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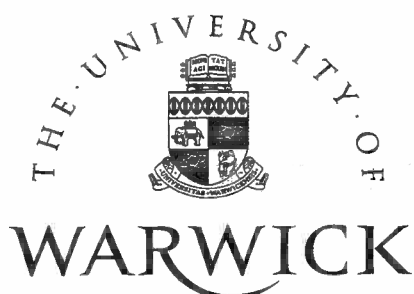
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**THE REGIONAL POLICY PORTFOLIO AND THE BOARD OF  
TRADE, 1945-51**

**Stephen Rosevear**

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TRADE, 1945-51

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# The regional policy portfolio and the Board of Trade, 1945-51

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## Abstract

The paper focuses on the wartime planning and postwar administration of regional policy in Britain. It examines negotiations between the Conservative and Labour parties and relations between the Board of Trade and individual motor manufacturers. First, the paper suggests that Labour were committed to safeguarding commercial efficiency. Second, it argues that Board of Trade officials lacked the economic knowledge to successfully administer discriminatory location policies. Given the commitment to commercial efficiency, industrialists circumvented distribution of industry controls by stressing the potential economic losses of decentralisation. Finally, the paper suggests that the Board of Trade's failings mirrored wider problems in the civil service. Throughout the 1940's bureaucrats acquired new responsibilities for which they lacked economic training. This constituted a serious constraint on Labour's policy ambitions

# The Regional Policy Portfolio and the Board of Trade

1945-51<sup>1</sup>

If it can be assumed that the industrialist himself has made a just appreciation of economic advantages of different sites open to him, it must be supposed that manufacture on an alternative site which he has not chosen will in general be commercially less efficient. Any decrease in efficiency in an industry must at all times have disadvantages for the industry itself . . . and thus upon the whole economy of the country.

Board of Trade Evidence, Barlow Commission 1937.<sup>2</sup>

Despite these misgivings, the Board of Trade found itself in nominal command of industrial location in Britain until 1964. This paper reviews the wartime planning and postwar administration of regional policy. The aim is to examine whether the Board of Trade was either equipped or willing to operate a distribution of industry policy whilst simultaneously safeguarding national industrial efficiency.

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<sup>1</sup> An earlier version of this article was presented as a New Researchers' Paper to the Economic History Society Conference at Lancaster University in March 1996. I would like to thank Steve Broadberry, Nick Crafts, Peter Law, Roger Middleton, Carlo Morelli, Peter Scott, and Jim Tomlinson for their comments on earlier drafts. The paper is based on research conducted for my PhD thesis *Regional Policy and the Motor Vehicle Industry, 1945-64: A Study in Selective Intervention and the Economics of Industrial Location*. The work was funded by a University of Bristol Postgraduate Scholarship, and awards from the William Ashworth Bequest and Michael Postan travel scholarship.

<sup>2</sup> *Minutes of evidence*, p.93.

These issues address important shortcomings in the literature. While there has been much recent interest in economic performance and policy constraints under Attlee, this has been dominated by macroeconomic issues and the debate over Keynesian demand management. The recent controversy over industrial efficiency has done little to address this gap, becoming polarised between the Broadberry/Crafts focus on possible negative long run microeconomic consequences of Labour's macroeconomic platform, and the Tomlinson/Tiratsoo view that Labour's policies were responsible for strong productivity growth in the late 1940's.<sup>3</sup> In both cases, regional instruments have been mainly ignored, reflecting a situation where 'whole areas of government activity have tended to remain unexamined, largely imagined rather than established.'<sup>4</sup>

A forthcoming paper by Scott partially remedies this situation by suggesting that Labour's emphasis on employment led to the neglect of long-term structural problems in the regions.<sup>5</sup> But whereas Scott focuses on financial incentives and advance factory building at the national scale, the following paper centres on negative locational controls at the firm level. Using motor industry case studies, the paper highlights the benefits of assessing regional policy effectiveness from a microeconomic perspective.

Scott reflects the generally held view that the years from 1946-7 were a peak of regional policy ambition, and that the Board of Trade's leadership and officials were imbued with fresh zeal and abilities garnered from wartime experience.<sup>6</sup> This paper will qualify this view. It will argue that apparent regional policy success in the immediate postwar years can be attributed to patterns of factor

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<sup>3</sup> Crafts, 'Adjusting', Tomlinson and Tiratsoo, *Industrial efficiency*.

<sup>4</sup> Tomlinson and Tiratsoo, *Industrial efficiency*, p. 19.

<sup>5</sup> Scott, 'British regional policy'.

<sup>6</sup> See Parsons, *Political economy*.

endowments rather than philosophy. In the engineering industries at least, expansion in the South and Midlands was restricted by physical difficulties. In these circumstances, the Board of Trade acted to alleviate material shortages by steering smaller firms to development districts. At no point did the Board lose sight of the need to safeguard industrial efficiency.

The paper will also highlight a bureaucratic constraint on policy effectiveness. Challenges to contentious and major location decisions were channelled through an interdepartmental committee system (Figure 1). Within this system, two of the three major players - Board of Trade, Ministry of Supply -were natural allies of business. Only the Ministry of Labour consistently argued for a more proactive regional policy. In these circumstances, the administrative structure enforced conservative attitudes and sympathies. This institutional bias was in keeping with the assurances which had secured Dalton the regional policy portfolio in the wartime coalition. It also helps to explain the relatively smooth transition to a more passive distribution policy in the wake of 1947.

Finally, and most importantly, the paper will focus on an informational weakness within the system. The Board of Trade's regional policy portfolio called for a detailed understanding of industrial management and cost patterns. If firms were to be dispersed without compromising efficiency, the Board needed to understand the implications of industrial relocation. But a lack of managerial experience and theoretical knowledge hampered these activities. In short, bureaucrats lacked the economic education to successfully execute their duties. Officials and ministers became involved in a bargaining process where they were unable to counter manufacturer's claims. Given the nature of its mandate, the Board had no option but to favour businessmen. Frustration

eventually led to a government sponsored academic study (the Clay Committee), but it reported too late to affect regional policy in the 1940's.

