

PART IV

GOVERNMENT INTERVENTION  
IN INDUSTRY

CHAPTER I

THE RISE AND FALL OF INDUSTRIAL CONTROLS

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THE fundamental purpose of the Government's war-time controls in the munition industry, textiles, shipping, food and so on was a positive one ; namely, to secure to itself for use in the war effort great quantities of specialised services and goods. It is true, of course, that, when there is an abnormal demand for anything — and the Government was naturally in a position to force up demand indefinitely — this fact of itself always tends to stimulate people to direct their efforts to producing things to meet the expanded demand rather than other things. But the reaction is usually a slow one ; and during the war the essential requirement was speed. The Government was concerned to surmount at once by direct attack obstacles which in the ordinary course could only be turned by a slow and gradual movement. The need for direct attack was, of course, intensified in industries where the Government itself, by artificially keeping down prices, removed what would normally have been the main stimulus to private initiative. To achieve its fundamental purpose, therefore, it had to *act*.

Its action was of a double character, partly positive, partly negative. On the positive side it directly conscripted men, commandeered certain species of property, compelled farmers to plough up arable land, bought the whole of the

Australian, and afterwards of the English, wool clip ; and so on. On the negative side it forbade its citizens to use in their private service, except under licence, or after prior Government claims had been satisfied, certain sorts of things. For example, nobody might redecorate his house on an extensive scale without permission from the Board of Trade, and, under the food rationing scheme, nobody might eat more than a specified quantity of certain sorts of food. The negative side of the State's action was, it is true, mainly directed to securing an orderly distribution among the civil population of what the Government left over for them, rather than to enabling the total so left over to be kept down with a view to expanding the share available for the war effort. Plainly, however, if there had not been an orderly distribution of food, for example, among civilians, or of iron and steel among civilian industries, the total amount provided for them would have had to be substantially larger than it was on pain of serious damage to morale. Thus the positive purpose envisaged by the State was helped forward in some measure by its negative, as well as by its positive, action. The following brief history of war-time developments, within the sphere of what I shall call "industrial controls", bears out and illustrates these general statements.

## II

The industrial section of war-time controls — industrial controls — falls into three main spheres, corresponding to the main buying departments of the war machine. First, there were the controls operated by the War Office over the various commodities covered by army supplies (other than munitions). Textiles and leather came within this category and also certain foodstuffs and medical supplies.<sup>1</sup> Secondly,

<sup>1</sup> The frontier between the Ministry of Munitions and the War Office in its control over army supplies was not always clearly defined. But, broadly speaking,

there were the controls operated by the Ministry of Munitions, chiefly affecting the iron and steel and non-ferrous metal industries, engineering and aircraft, chemicals and explosives. Thirdly, there was the control over ship-building and naval accessories and munitions, which remained within the province of the Admiralty. These industrial controls are the subject matter of this chapter. The control of meat, fats, dairy produce and grain, which came under the Ministry of Food and the fortunes of which have been fully discussed by Sir William Beveridge in his *British Food Control*, will not be considered here; nor will the control of imports through allocation of shipping tonnage operated by the Board of Trade (after 1916 by the Ministry of Shipping), the growth and decline of which Mr. Fayle has described in *The War and the Shipping Industry*; nor yet the coal control, or the international controls operated since 1917 through the allied programme committees under the Allied Maritime Transport Council.

The growth of war-time industrial controls falls into several clearly marked stages. At the outbreak of war the Government had taken three important measures. It had come to the assistance of banks and discount houses by guaranteeing approved commercial bills payable by enemy and other insolvent debtors; it had taken over control of the railways in return for a guarantee to the companies of their pre-war dividends; and it had made the purchase and import of sugar a Government monopoly. Presently it requisitioned certain scarce supplies of key materials for munitions manufacture or prohibited their export, for example, the constituents of T.N.T.; and in December 1914 it imposed an obligation on all distillers to recover from benzine or naphtha all toluene in excess of 3 per cent. But for some time these measures stood alone. For

it corresponded to the division between the requirements of the Master-General of the Ordnance and those of the Quartermaster-General. (Cf. E. M. H. Lloyd, *Experiments in State Control*, p. 24.)

industry and trade in general the watchword was "business as usual". The War Office continued the practice of competitive tendering to supply its requirements; and prices were left to find their own level, supposedly guarded by the magic of business competition. Twelve months after the outbreak of war a Cabinet Minister was outlining the view that the consumer was sufficiently protected against high prices by competition among producers, so that price controls were otiose; and even in 1916 a Departmental Committee argued that a system of export licences was undesirable because "methods of private trade were better adapted than a Government scheme to avoid financial loss".

