

*Department of Humanities, Northumbria University*

## **Honours Dissertation**

# **The North East and Economic Depression, 1935-1939: the Impact of the Team Valley Corporation**

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## List of Abbreviations

NCC - Newcastle City Council

SAA - Special Assistance Area

TVC - Team Valley Corporation

## Introduction

During much of the 1930s, industrial decline and high levels of unemployment came to symbolise the economic situation faced by many in the North East of England. From 1929 onwards, heavy industry, then a major component of the North East's economy, began to experience a collapse in output as a consequence of the slump in global trade.<sup>1</sup> Nationally, in the two years between 1929 and 1931, steel production in Great Britain fell from 9.6 million tons to 5.2 million tons.<sup>2</sup> A similar pattern can be seen in the coal mining industry. Whereas in 1930 coal output in Britain stood at 257,906,802 tons, by 1931 this had fallen by nearly fifteen per cent to 219,458,951 tons.<sup>3</sup> Given the North East's dependence upon such industry as the basis of its economic strength,<sup>4</sup> it is therefore unsurprising that from 1929 onwards, significant numbers of men and women in the region found themselves without a job. Indeed, whilst it was the case that during the final year of the 1920s the region had an unemployment rate of 13.7 per cent, by 1932 this figure had risen to the unacceptably high level of 28.5 per cent.<sup>5</sup> However, despite this initial collapse in industrial production and the accompanying surge in unemployment, by the latter part of the 1930s the North East's economy was on the road to recovery and was arguably in a much healthier state than it had been in 1929. In 1937 the region's steel factories were contributing to the record 12.98 million tons of steel which was being produced in the United Kingdom that year.<sup>6</sup> Whilst regional unemployment, which had been above 20 per cent for much of the 1930s, had fallen by nearly two thirds from its 1932 peak to stand at 10.1 per cent by 1939.<sup>7</sup> As a consequence of this turnaround

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<sup>1</sup> Matthias M Matthijs, *Ideas and Economic Crises in Britain from Attlee to Blair (1945-2005)* (Abingdon: Routledge, 2011), p.47.

<sup>2</sup> John Stevenson and Chris Cook, *The Slump* (Harlow: Pearson Education Limited, 2009), p.67.

<sup>3</sup> Michael Dintenfass, *Managing Industrial Decline: The British Coal Industry Between the Wars* (Ohio: Ohio State University Press, 1992), p.77.

<sup>4</sup> David Powel, *Nationhood and Identity: The British State* (London: I.B.Tauris & Co. Ltd, 2002), p.168.

<sup>5</sup> Francis Thompson, *The Cambridge Social History of Britain, 1750-1950* (Cambridge: Cambridge University Press, 1992), p.225.

<sup>6</sup> Duncan Lyall Burn, *The Steel Industry, 1939-1959: A Study in Competition and Planning* (London: Cambridge University Press, 1961), p.132.

<sup>7</sup> Thompson, *The Cambridge Social History of Britain, 1750-1950*, p.225.

in the economic performance of the North East, attention has therefore turned to what role the region's only Special Assistance Area, the Team Valley Corporation, played in allowing this improvement to occur.<sup>8</sup>

Introduced by the British Government in 1934 in an attempt to foster economic growth in Britain's most economically depressed areas and therefore reduce the associated high levels of unemployment, Special Assistance Areas were allocated some £2million in central government grants for the sole purpose of attracting investment into such areas.<sup>9</sup> However, since their formation in the mid 1930s, the impact SAAs had upon the economic fortunes of Britain's most deprived regions has been subject to much debate. Arguably the most extensive research undertaken on the subject of Special Assistance Areas has been the work of John Stevenson and Chris Cook.<sup>10</sup> Writing in their publication *The Slump*, Cook and Stevenson contend that the impact Special Assistance Areas had upon high levels of regional unemployment in the 1930s was 'strictly limited'.<sup>11</sup> They go on to suggest that the powers granted to the Commissioners of Special Assistance Areas and the funds provided by central government to attract investment into such areas under the terms of the Special Areas (Development and Improvement) Act, 1934 were 'inadequate for the purpose' of reducing unemployment and boosting economic growth.<sup>12</sup> More recent work on this topic, most notably Juliet Gardiner's 2010 book *The Thirties: An Intimate History*, supports Cook and Stevenson's findings that Special Assistance Areas failed to make any meaningful impact upon Britain's high level of unemployment.<sup>13</sup> She suggests that 'the Act's narrow scope and the limited funds available made it seem little more than a gesture, and it drew criticism from the press and across the political spectrum'.<sup>14</sup> An alternative view, one put forward

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<sup>8</sup> Cheryl Buckley, *Designing Modern Britain* (London: Reaktion Books Ltd, 2007), p.206.

<sup>9</sup> Juliet Gardiner, *The Thirties: An Intimate History* (London: Harper Collins, 2010), p.165.

<sup>10</sup> John Stevenson and Chris Cook, *The Slump* (London: Jonathan Cape, 1977) p.64.

<sup>11</sup> *Ibid.*

<sup>12</sup> *Ibid.*, p.65.

<sup>13</sup> Gardiner, *The Thirties: An Intimate History*, p.167.

<sup>14</sup> *Ibid.*

by W.R. Garside in 1990, offers a much more positive evaluation on the impact Special Assistance Areas had upon the economic conditions faced in Britain's most deprived areas.<sup>15</sup> He argues that far from being a policy failure, Special Assistance Areas played an important role in strengthening industrial activity and generating employment in Britain's most economically depressed areas.<sup>16</sup>

However, despite the quantity and quality of historical investigation on the subject of Special Assistance Areas, there has never yet been a comprehensive examination on the impact the aforementioned Team Valley Corporation had upon the economic situation in the North East of England. As such, in the first chapter of this dissertation, through a mixture of quantitative and qualitative evidence, we will attempt to determine whether the attacks that have been levelled against the efficacy of Special Assistance Areas nationally are valid with regards to the North East of England. Along with other primary sources, the minute book of North East Trading Estates Ltd, the organisation responsible for overseeing the development of the Team Valley Special Assistance Area, will come under scrutiny. Given that the minute book provides a list of firms choosing to locate in the North East's only Special Assistance Area, this source will give us an insight into the effectiveness of the Team Valley Corporation in being able to attract investment into the region and thus provide a boost to the local economy. Additionally, regional unemployment figures and statements made by senior politicians contemporary to the 1930s regarding this particular Special Assistance Area will be explored in order to ascertain whether the Team Valley Corporation was the main reason behind the region's improving economic performance by the late 1930s.

From the mid 1990s onwards, however, another area of historical investigation began to develop, one which saw certain historians asserting the view that it was council-funded public works programmes - not Special Assistance Areas - which were the single most important factor in spurring on economic growth in the depressed regions of Britain. One such academic, Martin J.

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<sup>15</sup> W.R Garside, *British Unemployment, 1919-1939: A Study in Public Policy* (Cambridge: Cambridge University Press, 1990), pp. 267-271

<sup>16</sup> *Ibid.*

Daunton, suggests that though the British Government did not commit itself to a major public works package, this did not stop local authorities from funding the construction of thousands of social houses.<sup>17</sup> Along with Michael Harloe,<sup>18</sup> Daunton argues that this kind of investment was critical in not only delivering a major boost to those firms which took advantage of the opportunity to participate in the construction of such buildings through local government tenders, but the subsequent increase in employment and decline in unemployment in areas where the local authority devoted itself to relief works is arguably a reflection upon how important such schemes were as means of pulling Britain's most economically challenged regions out of economic depression.<sup>19</sup> As such, we will attempt to determine whether the thousands of new council houses which were built during the mid to late 1930s as a result of Newcastle City Council's commitment to public works, or the dozens of new roads which were financed by the local authority, had a positive impact upon the local economy. Indeed, as well as assessing what impact NCC's public works programme had upon unemployment in the city, examining activity at Newcastle's financial institutions will offer an insight into whether the aforementioned stimulus programme played a part in helping the regional economy to recover.

Finally, in the third chapter of this dissertation our focus must to turn to Norman McCord's assertion that with another war with Germany seemingly inevitable, the preparations made by the British Government from 1938 onwards for the nation's possible involvement in an another European conflict was the single most important factor in explaining the region's escape from economic depression.<sup>20</sup> With the rearmament programme offering an unprecedented boost to the North East's major industries, particularly the shipbuilding and steel industries,<sup>21</sup> we shall

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<sup>17</sup> Martin J. Daunton, *State and Market in Victorian Britain: War, Welfare and Capitalism* (Woodbridge: Boydell Press, 2008), p.35.

<sup>18</sup> Michael Harloe, *The People's Home? Social Rented Housing in Europe and America* (Massachusetts: Blackwell, 1995), p.355.

<sup>19</sup> Daunton, *State and Market in Victorian Britain*, p.35.

<sup>20</sup> Norman McCord, *North East England: An Economic and Social History* (London: Batsford, 1979), p.228.

<sup>21</sup> *Ibid.*

investigate whether this policy had any tangible impact upon economic output in the North East. Moreover, we will try to assess whether the rearmament policy made any difference to the high level of unemployment which existed within key sectors of the region's economy. If it did, we will be able to determine whether the preparations made by the British Government for another war with Germany were the single most important factor in explaining the North East's escape from economic depression.