## I

The best treatments of regional policy planning under the wartime coalition remain in Booth and Parsons. Both maintain that war conditioned officials and politicians to the possibilities of a strong distribution policy.<sup>7</sup> According to Parsons, the Defence Regulations of 1941 provided the bridge between the Barlow Commission's recommendations, and the successful peacetime application of industrial steering.<sup>8</sup> Booth argued that wartime planning proved more than a passive accelerator, breaking the Board's faith in market forces.<sup>9</sup>

The Barlow Commission had rounded on two themes, a belief that large conurbations were undesirable, and explicit acceptance of government control as a means of securing a 'satisfactory distribution of industry,' although this term was never defined. As the opening quotation suggests, the true home of free market orthodoxy in the nineteen thirties may not have been the Treasury, but the Board of Trade.<sup>10</sup> War did provide a discontinuity, but only in a limited sense. Despite Barnett's assertions, wartime discussions of location always centred on efficiency.<sup>11</sup> The only possible ambiguity arose over the definition of efficiency. Whilst it is clear that the Board's officials came to accept the general principal of intervention, there are reasons to believe that historic links

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<sup>7</sup> See also Loeb, *Government factories*, and McCallum, 'Development of British regional policy'.

<sup>8</sup> Parsons, *Political economy*, pp. 49-57, also Cullingworth, *Town planning*, p.12.

<sup>9</sup> Booth, 'Second World War', pp. 16-17.

<sup>10</sup> The controversy surrounding the Treasury's position in the interwar economic policy debate continues. For a survey of the relevant literature see Peden, *Keynes*. The Board of Trade's perspective on industrial location is less ambiguous, see Dennison, *Location*, p.30.

<sup>11</sup> Barnett, *Audit*, p. 252., *Lost victory*, pp. 323-44.



with business prevented a cultural transformation. These links allowed the Board of Trade to placate a sceptical cabinet, and secure the regional policy portfolio from the Ministry of Labour.

The evidence for this view is quite straightforward. It is clear that the impetus for change can be traced to the appointment of Hugh Dalton as President of the Board of Trade and the establishment of the Reconstruction Department in 1942.<sup>12</sup> By this time the Board had already assumed control of industrial location through its Factory Space and Storage Premises division.<sup>13</sup>

Nevertheless, it was not until 1943 that Dalton's views could be articulated within the Cabinet's reconstruction machinery. The surviving papers from relevant committees clearly identify efficiency as the key operational concern.<sup>14</sup>

Memoranda and minutes relating to distribution are dominated by the efficiency question, and Dalton is continually forced to field questions from both sides of the ideological divide.<sup>15</sup> On the one hand, the Ministry of Labour and Ministry of Town and Country Planning favoured a proactive policy, promoting the notion of 'community efficiency' over private interest; whilst on the other, the production ministries, Economic Section, Treasury and Ministry

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<sup>12</sup> Pimlott, *Dalton*, pp. 392-407.

<sup>13</sup> Meynell, *Public servant*, p. 205.

<sup>14</sup> The relevant committees include the Committee of Reconstruction Priorities, Reconstruction Committee, Distribution of Industry Committee and Lord Presidents Committee. For details see Alford, Lowe and Rollings, *Economic Planning*, pp. 26-29.

<sup>15</sup> For representative memoranda see:

P.R.O. CAB 87/7, R(44)6, 'Post war employment - note by the Minister of Reconstruction', 11 Jan. 1944.

P.R.O. CAB 87/8, R(44)72, 'The balanced distribution of industry, note by the Minister of Town and Country Planning', 7 April, 1944.

P.R.O. CAB. 87/63, R(43)1, 'The mobility of labour and structural unemployment - memorandum by the Minister of Labour', 15 Oct. 1943.

CAB 87/63, EC 43(13), 'Location of industry, note by the Economic Section', 20 Oct. 1943..

CAB 87/63, EC 43(21), 'Location of industry, note by the Ministry of Supply', 6 Nov. 1943

Minutes of the key meeting to articulate these fears can be found in CAB 87/5, R(44)11th, 28 Jan. 1944.

of Supply derided any attempt to impose ‘unjustifiable disadvantages’ on industrialists.<sup>16</sup> This sceptical view was all the more powerful given the lack of managerial experience in the Board of Trade, Ministry of Labour and Ministry of Town and Country Planning.<sup>17</sup>

The Barlow Report itself had called for both decentralisation and dispersal.<sup>18</sup> Explicit within this view was a focus on the social and economic externalities of industrial concentration. But in both the final recommendations and dissenting memoranda, a clear distinction had been made between the national position and private industrial interests. As a whole, the Commission was in sympathy with notions of community efficiency. This was the view promoted by the Ministries of Labour and Town and Country Planning. But the report also included commitments to safeguard ‘the conditions of successful industrial growth’.<sup>19</sup> This reflected the Board of Trade’s more traditional view of externalities, with an inherent focus on competitiveness and market based solutions.

Discussions within the wartime coalition focused on this distinction. The fact that Dalton secured acceptance for his distribution policy cannot be separated from these administrative rivalries, or the battle for the regional policy portfolio. Doctrinaire opposition from the right had to be squared with a

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<sup>16</sup> The term ‘unjustifiable disadvantages’ may be found in CAB 87/15, EC(43)21, ‘Memorandum by the Ministry of Supply’, 6 Nov. 1943. It continues, ‘In general, a policy of banning would penalise the efficient and enterprising, and if effective would involve those sections of industry which can make the greatest contribution to the general economic well-being.’ The term ‘community efficiency’ is promoted in CAB 87/5, EC(43)63, ‘Memorandum by the Ministry of Town and Country Planning’, 2 Nov. 1943.

<sup>17</sup> For a discussion of managerial expertise in Whitehall see Edgerton, ‘Warfare state’.

<sup>18</sup> *Report of the Royal Commission*, pp. 197-98.

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

widespread realisation that something had to be seen to be done.<sup>20</sup> Board of Trade stewardship offered a compromise with which the right could live, and the left could survive.<sup>21</sup> This compromise was based on the historical links between business and the Board of Trade. As Lord Woolton made clear in April 1944, ‘ . . . it should be recognised that it (the Board of Trade) approaches the question of location of industry from a special angle. Indeed, it must continue to do so if it is to carry its responsibilities effectively.’<sup>22</sup>

The right was happier with this compromise than the left. The Ministry of Labour in particular never quite came to terms with the arrangements.<sup>23</sup> The question of overall responsibility for distribution policy had split the Barlow Commission, and was to provide a wedge between the Ministry of Labour and Board of Trade until the mid fifties. Woolton’s decision to favour the Board of Trade had been defended by the need to provide a single contact for business.<sup>24</sup> However, the Board was to enjoy a status somewhat above *primus inter pares*.

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<sup>20</sup> Evidence of popular fears of post war regional unemployment were noted in P.R.O. CAB 124/221, Peat to Jowett, 18 Dec. 1943, ‘ . . . all the classes in the North East, and especially the working classes, are obsessed with the fear that the Government are not making effective plans to avoid the North East coast becoming a depressed area when the war and its immediate aftermath of productive activity are over. In ‘Unemployment in the NE’, Middleton argues that these fears were well founded, identifying ‘metropolitan prejudices’ and ‘deficient expertise’ as constraining forces.