But by the spring of 1915 it had become clear that the pressure of demand was such as to make a competitive market essentially a "sellers' market", in which buying departments were faced with serious shortages of supplies and a tendency for prices to rise steeply. Competitive tendering not only involved delay in the allocation of contracts, but in an indirect way it often enhanced the rise in price of materials by encouraging forward-buying on the part of all the firms submitting tenders. In turn, the uncertainty concerning raw material prices made impossible any firm basis for contract prices. Moreover, there was much complaint, especially in the armaments trade, about inadequate use of the industrial capacity available. The Contracts Department of the War Office was inclined to deal exclusively with the larger firms, with which it had had connections in peace-time and which were familiar with War Office requirements. Orders that these firms could not themselves fulfil were sub-contracted to smaller firms, with which they had business connections; and the main contractors were naturally jealous of their leading position in the trade. Complaints arose from smaller firms, unfamiliar with munitions work but eager to adapt them-

selves to it, that they could not get orders and that they were even being drained of labour for transfer to armament firms whose equipment was already loaded to capacity. Rivalry between different buying Departments (*e.g.* between the War Office and the Admiralty in shell contracts) tended to strengthen the upward pressure on prices and to add to the prevailing chaos in sub-contracting, with consequent delays in delivery, that in certain directions assumed alarming proportions. Prices quoted for armaments contracts were subsequently found to have been extraordinarily high in relation to costs ; and grave bottlenecks in productive capacity, especially in shell-filling, threatened to dislocate the whole military programme. To ease the situation, the method of collective agreements as to supply and price with associations or groups of firms was adopted. One of the earliest examples of this was the agreement entered into by the War Office with the Wholesale Clothiers' Association for the supply of uniforms at an all-round flat rate for manufacture ; the War Office purchasing and supplying cloth to the trade at fixed issue prices. This was followed in the boot industry by negotiations with the United Tanners' Federation to secure a reduction in the price of leather supplied for army contracts. About the same time, in agreement with the Dundee jute trade, the price of jute for sandbags was fixed at a figure considerably below the market price. On 9th June 1915 a new Department, the Ministry of Munitions, was set up to take over from the War Office the duty of munitions supply to the army. One of its first acts was to arrange for the placing of munitions contracts with local Boards of Management, acting on behalf of groups of local firms in their district.<sup>1</sup> At the same time the Ministry instituted a number of national factories to meet the excess demand for

<sup>1</sup> This was supplementary to, and not a substitute for, the contracts traditionally placed direct with the large armament firms. Actually the groundwork of the

shells. To safeguard supplies of non-ferrous metals, and, in particular, to prevent them from passing to the enemy, a system of voluntary control was at first exercised through the committee of the London Metal Exchange.

\* This elementary stage of control, representing, as it did, little more than the substitution of collective agreements between the Government and business associations for competitive tendering and individual contracting, fairly soon proved insufficient. A good example of this insufficiency is provided by the negotiations with the Brass-Makers' Association in the autumn of 1915 to secure a reduction in price of supplies to ordnance factories, the prevailing price being deemed excessive. The brass-makers were supplying, not only Government factories direct, but also armament firms ; and, since the latter were willing to pay the higher prices, the Association was able to resist the Government proposal for a reduction. A transition accordingly had to be made to a higher stage of control, which consisted of compulsory price-fixing on the basis (so far as circumstances allowed) of costing estimates of the manufacturing process by the buying Departments. Once started for final products, price-fixing inevitably travelled back to intermediate and primary products. This control of price was usually associated with Government control of dealings by licence ; dealing at no more than the given price being made a condition of licence. Already in the autumn of 1915 the Ministry of Munitions was successfully controlling the price of certain metals in this way ; first of shell steel, and then later, by extension, of all classes of steel. In December 1915 the first of the non-ferrous metals controls was introduced in the shape of regulations governing the price and the destination of all aluminium supplies.

local organisation had been laid by the Armaments Output Committee, instituted by the War Office at the end of March, but then subordinated to Mr. Lloyd George's Munitions of War Committee, the immediate precursor of the Ministry of Munitions, whose creation as a Department of State was announced on 26th May.