## Chapter One: The Team Valley Corporation

Before an examination is made regarding the effectiveness of the Team Valley Corporation in helping to pull the North East of England out of economic depression during the 1930s, we must first give consideration to the circumstances which brought about the creation of the region's only Special Assistance Area in 1936.<sup>1</sup> According to the *Manchester Guardian*, Special Assistance Areas were intended to be a 'flexible and unconventional' response to the problems faced in the depressed areas.<sup>2</sup> With the region's traditional heavy industry experiencing an unprecedented fall in output, arguably the most significant challenge faced by those who lived in the North East during the 1930s was the problem of high unemployment. A statement made in the House of Commons on 16<sup>th</sup> May 1935 reveals how the North East had by far the highest number of unemployed persons in the country.<sup>3</sup> Official figures dating from 15<sup>th</sup> April 1935 show how some 445,348 people in the North East were on the registers of Employment Exchanges, more than twice the rate in Wales where 212,038 people were without a job.<sup>4</sup> Perhaps the industry hardest hit by the economic crisis was the region's foremost industry, the mining sector. The Secretary for Mines, Ernest Brown, informed MPs during a speech in 1934 that 'During the last five years, 66 pits in Durham, employing 3,759 men, have been abandoned and 30 pits, employing 5,739 men, have been closed, but not abandoned. More than half of these 96 pits were small pits employing 10 men each or less, and in the aggregate only 207 men'.<sup>5</sup> However, despite the enormous jobs losses which accompanied the closure of many of the North East's coal mines, it was the loss of Palmer's Shipyard in the industrial town of Jarrow in 1933 that led to the region's most acute unemployment problem.<sup>6</sup> As a consequence of Jarrow's biggest employer's decision to stop production, the town's MP, Ellen Wilkinson, noted that by 1936

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<sup>1</sup> Peter Scott, *Triumph of the South: A Regional Economic History of Early Twentieth Century Britain* (Aldershot: Ashgate Publishing, 2007), p. 262.

<sup>2</sup> Wal Hannington, *The Problem of the Distressed Areas* (London: Victor Gollancz, 1937), pp. 25-28.

<sup>3</sup> HC Deb, 16th May 1935, Vol 301, Cols 1859-60.

<sup>4</sup> *Ibid.*

<sup>5</sup> HC Deb, 13th November 1934, Vol 293, Cols 1739-40.

<sup>6</sup> Stephen Constantine, *Unemployment in Britain between the Wars* (Abingdon: Routledge, 1980), p.19.

unemployment in the area had reached a record rate of nearly 80 per cent.<sup>7</sup> In order to fully appreciate the scale of the economic problems the region faced during the 1930s, a comparison between the North East and the more prosperous areas of the United Kingdom during this period ought to be made. Whereas at the turn of the 1930s unemployment in the North East was some 13.7 per cent higher than the recorded national average, in the South West the number of people out of work was 7.8 per cent lower than the national average.<sup>8</sup> It is also worth noting that whilst the industries which made up much of the North East's economy, such as shipbuilding and coal mining, experienced a decline in the value of their output in the period 1924-1935, industry based in London, the South East and the Midlands witnessed strong growth.<sup>9</sup> For example, the mining and quarrying industries, much of which was based in the region, saw the combined value of their net output fall from £226.4 million in 1924 to just £136.2 million in 1935.<sup>10</sup> Conversely, the chemicals industry, based predominantly in the South of England, saw its output increase from £65.8 million to £87.4 million over the same period.<sup>11</sup> Such a divergence in economic fortunes between the North East and the southern parts of Britain highlights the extent to which the region's economy collapsed during the period.

With the North East's industrial decay evident to most by the mid 1930s, the Team Valley Corporation was established in 1936 under the terms of the Special Areas (Development and Improvement) Act, 1934 in an attempt to reverse the region's economic decline.<sup>12</sup> An article published in *The Times* on Tuesday 11<sup>th</sup> August 1936 reveals the main aims behind the establishment of the Team Valley Corporation.<sup>13</sup> Colonel K.C. Appleyard, the Corporation's first Chairman, stated

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<sup>7</sup> HC Deb, 2nd March 1936, Vol 309, Cols 1023-143.

<sup>8</sup> Constantine, *Unemployment in Britain between the Wars*, p.18.

<sup>9</sup> Sean Glynn and John Oxborrow, *Interwar Britain: A Social and Economic History* (London: George Allen and Unwin, 1976), p.93.

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> Juliet Gardiner, *The Thirties: An Intimate History* (London: Harper Collins, 2010), p.165.

<sup>13</sup> 'Industry in North-East', *The Times*, 11<sup>th</sup> August 1936.

that through the establishment of a trading estate in the region, 'it is hoped to attract many new light industries to the North-East, where a ready local market and a fine distributing centre await them'.<sup>14</sup> This, it was claimed, would ensure that 'workers residing in both Tyneside and Wearside will share in the opportunities for employment which the estate will offer'.<sup>15</sup> Such a view corresponds with the aims set out in the Corporation's Memorandum and Articles of Association.<sup>16</sup> According to these documents, the purpose of Team Valley was 'To acquire by purchase, lease, exchange, or otherwise, land, buildings, hereditaments of any tenure or description wholly or mainly situate in such parts of the Counties of Durham or Northumberland...with a view to prepare building sites and construct...factories, warehouses, shops, hotels, restaurants and cafes'.<sup>17</sup> By Friday 2<sup>nd</sup> October 1936 construction at Team Valley began when 'It was RESOLVED that the tender of George Wimpey and Co. LTD., amounting to £59,746. 18.3. be and thereby is accepted'.<sup>18</sup> With this in mind, we will now go on to examine whether the Team Valley Corporation was successful in attracting any new inward investment into the region, thus helping lift the North East out of its economic woes.

Contrary to Mark Clapson's suggestion that Special Assistance Areas played a 'limited' role in attracting new business to Britain's most deprived areas,<sup>19</sup> one could convincingly argue that the Team Valley Corporation had some success at attracting new factories to the North East of England.<sup>20</sup> After only 17 months since construction began on the site in 1936, by '31<sup>st</sup> May, 1938, 45 factories had been completed by the Team Valley Trading Estate; 43 of these had been occupied by tenants, 36 of whom had begun production'.<sup>21</sup> Notes from the minute book of North Eastern trading

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<sup>14</sup> *Ibid.*

<sup>15</sup> *Ibid.*

<sup>16</sup> *North East Trading Estates Limited, Memorandum and Articles of Association*, Tyne and Wear Archives, DT.EIE/1/12/1.

<sup>17</sup> *Ibid.*

<sup>18</sup> *North East Trading Estates Limited, Board meetings minutes*, Tyne and Wear Archives, DT.EIE/1/1/1.

<sup>19</sup> 'Industry in North-East', *The Times*, 11<sup>th</sup> August 1936.

<sup>20</sup> Mark Clapson, *The Routledge Companion to Britain in the Twentieth Century* (Abingdon: Routledge, 2009), p.89.

<sup>21</sup> HC Deb, 30th June 1938, Vol 337, Cols 2096-7.

Estates Ltd hint at the variety of new business which had moved into the area.<sup>22</sup> Whilst records of a meeting of the Team Valley Corporation's executive reveal that on the 22<sup>nd</sup> September 1937, Factory F.31 was leased to the 'Cellaware Supply Company, for a term of 21 years...at a rental of £175 for the first year and £215 thereafter'.<sup>23</sup> The following week, on the 28<sup>th</sup> September 1937, Factory A.29 was leased to 'the Gateshead Manufacturing and Trading Company Limited for a term of 14 years, with breaks at 3,5,7 and 10 years, at a rental of £175 per annum'.<sup>24</sup> With dozens of new businesses operating in the area by 1938, it would not be unfair to suggest that the argument put forward by the likes of Mark Clapson, Chris Cook and John Stevenson that Special Assistance Areas failed to make any significant contribution to economic performance of Britain's most deprived areas is not entirely true when one looks at the situation in the North East. On the contrary, as reported by the directors of the estate in March 1937, 'demand for factories on the Estate has exceeded their expectations, and if demand continues at the present rate there is little doubt of the success of this experiment initiated by the Commissioner for the Special Areas with the approval of H.M. Government'.<sup>25</sup> Given the quantity of new business which had been created in the Team Valley Special Assistance Area in such a relatively short space of time, it could be asserted that the establishment of the TVC in 1936 was the driving force behind the region's economic recovery. The notion of the Team Valley Special Assistance Area being a major factor in helping to pull the North East out of its economic hardship can be seen by the fact that along with a rise in business investment, Team Valley also brought about the creation of thousands of new jobs. When asked in the House of Commons in June 1937 about the number of new job opportunities brought about by the establishment of the Team Valley Corporation, the Minister of Labour stated that some 1,200 men were engaged in the construction of the estate'.<sup>26</sup> Later that month the Minister made a

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<sup>22</sup> *North East Trading Estates Limited, Board meetings minutes*, Tyne and Wear Archives, DT.EIE/1/1/1.

<sup>23</sup> *Ibid.*

<sup>24</sup> *Ibid.*

<sup>25</sup> *North East Trading Estates Limited, Annual Directors Reports and Accounts, 1937-1960*, Tyne and Wear Archives, DT.EIE/1/15.

<sup>26</sup> 'House of Commons', *The Times*, 18<sup>th</sup> June 1937.

statement declaring that the total number of people employed by new businesses based on the estate was over 1,000, and that of these new employees 321 of them were under the age of 18.<sup>27</sup> In total, over 2,200 new jobs had been created by June 1938 as a result of the Team Valley Special Assistance Area. Research undertaken by Martyn Nutland for his book *Brick by Brick: The Biography of the Man Who Really Made the Mini - Leonard Lord* seems to corroborate the view that the Team Valley SAA led to thousands of new vacancies.<sup>28</sup> He states that of the 110 factories operating on the site by 1939, 3,700 jobs had subsequently been created.<sup>29</sup> Given the surge in employment opportunities which accompanied the creation of the North East's only Special Assistance Area, it is arguably the case that the Team Valley Corporation was instrumental in turning round the fortunes of the region's economy. In a region which had by far the highest level of unemployment in the country, one can convincingly argue that the thousands of jobs which were created as a direct consequence of the frenetic pace of economic development seen at Team Valley had only a hugely beneficial impact upon the North East's economic circumstances.

In addition to this, the notion that Special Assistance Areas were an effective means of creating employment and spurring on economic growth in Britain's most deprived areas is supported by research carried out by Ewen A. Cameron.<sup>30</sup> After undertaking an analysis into the effects of Scotland's only Special Assistance Area, Cameron notes that the establishment of this particular SAA not only helped reduce the area's unemployment rate, it also gave the local economy a much needed boost.<sup>31</sup> Writing in his 2010 book *Impaled Upon a Thistle: Scotland Since 1880*, Cameron notes that only four years after the aforementioned Special Assistance Area opened just outside the city of Glasgow in 1934, 80 new factories employing 1,500 employees were in operation in the

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<sup>27</sup> HC Deb, 30th June 1938, Vol 337, Cols 2096-7.

