

## Section 7: **Party Politics 1921-31 – The Labour Government of 1929-31**

The General strike is covered in the section about the Conservatives

There are three issues:

- The coming of the Great Depression and the 'economic blizzard', Labour's policy
- The crisis of 1931 and the creation of a national government
- Ramsay MacDonald's reputation

### **SOME KEY TERMS**

You will find it helpful to some key economic terms:

- |                           |   |                      |
|---------------------------|---|----------------------|
| • Growth                  | • Imports                                   | • Fiscal policy      |
| • Boom                    | • Balance of trade                          | • Monetary policy    |
| • Recession               | • Balance of payments                       | • Inflationary       |
| • Slump                   | • Exchange rates: fixed, managed & floating | • Deflationary       |
| • Depression              | • The gold standard                         | • Staple industries  |
| • GDP                     | • Gold & foreign currency reserves          | • New industries     |
| • Trade cycle             | • Devaluation                               | • Mass Production    |
| • Cyclical unemployment   | • Interest rates                            | • Investment         |
| • Structural unemployment | • Bank rate                                 | • Supply side        |
| • Insured workers         | • Cheap money                               | • Demand             |
|                           |   | • Tariffs            |
| • Inflation               | • National debt                             | • Safeguarding       |
| • Deflation               | • Balanced budget                           | • Public works       |
| • Real wages/incomes      | • Budget deficit                            | • Nationalisation    |
| • Exports                 | • Retrenchment                              | • Treasury           |
|                           |   | • Treasury orthodoxy |
|                           |   | • Keynesianism       |

### **THE ECONOMY IN THE 1920S**

Use **Flagship**, pp 90-93

- Britain's staple industries had underlying problems in the 1920s
- There was a bad recession in 1920-21
- Britain had structural unemployment thereafter, but that was concentrated in some sectors and 'Outer Britain'
- There was also substantial growth in new industries
- There were also supply-side changes in 1920s Britain

Answer Qs 1-3, p 93

## **ECONOMIC POLICY IN THE 1920s**

- The idea of economic policy was in its infancy
- The reaction to the slump of 1920-21 was retrenchment: the Geddes Axe
- The Cunliffe Committee & the return to the Gold Standard meant policy was broadly deflationary
- The pound was overvalued
- There were imaginative supply-side measures designed to improve competitiveness, especially the 1927 Electricity Act

## **THE LABOUR GOVERNMENT 1929-31**

To look at the General Strike and the causes of Labour's victory in 1929, see the section on The Conservatives and the Baldwin Government of 1924-29

Use **Lynch**, pp 118-22

Outline Labour policies:

- Coal Mines Act
- Agricultural Marketing Act
- Greenwood Housing Act
- Education Bill
- London Transport Bill
- Young Plan
- Naval arms limits
- Recognition of USSR
- India Round Table Conference

## **THE GREAT DEPRESSION & THE MOSLEY MEMORANDUM**

Use **Flagship**, pp 147-51

In 1930, MacDonald famously called the Great Depression an 'economic blizzard'. By 1931, he used the phrase 'economic typhoon'. The government faced four issues:

- GDP slumped by 11%
- Unemployment rose sharply to over 3 million by 1931
- This led to a projected budget deficit
- A slump in world trade caused a balance of payments crisis

This led to a division over economic policy in cabinet over the Mosley Memorandum, which was rejected

- Robert Skidelsky believes this was a critical mistake
- Ross McKibbin believes the plan was not possible in the Britain or world of 1931

## **The 1931 CRISIS & THE FALL OF THE GOVERNMENT**

Though government were, at least nominally, attached to fiscal orthodoxy

- The Mosley Approach was politically beyond the pale in 1930
- The government were a minority, and had to look for cross-party support as the crisis came: so, in 1929, it had appointed the Macmillan Commission to report upon the problems of British industry (Keynes was a member of that committee). In the same spirit, the looming

budget deficit led the government to appoint the May Committee to make recommendations on tax rises and spending cuts. The cabinet, with Mosley gone, were agreed on retrenchment in principle.