<sup>21</sup> The alternatives were for an Industrial Commission or the Ministry of Labour or the Ministry of Town and Country Planning to administer the new location policy.

<sup>22</sup> Quoted in P.R.O. CAB 87/8, R(44)72, ‘The balanced distribution of industry, memorandum by the Ministry of Town and Country Planning’, 7 April 1944.

<sup>23</sup> P.R.O. LAB 8/2411, ‘Distribution of industry, memorandum proposing the transfer of the main responsibility from the Board of Trade to the Ministry of Labour’, undated, but believed to be late 1954.

<sup>24</sup> P.R.O. LAB 8/2411, Excerpts from minutes and letters by Ernest Bevin, Sir Thomas Phillips, Sir Godfrey Ince, Sir G Myrddin-Evans, etc. on the Draft White Paper on Employment, dated various 1943-44.

Given Woolton's reservations about any form of distribution policy, there seems little doubt that safe-guarding efficiency was a key concern.<sup>25</sup>

The undertakings given by the Board of Trade and the subsequent record of achievement qualifies Barnett's notion of New Jerusalem triumphant. The commitment to industrial efficiency was repeated consistently and explicitly. The 'single short paragraph' quoted by Barnett as the only evidence of economic realism was neither single or unrepresentative. It was a widely held view which gained expression through both the formation and implementation of regional policy initiatives.<sup>26</sup> Barnett's misinterpretation can only spring from his ideological predilections and the right wing policy discourse of the 1980's. His efforts suggest that economic policy assessment is best left to formally trained economists, rather than politically motivated military historians.

## II

In 1945, there were four regional policy tools available to government, financial inducements, advance factories, discriminatory government contracts and negative locational controls. The Distribution of Industry Act had given Cripps, the new President of the Board of Trade, the legal foundation for an

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<sup>25</sup> P.R.O. CAB 87/7, R(44)6, 'Post war employment, note by the Minister of Reconstruction', 11 Jan. 1944, '... it is sometimes suggested that the Government by one method or another should control the actual location of all new factories. Apart from its obvious political difficulty, such a degree of state control would, in our opinion, react most unfavourably on initiative and efficiency. . . It would also tend to involve the Government in a wholly undesirable responsibility for the success of particular undertakings which, if they were unsuccessful, would claim that their failure was due to the Government having forced them to set up in bad location.'

<sup>26</sup> Barnett, *Audit*, p. 252. Compare with P.R.O. CAB 124/645, 'Interdepartmental Committee on the Balanced Distribution of Industry, Panel A, Principles to be applied in considering building projects', January 1946.

energetic directional policy.<sup>27</sup> The usual portrayal of this period is in keeping with Barnett's interpretation. Taking new industrial buildings as an index, one can see that the Development Areas received over 50% of new building investment in 1945-47, though having only 20% of the population (Table 1). But does this demonstrate a cultural transformation within the Board of Trade? Other evidence suggests not.

Table 1. *Post War Industrial Building in the Development Areas*

Annual Average	No of Sq. Ft. of Industrial Building Approved in DA's	Development Areas as % of All GB Industrial Building	Insured Population of DA's as a % of GB
1945-7	15.7	51.1	19.9
1948-50	7.5	17.2	18.3
1951-3	8.1	21.7	18.2
1954	12.8	18.1	18.1

Source: McCrone, *Regional policy*, p. 112.

First, there is the general point that initial successes were based on persuasion rather than coercion. It was during these years that the Board's 'Information Room' first began, providing businessmen and officials with new perspectives on industrial location.<sup>28</sup> Official papers from the time make clear an institutional preference for communication.<sup>29</sup> This is hardly surprising given the background of the controllers responsible for the policy. Secondly, the origins

<sup>27</sup> The Act replaced earlier legislation and defined slightly enlarged Development Areas. The Board of Trade retained its wartime role and was granted significant new powers.

<sup>28</sup> P.R.O. CAB 87/63 EC 43(23rd), 16 Nov. 1943. For a retrospective view of the Information Room's success, P.R.O. BT 177/1456, 'Distribution of industry in the United Kingdom - the Meynell report', Feb. 1957.

<sup>29</sup> P.R.O. CAB 124/645, 'Interdepartmental Committee on the Balanced Distribution of Industry. Panel A, Principles to be applied in considering building projects', Jan. 1946.

of negative control hint at a more profound truth. Building licenses had been introduced to manage scarce resources; it was only in 1943 that a regional component had been proposed.<sup>30</sup> The idea was to speed reconstruction by linking location with the right to build. Arguably, this equated distribution of industry policy with rationing. Whilst Cripps firmly believed in Labour's regional commitment, location decisions point to resource management rather than ideological commitment.

The statistics for industrial building in the late nineteen forties and early fifties support the view that the geographical pattern of material and labour shortages helped to determine the distribution of new building. There were marked regional differences in the time elapsing between official approval and the start of construction.<sup>31</sup> Nationally, 42% of all approvals from 1945-53 were started in six months. The corresponding regional figures were 26% in London and the South East, 37% in the Midlands and East, and 38% in the North West. In Scotland, Wales and the North more than half of all approvals began within the same period. This implies a closer match between resource availability and building programmes in the outer regions than existed in either the Midlands or the South East.

Resource availability turned on three questions, building labour, housing, and material supplies. The shortage of building labour in Coventry and the South East certainly hindered public works and factory construction.<sup>32</sup> Housing shortages were also regionally variable, being dependant on both the supply of

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<sup>30</sup> Meynell, 'Location of Industry', p.15.

<sup>31</sup> Board of Trade, 'Ten Years', p. 425.

<sup>32</sup> See P.R.O. T229/582, 'Report of the working party on the labour position in the Coventry area, para 17.' Aug. 1951. Also cited in Tiratsoo, *Reconstruction*, p.22.

homes and the demand from displaced workers.<sup>33</sup> This was particularly acute in Greater London and the Midlands, where bomb damage and economic growth combined to create a housing bottleneck.<sup>34</sup> The raw material constraint was nationally determined.