A yet further stage was reached when Government Departments undertook the bulk purchase or requisition of raw materials, and allocated these to manufacturers at fixed prices, with compulsory fixed margins for processing or making-up. In June 1916 the War Office decided to requisition the domestic wool clip and to supply it to the trade at fixed prices through authorised merchants acting as commission agents; and in the following year the War Office purchased the whole of the Australasian wool clip and prohibited all private dealings in wool. In addition, the output of mills was requisitioned and paid for at prices built up from the fixed raw material prices by adding a series of margins, assessed on the basis of costing estimates; so that in the end the manufacturer was virtually working for the Government on a commission basis. In 1916 the War Office, in face of a shortage of flax, similarly prohibited private dealings in Russian flax, requisitioned unsold stocks in dealers' hands, and proceeded to import Russian flax through firms specially appointed to be Government buying agents inside Russia. In allocating raw material to the fine linen industry in Belfast and Scotland, special committees acting under the Flax Control Board carried out a rationing policy by a system of licences, manufacture being prohibited except by licence. The Ministry of Munitions, having fixed metal prices at the end of 1915, found itself confronted with the consequential task of allocating steel supplies between competing users by means of a priority system. The system of requisitioning all visible stocks of a commodity was adopted as early as July 1915 for glycerine, and soon after for dormant printers' metal, to relieve the shortage of lead. Responsibility was undertaken by the Government for buying all the acetone needed by trade makers of explosives for the 1916 programme, on condition that private firms refrained from entering the market on their own account. All by-products of the gas,

coke, soap and dye industries were purchased in advance for the duration of the war, as was also the whole of the British output of non-ferrous metals. In January 1917 the Ministry of Munitions took over all stocks of copper and became the sole importer. At first no statutory authority existed for requisitioning the productive capacity of a firm to divert it from work on private orders to work on Government orders. But, voluntary methods having proved "insufficiently effective", powers were obtained to requisition any firm's output and to fix the price at which it should be sold.<sup>1</sup> Regulation 30A of DORA empowered the Ministry of Munitions, by order, to forbid the purchase or sale of material except by licence, to require returns to be made of all stocks held by private firms, and to impose conditions of sale and of price; while Regulation 30B gave powers to prohibit speculative dealings in commodities. Finally, in February 1918 the Non-ferrous Metals Industry Act made it necessary for anyone engaged, not only in dealing in, but in smelting or refining, any non-ferrous metals, to be licensed by the Board of Trade. Moreover, by the end of the war the Ministry of Munitions directly controlled some two hundred and fifty national factories, in addition to the twenty-thousand-odd "controlled establishments", covering in all some two million workers, over which the Ministry exercised indirect control.

By the end of the war the industrial controls were fairly extensive. "No one could start a new business or enlarge an old one except for war purposes; everyone was liable to have buildings, plant or machinery requisitioned for more urgent work; while none of the industrial metals and few raw materials . . . could be used without a licence from one Government department or another."<sup>2</sup> The State owned an appreciable part of the ordinary shares of some private companies and nominated directors to the

<sup>1</sup> Memorandum on War Office Contracts, 1917, Cmd. 8447.

<sup>2</sup> *History of Ministry of Munitions*, vol. vii, Part I, p. 2.