<sup>28</sup> Martyn Nutland, *Brick by Brick: The Biography of the Man Who Really Made the Mini - Leonard Lord* (Bloomington: Authorhouse, 2012), p.64.

<sup>29</sup> *Ibid.*

<sup>30</sup> Ewen A.Cameron, *Impaled upon a Thistle: Scotland Since 1880* (Edinburgh: Edinburgh University Press, 2010), p.49.

<sup>31</sup> *Ibid.*

location.<sup>32</sup> With Cameron's recent research supporting the view put forward by Garside that Special Assistance Areas were an important and successful tool in supporting economic growth in Britain's most deprived regions,<sup>33</sup> this strengthens the argument that the Team Valley Corporation was a major factor in explaining the region's escape from economic depression.

However, despite the quantity of evidence in support of the effectiveness of Special Assistance Areas, there is perhaps even more data to suggest that Special Assistance Areas were not the main reason behind the North East's exit from economic depression. As former Prime Minister David Lloyd George said of Special Assistance Areas, 'The age of miracles is past. You cannot feed the multitude with two Commissioners and five sub-Commissioners. The new sub-commissioners are being sent on their apostolic mission, not without purse and scrip, but pretty nearly that - just with a little bit of cash to deal with a problem costing £100,000,000 a year'.<sup>34</sup> Indeed, whilst the Team Valley Corporation may have been successful at attracting some new business into its locale, thus helping to create a couple of thousand new jobs, this did not translate into a significant reduction in the number of unemployed persons in the region. On the contrary, in certain parts of the region unemployment actually went up in the period after the establishment of the Team Valley Corporation, perhaps hinting at the ineffectiveness of the scheme as a means to boost economic growth and attack joblessness.

In Gateshead, the town situated closest to the Team Valley Corporation, unemployment in 1937 was running at a rate of 28.8 per cent.<sup>35</sup> Despite the fact several new factories had opened their doors within the Special Assistance Area that very year, the unemployment rate in Gateshead in 1937 was

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<sup>32</sup> *Ibid.*

<sup>33</sup> W.R Garside, *British Unemployment, 1919-1939: A Study in Public Policy* (Cambridge: Cambridge University Press, 1990), pp. 270-271.

<sup>34</sup> Chris Cook and John Stevenson, *The Slump* (London: Jonathan Cape, 1977), p.64.

<sup>35</sup> Bob Morley and Professor Sam Davies, *County Borough Elections in England and Wales, 1919-1938: A Comparative Analysis* (Farnham: Ashgate Publishing, 2013), p.86.

in excess of the highest regional rate of unemployment ever recorded in 1932 when 28.5 per cent of North East workers found themselves without a job.<sup>36</sup> Likewise, in Jarrow and Hebburn, the region's unemployment blackspots, joblessness did not begin to fall with the establishment of the Team Valley Special Assistance Area. In 1935, the year before the site opened, the number of unemployed persons in the two towns stood at 17,577.<sup>37</sup> This included 3,450 people formerly employed in the electrical engineering industry.<sup>38</sup> Within the space of just two years however, the number of Jarrow and Hebburn residents out of work had increased by nearly four per cent to reach 18,256, including 5,251 former electrical engineers.<sup>39</sup> What these figures reveal is that far from leading to an economic turnaround with falling levels of unemployment, the Team Valley Special Assistance Area made little difference to the North East's economic problems. Far from being the remedy to high levels of unemployment, an examination of the statistics reveals that the Team Valley Corporation had very little impact whatsoever up joblessness rates. As such, one could argue that the view offered by Aneurin Bevan that Special Assistance Areas were 'an idle an empty farce', or the Lord Mayor of Newcastle that the Team Valley Corporation was a 'mere flea-bite and a sop', is a pretty accurate one.<sup>40</sup>

Another point that ought to be made is that whilst the Team Valley Corporation was able to attract a few new businesses to the Special Assistance Area, the North East as a whole missed out on an economic boost when the majority of the new light industries which began to develop during the 1930s chose to locate themselves in the more prosperous regions of Britain, particularly the South

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<sup>36</sup> Francis Thompson, *The Cambridge Social History of Britain, 1750-1950* (Cambridge: Cambridge University Press, 1992), p.225.

<sup>37</sup> *Ministry of Labour - Northern Division, Reference Register 1935 to 1941*, Tyne and Wear Archives, G.EMP 2/11.

<sup>38</sup> *Ibid.*

<sup>39</sup> *Ibid.*

<sup>40</sup> Cook and Stevenson, *The Slump*, p.64.

East and the Midlands.<sup>41</sup> As Sean Glynn and John Oxborrow note in their 1976 publication *Interwar Britain: A Social and Economic History*, the establishment of the North East's only Special Assistance Area did not produce any significant rise in new business investment when compared to the more affluent parts of Britain.<sup>42</sup> On the contrary, despite the fact that 'Between 1932 and 1936, nearly 2,700 new factories were opened' in Britain, only a small percentage of these were based within the North East.<sup>43</sup> During a parliamentary debate, the MP for Houghton-le-Spring, Mr. W. Joseph Stewart, noted that whereas 'In 1936 261 new factories were started in London giving employment to 20,050 people', only 16 new factories were opened in the North East during the same year.<sup>44</sup> The fact that the majority of Britain's new businesses were choosing to locate outside the North East, despite the existence of a Special Assistance Area at Team Valley specifically designed to attract such investment, demonstrates the total uselessness of the TVC as the means for the region to shake off economic depression.

Moreover, the total inadequacy of the Team Valley Corporation in boosting economic growth in the region is reinforced by the fact that alongside with failing to bring any significant business investment into the area, this particular Special Assistance Area did nothing to stem the continuing decline of the North East's existing industry. Indeed, as is noted in *The Times* on Thursday 22<sup>nd</sup> December, 1938, with the closure of five factories in the region during the course of that year, the North East showed no sign of economic revival.<sup>45</sup> Statistics from the Ministry of Labour reveal how in the town of Jarrow, the establishment of a Special Assistance Area some 10 miles away did not prevent the continuing closure of many of the towns factories, perhaps reflecting the total failure of

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<sup>41</sup> Roger Lloyd-Jones and Merv Lewis, *British Industrial Capitalism since the Industrial Revolution* (London: UCL Press, 1998), p.137.

<sup>42</sup> Glynn and Oxborrow, *Interwar Britain: A Social and Economic History*, p.110.

<sup>43</sup> HC Deb, 15th November 1937, Vol 329, Cols 166-74.

<sup>44</sup> HC Deb, 19th March 1937, Vol 321, Cols 2469-532.

<sup>45</sup> 'Special Areas Reports', *The Times*, 22<sup>nd</sup> December 1938.



the TVC to provide a boost to the whole region's economy.<sup>46</sup> Between 1937, the year the first factories opened at Team Valley, and 1939, the total number of factories operating within Jarrow fell by nearly seventeen per cent from 120 to 100.<sup>47</sup> More strikingly, however, the number of firms in Jarrow employing between 5-20 employees went from 81 in 1937 to 53 in 1939, a drop of some 34.5 per cent.<sup>48</sup> A noticeable example of the continued business closures in Jarrow which occurred in the period after the establishment of the TVC includes the cessation of production at Messrs Wards and Company in 1937, a galvanizing firm employing some 44 men.<sup>49</sup> What these figures demonstrate is that far from providing a boost to firms already based in the region, the TVC had no discernible impact whatsoever upon their performance. As such, one could compellingly make the case that by failing to bring about a surge in new business investment or prevent the continuing closure of many of the region's existing businesses, the creation of a Special Assistance Area cannot explain the North East's emergence from economic depression.

After carefully scrutinising what impact Special Assistance Areas made with regards to the North East of England's economic performance during the 1930s, on balance it would not be unfair to suggest that the Team Valley Corporation was hugely ineffective at pulling the region out of its economic depression and was therefore a lamentable failure. Though the Team Valley Corporation was able to attract a few new factories to the region, thus helping to create around three thousand new jobs,<sup>50</sup> this was simply not enough to replace the hundreds of thousands of jobs which had been lost in the region's traditional heavy industries. Indeed, with the number of unemployed persons in the region standing at close to half million in 1935,<sup>51</sup> and with the North East's traditional industries

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<sup>46</sup> *Ministry of Labour - Northern Division, Reference Register, 1935 to 1941*, Tyne and Wear Archives, G.EMP 2/11.

<sup>47</sup> *Ibid.*

<sup>48</sup> *Ibid.*

<sup>49</sup> *Ibid.*

<sup>50</sup> Nutland, *Brick by Brick*, p.64.

<sup>51</sup> HC Deb, 16th May 1935, Vol 301, Cols 1859-60.

in seemingly terminal decline, the 43 occupied factories<sup>52</sup> operating within the Team Valley Special Assistance Area by 1938 made very little difference to the region's economic woes. Writing in his book *The Inter-War Economy: Britain, 1919-1939*, Derek H. Aldcroft arrives at a similar conclusion regarding what impact Special Assistance Areas had nationally in promoting economic growth and creating employment in Britain's most deprived regions.<sup>53</sup> He states that despite 190 foreign firms locating in Britain's Special Assistance Areas by the end of 1938, the 50,000 new jobs which were subsequently created failed 'to provide a solution to the unemployment problem in the distressed regions'.<sup>54</sup> Having examined a wide range of sources, many of which suggest that the Team Valley Special Assistance Area failed to attract any significant amount of investment into the region and that it was totally ineffective at solving the North East's acute unemployment problem, it can be reasonably attested that the policy played a completely minor part in the region's exit from economic depression. With this in mind, it will now be necessary to look at some of the other factors which may explain the North East's economic recovery during the 1930s. One such factor, that it was as a result of council-funded relief works that the North East was able to exit economic depression,<sup>55</sup> will now be to subject to investigation.

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<sup>52</sup> HC Deb, 30th June 1938, Vol 337, Cols, 2096-7.

<sup>53</sup> Derek H. Aldcroft, *The Inter-War Economy: Britain, 1919-1939* (London: B.T.Batsford Ltd, 1979), p.104.