Whilst the large industrial projects in the South East and Greater Birmingham went through the official committees, smaller scale, less strategic schemes faced different obstructions. Although projects under 5,000 sq. ft avoided direct locational controls, material, labour and housing allocations to large industrial projects channelled resources away from minor schemes. This helps explain the rising tide of businesses who actively sought relocation during 1945-8. By default, sites in the South and the Midlands were rationed to the government's perceived highest value use. Large scale engineering expansions acquired government sanction and resources, the heterogeneous mass of smaller projects competing on the domestic front faced cancellation, delay or relocation. In many cases, relocation was the preferred option, aided by government financed building projects which provided 9.4 million square feet of industrial space by September 1949.<sup>35</sup> Many of these points can be substantiated by referring to key building cases.

The motor industry provides an ideal reference point for the exercise. In terms of efficiency, Labour promoted the sector as the key export earner of the late nineteen forties. In terms of persuasion, the industry had been unusually close to Whitehall throughout the war.<sup>36</sup> In terms of entrepreneurial freedom, there

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<sup>33</sup> For a discussion of the position in Coventry, see Richardson, *Twentieth Century*, p. 224. A general survey is provided in Holmans, *Housing*, pp. 91-166.

<sup>34</sup> P.R.O. BT177/214, 'Factors affecting location in recent years, report by H.S. Phillips, Research Officer Scotland,' 30 Nov. 1949.

<sup>35</sup> Scott, 'Worst of both worlds', table 1.

<sup>36</sup> Morewood, *Pioneers*.

was an acknowledged need to expand and provide new production facilities. The record shows how officials consistently placed current production above distribution of industry policy, and how politicians ultimately abandoned the principle of coercion.

The first example is that of Jaguar, who submitted an application to upgrade their Coventry plant in September 1946, and to employ an additional 500 workers.<sup>37</sup> Given the labour scarcity within Coventry, an even-handed application of Barlow's principles would have forestalled the project. Having encountered difficulties at the official level (there was deadlock between the Ministry of Labour on one side and the Board of Trade and Ministry of Supply on the other), a revised plan was put to the Ministerial Committee.<sup>38</sup> Here the Minister of Works confirmed that Coventry's labour situation could conceivably halt the scheme for two years.<sup>39</sup> After heated debate, the committee rejected the application, and called for further discussions with Jaguar. Less than a month later, strong pressure from the Board of Trade had succeeded in getting agreement. The Parliamentary Secretary had skilfully played the efficiency and export cards, backing up his colleagues from the Ministry of Supply.

This case highlights a crucial point. When distribution of industry policy was tested at either official or ministerial levels, the benefit of the doubt was habitually given to the industrialist.<sup>40</sup> This was unsurprising given the policy

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<sup>37</sup> The plan envisaged the erection of four new bays, additional canteen and office facilities, P.R.O. CAB 124/658, BDI (A) Case #1207, 9 Sept. 1946.

<sup>38</sup> P.R.O. CAB 132/23, LP(DI)4th:1 'Proposed expansion at Coventry by Jaguar Cars Ltd', 19 March 1947.

<sup>39</sup> P.R.O. CAB 132/23, LP(DI)(47)15, 5 Feb. 1947.

<sup>40</sup> Records show that up to the end of Jan. 1946 Panel A had deliberated on 801 building cases, of which only 18 (2.2%) had been cancelled or refused, P.R.O. CAB 124/646, BDI(A)31/6, 'Panel A building cases approved', 4 Feb. 1946. Although summary statistics



background and the Board of Trade's conservative nature. Even small, albeit strategically important firms were able to play this game.<sup>41</sup> Where building licenses were refused, it served to push resources towards the more favoured industries.<sup>42</sup> This was as true before 1947, as after the sterling crisis.<sup>43</sup>

These arguments modify Tiratsoo's claim that Coventry was placed in a 'regional policy straitjacket' by Development Area concerns.<sup>44</sup> While new projects in the city were heavily restricted, this was because of **both** employment **and** efficiency concerns. On the one hand, officials and ministers wanted to decentralise footloose industry, on the other, efficiency losses in strategic sectors could not be tolerated. By allowing *in situ* motor industry expansion and restraining competing developments, the government was 'picking winners'. Space was allocated to strategically important sectors in the same way that raw materials were channelled into export earning firms.

The second example is that of Ford, Dagenham. This spans two building cases, illustrating the continuity of policy from 1945 until well after the sterling crisis. The first application was submitted in 1946 for an extension of 100,000 square feet to house additional manufacturing capacity.<sup>45</sup> Following objections from the Ministry of Town and Country Planning and Ministry of Labour the case

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are unavailable for the remainder of 1946, it is clear that the trend continued. For example, from Oct. 1946 to Jan. 1947, when the Panel considered over 100 cases, only 2 refusals were noted, P.R.O. CAB 124/649, Minutes and Memoranda, Oct. 1946 to Jan. 1947.

<sup>41</sup> See the example of Lea Francis Cars, P.R.O. CAB 124/645, BDI(A)35th:1, 20 Nov. 1945.

<sup>42</sup> E.g. P.R.O. CAB 124/218, 'Memorandum re failure of Ministry of Food to follow Board of Trade and Ministry of Supply policy on contract dispersal', 29 Jan. 1946. '... it is *prima facie* uneconomical to shift production to Development Areas if costs there are higher. But in present conditions, with extreme immobility of labour produced by the housing shortage it seems only common sense to take material where the labour situation is easiest.'

<sup>43</sup> P.R.O. BT 177/214, 'Report by H.G. Philips, Research Officer, Scotland', 30 Nov. 1949.

<sup>44</sup> Compare with Tiratsoo, *Reconstruction affluence*, pp. 20-27.

<sup>45</sup> P.R.O. CAB 124/658, BDI(A) Case #1261, 28 Oct. 1946.

was passed to the ministerial committee.<sup>46</sup> Prior to the application, Ford's chairman, Sir Patrick Hennessy, had already begun lobbying in support of the case, and the Minister of Supply received enthusiastic backing from the Board of Trade.<sup>47</sup> During the committee stage, the Ministry of Labour and Ministry of Town and Country Planning continued their objections. Nevertheless, the combination of Supply and Trade secured conditional government sanction.<sup>48</sup>

These conditions were put to the test in 1948 when Ford again applied to expand its Greater London plant.<sup>49</sup> This time the scheme was to extend the foundry and erect two new manufacturing buildings at Dagenham, whilst taking over 300,000 sq. ft in a former Hawker factory at Langley.<sup>50</sup> The plan attracted opposition from the Ministry of Labour and Ministry of Town and Country Planning, but Strauss at Supply and Harold Wilson, a fellow Cripps appointee, displayed strong support.<sup>51</sup> Ford proved adept at exploiting these divisions, producing glossy brochures and 'co-operating' with the Board's surveys of alternate sites in Liverpool and Scotland.<sup>52</sup> These exercises were regarded with

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<sup>46</sup> P.R.O. CAB 124/649, BDI(A)75th, 28 Oct. 1946.