Boards of a few. It had subsidised investment in plant and buildings, and in the case of iron and steel it subsidised current production itself. In certain instances it owned and operated factories direct. The War Office purchased the wool clip, allocated it to firms through recognised merchants operating on a commission basis, and controlled the price at every stage of manufacture. Even so, by the end of the war "control of material and industry was only just getting to the stage reached by Germany when the war began".<sup>1</sup> The controls which had developed had often been introduced some considerable time after the need for action had appeared. The general attitude was one of reluctance to depart from normal business practices; and control, when it came, came generally under pressure of an urgent situation and assumed the patchwork shape of a series of *ad hoc* improvisations. The verdict of an official historian is that "State control was slow in its development and unscientific in its application. It was never extended until the necessity for it became clamant."<sup>2</sup>

### III

So soon as the Armistice was signed the Government's need of services and things was enormously contracted. The fundamental positive purpose, which had underlain the whole system of war-time control, disappeared. In theory it was then open to the Government to hold on to its dominating position and switch over the resources of the country to some new fundamental purpose — some tremendous five-year plan of social reconstruction. In practice, however, there was never any question of the Government continuing to control industry in order to secure services and goods for itself. If it was to maintain its dominating position, it would have had to be for a

<sup>1</sup> *Ibid.* p. 2.

<sup>2</sup> *Ibid.* p. 1

different purpose, namely, to regulate in a manner that it deemed appropriate the operation and distribution of resources for the separate, as distinguished from the joint, services of its citizens.

Now, that it might be for the general interest that Government should intervene on these lines in some fields had been generally recognised long before the war. For some services would not be performed effectively, or would not be performed at all, *e.g.* the working of lighthouses, if left to private enterprise. But to what extent and in what fields Government action was desirable had been a matter of keen controversy. The experience of the war had relevance here in two respects. On the one hand, it brought out the importance of maintaining at home certain sorts of production to ensure that, in the event of a new war, enemy action should not deprive us of essential means of defence. Hence the claim for protection to key industries and for large subsidies to home-grown sugar. These claims won wide assent, and the Government did step in to regulate the distribution of resources, not indeed directly, but through the machinery of tax and bounty. Secondly, war experience showed that in certain fields Government action could promote operational efficiency. A good example is the management of railways. During the war these had, practically speaking, been worked as a single concern under Government supervision with a view to securing priority for military requirements. Before the war the economies to be looked for from this kind of unification could only be guessed at. Afterwards, in spite of the peculiar character of war traffic with its immense train-loads of munitions and troops, there were available some guiding facts. Some authorities held that these facts pointed clearly towards a unified State railway system. It may be, indeed, that they concentrated attention unduly upon immediate results; taking too little account of the

deadening effect which such a system might, in the long run, produce upon railway enterprise and development. That is a matter for debate. The practical outcome was a characteristic British compromise. Under the Railways Act of August 1921 the railways of the country were compulsorily amalgamated into four main groups, and the Railway Rates Tribunal was established to control their charges ; but there was no nationalisation.

For a broad view, however, these are secondary matters. Upon the theory, long dominant in this country, that in the main the operation and allocation of productive resources are best left to private enterprise, the experience of the war could throw little light. As regards operation, when it was urged on the one side that Government Departments during the war had frequently been guilty of incompetence and unconscionable delays, it could be answered that in the rush and hurry of the time this was inevitable and gave no ground for distrusting Government Departments in peace. When, on the other side, it was urged that in certain spheres, *e.g.* in the production of shells, Government factories had shown themselves much more competent and economical than private concerns, it could be retorted that capacity for producing munitions of a uniform type in enormous and ever-expanding demand for a single customer was no evidence of capacity for the quite different task of normal peace-time production. As regards allocation, the relevance of war-time experience was still more dubious. For the allocation of resources to different uses in war there is a definite schedule to which to work. Food and munitions and the support of the Armed Forces must take precedence over everything else ; and, though, as the rivalry between the demands of munitions and ships for steel made plain, it is difficult, still it is not impossible, by conferences between representatives of the various Ministries, to work out a fairly satisfactory

scheme of priorities. The reason for this is that everything is subordinated to a single relatively simple end. Under a régime of established peace there is no single end of this kind. We have no longer to deal with the Government's wants for war service, but with the wants of an immense and varied population for necessities, comforts and luxuries. In war-time it is obviously more important to bring steel into the country than it is to bring bananas, and to manufacture army baking ovens than private kitchen ranges. But in peace-time none of these simple propositions can be laid down. Those things ought to be made which are most wanted and their proportion ought to be so adjusted that, given people's relative incomes, they will yield in combination the greatest sum of satisfaction. But the Government has no yard-stick with which to decide what these things are or what are their appropriate proportions; and, even if it could decide what they are at one moment, before its decision had been put into effect, conditions would very probably be changed and they would have become something entirely different. The task of peace being thus quite other than the task of war, what was accomplished in war gives no guidance for peace.