<sup>54</sup> *Ibid.*

<sup>55</sup> Timothy Hatton, 'Unemployment in the 1930s and the "Keynesian Solution": Some Notes of Dissent', *Australian Economic History Review*, Vol. 25 (1987), p.139.

## Chapter Two: Newcastle City Council's Public Works Schemes

After arriving at the conclusion that the Team Valley Special Assistance Area was generally ineffective at pulling the North East out of economic depression, one must consider the argument put forward by Timothy James Hatton that public works programmes were far more effective at bringing about the end of economic depression in Britain's most depressed regions than Special Assistance Areas were.<sup>1</sup> Hatton notes that despite Westminster's reluctance to finance such infrastructure programmes beyond the initial £77 million given to the Unemployment Grants Committee by 1931,<sup>2</sup> council-funded relief works often had a positive effect upon the local economy and led to a tangible 'reduction in unemployment benefit expenditure following the boost to primary and secondary employment' during the 1930s.<sup>3</sup> Indeed, this notion of public works programmes being the solution to the region's economic decline and high levels of unemployment is one that also found favour amongst people contemporary to the 1930s. Two of the country's most prominent politicians of the era, David Lloyd George and Oswald Mosely, both championed government-funded infrastructure projects as a means to arrest the nation's economic decline as well as support employment opportunities.<sup>4</sup> In stark contrast to his scathing attack upon the impact of Special Assistance Areas, David Lloyd George said of public works, 'schemes of work which can be put immediately into operation, work of a kind which is not merely useful in itself but essential to the well-being of the nation'.<sup>5</sup> He went on to state, 'The work put in hand will reduce the terrible figures of the workless in the course of a single year to normal proportions, and will, when completed enrich the nation and equip it for competing successfully with all its rivals in the business

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<sup>1</sup> Timothy Hatton, 'Unemployment in the 1930s and the "Keynesian Solution": Some Notes of Dissent', *Australian Economic History Review*, Vol. 25 (1987), p.139.

<sup>2</sup> John Stevenson and Chris Cook., *The Slump* (Harlow: Pearson Education Limited, 2010), p.74.

<sup>3</sup> Hatton, 'Unemployment in the 1930s and the "Keynesian Solution"', p.139.

<sup>4</sup> Alonzo L. Hamby, *For the Survival of Democracy: Franklin Roosevelt and the World Crisis of the 1930s* (New York: Free Press, 2004), p.34.

<sup>5</sup> Ian Gazeley and Pat Thane, 'Patterns of Visibility: Unemployment in Britain during the Nineteenth and Twentieth Centuries', in Gail Lewis (ed.), *Forming Nation, Framing Welfare* (London: Routledge, 1998), pp. 181-226.

of the world'.<sup>6</sup> With this in mind, we will now examine what impact, if any, the public works programmes funded by Newcastle City Council in the period 1937-1938 had upon the local economy and the number of people without employment.

As Martin J. Daunton notes in his book *State and Market in Victorian Britain: War, Welfare and Capitalism*, 'Although the British government did not adopt public works in the same way as Sweden and the United States, it did have a major programme of public housing'.<sup>7</sup> This, Daunton argues, did much to stimulate economic recovery throughout the United Kingdom during the second half of the 1930s.<sup>8</sup> During the latter part of the decade, public housing was perhaps the most visible sign of Newcastle City Council's commitment to relief works. Whereas in 1920 the council had sponsored the construction of a paltry seven council houses, figures from Newcastle City Council's Annual Report, 1937-1938 reveals how £2,269,914 of local taxpayers' money was spent by the local authority in 1937 to finance the construction of the 5,112 new municipal houses.<sup>9</sup> As a result of Newcastle City Council's decision to plough millions of pounds into the construction of thousands of new council houses, by the 9<sup>th</sup> June 1938 just under 2,000 four bedroom houses had been built in the city along with 1,785 three bedroom houses.<sup>10</sup> Such was the scale of Newcastle City Council's public housing programme, that by June 1938 some 24,172 people were living in housing provided by the local authority.<sup>11</sup> Having embarked upon a major programme of public house building, the head of Newcastle City Council's Housing Committee, Alderman Sir George Lunn, remarked during a council meeting in July 1938, 'Newcastle had £5,000,000 worth of property in its municipal housing,

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<sup>6</sup> *Ibid.*

<sup>7</sup> Martin J. Daunton, *State and Market in Victorian Britain: War, Welfare and Capitalism* (Woodbridge: Boydell Press, 2008), p.35.

<sup>8</sup> *Ibid.*

<sup>9</sup> *Newcastle City Council Annual Report, Housing Committee, 1937-1938*, Tyne and Wear Archives, no reference available.

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

we were becoming a nation of house-owners'<sup>12</sup>, a sentiment similarly shared by the then Chairman of Halifax Building Society, Sir Enoch Hill.<sup>13</sup> So important was public housing in supporting the nation's economic recovery during the 1930s that as Michael Harloe notes in the book *The People's Home: Social Rented Housing in Europe and America*, 'Public housing output rose sharply after 1936, to peak over 100,000 in 1938, helping to sustain total output when private building was declining'.<sup>14</sup> Such a stance was shared by the then Lord Mayor of Newcastle, Alderman John Grantham, who told reporters at *The Newcastle Journal*, 'There is every likelihood of continuous activity in the house-building industry during 1937. There will probably be some gradual falling off in building by the private enterprise, but municipal building now appears to be assured of a large output for some years to come'.<sup>15</sup> With the extensiveness of Britain's public housebuilding programme evident to most by 1937, we will assess what impact Newcastle City Council's decision to devote so much money to this stimulus package had upon the city's economy.

Arguably the most significant outcome resulting from Newcastle City Council's decision to invest millions of pounds in public housing was the economic boost it gave to businesses operating in the area. As Michael Harloe goes on to suggest in his 1995 book, though it was local authorities which owned the council houses that were constructed during the 1930s, 'the use of private finance and of private construction firms' meant that the economic benefits associated with such a stimulus package were mostly felt by those firms operating in the building sector.<sup>16</sup> As he goes on to state, 'social housing construction provided an important basis for the revival of the construction industry after the war and, at times when private orders declined, a means of sustaining activity and profit

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<sup>12</sup> *Ibid.*

<sup>13</sup> Enoch Hill, 'Nation of Home-Owners', *Western Gazette*, 5<sup>th</sup> February 1937.

<sup>14</sup> Michael Harloe, *The People's Home? Social Rented Housing in Europe and America* (Massachusetts: Blackwell, 1995), p.43.

<sup>15</sup> 'Shortage of Low-Rent Type', *Newcastle Journal*, 26<sup>th</sup> May 1937.

<sup>16</sup> Harloe, *The People's Home? Social Rented Housing in Europe and America*, p.355.

level'.<sup>17</sup> This notion of public housing construction being the means to support economic activity during the late 1930s is clearly evident with regards to the local authority in Newcastle.

According to Newcastle City Council's Annual Report, 1937-1938, dozens of companies - of all sizes and covering a variety of sectors - received a direct boost as a consequence of the authority's house building programme.<sup>18</sup> For example, in March 1938, Alderman Wallace, a member of Newcastle City Council's Housing Committee, stated that as a result of the authority's decision to erect 141 flats in the Bentinck area of the city, the tender of construction firm 'Messrs. Kirk and Dickinson, of 182, New Bridge Street, Newcastle upon Tyne, at the price of £70,226-10-9' was accepted.<sup>19</sup> Similarly, just four months after the aforementioned contract was agreed upon, Alderman Wallace informed the council of another business deal concerning the construction of 150 municipal houses on the Longbenton Estate.<sup>20</sup> In July 1938 Wallace briefed his fellow councillors on the subject when he stated, 'The Housing Committee beg to report that they have invited tenders for the erection of 150 houses on the Longbenton Estate and have agreed, subject to the confirmation of the Council, to accept the tender of Gustavus Bailey Ltd., of 57, Westgate Road, Newcastle upon Tyne, at the price of £64,585-8-5'.<sup>21</sup> Having examined just two of the dozens of contracts awarded by Newcastle City Council to firms involved in the construction of municipal housing, one could argue that the huge sums of money being granted to such companies gave them a crucial financial boost after years of negligible demand. As Michael Harloe has alluded to, after years of there being insignificant demand for their services, for a substantial number of firms, receiving an order from Newcastle City Council to build public housing provided an enormous boost to the economic performance of these companies.<sup>22</sup> However, in order to determine whether the economic boost given to these firms can

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<sup>17</sup> *Ibid.*

<sup>18</sup> *Newcastle City Council Annual Report, 1937-1938*, Tyne and Wear Archives, no reference available.

<sup>19</sup> *Ibid.*

<sup>20</sup> *Ibid.*

<sup>21</sup> *Ibid.*

<sup>22</sup> Harloe, *The People's Home? Social Rented Housing in Europe and America*, p.355.

be said to have played an important role in pulling the North East out of economic depression, it will be necessary to examine whether unemployment in the city fell as a result.

As George David Norman Worswick states in a 1984 article entitled *The Sources of Recovery in UK in the 1930s*, 'housebuilding and other new building generate activity in many other industries, e.g. bricks, tiles, pipes, window frames, electric cables and so on'.<sup>23</sup> As a result of the increased construction of municipal housing during the mid to late 1930s, Worswick claims that whereas during the early part of the 1930s only 7.5 per cent of the insured labour workforce were employed in the building industry, housebuilding programmes undertaken by local authorities meant that by 1937 this figure had leapt to thirteen per cent.<sup>24</sup> He goes on to suggest that so important was municipal housebuilding in creating employment across a variety of industries, that thirty per cent of the aforementioned increase in labour force participation in the construction industry can be directly attributed to the economic boost afforded to those firms directly involved in producing the necessary building materials for council housing.<sup>25</sup> With regards to Newcastle, though there are no exact statistics detailing the number of people employed in the construction industry during the 1930s, the fact that unemployment fell sharply during the period in which the council started to fund the mass construction of municipal housing suggests that relief works played an important part in helping the North East escape economic depression. Figures from Newcastle City Council appear to show how unemployment in the city fell by a third for men and by just over a quarter for women in the period 1935 to 1937.<sup>26</sup> Indeed, statistics from Newcastle City Council's Annual Report, Part 2, 1935-1936, shows how at the beginning of 1935 the number of males registered as unemployed

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<sup>23</sup> George David Norman Worswick, 'The Sources of Recovery in UK in the 1930s', *National Institute Economic Review*, Vol.110, No. 1 (1984), pp. 85-93.