<sup>47</sup> P.R.O. SUPP 14/394, P. Hennessy to Sir Archibald Rowland, 6 Sept. 1946.

<sup>48</sup> Two provisos were added; first, that a labour ceiling of 14,000 would be imposed on Dagenham, second, that negotiations should begin on decentralising some of Ford's manufacturing capacity. Within twelve months, Ford had exceeded the workforce target.

P.R.O. CAB 124/649, BDI(A)75th, 28 Oct. 1946

<sup>49</sup> P.R.O. CAB 134/636, PC(48)21st:3, 29 Oct. 1948.

<sup>50</sup> Ford believed this package would allow increased production in line with the government's export targets. See also P.R.O. CAB 134/130 DI(48)5th:3, 'Expansion of Vauxhall Motors in Luton', 18 June 1948.

<sup>51</sup> P.R.O. CAB 134/131, DI (49)2nd:1, 8 Mar. 1949.

On the close relationship between Wilson and Strauss, see Pimlott, *Wilson*, p.104. Quoting Robert Hall, director of the Economic Section, Pimlott stresses the common interests of the new Cabinet members, 'Cripps has now got three young men whom he seems to trust - in the Board of Trade [Wilson], Supply [George Strauss] and Fuel and Power [Gaitskell].'

<sup>52</sup> The brochure may be found in P.R.O. T229/167, 'Fords expansion plan - Investment Committee', 6 Sept. 1948. The costing exercise computed a locational penalty of £22 per vehicle should a tractor plant be established in Merseyside. This was based on an output of 60,000 units, producing annual losses of £1.3m. Ford did not provide figures for the proposed Scottish site. Little evidence survives about the nature of these calculations, but the indication

great suspicion by the Ministry of Labour, but the conclusions provided quantitative evidence for a production case. In face of the most concerted opposition yet, this allowed the Wilson/Strauss axis to engineer a deal.<sup>53</sup> Whilst Ford were restricted at Dagenham, the foundry was allowed to expand and provide several hundred new jobs.<sup>54</sup> More controversially, the company was also granted a very favourable lease on the Langley site. Much to the disgust of the Scottish Office and Ministry of Labour, the Liverpool/Clydeside option was abandoned. In practice, this meant that Ford retained the option of future expansion at Dagenham, whilst circumventing the Ministry of Town and Country Planning's London decentralisation plan.<sup>55</sup> This was a deal that Patrick Hennessy could live with.

The Ford case highlights two tendencies. First, the continuing bias towards private economic interests in Whitehall. Where regional policy was put to active discussion, efficiency usually determined the outcome.<sup>56</sup> This process

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is that they focused exclusively on private costs and benefits. The framework may be defined as 'relevant cost accounting', although significant doubt surrounded every cost component..

<sup>53</sup> There is reason to believe that this exercise forced the Board of Trade and other departments to consider providing additional financial inducements to prospectively mobile firms. See P.R.O. CAB 133/131, DI(49)8, 'DOI Committee, Ford Motor Company's proposal for expansion'. Also P.R.O. CAB 134/642, PC(49)105, 'Proposed Distribution of Industry Amending Bill, memorandum by the President of the Board of Trade', 30 Sept. 1949.

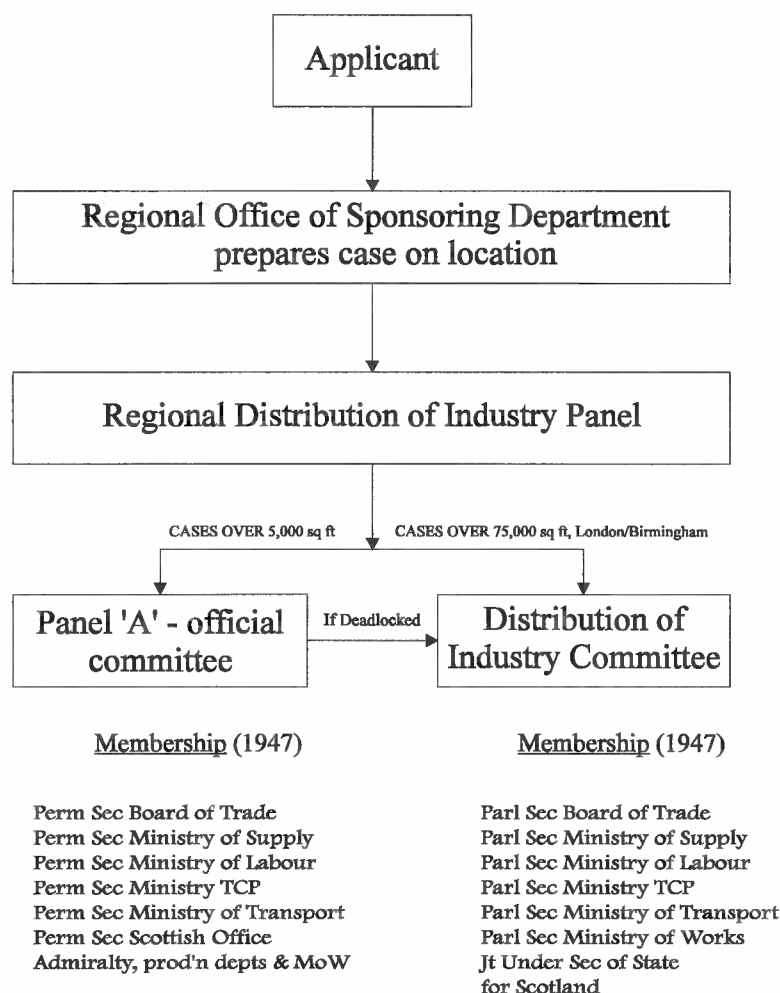
<sup>54</sup> This was despite planned rises in employment by other motor manufacturing firms in the area, i.e. Briggs Motors, P.R.O. CAB 134/130, DI(48)31, 'Report from the Chairman of Panel A', 24 July, 1948.

<sup>55</sup> P.R.O. CAB 134/131, DI(49)2nd:1, 8 Mar. 1949.