- In fact, though, the government financed unemployment insurance by borrowing

The summer of 1931 saw a sterling crisis, and the call for sharp spending cuts

- Macmillan reported on the 13<sup>th</sup> July 1931, and was emphatically opposed to devaluation fearing it would cause a catastrophic collapse in sterling, just as something similar had led to the catastrophe of 1923 in Germany. Two months before, the Austrian bank Creditanstalt had failed; on July 13<sup>th</sup>, the German bank Darmstadter failed. The German government froze foreign assets, including 70m worth of British ones
- Over the next 18 days Britain lost over £54m of gold and foreign exchange reserves. To keep the pound at \$4.86, even to stay on gold at all, the government needed emergency credits from foreign banks. By 30<sup>th</sup> July, £50m worth of credits had been arranged from the central banks of France & the United States
- On July 31<sup>st</sup>, the May Report was published. The May Committee forecast a budget deficit of £120m (in fact the final total was much lower). This figure spooked international markets, and the run on the pound resumed. By 19<sup>th</sup> August, over half the £50m worth of credits had been lost.
- The government's willingness to impose spending cuts became the litmus test markets demanded to show Labour could be trusted
- The Wall Street bankers, JP Morgan, made spending cuts a pre-requisite for further emergency credits

The question then became political

- May called for £96m worth of economies
- The cabinet could only agree on £56m
- The key figure was now Arthur Henderson, whose own relationship with MacDonald had soured (in part when he knew MacDonald had not wanted to make Henderson foreign secretary in 1929, a post Henderson wanted very much). The differences were political too: Henderson was strongly tied to the trade union movement, and the TUC were very strongly against cuts in unemployment benefits and increases in employees' national insurance contributions. As Sankey noted, Henderson had changed his mind.

Then, the controversial step was MacDonald's acceptance of the king's offer to lead a national government. Look at Flagship pp 151-54, the Spartacus entry below, and answer the Q on p 154

### **FURTHER READING, LISTENING & VIEWING**

Sixth form history needs you to do reading of your own. Already, this guide had given you references to the Flagship textbook, and some other resources. You need to take steps beyond that both online and, of course, by resorting to another revolutionary technology, the book. For modern British history, there is a dizzying array of printed and online resources, of startlingly variable quality. If you do find something not on here that's good, let the rest of us know through the Facebook page or email [s.tilbrook@rgs.newcastle.sch.uk](mailto:s.tilbrook@rgs.newcastle.sch.uk) and we'll add it.

For each topic or area, we have colour coded each book or article:

- Blue is essential
- Yellow means if you want to develop a deeper understanding you should read one or all of these
- Green means this is a monograph, or a sophisticated or highly detailed account. Learn how to dip into real history books, a vital study skill; you might sometimes find full books actually become more engrossing
- Pink is for choices that are more loosely related, and have grabbed someone's interest at some point. Try one or two, they might be fun

## A WORD ABOUT ONLINE RESOURCES

Three of the best resources are, of course, the History department's very own Blog, Facebook page and Twitter feed.

### *The Oxford Dictionary of National Biography (DNB)*

Beyond that, for the British history course, get used to using one of the best resources available, and for free; the DNB. Any local library card will get you in: anyone can join the City Library via this link <https://eforms.newcastle.gov.uk/popup.aspx/RenderForm/?F.Name=JVpTDqdaf2o>

Once you have a library card number, got to <http://www.oxforddnb.com/> and fill in your number. You then have access to it all. They vary in quality from the good to absolutely excellent, and they are all written by leaders in the field. The best have a particularly good last section, dealing with how history has viewed these men and women, and their historiography. There are also some very good *Themes*.

### *History Today*

Beyond that, another invaluable resource is *History Today*. We have institutional access to the entire archive, here: <http://www.historytoday.com/user/login>

Username: Tilbrook

Password: historian

You can search at your leisure, and find all sorts. These guides will flag some up for you.