Thus the broad issue of the part proper for Government to play in the operation and allocation of resources in normal times stood after the war much as it did before. But this broad issue was not the one at stake when the war came to an end. That was something much narrower and more practical. Should the Government divest itself of its war-time industrial functions immediately — as the phrase went, “at the earliest practicable moment” — or should it adopt a more cautious policy, keeping the organs of control in hand, or at least in reserve, over what might prove a not inconsiderable period of readjustment to peace-time conditions?

On this matter the main drift of opinion among persons

in authority in the United Kingdom, as also in the United States of America, was not in doubt. A major concern was to conserve raw materials for peace-time production ; and any continuance of Government enterprise was treated with suspicion as likely to divert materials from private firms that were striving to regain their pre-war markets. Continued Government enterprise, or Government orders, and continued Government control over supplies were, of course, distinct things. But the two were inevitably associated in men's minds ; the latter was regarded as a handmaid to the former ; and the conclusion was drawn that restoration of trade to its normal channels would be best promoted by rapid release of raw materials from restrictions and by allowing prices to find their " natural level ". What applied to sales of raw materials applied *a fortiori* to the output and sale of finished manufactures. Only in a few cases, where shortage looked like being so acute as to threaten an unbearable inflation of costs if prices were immediately freed, was business opinion anxious for the continuance of control. This, for example, was the reason for the decision of the Wool Council in November 1918 to recommend the prolongation of the control of wool until the following spring or summer ; and it was only after the chairman of the Wool Council had announced, a few months later, that " the danger of short supply " had now been " definitely put behind us " <sup>1</sup> that raw wool was decontrolled in April 1919, and the London wool auctions reopened. Similarly, the leather trade had hoped that Government purchases in the United States of America and Canada would relieve the anticipated shortage of upper-leather in the first half of 1919, and that in the meantime prices would continue to be controlled. But the attempt in November to set up an international Leather and Hides Executive was frustrated (as were other attempts

<sup>1</sup> *Board of Trade Journal*, 28th November 1918, 30th January 1919.

at continued inter-allied control of raw materials) by the refusal of the United States of America to participate. Thereafter as late as June 1919 the Tanners' Federation and the Boot Manufacturers' Federation were pressing for a continuation of control of cattle and horse hides until the end of September.<sup>1</sup> Again, control was retained for a time over sales of platinum, in view of the cessation of Russian supplies, and over some acids and fertilisers, pyrites and phosphate rock. But these were exceptions.

In the great majority of instances, while Labour pressed for a continuance of control, trade interests were "almost unanimously in favour of the re-establishment of private dealings with the least possible delay". Thus, five days after the Armistice, the *Economist* wrote: "The vital factor in procuring abundance of productive employment is not raw materials but freedom; the first requisite of industry is the restoration of freedom" (16th November 1918). Again in February: "As soon as the merchant gets his hands free, we shall see trade begin to revive, but until the Government controls are taken off, he is tied hand and foot. . . . The world, starved of goods for four years, is capable of exerting a demand which will fully employ our working classes on productive work at good wages for a long time to come" (1st February 1919). The policy desired of Government was thus summarised in the Final Report of the Committee on Commercial and Industrial Policy after the War. Policy "should be so framed as to keep within the narrowest possible limits the restrictive measures which it may be necessary to continue, and should be directed towards the restoration of normal industrial conditions within the shortest possible time. . . . We entirely concur in the opinion expressed by the Trade Committees that State control of, and restrictions upon, industries will be found to be detrimental under normal

<sup>1</sup> *Board of Trade Journal*, 6th February 1919, 19th June 1919.