<sup>56</sup> Barnett's discussion in *Lost victory* is based on a perverse interpretation of this evidence. Taking five cases, GEC, Ford, Vauxhall, Champion Spark Plugs and De Havilland, he recognises that 'productive efficiency triumphed over the social aims of regional policy', p. 340. Yet Barnett concludes that 'regional policy's real concern lay *not* [emphasis added] with productive efficiency, which it served to hinder, but with jobs. . .', p. 343. Further, he identifies delay and prevarication as constraints on entrepreneurial activity. But Chick in 'Private industrial investment', p.77, has demonstrated that excess demand for private investment persisted beyond 1947, and that resources were often spread too widely to enable project completion. In this context, administrative delay cannot be characterised as an additional constraint.

was assisted by an administrative structure which favoured conservatism. Whilst the Board of Trade lacked operational experience of industrial management, it could speak authoritatively on the export question. The Ministry of Supply added practical knowledge of business to its advocacy of building cases. From the regional boards upwards, the Board of Trade and Ministry of Supply were actively opposed by only one department with economic credibility - the Ministry of Labour. In these circumstances, it is hardly surprising that decisions favoured the industrialist.

**Figure 1 - Distribution of Industry Committee Structure**



My second point concerns the legacy of Britain's 'Peoples War'. In the field of regional policy, experience suggests that close wartime contacts did not secure a solid basis for postwar administration. Rather, industrialists came to understand the Whitehall machinery and use its contradictions and conflicts to further their own agendas. Where the distribution of industry was concerned, active lobbying clearly paid dividends. It was not a question of business interests frustrating policy, but of intelligent managers using the safeguards which had been built in to the regional planning machinery.<sup>57</sup>

### III

The whole question of government/industry relations and regional policy bears closer examination. In particular, the level of economic intelligence and the Board of Trade's bargaining posture suggest fundamental weaknesses in the system. Whilst the Board favoured an even-handed application of distribution policy, it proved largely incapable of mounting challenges to building cases in the South East and Midlands. This was because it lacked the theory and experience to counter industrialists' claims.<sup>58</sup> In these circumstances, the role of the Ministry of Supply became critical. Heim's examination of defence research establishments supports this view.<sup>59</sup> Quoting from a Board of Trade memorandum on the siting of the Atomic Weapons Research Establishment, she highlighted a crucial intelligence gap:

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<sup>57</sup> On the general theme of department/industry relations see Mercer, *Constructing*, which argues that departments were often 'captured' by those firms they were dealing with.

<sup>58</sup> Similar points about the lack of expertise in administering interwar regional policy can be found in Middleton, 'Unemployment in the NE', p. 31 and Booth, 'The timing', p.151.

<sup>59</sup> Heim, 'Research & development', 'Government'.

Our attitude to the scheme is not that we object to it at Aldermaston, but that we want to see it in a development area. We *can't prove* to the Ministry of Supply that this latter course is practical. We must either accept their view that it isn't or we must refuse to accept it (emphasis added).<sup>60</sup>

The Board was acutely aware of its limitations.<sup>61</sup> The problem arose because the department's wartime role had precluded the management of manufacturing industry. The accompanying theoretical gap reflected the late development of regional economics in Britain. As late as 1949, a Board of Trade paper could only list 19 English language items in a bibliography of location literature.<sup>62</sup> Of these eight were published in or before 1930, five related explicitly to the United States, and only six dealt with current spatial cost patterns in Britain.<sup>63</sup> The list also omitted several important works, and reflected a general overseas bias in regional economic studies.<sup>64</sup>

The departmental position reflected deeper problems within the British civil service. Sir Warren Fisher's 'single service principle' had succeeded in creating what was later called 'the cult of the generalist'. According to the Fulton Report, the ideal administrators were too often cultivated as gifted laymen, moving frequently from job to job, using their practical knowledge of

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<sup>60</sup> Heim, 'Government', p.379.

<sup>61</sup> P.R.O. LAB 8/2081, 'Economic research into the problems of the distribution of industry, note by the Board of Trade', July 1947.

<sup>62</sup> P.R.O. BT177/214, 'Factors influencing location in recent years, report by H.G. Philips, Research Officer, Scotland', 30 Nov. 1949.

<sup>63</sup> Current is defined as post 1930.

<sup>64</sup> The bibliography included Weber, *Theory*, Hoover *Location*, and Dennison, *Location*, but omitted Florence, *Investment*. Many of the key texts were yet to be translated into English, see Brown, *Survey*, p.775.

government procedures to solve problems.<sup>65</sup> The report continued, 'Often they are required to give advice on subjects they do not sufficiently understand or take decisions whose significance they do not fully grasp.'<sup>66</sup> The Board of Trade's economic inexperience imitated these failings, imposing a bureaucratic constraint on policy efficacy.

For the Board of Trade, neither theory nor experience offered practical guidance. Officials and ministers had accepted a regional policy portfolio where their responsibility was to secure a balanced distribution of industry and safeguard competitiveness. They became involved in a bargaining process where firms resisted relocation by stressing the additional costs of development area sites. The Board lacked the ability to challenge these claims.<sup>67</sup> If doubts existed, officials and ministers were compelled by economic circumstances and institutional culture to favour businessmen. Nowhere was this more clearly illustrated than in the second Ford expansion.

A detailed examination of case papers and policy discussions reveals growing disquiet over the situation.<sup>68</sup> In an early recognition of the intelligence problem, the 1944 Employment White Paper had called for the government to 'organise research with a view to discovering what types of industry will fit most naturally into the long term economy of each development area'.<sup>69</sup> But it was

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<sup>65</sup> Chapman, *Ethics*, p.33.

<sup>66</sup> Ibid.

<sup>67</sup> Quoting from a Ministry of Town and Country Planning official, Tiratsoo highlights this point: 'The difficulty is that, although Departments can readily agree on a general policy to be followed. . . when this policy come to be applied to individual cases there are always overriding reasons why the policy cannot, at the moment, be applied. . . And those reasons are of such a character. . . that we as a department can hardly maintain our objections without being quite unrealistic.' Tiratsoo, *Reconstruction*, p. 25.

<sup>68</sup> See P.R.O. LAB 8/2081. Also P.R.O. BT 177/440, 'Minutes of the first meeting of the Parliamentary Secretary's Study Group on Distribution of Industry Policy', 26 July 1949.

<sup>69</sup> *White Paper on employment policy*, para 27.

not until 1946, one year into its new role, that the Board of Trade began composing a response. On the one hand, the Board sponsored limited enquiries by regional sub-committees of the distribution of industry panels, on the other, a more fundamental examination of the 'general problems' of regional economic location was ordered.<sup>70</sup> This latter study was entrusted to a committee chaired by the economist and former Bank of England advisor, Sir Henry Clay, and it soon became the focus of one of the most extensive research initiatives of the late forties.

