequent years. Whilst trade unionists may not have appreciated the theoretical arguments about the financing of such schemes and the role of monetary policy during the 1920s,[49] there were clear calls for the use of national credit to finance expansion in the following decade.[50] The real failure on the part of the TUC, however, (in addition to their flirtation with rationalisation in the Mond/Turner Conferences) was to refuse to co-operate with and to organise the unemployed more extensively to press the Government to revise its policies. This is perhaps an unrealistic criticism in the aftermath of the General Strike, especially since the Cabinet had painted this earlier exercise as an attack on constitutional government.[51]

However, much of the criticism, as has been noted above, has come from those who have maintained that the Governments of the thirties should have paid closer attention to developments in other foreign countries. The Government, however, presented itself as searching for the via media between expansionists and retrenchers.[52] Its spokesmen emphasised that the Government could not promote an expansionist policy of the type followed by Roosevelt because it would eventually have to be financed by the raising of taxation which would hamper British industry.[53] Even after the imposition of the tariff and the collapse of world trade, the

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48 Trades Union Congress Sixty-Third Annual Report (1931), 129.
49 D I Mackay, D J C Forsyth, D M Kelly 'The Discussion of Public Works Programmes, 1917-1935: Some Remarks on the Labour Movement's Contribution' IRSH, XI (1966), 14.
50 Sidney Pollard 'Trade Union Reactions to the Economic Crisis' in The Gold Standard and Employment Policies op. cit, 158.
51 Middlemas and Barnes op. cit, 409-13.
52 See the Commons speech by Steel-Maitland, Hansard (Commons), Volume 276, 441-50. March 22, 1933.
53 Ibid, 389, speech by Chamberlain, March 22, 1933.

need to reduce costs in the export industries was still a paramount influence on policy. Moreover, the distrust of the value of a policy of expansion was further re-inforced in the minds of administrators and politicians as the structural breakthrough of the durable goods industries began to gather momentum during the thirties. The Government was unwilling to raise funds to finance expansion because it was thought that the policy of cheap money would have been threatened. Cheap money was considered to be one of the principle causes of the expansion of home market industry.[54] This type of rationalisation is tenable only in a world where there is no recognition of the theory of the multiplier. The Government was afraid that by promoting expansion, it would be giving jobs to a number of the unemployed, only for redundancies to occur later.[55] There was no realisation by expanding aggregate demand in this manner, the Government would be taking steps to increase purchasing power and finally conquering unemployment.

Thus, it seems reasonable to conclude that Government policy towards unemployment in the depressed areas was rational in a period when the contemporary economic orthodoxy (which was always under attack from a number of quarters) had not been overthrown. In the Government's defence, it must be admitted that they did change their policies to accomodate new theories when the 'orthodox' laissez-faire ideas about the relationship between the Government and private enterprise over the location of industry were found to be inappropriate; the Government approved the building of trading estates and the payment of subsidies to industrialists to open factories in the Special Areas. The decision was highly significant, even though the policy remained small in scale. What was needed, therefore, was an

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54 See the speech by Baldwin, Hansard (Commons), Vol, 304, 196-199, July 9, 1935.

55 Hansard (Commons), Vol, 276, 382-9, March 22, 1933; speech by Chamberlain.

earlier realisation that, in the future economic progress would be more home-market oriented. After this initial step, industrial costs and the balance of payments, the balanced budget and foreign confidence might well have exercised a less pervasive influence on the thinking of politicians, economists and administrators and more effort might well have been turned to the construction of a new, more realistic economic orthodoxy.

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