conditions, and we strongly urge that they should be removed so soon as possible after the conclusion of peace . . . the early restoration of unrestricted dealings in the markets of our country and the world at competitive prices is essential to the re-establishment of British industry and commerce on a sound basis." The Committee had, indeed, made certain specific reservations. Continued control of scarce tonnage might be necessary for a time "to secure the country adequate supplies of foodstuffs and raw materials for industry and their fair distribution". "In addition, where supplies of raw material are not likely to be available on a sufficient scale to meet all internal demands, some arrangement for joint purchase and apportionment will be required." "Similarly, in view of the extent to which renewals and repairs to machinery will be needed, it may be desirable at the outset to regulate the execution of orders by means of a system of priority certificates." But these reservations were essentially reservations, subordinated to a broad policy of quite different type.

The Government found itself fully in agreement with that policy. Four days before the Armistice, Mr. Churchill assured a gathering of representative employers: "I am very anxious for you to realise that, although it will undoubtedly be necessary for the Government of this country to intervene in industry and to control and regulate aspects of industry . . . our only object is to liberate the forces of industrial enterprise, to release the controls which have been found galling, to divest ourselves of responsibilities which the State has only accepted in this perilous emergency, and from which, in the overwhelming majority of cases, it had far better keep itself clear".<sup>1</sup> Similarly, a few days before the Armistice, the Standing Council appointed by the Cabinet Committee on Post-War Priority to survey stocks of leading raw materials were said to be

<sup>1</sup> Cit. Report of War Cabinet for 1918.

giving "urgent consideration to the question of releasing such materials from any form of control at the earliest possible moment". Immediately after the Armistice Dr. Addison announced to the House of Commons that the Government proposed "to release iron and steel forthwith", and to ensure the import of "as large a quantity of foreign ore as was imported prior to the war". As regards other metals, there appeared to be sufficient supplies to make it possible "to release some from control now, and nearly all the rest we hope to release within six months".<sup>1</sup> At the same time it was officially announced that, pending decontrol, manufacturers were at liberty, subject to the existing Priority of Work Order, to make immediate use of any iron or steel or non-ferrous metal in their possession, and to accept private orders for manufacture subject to existing regulations as to price. All restrictions on the purchase or manufacture of machine tools were removed in the course of November. Control orders limiting the manufacture of wire rope, forgings and castings, motor and aero engines, were withdrawn; and on 25th November stocks of non-ferrous metals were released for general industrial purposes without special priority permits. After 23rd December iron and steel could be ordered and supplied without priority classification, although exports were still subject to licence owing to the blockade, and special priority was retained for urgent national and allied requirements. Industrial alcohol and glycerine were also released in December, and Control orders for shellac, benzol, naphtha, tar, acetic acid and chlorine were suspended. Just before Christmas Mr. Churchill was able to announce that, "save in a few exceptional cases, all priority classifications for the execution of contracts for Government Departments had been abolished. Ordinary civil orders may now be placed and executed without priority permits

<sup>1</sup> *Board of Trade Journal*, 7th November 1918, 14th November 1918.



or certificates." He promised that the large stocks of non-ferrous metals in the hands of the Government would be "put on the market at prices which we believe will have a direct effect in encouraging trade", and expressed the belief that "there ought to be a period of great activity following this transitional period, and everyone should look forward to the future in the spirit of hope and confidence, for by that process they will more or less stimulate the revival which they desire".<sup>1</sup>

As a general rule, materials were released from control earlier than finished products, and controls over metals, which were in the province of the Ministry of Munitions, were terminated sooner than controls over things like wool, cotton, jute and leather, which were administered by the War Office. The shortage of these materials was greater in the winter months of 1918-19; and Government orders came to an end more slowly than with munitions. But even here control was seldom prolonged beyond a period of six months. For manufactured goods all priority permits and certificates ceased to be operative on 1st March 1919, and the Priority Department of the Ministry of Munitions was closed on 16th April. Among other restrictions that were suspended in the course of March were those on the sale and delivery of building bricks and on the manufacture of small tools.