<sup>24</sup> *Ibid.*

<sup>25</sup> *Ibid.*

<sup>26</sup> *Newcastle City Council Annual Report, Part 2, 1935-1936*, Tyne and Wear Archives, no reference available & *Newcastle City Council Annual Report, Part 2, 1937-1938*, Tyne and Wear Archives, no reference available.

stood at 25,687; by January 1937 this had fallen to 17,193.<sup>27</sup> Similarly, in January 1935 the number of women out of work in the city stood at 2,956, exactly two years later this had been reduced to 2,159.<sup>28</sup> Further to this, additional data contained within an article published in the *Hartlepool Mail* on Thursday 6th January 1938 reinforces the notion that unemployment in the city was falling as a result of the council's housebuilding scheme.<sup>29</sup> The article duly notes that as a result of the aforementioned relief works, there were some 1,676 fewer people unemployed in the city in January 1938 than compared to twelve months earlier.<sup>30</sup> With the number of people in the city of Newcastle without a job having fallen quite significantly from the period when the council embarked upon a major housebuilding programme, it is highly likely that such relief works played an important part in pulling the North East out of its economic depression.

However, it was not only by funding the construction of municipal housing that Newcastle City Council was able to deliver a significant boost to local businesses and the regional economy in general during the late 1930s. In fact, the local authority poured thousands of pounds into other public relief schemes in order to support local enterprise and improve employment opportunities in the region. An article from *The Newcastle Journal* on Saturday 29<sup>th</sup> May 1937 details how the city council was one of several local authorities based within the deprived regions of Britain to receive a share of some £10,842,000 in central government funding, money which was intended to support infrastructure projects in the nation's most economically challenged areas.<sup>31</sup> As a result of this investment and in an attempt to stimulate local enterprise, throughout the late 1930s Newcastle City Council put hundreds of building contracts out to tender to firms operating in the region. For example, in early 1937 Newcastle City Council placed an announcement in a local paper encouraging

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<sup>27</sup> *Ibid.*

<sup>28</sup> *Ibid.*

<sup>29</sup> 'Fewer Unemployed', *Hartlepool Mail*, 6<sup>th</sup> February 1938.

<sup>30</sup> *Ibid.*

<sup>31</sup> 'Total Commitments of £10,842,000', *Newcastle Journal*, 29<sup>th</sup> May 1937.



local businesses to apply for a contract to install 'two Lancashire boilers at the City Hospital'.<sup>32</sup>

Likewise, at the beginning of 1937, the local authority received multiple bids from several firms all wanting to be involved in a deal to construct a new maternity block at Newcastle General Hospital.<sup>33</sup>

So important were local government contracts in supporting private business and economic growth in the region during the mid to late 1930s, figures show how a variety of firms covering a broad range of industries were given a massive boost when they were awarded contracts to help construct the maternity unit at the city's General Hospital. One such firm, M H Southern and Co, was delivered a significant economic injection when the company was awarded some £2,065 in order to supply the timber products which were to be used in the construction of a new maternity wing at the hospital.<sup>34</sup>

Yet despite the positive impact such small-scale contracts had upon the economic fortunes of many local businesses, it could be argued that with £75,406 being spent by local government on road construction during the course of 1937, it was this type of investment which was most effective at helping the region's escape from economic depression.<sup>35</sup> The point could be made that as a consequence of Newcastle City Council's decision to devote a substantial portion of its £227,698 1937 public works budget to improving the city's roads, it was this which helped to spur on economic growth in the North East during the late 1930s.<sup>36</sup> With one construction firm receiving a £9,537 order to widen Chillingham Road, and another firm receiving £6,900 to build a new stretch of road in Jesmond Dene,<sup>37</sup> one should not be surprised by a newspaper article published in September

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<sup>32</sup> *Ibid.*

<sup>33</sup> *Newcastle City Council Annual Reports Speeches and Votes, 1936-1937*, Tyne and Wear Archives, no reference available.

<sup>34</sup> *Ibid.*

<sup>35</sup> Christopher Savage and Theodore Barker, *Economic History of Transport in Britain* (Abingdon: Routledge, 1959), p.191.

<sup>36</sup> *Newcastle City Council Annual Reports Speeches and Votes, 1936-1937*, Tyne and Wear Archives, no reference available.

<sup>37</sup> *Ibid.*

1937 commenting upon the strength of the city's economic recovery.<sup>38</sup> Indeed, as a result of the increased business activity within the city, arguably the consequence of the aforementioned public works schemes organised by the local authority, a newspaper article from September 1937 notes how 'the pace of recovery on the North East coast has grown hot'.<sup>39</sup> The Commercial Editor for *The Newcastle Journal* notes that with £110,933,000 worth of cheques being cleared at provisional banks in Britain's eleven principal industrial centres in August 1937, a 5.5 per cent increase on the £105,202,000 which was deposited in August 1936, the fact that Newcastle was the city which witnessed the strongest level of growth in cheque clearings over the course of that year is arguably a reflection upon the beneficial impact NCC's public works schemes had upon the regional economy.<sup>40</sup> With figures showing how some £6,483,000 worth of cheques were cleared at banks based in the city in August 1937 compared to £5,525,000 in the same month a year previously, this 17.3 per cent increase in banking activity suggests that by 1937, chiefly as a result of the stimulus programme, businesses within Newcastle were beginning to experience a significant improvement in their economic circumstances.<sup>41</sup> Indeed, with many businesses in the city enjoying increased demand for their services and therefore able to offer new sources of employment, the surge in activity at local banks suggests that unlike the Team Valley Special Assistance Area, NCC's public works programme had a tangible and beneficial impact upon the region's economic performance and therefore played an important role in driving the North East out of economic depression.

Furthermore, it is not only by examining banking activity and employment statistics that we are able to determine if Newcastle City Council's public works programme helped the North East escape its economic problems. Research undertaken by Derek H. Aldcroft in his book *The Inter-War Economy: Britain, 1919-1939* suggests that an effective way to determine whether the economic standing of a

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<sup>38</sup> *Ibid.*

<sup>39</sup> 'Newcastle's Lead in Prosperity Figures' *Newcastle Journal*, 2<sup>nd</sup> September 1937.

<sup>40</sup> *Ibid.*

<sup>41</sup> *Ibid.*

particular area improved during the 1930s is to examine official health statistics.<sup>42</sup> Aldcroft suggests that given how unemployment and low wages often contributed to ill-health during the decade, scrutinising whether the number of people who died from diseases such as tuberculosis increased or fell in Newcastle during the 1930s will allow us to determine if the city's economy was improving.<sup>43</sup> Statistics reveal that whereas in 1933 some fifty-three people a year died from tuberculosis of the central nervous system, some four years later, arguably as a result of the improving economic picture and falling unemployment associated with the council's commitment to public works, this figure had fallen by nearly seventeen per cent.<sup>44</sup> Likewise, fatalities from whooping cough, another disease which thrives in areas experiencing economic hardship, fell by just under 66 per cent from twenty-six deaths in 1933 to just nine deaths in 1937.<sup>45</sup> As Geoffrey Purves has suggested in his 2002 publication *Primary Care Centres: A Guide to Health Care Design*, with poverty and unemployment being the major factors behind the deaths of the 2,000 British people who died from whooping cough each year during the 1930s, and of the 30,000 Britons who were stuck down by tuberculosis annually throughout the decade, any decline in the mortality rate associated with these diseases in Newcastle during this period would suggest that the city's economy was gradually improving.<sup>46</sup> Given the link Purves and Aldcroft have identified between a growing economy and a decline in the mortality rate of certain diseases, it could be reasonably attested that this general improvement in the health of the city's population, as evidenced by the figures we have just analysed, had much to do with the boost given to local businesses and the subsequent fall in unemployment which the authority's commitment to public works triggered.

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<sup>42</sup> Derek H. Aldcroft, *The Inter-War Economy: Britain, 1919-1939* (London: B.T. Batsford Ltd, 1979), p.384.

<sup>43</sup> *Ibid.*

<sup>44</sup> *Newcastle City Council Annual Report, 1933-1934, Newcastle City Council Annual Report, 1937-1938*, Tyne and Wear Archives, no reference available.

<sup>45</sup> *Ibid.*

<sup>46</sup> Geoffrey Purves, *Primary Care Centres: A Guide to Health Care Design* (Oxford: Architectural Press, 2002), p.14.

After conducting a forensic examination into the effectiveness of publically-funded relief works in helping to pull the North East out of its economic depression during the 1930s, it can be reasonably attested that Newcastle City Council's decision to pour thousands of pounds into such schemes had a positive impact upon the regional economy. With dozens of local firms benefitting from the huge numbers of contracts offered by the authority to construct new municipal housing or to develop the city's road network, it is quite clear that such a public works programme, unlike the Team Valley Special Assistance Area, had a direct impact upon the performance of many private enterprises based in the North East. Such contracts often provided a crucial economic boost to local firms during a period of economic difficulty. Indeed, not only did this type of support boost the turnover and profitability of many local firms; increased demand for their goods and services led several of these firms to take on new workers. Though it is not possible to ascertain just how many people were directly employed by those firms which were awarded contracts by the city council, the fact that unemployment in Newcastle fell sharply between 1935-1937 suggests that public works were an effective tool in helping the region escape economic depression. So fundamental was this type of investment in reducing unemployment in Britain's most deprived regions, research suggests that in the Britain's most economically depressed areas, locally-funded public works were far more effective at bringing down unemployment than SAAs, and were in fact responsible for reducing the number of people out of work by 40,341 in the period 1934-1938.<sup>47</sup> In stark contrast, those firms which had chosen to locate within the nation's Special Assistance Areas, such as the Team Valley Corporation, were only able to offer employment to 15,630 of Britain's unemployed men and women in the same period.<sup>48</sup> Additionally, with a decline in fatal incidences of tuberculosis and whopping cough in the period 1933- 1937 reflecting a general improvement in the city's economy, this strengthens the notion that public works were profoundly important in helping the North East break free from its economic problems.