### *Philip Allan Resources*

Another good resources is Philip Allan Magazines Online, aimed very much at sixth-form students: here <http://magazinesonline.philipallan.co.uk/default.aspx?ReturnUrl=%2farchive.aspx>

Username: j.richardson@rgs.newcastle.sch.uk

Password: rgs1

The archive is then searchable

## FURTHER READING: textbooks and student introductions

There is a range of series aimed at sixth form history students. None make for exciting reading, and they vary in quality, but you should always aim to read at least one. The crisis of 1929-31:

Graham Goodlad, *Why Was British Politics in Crisis in 1931?* (copy in Shared Area)

Philip Allan: 20th Century History Review | 20th Century Vol 9 | 1 September 2013

Andrew Thorpe, *1931*

Philip Allan: 20th Century History Review | Modern History Vol 5 | 2 November 1993

<http://magazinesonline.philipallan.co.uk/default.aspx?ReturnUrl=%2farchive.aspx>

Stephen Lee, *British Political History 1914-1995* (Lon 1996), PP 97-105

Paul Adelman, *The Rise of the Labour Party 1880-1945* (3<sup>rd</sup> ed, Lon 1996), pp 69-76

Gordon Philips, *The Rise of the Labour Party 1893-1931* (Lancaster Pamphlets) (Lon 1992)

Two classic works:

CL Mowatt, *Britain Between the Wars* (Lon 1955)

AJP Taylor, *English History 1914-45* (Oxford 1965)

The second Labour government is well covered by:

Michael Lynch, *Britain 1900-51* (*Access to History*) (Lon 2008)

Robert Pearce, *Britain: Domestic Politics 1918-39* (*Access to History*) (Lon 1992)

The DNB entries on MacDonald, Henderson, Snowden and JH Thomas are essential. The one on MacDonald, by his biographer, David Marquand (see below) is a model of its kind.

There are [blog articles on the chancellor, home secretary and foreign secretary](#):

**Snowden** <https://rgshistory.wordpress.com/2018/01/23/the-chancellors-9-philip-snowden/>

**JR Clynes** <https://rgshistory.wordpress.com/2018/03/22/the-home-secretaries-11-jr-clynes/>

**Henderson**

<https://rgshistory.wordpress.com/2018/03/19/the-foreign-secretaries-6-arthur-henderson/>

There are some relevant articles too:

**John Shepherd, Ramsay MacDonald, the Lad from Lossiemouth** (2007)

A reassessment

**History Today:**

<http://www.historytoday.com/john-shepherd/ramsay-macdonald-lad-lossiemouth>

There is an excellent **Spartacus entry on MacDonald**, the excerpts of people's view on him at the end are especially useful: <http://spartacus-educational.com/PRmacdonald.htm>

**David Marquand, Ramsay MacDonald** (Lon 1977)

Until Marquand's brilliant biography, MacDonald was all consigned to the rubbish heap of history. Marquand wrote his book at a time when the Wilson and Callaghan governments were in constant crisis, and after which he became one of the founders of the SDP. His DNB entry on MacDonald further refines his views in the light of the rise of Tony Blair.

There are some film clips of **Macdonald** too. Here, **introducing his 1929 cabinet**:

<https://youtu.be/dMyv6vFVd5w>

For the economic history, and government policy, see:

**Patricia Clavin, The Great Depression in Europe, 1929-39** (2000)

**History Today:**

<http://www.historytoday.com/patricia-clavin/great-depression-europe-1929-39>

**WR Garside, The Great Slump**

A general introduction

**Philip Allan:** 20th Century History Review | Modern History Vol 6 | 1 September 1994

**Jayne Hewson, A Downward Spiral**

On inter-war unemployment

**Philip Allan: 20th Century History Review | Modern History Vol 9 | 1 September 1997**

Hugh Jobson, *Economic Depression*

Comparing Britain & the USA

**Philip Allan: 20th Century History Review | Modern History Vol 11 | 1 September 1999**

Robert Pearce, *Britain: Industrial Relations & the Economy 1900-39* (Access) (Lon 1993)

Peter Dewey, *War and Progress: Britain 1914-45* (Lon 1997)