The Board of Trade deliberately tried to separate government departments from the research effort. It was thought that the work would prove exceptionally onerous, and that the recruitment of additional personnel would exasperate the exiting public sector skills shortage.<sup>71</sup> Interestingly, the committee's terms of reference were also left vague.<sup>72</sup> This was because officials were unsure of specific research questions. Part of the body's duties was to establish these questions, but this broad remit led to conflict. In a furious exchange between an unnamed committee member and Hall of the Board of Trade, the former complained vigorously that representatives 'tacitly assumed that Development Area policy was a settled thing, and that the purpose of the research into industrial location. . . . would be merely to discover what industries could be best set up in each area and to provide employment for the people, of whatever sex, age, abilities and training, who might be found there'.<sup>73</sup> But this was the point of the exercise. The Clay Committee was not designed to be a new Barlow Commission, it was designed to address specific information gaps. It was a belated recognition that coalition members had failed to prepare either

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<sup>70</sup> P.R.O. LAB 8/2081, Woods to Ince, 15 Nov. 1946.

<sup>71</sup> Ibid.

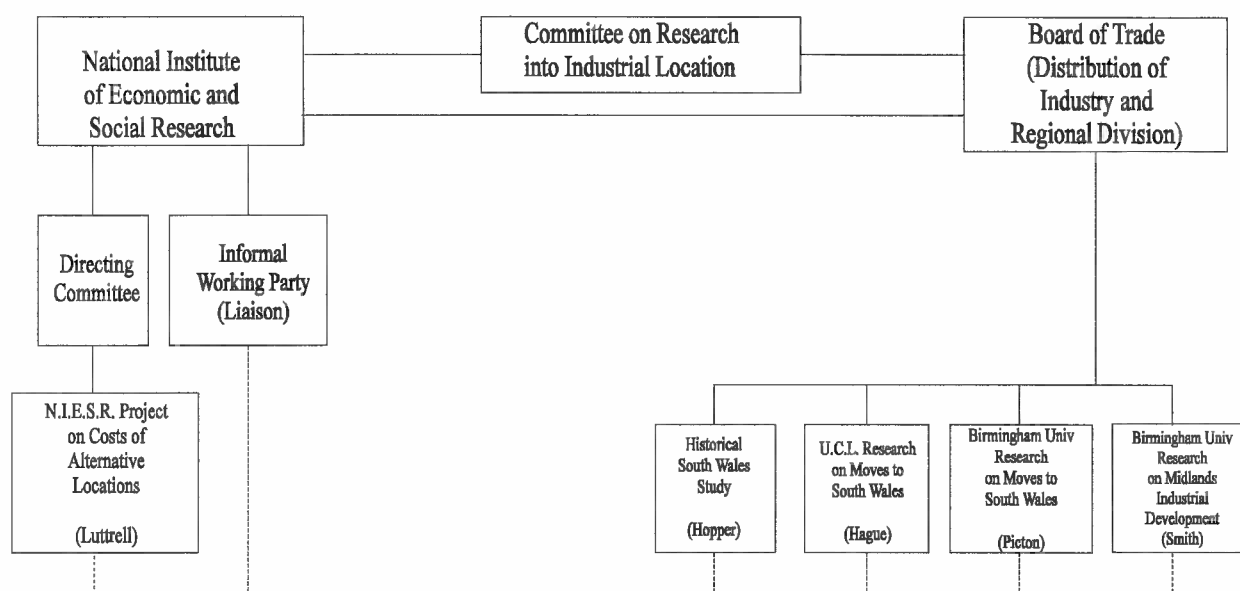
<sup>72</sup> P.R.O. LAB 8/2081, CC(47)1st, 'Clay Committee, minutes of first meeting', 25 July 1947.

<sup>73</sup> P.R.O. BT 177/205, Shackle to Hall, 11 Sept. 1948.'



the Labour Party or the civil service for its new responsibilities. This can be illustrated by examining the nature of the Committee's activities (Figure 2).

**Figure 2- Committee on Research into Industrial Location  
(Clay Committee)**



Source: P.R.O. CAB 134/638

By the summer of 1949 two projects, both dealing with costs at alternative locations were underway.<sup>74</sup> One was at the University of Birmingham, and the other at University College London. By that time, Hopper's Cardiff based study of the South Wales area was also in preparation. Luttrell's NIESR study would be by far the most comprehensive, focusing on nationwide cost comparisons between branch and parent plants. This would culminate in the publication of *Factory Movement and Industrial Location* in 1962. But therein lay the

<sup>74</sup> P.R.O. LAB 8/2081, CC51(2), 'National Institute of Economic and Social Research, Co-ordination of research into industrial location', Jan. 1951.

problem.<sup>75</sup> Despite some heroic efforts, the results of the earlier studies did not become available until 1951/2.<sup>76</sup> As a practical, short term guide for regional policy administration, the Clay Committee failed. By the time that the evidence was analysed, the Conservatives were in power and the regional policy window had closed.

#### IV

This raises the important question of what happened in the final years of the Attlee administration. Traditional interpretations have stressed the importance of the export constraint in conditioning policy relaxation. In the existing regional policy historiography, 1945-47 is seen as a 'policy-on' episode and 1948-51 as a 'policy off' period.<sup>77</sup> The evidence presented above suggests that the immediate post war can no longer be represented in this way. However, it would be wrong to entirely discount the export question. This is because it changed the nature of the location bargain. The basis of policy remained competitiveness, but the dollar shortage put the issue into sharper relief. As the case studies show, the effect was to strengthen existing trends, rather than create new ones.

An investigation into policy outcomes in 1950 revealed that 83% of all approved building cases contained a dollar advantage.<sup>78</sup> But the proximate reasons for approval had not significantly changed since 1945. Table 2 provides

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<sup>75</sup> Other publications to arise from the project include: Hague and Newman, 'Costs'; Picton, 'Notes'; Dunning and Hague, 'Costs', and Luttrell, 'The cost'.

<sup>76</sup> P.R.O. LAB 8/2081, CC51(17th), 'Clay Committee, minutes of seventeenth meeting', 18 Nov. 1952.

<sup>77</sup> Loasby, 'Location', McCrone, *Regional policy*, p.115.

<sup>78</sup> P.R.O. BT177/278, 'Ad hoc meeting to discuss open favouritism for dollar earning firms,' 25 May 1950.

a summary of 64 firms who applied for building projects in the Southern region during 1949. Of these only 14 left Greater London, while the remainder provided 'acceptable' excuses. These ranged from a shortage of key workers(9) to pure financial loss (1). The very same arguments had been deployed by firms in the immediate post war. The important difference was that external constraints had become dominant.