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<sup>47</sup> W.R Garside, *British Unemployment, 1919-1939: A Study in Public Policy* (Cambridge: Cambridge University Press, 1990), p.269.

<sup>48</sup> *Ibid.*

However, despite the fact council-funded relief works had a much more beneficial impact upon the economic performance of the North East than the Team Valley Special Assistance Area, even by 1938 the unemployment rate in the North East continued to be one of the highest anywhere in the country.<sup>49</sup> Likewise, the region's unemployed were far more likely to be out of work for a longer period of time than their counterparts in the more prosperous areas of Britain, such as London and the South East.<sup>50</sup> This being the case, in order to fully understand why the North East was able to escape economic depression during the 1930s, one's attention must turn to some of the other factors historians involved in this field of study have espoused. Perhaps the most prominent historical theory put forward in order to explain the region's economic recovery from the Great Depression - and one worthy of further analysis, is Norman McCord's argument that 'extended rearmament orders did more to reanimate the economy of North East England' than any other policy.<sup>51</sup> As such, our focus will now turn to the impact the British Government's rearmament policy had upon the region's economic health in the period 1938-1939.

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<sup>49</sup> *Ibid.*

<sup>50</sup> Francis Thompson, *The Cambridge Social History of Britain, 1750-1950* (Cambridge: Cambridge University Press, 1992), p.225.

<sup>51</sup> Norman McCord, *North East England: An Economic and Social History* (London: Batsford, 1979), p.228.

### Chapter Three: The Rearmament Programme

Although this dissertation has determined that Newcastle City Council's public works programme had somewhat of a positive impact in boosting economic growth and employment in the region, it will now be necessary to test Norman McCord's claim that it was the British Government's rush to build up the nation's military strength in the late 1930s which was the most important factor in explaining the North East's exit from economic depression.<sup>1</sup> As Robert Paul Shay Jr. notes in his book *British Rearmament in the Thirties: Politics and Profits*, with the possibility of another war with Germany looming large, 'Britain's rearmament in the 1930s was the largest, most expensive programme of any kind ever undertaken by a British Government in time of peace'.<sup>2</sup> An article published in the *Hartlepool Mail* on Friday 4<sup>th</sup> March 1938 describes the extent to which the Chancellor of the Exchequer, Sir John Simon, ramped up spending on the nation's defences in that year's budget.<sup>3</sup> With another European war seemingly inevitable, Sir John announced that for the financial year 1938-1939 the government would commit a record £343,250,000 to the country's armed forces.<sup>4</sup> Within this headline figure, spending on the Royal Navy reached a total of £123,707,000 in the financial year 1938-1939, an increase of some £18,642,000; whilst the Royal Air Force saw its budget increase by £22,000,000 to hit an all-time high of £102,720,000.<sup>5</sup> Such was the scale of Britain's spending on defence in this period Ben Wubs estimates that by 1939 roughly fifteen per cent of the country's GDP was devoted to 'war-related activities'.<sup>6</sup>

With the British Government clearly committed to the cause of rearmament by the late 1930s, Norman McCord's argument that with millions of pounds of taxpayers' money being spent on

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<sup>1</sup> Norman McCord, *North East England: An Economic and Social History* (London: Batsford, 1979), p.228.

<sup>2</sup> Robert Paul Shay Jr, *British Rearmament in the Thirties: Politics and Profits* (Princeton: Princeton University Press, 1977), p.3.

<sup>3</sup> 'The Budget', *Hartlepool Mail*, 4<sup>th</sup> March 1938.

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*

<sup>6</sup> Ben Wubs, *International Business and National War Interests: Unilever Between Reich and Empire, 1939-1945* (Abingdon: Routledge, 2008), p.61.

preparing for war, such a large investment in the nation's defences had a beneficial impact upon the economic performance of all the regions of the United Kingdom, including the North East of England, is one that is shared by many other academics.<sup>7</sup> In the 2013 publication *Cengage Advantage Books: Western Civilization: Beyond Boundaries*, a group of leading historians suggest that despite some signs of economic recovery being shown by the middle of the decade, 'it was especially the rearmament of the later 1930s, financed by borrowing, or deficit spending, that got the British economy growing again'.<sup>8</sup> Similarly, writing in his 1981 book *Problems of British Economic Policy, 1870-1945*, Jim Tomlinson suggests that 'British rearmament proved a very effective agency for increasing employment when it came on a large scale at the very end of the 1930s'.<sup>9</sup> Having identified a strong level of support amongst historians towards the idea that it was rearmament which was the single most effective tool in explaining the country's escape from economic depression during the late 1930s, it will now be necessary to examine whether, with regards to the North East of England, such an assertion is true.

As the aforementioned statistics allude to, arguably the single biggest beneficiary of the rearmament programme was the shipbuilding industry - then an important part of the North East's economic landscape.<sup>10</sup> With spending on the Royal Navy increasing by well over 100 per cent between 1932/1933 and 1938/1939,<sup>11</sup> Lewis Johnman and Hugh Murphy have suggested that as a result of this, British shipbuilding firms began to receive a wave of new orders from the Admiralty by the latter part of the decade.<sup>12</sup> Whereas in 1933 private shipyards constructed Royal Navy warships with

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<sup>7</sup> McCord, *North East England*, p.228.

<sup>8</sup> Thomas F. X. Noble et al., *Cengage Advantage Books: Western Civilization: Beyond Boundaries* (Boston: Wadsworth, 2013), p.797.

<sup>9</sup> Jim Tomlinson, *Problems of British Economic Policy, 1870-1945* (Abingdon: Routledge, 1981), pp. 85-86.

<sup>10</sup> George F. Bosworth, *Ships, Shipping and Fishing: With Some Account of Our Seaports and Their Industries* (Cambridge: Cambridge University Press, 1915), p.24.

<sup>11</sup> Phillip Payson O'Brien, *British and American Naval Power: Politics and Policy, 1900-1936* (Westport: Praeger, 1998), p.224.

<sup>12</sup> Lewis Johnman and Hugh Murphy, *British Shipbuilding and the State Since 1918: A Political Economy of Decline* (Exeter: University of Exeter Press, 2002), p.57.

a combined weight of just 875 tons, by 1937 this figure had gone up 97,649 tons.<sup>13</sup> Moreover, taking into account shipbuilding activity within the Royal Dockyards, the total tonnage of naval warships constructed in Britain rose from 10,665 tons in 1933 to 109,369 tons in 1937.<sup>14</sup> However, though these figures demonstrate a surge in activity in the shipbuilding industry throughout the United Kingdom more generally, additional statistics show that such an increase is similarly reflected by increased demand within the region's own dockyards in the run-up to the Second World War. In their book *Where Ships are Born: Sunderland, 1346-1946*, J. W. Smith and T.S Holden argue that within the shipyards of Sunderland, 'there was an immediate response to the Government's' rearmament programme.<sup>15</sup> Indeed, they suggest that just weeks after the British Government committed millions more pounds to the cause of rearmament in 1938, 'Orders began to flow in to the shipyards'.<sup>16</sup> Indeed, within one week of Sir John Simon's 1938 Budget, the Admiralty had placed six new orders with Wear shipbuilders.<sup>17</sup> The following week, an order for a further twenty-two warships had been placed; whilst a fortnight after the initial order an additional forty new Royal Navy ships had been requested.<sup>18</sup> Similarly, at one Wearside shipbuilding firm, Joseph L. Thompson Ltd, the number of ships built by the company rose by 250 per cent in the space of just two years during the late 1930s.<sup>19</sup> Having only constructed two warships throughout the whole of 1937, this number increased substantially to hit a total of seven boats by 1939.<sup>20</sup> With clear evidence demonstrating the positive impact the British Government's rearmament programme had upon the quantity of warships being built within the United Kingdom's shipyards in the late 1930s, one's attention must turn to a series of employment statistics to determine whether the nation's preparation for war had a beneficial impact upon lives of the North East's unemployed.

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<sup>13</sup> *Ibid.*, p.55.

<sup>14</sup> *Ibid.*

<sup>15</sup> J.W. Smith and T.S. Holden, *Where Ships are Born: Sunderland, 1346-1946* (Sunderland: Thomas Reed and Company Ltd, 1952), p.123.

<sup>16</sup> *Ibid.*

<sup>17</sup> *Ibid.*

<sup>18</sup> *Ibid.*

<sup>19</sup> *Joseph L Thompson - Ship Tonnages*, Tyne and Wear Archives, DS.JLT/4/5/1.

<sup>20</sup> *Ibid.*



An article contained within a 1938 edition of the *Aberdeen Journal* notes how as a result of an increase in demand for warships, the shipbuilding industry was becoming one of the most outstanding sectors of the British industrial economy in terms of employment.<sup>21</sup> The newspaper's Parliamentary Correspondent asserted that within the space of the previous twelve months opportunities for employment in the nation's dockyards had grown significantly.<sup>22</sup> A similar conclusion was reached by J.F Clarke after having undertaken an analysis of shipbuilding employment patterns in the North East during the 1930s.<sup>23</sup> He highlights that with the British Government's rearmament policy producing an upswing in the quantity of orders placed with the region's shipbuilding firms, the average number of workers at each of Hebburn's shipyards increased almost fourfold between 1933 and 1939, rising from 630 to 2,350.<sup>24</sup> As he goes on to mention, such was the rate of expansion in employment in the shipbuilding industry in the North East during the latter part of the decade that by April 1939 90,000 of the region's men were directly employed by members of the Shipbuilding Federation.<sup>25</sup> In addition, after receiving an order for twenty-six new warships in April 1939, shipbuilding firm Messrs. John Crown and Sons, Sunderland, were able to stay in business, thus protecting the jobs of some three hundred employees.<sup>26</sup> Having identified how the government's preparations for another war with Germany resulted in an enormous increase in employment within the region's dockyards, it could be convincingly argued that rearmament was the single most effective solution to the North East's economic woes during the 1930s.