The prices of iron and steel at the Armistice were abnormally low (about £10 per ton below cost) owing to the operation of subsidies. These subsidies had been given to iron ore, pig-iron, limestone, etc., to enable products to be contracted for over a period and to obviate frequent revisions of contract prices as wages, etc., rose. To enable the trade to adjust itself gradually to "economic prices", it was decided to continue the subsidies for a short period and to remove them in two stages: steel subsidies at the

<sup>1</sup> *Ibid.* 26th December 1918.

end of January 1919, and pig-iron subsidies at the end of April. "By these measures," said Mr. Churchill, "the steel and iron trades have been steadied and have gained confidence."<sup>1</sup> While dealings in iron and steel were released from control forthwith, maximum prices for iron and steel were continued, pending the removal of the subsidies. A proposal was made that, to avoid a scramble for steel at low prices, the Government should for the time being place orders for standard articles with steel-works up to their full capacity; but this was rejected on the ground that it would hinder steel-works from accepting commercial orders. Instead, it was left to the trade itself to organise an equitable distribution of pig-iron and steel among buyers. The tinplate and galvanised sheet trades arranged among themselves an agreed price for the home market and for export, but otherwise were freed from control, Government priority only being insisted on for such part of their output as was still considered necessary for home and allied needs.<sup>2</sup>

Of the 250 national factories existing at the Armistice, nearly all were transferred to private ownership, either reverting to their pre-war owners or being put up for sale. The Committee on Demobilisation and Reconstruction had recommended that 20 of them should be retained permanently as Government munition factories, and another 25, which it classified as not suitable for ordinary industrial purposes, for temporary use as Government stores. Of the remainder, it was suggested that 115 should revert to their original owners, and 85 were classified as suitable for disposal to private firms as industrial concerns. In January 1919 the Cabinet decided that the Ministry of Munitions should proceed with the sale of these 85, giving preference in the sale of them to co-operative societies and local

<sup>1</sup> *Board of Trade Journal*, 26th December 1918.

<sup>2</sup> *History of the Ministry of Munitions*, vol. vii, Part I, chap. v; *Board of Trade Journal*, 14th November 1918, 5th December 1918, 26th December 1918, 6th March 1919.

authorities. Labour representatives had pressed for their retention as national factories for peace-time production in order to reduce unemployment. But the advocates of de-nationalisation argued that, "if firms were threatened with Government competition, . . . they would be discouraged and the recovery of industry would be checked", whereas, if they were used on products that did not compete with private enterprise, each factory would need to be employed on an uneconomic variety of articles, since things of which the State was the sole buyer were purchased by the State in too small quantities to keep a highly specialised factory fully employed.<sup>1</sup> The Labour Co-partnership Association and the Co-operative Productive Federation advanced proposals for operating the factories on a profit-sharing basis; and the Ministry of Munitions decided to make the Ailsa Craig National Projectile Factory available for an experiment along these lines. The Government declined, however, to advance capital to finance the experiment, and the proposal lapsed owing to the difficulty of raising capital in other ways. Of the sites retained as Government stores, one of the largest, at Slough, was maintained as a repair depot for Government cars and lorries until April 1920, when it was sold to a private syndicate.

Thus, in broad summary, the industrial controls developed during the Great War of 1914-18 in the early days of renewed peace died and were buried. In part because control in war-time had developed as a series of improvisations to meet particular circumstances of emergency, the assumption that, with the passing of these circumstances, these improvisations would lose their rationale went practically unchallenged. Because controls had been the creature of departmental needs and departmental autonomy in war-time, departmental interests were left to determine

<sup>1</sup> Cf. *History of the Ministry of Munitions*, vol. vii, Part I, chap. v.

their fate when the war had come to an end. In so far as sectional views were guided by any general policy, it was by a negative policy — the instruction to liquidate war-time encumbrances with the least delay.

## IV

To argue in detail about what would have happened if the death and burial of particular controls had been held up for a while in a cannier wait-and-see temper would be idle. But one broad conclusion can hardly be resisted. With a less impetuous abandonment of them the Government would have had the power,— though not necessarily the will — to enforce some evening-out of industrial activity during the three years that followed the Armistice, and so might have rendered the distresses of the great post-war depression less serious than they were.