*Table 2. Factors Influencing the Location of Firms in the Southern Region-  
Board of Trade Survey, September, 1948*

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Reasons for choice of location:	
Firm serving only local needs, e.g. food, garages & farm requisites	26
Proximity to major markets, other than purely local (e.g. London and Midlands)	9
Encouraged by local authority	9
Suitable site available at reasonable price	7
Retention of existing labour force	4
Quick communication with a separate main works	3
Female labour available	2
Availability of raw materials	1
Reasons for rejection of Development Area - advanced by firm	
Necessary skilled/key staff would not move	9
Impossibility of training labour in time	9
Too remote from markets and business contacts	4
Transport costs excessive due to Development Areas being on perimeter of England	3
Duplication of management	3
Financial loss (costs of removal, lease too high)	1
Reasons for rejection of Development Area - advanced by departments	
Firm's employment potential too small to influence labour surplus in development area	4
Reasons for leaving London (14 firms only)	
Blitz and moved during the war	4
Evacuation other than above	2
New premises or other expansion too expensive	8
Lease expired	3

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*Notes:* Based on survey of 64 firms who applied for industrial development approval for projects other than expansion of existing works. The reasons tabulated are not mutually exclusive, and in many cases two or more arguments were put forward.

*Source:* P.R.O. BT 177/214.

These arguments suggest a paradox. If regional policy *controls* remained stable, how do we account for the falling proportion of industrial building in the development areas from 1948-50? The answer suggested is that open favouritism for dollar earning firms went hand in hand with separate (often unrelated) changes in government policies and the economic environment. These included a nationwide squeeze on industrial development, cuts in the advance factory budget, a reduction in the pool of potentially mobile firms and a changing regional pattern of comparative advantage.

The nationwide restriction in industrial building can be traced directly to the dollar shortage. Beginning in mid-1948, the government sought to reduce the strain on builders and the use of raw materials. Particularly important was structural steel, a key export commodity.<sup>79</sup> At the same time, the sterling crisis forced general spending cuts. The regional policy budget fell from £12.8 million in 1947/48 (0.1% of GDP), to £11.5 million in 1948/9 (0.9% of GDP), and £7.1 million in 1949/50 (0.05% of GDP).<sup>80</sup> As a result, the building of new advance factories was stopped altogether in 1947, and did not start again until the late fifties.

Regional policy cuts were permitted because the government believed that the domestic economic situation had changed. Whereas 1945-47 had been marked by a post-war rush for new premises, from 1948 officials noted a shortfall in applications.<sup>81</sup> Although it was too early to speak of the loss of a 'sellers market', the Board of Trade became convinced that the failure was of an economic and not of a locational character. There was little general concern

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<sup>79</sup> Scott, 'British regional policy,' p. 23

<sup>80</sup> McCrone, *Regional policy*, p. 114.

<sup>81</sup> P.R.O. BT177/214, 'Report by H.G. Philips, Research Officer, Scotland', 30 Nov. 1949.

because development area unemployment continued to fall. According to Parsons, this ‘success’ was the underlying reason why policy ran down.<sup>82</sup>

Arguably, changing patterns of regional comparative advantage offer the strongest explanation of building trends. In the immediate post war, the development areas had provided businesses with an environment relatively free of labour, material and housing problems. LoebI noted that the Trading Estates had little difficulty attracting tenants during these years, since many businesses were happy for any accommodation they could get away from the congested South.<sup>83</sup> By 1948, many of these regional advantages were threatened by sustained development and national restrictions. In 1949, the Board of Trade in Scotland were complaining vigorously that ‘quite a large number’ of migrating firms had been put off by a growing shortage of women workers.<sup>84</sup> In other words, the uniquely favourable economic circumstances aiding development area building from 1945-47 began to dissipate by 1948-50.<sup>85</sup>

It is unlikely that we will ever know the precise role of these forces in conditioning construction patterns. However, there is enough evidence to suggest that interpretations focusing heavily on regional policy are incomplete. Policy off was not preceded by policy on. Moreover, the complexities of the investment decision and extent of economic controls suggest a highly conditional counterfactual. We do not know how investment would have behaved in the absence of regional initiatives either in 1945-47 or 1948-50. At

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<sup>82</sup> Parsons, *Political economy*, p.85.

<sup>83</sup> Randall, ‘History’, p.28.

<sup>84</sup> P.R.O. BT 177/214, ‘Report by H.G. Philips, Research Officer, Scotland’, 30 Nov. 1949.

<sup>85</sup> These argument are rehearsed in Brown, *Framework*, pp. 286-287. Brown suggests that the high success of the post war years was due not to legislation or the system of industrial development certificates, but to temporary circumstances.

best we can provide a well informed hypothesis. This hypothesis suggests a relatively passive policy effect.

## V

In January 1944, the Secretary of the Department of Overseas Trade wrote, ‘the implication of the location policy is that it is worth incurring some economic loss to prevent the concentration of unemployment in certain regions.’<sup>86</sup> This paper has sought to demonstrate that at the Board of Trade this idea was not wholly accepted. This is not to say that officials and ministers rejected distribution of industry policy, but that they kept notions of commercial efficiency to the forefront of their minds.

In many respects, the relationship between civil servants and politicians was co-operative rather than confrontational. Dalton had used the Board of Trade’s reputation to secure a regional policy commitment from the wartime coalition. This imposed constraints on post war administration which Labour were happy to accept. The only policy ‘failure’ related to informational problems and the limited bargaining power they created. These failings were linked directly to the amateurish nature of the pre-Fulton civil service. Throughout the 1940’s, bureaucrats acquired new responsibilities for which they lacked economic knowledge. Board of Trade officials struggled to develop the understanding and analytical tools to successfully challenge industrialists. The result was that regional policy became dominated by ‘do-it-yourself economics’.<sup>87</sup> In Peden’s words, ‘an amalgam of inherited ideas based on departmental tradition, the

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<sup>86</sup> P.R.O. CAB 87/7, R(44)23, ‘Location of industry, memorandum by the Secretary, Department of Overseas Trade’, 27 Jan. 1946.

<sup>87</sup> A phrase borrowed from Henderson, *Innocence*.

interests of departmental clients and mercantalist attitudes,' dictated policy responses.<sup>88</sup> By the time that shortcomings were addressed, economic conditions had improved and the Conservatives were in power. An opportunity had been lost.

The irony is that the wartime coalition gave Labour a unique opportunity to prepare for government. It also allowed Labour to influence civil service organisation and opinion. But the party proved unable to capitalise on this position. As a result, officials and ministers were forced into six years of administrative improvisation.

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<sup>88</sup> Peden, 'Economic knowledge', p. 178.



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