Though it is the case the British Government's rearmament policy helped support a rise in employment in the shipbuilding industry in the North East of England during the late 1930s, to fully ascertain whether this investment in the nation's defences was the single most crucial factor in dragging the region out of economic depression, an analysis of local unemployment statistics is

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<sup>21</sup> 'Encouraging Figures on Trade Prosperity', *Aberdeen Journal*, 24<sup>th</sup> March 1938.

<sup>22</sup> *Ibid.*

<sup>23</sup> J.F Clarke, *Building Ships on the North-East Coast* (Whitley Bay: Bewick Press, 1997), p.317.

<sup>24</sup> *Ibid.*

<sup>25</sup> *Ibid.*, p.356.

<sup>26</sup> 'A Wear Shipyard to Reopen', *Hartlepool Mail*, 13th April 1939.

required. With a 1938 newspaper article suggesting that the British Government's rearmament policy was directly responsible for getting 75,000 of Britain's unemployed professional shipbuilders back into employment in the space of just one year, the point could be made that along with Clydeside, the North East of England was the region that benefitted the most from this decline.<sup>27</sup> This is perhaps best evidenced with regards to the North-Eastern town of South Shields. As a shipbuilding town, South Shields was heavily impacted by the decline in orders for merchant vessels which had been underway since the late 1920s.<sup>28</sup> As such, by November 1936 an average of 385 people per week within the town found themselves being forced to join the dole queue.<sup>29</sup> Such was the devastating impact the Great Depression had upon South Shields' shipbuilding industry that by the middle of December 1936 the town council was expending more than £17,000 per week on unemployment assistance to support the area's jobless shipbuilders.<sup>30</sup> However, with the rearmament programme leading to a revival in shipbuilding output, by November 1938 the average number of residents in South Shields classified as newly unemployed was averaging just 167 per week.<sup>31</sup> Furthermore, with more than 200 fewer people per week joining the town's unemployment queue compared to the same month in 1936, council spending on the unemployed in December 1938 fell by about £2000 to stand at just £14,980 for the whole month.<sup>32</sup> With the average number of newly unemployed persons falling by 56 per cent in the two years between November 1936 and November 1938, and council spending on maintaining the unemployed dropping by nearly fifteen per cent, this suggest that the rearmament programme played a significant part in town's economic

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<sup>27</sup> Encouraging Figures on Trade Prosperity', *Aberdeen Journal*, 24<sup>th</sup> March 1938.

<sup>28</sup> Rowland Charles Marshall, *Luck Was My Companion: Adventures of an Old Sea Dog* (Victoria: Agio, 2008), p.314.

<sup>29</sup> *South Shields Corporation, Minutes of Proceedings, January - June 1936, Vol.81*, South Shields Library, no reference available.

<sup>30</sup> *Ibid.*

<sup>31</sup> *South Shields Corporation, Minutes of Proceedings, January - June 1939, Vol.87*, South Shields Library, no reference available.

<sup>32</sup> *Ibid.*

revival.<sup>33</sup> Moreover, writing in the book *Building Ships on the North-East Coast*, J.F. Clarke appears to come to a similar conclusion regarding the impact the British Government's rearmament programme had upon the level of unemployment amongst professional shipbuilders within the region.<sup>34</sup> He notes that whereas in 1933 the unemployment rate amongst North East shipbuilders stood at an eye wateringly high 72 per cent as a result of the aforementioned slump in global demand for merchant vessels; by 1939, chiefly as a result of the preparations made for the country's possible involvement in another European war, this figure had plummeted to just 23 per cent.<sup>35</sup> Having examined how the British Government's rearmament policy did more to attack the North East's high level of joblessness than either the Team Valley Special Assistance Area or Newcastle City Council's public works programme, one could reasonably assert that it was this increase in defence spending which was responsible for pulling the region out of its economic depression. Given how the shipbuilding industry was one of the region's most important sources of employment and a major contributor to its economic growth, the resurgence in this sector's output did more to lift the region out of economic depression - as is evidenced by the dramatic fall in the unemployment rate amongst the region's professional shipbuilders - than any of the other propositions we have examined.

Having identified the impetus the British Government's rearmament policy gave to the North East's shipbuilding trade, our attention must now turn to another one of the region's former pre-eminent industries: steel. With British steel production falling by 47 per cent between 1929 and 1931, down from a post-World War One high of 9.64 million tons in 1929 to just 5.2 million tons of steel being produced in Britain in 1931<sup>36</sup> - Malcolm Pearce and Geoffrey Stewart are right to claim that as the country's biggest steel producing region, it was the North East of England which was hardest hit by

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<sup>33</sup> *South Shields Corporation, Minutes of Proceedings, January - June 1936, Vol.81*, South Shields Library, no reference available & *South Shields Corporation, Minutes of Proceedings, January - June 1939, Vol.87*, South Shields Library, no reference available.

<sup>34</sup> Clarke, *Building Ships on the North-East Coast*, p.317.

<sup>35</sup> *Ibid.*

<sup>36</sup> James Albert Allen, *Studies in Innovation in the Steel and Chemical Industries* (Manchester: University of Manchester Press, 1967), p.153.

the collapse in global demand for steel.<sup>37</sup> This is a view reinforced by a speech given in the House of Commons in July 1930 by the then Middlesbrough East MP, Ellen Wilkinson. Indeed, in her speech, Miss Wilkinson notes that as a consequence of 'idle factories and the dead steel plants....in my own constituency of East Middlesbrough the number of unemployed has increased within the last few months by 50 per cent, and there are now 11,000 unemployed in a town of just over 100,000 inhabitants. This state of things cannot be allowed to go on'.<sup>38</sup> The MP's figures correspond with additional data produced by W.R. Garside for his 1990 publication *British Unemployment 1919-1939: A Study in Public Policy*.<sup>39</sup> Garside suggests that as a result of sluggish steel demand, unemployment amongst the region's steelworkers hit a record high of 47.9 per cent by 1932.<sup>40</sup> Having identified the dismal state Britain's steel industry was in during the 1930s, and the acute impact this had upon the North East, our focus will now switch to whether the rearmament programme of the late 1930s gave a crucial boost to this important industry and whether, in turn, this helped support the region's economic recovery.

Engaging in the debate with his 1999 book *The Test of War: Inside Britain, 1939-1945*, Robert Mackay suggests that with the construction of new warships, naval equipment, factories, airfields and sector stations all dependent upon there existing a constant supply of steel from the nation's blast furnaces, by the late 1930s the industry was once again working at full capacity.<sup>41</sup> A *Yorkshire Evening Post* article from Tuesday 11<sup>th</sup> July 1939 highlights this dramatic recovery in the steel industry's fortunes.<sup>42</sup> With the outbreak of the Second World War just a matter of months away, the business reporter for the paper noted that as a result of the preparations made by the government

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<sup>37</sup> Malcolm Pearce and Geoffrey Stewart, *British Political History, 1867-2001: Democracy and Decline* (Abingdon: Routledge, 2001), p.355.

<sup>38</sup> HC Deb, 24th July 1930, Vol 241, Cols 2427-517.

<sup>39</sup> W.R.Garside, *British Unemployment, 1919-1939: A Study in Public Policy* (Cambridge: Cambridge University Press, 2002), p.13.

<sup>40</sup> *Ibid.*

<sup>41</sup> Robert Mackay, *The Test of War: Inside Britain, 1939-1945* (London: UCL Press, 1999), p.19.

<sup>42</sup> 'Daily Output Beats Record Set Up in May', *Yorkshire Evening Post*, 11<sup>th</sup> July 1939.

for another conflict Germany, steel output in June 1939 was at an all-time high.<sup>43</sup> According to the article, Britain's steelworks produced 1,175,000 tons of the metal in June 1939; equivalent to a daily output of 45,215 tons per day and therefore higher than the record-breaking 45,115 tons per day which was being produced the previous month.<sup>44</sup> With regards to the North East of England, an article contained within the *Yorkshire Post and Leeds Intelligencer* illustrates how as a consequence of the government's decision to invest a substantial sum of money in bolstering the nation's armed forces, the unprecedented level of demand placed upon the North East's steel firms contributed significantly to the region's economic recovery after years of stagnation.<sup>45</sup> Indeed, faced with 'large demand for heavy steel' as a result of the rearmament programme, the Business Editor, writing in the 27<sup>th</sup> April 1938 edition of the *Yorkshire Post and Leeds Intelligencer*, noted that this was leading to 'encouraging production figures to be released by North-East Coast firms'.<sup>46</sup> This is reflected by a set of statistics used later on in the article which shows that with 1,115,800 million tons of steel being produced nationwide in March 1938, a record high of 262,000 tons - or 23.5 per cent of the total national output - came from firms operating within the region.<sup>47</sup> With credible and reliable data showing how the rearmament programme gave one of the North East of England's major industries a much needed economic boost following years of economic hardship, it could be convincingly argued that the preparations made by central government for another war with Germany did more than either the Team Valley Special Assistance Area or Newcastle City Council's public works programme to drag the region out of economic depression.

Additionally, the notion that the rearmament programme was the single most effective solution to the region's economic hardships during the 1930s can be seen not only by examining how the region's unemployment rate fell sharply in the run-up to the Second World War, but also by

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<sup>43</sup> *Ibid.*

<sup>44</sup> *Ibid.*

<sup>45</sup> 'North-East Coast Record', *Yorkshire Post and Evening Intelligencer*, 27<sup>th</sup> April 1938.

