

### CHAPTER III

#### CONTRASTS OF SHIP-BUILDING AND HOUSE-BUILDING

I AM not able to attempt any adequate summary of the complicated history of house-building during our period. It stands, however, in such striking contrast with the history of ship-building, whereas *prima facie* the two might have been expected to be similar, that a brief comment on it seems to be called for.

With houses, as with ships, though for different reasons, there was at the end of the war a very great shortage. The shipping shortage, as we have seen, was largely due to the destruction of tonnage during the war and the difficulty of at once making effective use of the tonnage that remained. The housing shortage was due to the fact that during the war house-building had been almost entirely, and house maintenance to a large extent, suspended, while the population had continued to expand, and, with the falling birth rate, the number of families had grown in a still larger proportion. In 1919 returns from local authorities indicated a need for 400,000 houses, a figure which was raised shortly afterwards to 800,000. There was great hardship because a number of people, who would have liked to set up separate establishments as separate Census families (in the main private domestic households, including resident servants), were "obliged to live in the closest domestic contact with other persons from whom they desired to separate themselves".<sup>1</sup> Some 300,000 or 400,000 Census families, which would have normally come into existence, were prevented by the shortage from doing so. While,

<sup>1</sup> *Housing Report of the 1931 Census*, pp. x and xx.

however, the shipping shortage led, as the last chapter showed, to an immediate and enormous boom in ship-building, the housing shortage had no such effect. It was not till the period in which we are interested was over that activity on a really large scale began. There are no estimates for houses under construction at different dates, but the following table shows the number of new houses completed in England and Wales (other than those built before October 1922 by private enterprise without State assistance) between 1st January 1919 and 31st March 1920, and thereafter in successive half-yearly periods :<sup>1</sup>

NEW HOUSES PROVIDED IN ENGLAND AND WALES UNDER IMPROVEMENT AND RECONSTRUCTION SCHEMES, AND HOUSES OVER £78 RATEABLE VALUE  
(£105 IN GREATER LONDON)

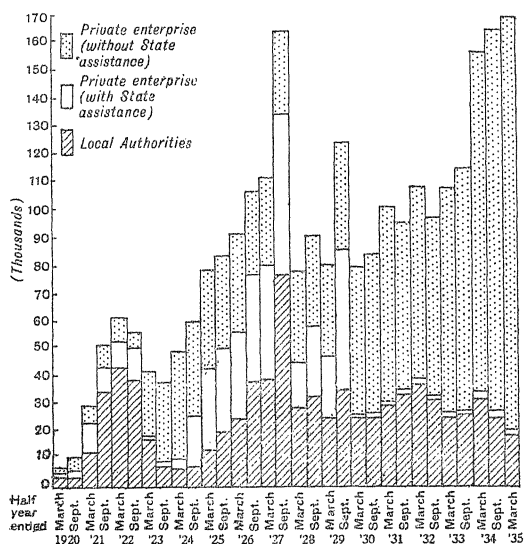
Period	With State Assistance	Grand Total	
1st January 1919 to 31st March 1920	715		
1st April 1920 to 30th September 1920	5,412		
1st October 1920 to 31st March 1921	23,137	210,237	
1st April 1921 to 30th September 1921	44,808		
1st October 1921 to 31st March 1922	56,263		
1st April 1922 to 30th September 1922	49,902		
1st October 1922 to 31st March 1923	17,951		41,751
1st April 1923 to 30th September 1923	8,038		36,987
1st October 1923 to 31st March 1924	10,626	49,223	
1st April 1924 to 30th September 1924	25,833	60,268	
1st October 1924 to 31st March 1925	41,836	76,621	
1st April 1925 to 30th September 1925	50,455	82,405	

The facts are brought out very clearly in the following diagram reproduced from Mr. Connor's article :<sup>2</sup>

<sup>1</sup> Connor, "Urban Housing in England and Wales", *Statistical Journal*, 1936, p. 8. For houses built by private enterprise without State assistance the number completed between 1st January 1919 and 31st March 1922 is estimated at 30,000; but no estimate is available for the distribution of this building over different parts of the period.

<sup>2</sup> In the diagram the total of 30,000 houses produced without State assistance between 1st January 1919 and 1st October 1922 are assumed to have been distributed evenly over the first six columns. The part of the diagram referring to the later years is not, of course, relevant to our discussion.

HOUSES PROVIDED IN ENGLAND AND WALES, 1920-35



Thus it is apparent that house-building can have contributed very little to the activity of the Boom. Its expansion on a substantial scale was reserved for the Slump and the Doldrums, when it served in a small measure to offset, instead of, as with ship-building, to aggravate, depression in other industries.

Now nobody has ever pretended that this fortunate, so to speak anticyclical, order of events in building was the result of deliberate policy on the part of either the central or local authorities. If evidence to the contrary is needed,

we have only to note that in the spring of 1921, when the Slump was very deep and unemployment was rapidly increasing, the Government, as a part of its economy drive, cut down its original plan for 500,000 houses in three years to 216,000, the number which by that time had been finished, or were in course of construction, or for which tenders had been approved.<sup>1</sup> Why, then, did the sequence of events take the form it did ?