<sup>46</sup> *Ibid.*

<sup>47</sup> *Ibid.*

considering the broad range of political support the policy of rearmament had as means to attack joblessness and support economic growth in this part of the country. To take the latter point first, in a debate in the House of Commons held on 24<sup>th</sup> May 1938, several MPs noted the beneficial impact rearmament had upon the steel industry and, in turn, the economic performance of the North East of England.<sup>48</sup> During this parliamentary exchange, Mr Richard Acland, Labour MP for Barnstaple, said the following, 'I would like to draw attention to another industry, that of iron and steel. This is an industry which has received great favours at the hands of the Government'.<sup>49</sup> Indeed, Mr Acland went on to claim that since 'the rearmament programme had gone in its favour', the North East's steel industry - and subsequently its economy - was once again flourishing.<sup>50</sup> Such a view was similarly expressed by the then Conservative MP for Darlington, Charles Peat.<sup>51</sup> He stated that whereas in 1931 the steel industry was gradually dying, the rearmament programme meant that by 1938 the North East's blast furnaces were once again in full swing.<sup>52</sup> With both Conservative and Labour MPs commenting upon the role rearmament played in giving an essential boost to one of the region's most important industries as well as the wider economy, this strengthens McCord's claim that it was the British Government's rush to prepare for another war with Germany in the late 1930s which was the critical factor in dragging the North East out of economic depression.<sup>53</sup>

As was alluded to earlier, in order to fully determine whether the rearmament programme was the chief reason behind the region's exit from economic depression, scrutinising the way in which a revival in the steel industry contributed to a sizeable reduction in the North East's unemployment rate is required. As Britain's main steel-producing region, it stands to reason that with unemployment amongst Britain's professional steelworkers falling from 62 per cent in 1932 to just

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<sup>48</sup> HC Deb, 24th May 1938, Vol 336, Cols 1067-178.

<sup>49</sup> *Ibid.*

<sup>50</sup> *Ibid.*

<sup>51</sup> *Ibid.*

<sup>52</sup> *Ibid.*

<sup>53</sup> McCord, *North East England*, p.228.

21.4 per cent in 1938<sup>54</sup>, and with employment in the steel industry increasing by nearly 25 per cent between 1930 and 1937,<sup>55</sup> such an improvement was most acutely felt within the North East. An article entitled '*Unemployment Drops*' from the Tuesday 8<sup>th</sup> November 1938 edition of the *Yorkshire Post* highlights that with the rearmament programme spurring on output in Britain's staple industries, this led to more chances for employment within the textile industry, coal mining, and the iron and steel trade.<sup>56</sup> It goes on to state that as a consequence of the improving employment opportunities within the region's steel factories, between 12<sup>th</sup> September 1938 and 17<sup>th</sup> October 1938 unemployment in the North East fell by 21,665.<sup>57</sup> This meant that in the space of just one month the North East, second only to the North West, saw the biggest real terms fall in the numbers of people classed as unemployed.<sup>58</sup> Whereas the economic crash of 1929 and the subsequent economic depression had caused unemployment in the North East amongst the insured workforce to reach the untenably high rate of 28.5 per cent in 1935, by 1939, with the region's traditional industries once again booming as a result of the government's preparations for the impending war with Germany, this had fallen by nearly 66 per cent to stand at 10.1 per cent.<sup>59</sup> Indeed, with the North East's biggest employers - the traditional industries - receiving a particular and unprecedented boost from the rearmament programme, by 1939, for the first time since records began, unemployment amongst insured North East workers was lower than the UK average.<sup>60</sup> With this in mind, it could be reasoned that the most effective solution to the North East's economic woes came in the form of rearmament. Whereas the Team Valley Special Assistance Area brought about what was arguably a negligible reduction in regional unemployment: as is evidenced by the figures we have just examined, rearmament had a much more significant impact upon the number of people

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<sup>54</sup> Garside, *British Unemployment, 1919-1939*, p.13.

<sup>55</sup> Stephen Broadberry, *The productivity race: British Manufacturing in International Perspective, 1850-1990* (Cambridge: Cambridge University Press, 1997), p.237.

<sup>56</sup> 'Unemployment Drops', *Yorkshire Evening Post*, 8<sup>th</sup> November 1938.

<sup>57</sup> *Ibid.*

<sup>58</sup> *Ibid.*

<sup>59</sup> Martin Daunton, 'Housing', in Francis M. L. Thompson (ed.), *The Cambridge Social History of Britain, 1750-1950, Volume 2, People and their Environment* (Cambridge: Cambridge University Press, 1990), p.225.

<sup>60</sup> *Ibid.*

out of work in the North East during the 1930s. Indeed, with demand for steel, coal and warships at record levels by 1938-1939,<sup>61</sup> this provided not only a much needed boost to the region's most economically important industries, it was accompanied with a surge of new job opportunities for the North East's unemployed. As such, one can credibly claim that it was rearmament which was the main reason behind the North East's escape from economic depression.

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<sup>61</sup> L. A. Ritchie (ed.), *The Shipbuilding Industry: A Guide to Historical Records* (Manchester: Manchester University Press, 1992), p.13.



## Conclusion

Having observed the extent to which the North East of England saw its economic fortunes improve in the period 1935-1939, this dissertation has sought to identify the policies which made this upswing possible. Indeed, whereas in the middle part of the 1930s the North East was suffering from an untenably high unemployment rate and a declining level of industrial output, by 1939 the number of men and women in the region not in meaningful employment had fallen sharply, whilst many of the region's most important industries - such as shipbuilding and steel - were beginning to benefit from an unprecedented level of domestic demand for their goods. As well as trying to establish what impact the Team Valley Special Assistance Area had upon the region's economy since its inception in 1936, the role council-funded relief works, as well as the British Government's rearmament programme of the late 1930s, played in explaining the North East's economic recovery has also come under scrutiny.

In the first chapter of this essay, a detailed examination was made into the effectiveness of the Team Valley Special Assistance Area in helping to pull the North East out of economic depression during the mid to late 1930s. Whilst it would be unfair to suggest that the TVC made no difference to region's economic performance, one could not convincingly make the case that it was in itself the solution to the many difficulties which the North East was faced with in the early to mid 1930s. Though by May 1938 the Team Valley Special Assistance Area was responsible for having attracted 43 new businesses into the region,<sup>1</sup> the limited number of vacancies which were subsequently created did little to compensate for the hundreds of thousands of jobs which had been shed in the traditional sectors of the North East's economy. On the contrary, in the case of Jarrow, despite the

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<sup>1</sup> HC Deb, 30th June 1938, Vol 337, Cols, 2096-7.

establishment of a Special Assistance Area no more than ten miles away, unemployment in the town continued to increase, going up by four per cent in the period 1935-1937.<sup>2</sup>

Additionally, given the fact that between 1932 and 1936 less than two per cent of the nearly 2,700 new factories which were built in Britain were located within the North East of England, one could argue that this highlights the extent to which the Team Valley Corporation was shockingly ineffective at attracting new inward investment into the region.<sup>3</sup> Far from bringing a flood of new enterprises into the region, the Team Valley Special Assistance Area had a negligible effect upon business activity within the North East during the 1930s. With the Team Valley Special Assistance Area failing to tempt a significant number of new businesses into the region and with unemployment in some parts of the North East continuing to rise despite its existence, it can only be stated that the TVC was massively ineffectual at dragging this part of the country out of economic depression. As such, it therefore cannot be used to explain the dramatic turnaround in the region's economic circumstances in the four years between 1935-1939.

After arriving at the conclusion that the Team Valley Special Assistance Area was not the solution to the North East's economic woes, the focus of this dissertation shifted to whether the relief works offered by Newcastle City Council could provide a more credible explanation when discussing the factors behind North East's exit from economic depression. Given the substantial sums of money NCC devoted to its public works programme in the period 1937-1938, it is striking just how many of the region's business benefitted from this particular stimulus package. With dozens of local government contracts up for tender as a result of NCC's commitment to constructing new municipal housing, roads and other public buildings, for a substantial number of North East enterprises, such an investment enabled them to stay afloat during this period of economic instability. Moreover, in the same way as NCC's public works programme was of benefit to far more private sector businesses

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<sup>2</sup> *Ministry of Labour - Northern Division, Reference Register 1935 to 1941*, Tyne and Wear Archives, G.EMP 2/11.

<sup>3</sup> HC Deb, 15th November 1937, Vol 329, Cols 166-74.

than the Team Valley SAA was, the fact that this particular stimulus package led to a tangible reduction in Newcastle's unemployment rate is testimony to the effectiveness of this scheme in helping to drag the North East out of economic depression. Indeed, with the number of men in Newcastle not in work falling from 25,687 in January 1935<sup>4</sup> to 15,517 in January 1938,<sup>5</sup> this 40 per cent drop in the city's male unemployment rate is arguably a reflection upon the beneficial impact council-funded public works schemes had in pulling the North East out of economic depression. With this in mind, it can only be reasoned that the relief works offered by Newcastle City Council during the period in question were an effective tool in the region's fight against economic depression, and therefore go some way to explaining the improvement in the health of the North East economy in the years between 1935-1939.

Despite the favourable impact NCC's public works programme had upon the economic performance of the North East, it can be only be contended that the single most effective remedy to the difficulties the region's economy was faced with during the period was the British Government's rearmament programme. With the preparations made for another war with Germany requiring the North East's biggest industries - particularly steel and shipbuilding - to massively increase their output, not only did rearmament give an immediate boost to the region's industrial sector, but the resulting demand for extra labour produced a sharp fall in the region's unemployment rate.

Whereas the TVC made next to no difference to the region's high unemployment rate and NCC's public works programme resulted in only about 10,000 fewer men being out of work in the city in the three years between 1935 and 1938, rearmament, on the other hand, led to tens of thousands of the region's jobless going back into employment. For example, in the space of just one month in 1938, the number of unemployed persons in the North East fell by 21,665 as a direct consequence of

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<sup>4</sup> *Newcastle City Council Annual Report, Part 2, 1935-1936*, Tyne and Wear Archives, no reference available & *Newcastle City Council Annual Report, Part 2, 1937-1938*, Tyne and Wear Archives, no reference available.

<sup>5</sup> 'Fewer Unemployed', *Hartlepool Mail*, 6<sup>th</sup> February 1938.

the British Government's rearmament policy.<sup>6</sup> With rearmament having an obvious and significant impact upon the region's level of economic output as well as its formerly high unemployment rate, it is arguably the case that rearmament was the single most important weapon in the North East's fight against economic decline. As such, one can only conclude that it was the British Government's rearmament programme - more so than any of the other two theories we have examined - that paved the way for the transformation of the North East's economy in the period 1935-1939.

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<sup>6</sup> *Ibid.*

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