It has been suggested that an important part of the explanation can be found in the fact that immediately after the war building materials were abnormally expensive — in consequence, as some say, of anti-social activity on the part of “rings”. This explanation, however, does not fit the facts. Calculations made by Mr. Rothbarth show that down to the end of 1920 the rise in building materials was less than the rise of materials in general. After that, indeed till the end of the Slump, when all prices were falling, the prices of building materials lagged behind materials in general, and so were, in a sense, abnormally high. But this was the very period in which building activity was substantially larger than it had been in the Boom year.<sup>2</sup>

A much more important obstacle on the supply side to quick expansion was the serious shortage of building labour, particularly of skilled labour, due to heavy wartime withdrawals and lack of new entrants. One authority writes : “ Even after tenders had been approved it was difficult to start actual building owing to a great shortage of building labour. Only in 1924 did the Building Unions relax their admission requirements in return for an undertaking on the part of the Government to continue building subsidies for fifteen years.”<sup>3</sup> Here there is a great contrast between house-building and ship-building. Whereas at the Armistice, according to the Z8 returns, the number of

<sup>1</sup> Memorandum privately prepared by Mr. Loveday, p. 27.

<sup>2</sup> Cf. Statistical Appendix, Section III, Table VI.

<sup>3</sup> Memorandum prepared by Mr. Loveday, p. 26.

men employed in ship-building and marine engineering, in consequence, of course, of urgent war needs, had risen to 435,000 from 289,000 in July 1914, in building the number had fallen from 920,000 to 438,000, and as late as July 1920 had still only recovered to 796,000.

In spite of this, however, there can, I think, be little doubt that the dominant influence which made the immediate post-war history of house-building so greatly different from that of ship-building operated from the demand side. Whereas expanded desire for new ships translated itself readily in the hands of monied men into correspondingly expanded demand, expanded desire for new houses, since the vast majority of them were needed by relatively poor wage-earners, could not do this. Recognising the wage-earners' difficulty in the matter of housing, the Government in 1915 had passed an Act which in a general way forbade the rents of existing working-class houses being raised above what they were in 1914. In 1919, in view of the all-round rise in prices, a 40 per cent increase in rents was allowed. Very soon, however, prices and wages had risen by much more than this above their pre-war level. Unless, therefore, people were prepared to hire new houses at much higher rents than those ruling for equivalent old ones, it would not pay to build them; and naturally wage-earners were very unwilling, even if they were financially able, to pay for new houses substantially higher rents than those which were being paid for the main mass of already existing houses. The only way out was for the Government to intervene.

Before the war house-building was almost entirely carried on by private enterprise. Expenditure on housing by local authorities, whether out of rates or by way of loan, in 1913-14 was only £1·27 millions, and there was no expenditure at all by the central authority.<sup>1</sup> Thus the

<sup>1</sup> Sykes, *British Public Expenditure*, p. 33.

situation after the war was a new one and action was not rapid. It was not till eight months after the Armistice that an emergency Housing, Town-planning, etc. Act was passed. This Act required local authorities to conduct surveys of their districts and prepare and carry out housing schemes for working-class needs, so far as they were not likely to be met in other ways.<sup>1</sup> All and any deficits arising out of this in excess of a 1d. rate were to be charged to the Treasury. At the end of 1919 another Act was passed extending the subsidy system to private builders. Eight months later, in March 1920, only half of the local authorities had submitted satisfactory plans.<sup>2</sup> As the table on p. 89 shows, no appreciable amount of building can have begun under these Acts till well on in 1920. By the spring of 1921, however, a fair number of new houses were coming forward; in spite of a general Slump, building was expanding.

But the cost to the Treasury was considerable. Confronted with slump conditions, the Government reacted with a campaign for economy. The Treasury grant for housing was cut down from a quasi-limitless figure to £200,000 per annum — to be devoted for preference to slum clearance; so that the programme of assisted construction was much reduced. In consequence the aggregate rate of building again declined, though building by private enterprise without State assistance was increasing. The Doldrums thus began with a low level of building activity. But, with the rapidly growing number of private families, the housing shortage was now causing serious anxiety. In 1923 a new Act, the Chamberlain Act, was passed, the principal feature of which was the provision of a national subsidy of £6 a year for twenty years on houses of specified types and sizes, whether built by local authorities or by

<sup>1</sup> Connor, *Statistical Journal*, 1936, p. 4.

<sup>2</sup> Sykes, *British Public Expenditure*, p. 34.

private enterprise.<sup>1</sup> At the same time, as a result of lowered wages (following a dispute in 1923), an agreement by the Building Unions to accept some degree of dilution and reduced costs of materials, building costs fell. A definite and strong up-swing began. In 1924 the advent of a new Government and criticism of the adequacy of past policy led to the passing of yet another Housing Act, designed to promote the building of houses to be let rather than sold. "This provided for a much larger national subsidy of £9 for forty years, with a special subsidy of £12 : 10s. for houses erected in agricultural parishes. The response to this generous and more widespread offer was large ; and the more so as by then building costs had materially declined."<sup>2</sup> The really large building Boom, however, occurred in 1926 and 1927, after our period had closed.

<sup>1</sup> Connor, *Statistical Journal*, 1936, p. 34.

<sup>2</sup> Cf. Sykes, *British Public Expenditure*, p. 35.