CABINET.

UNEMPLOYMENT POLICY.

Memorandum by the Lord Privy Seal.

I circulate for the information of my colleagues a note forming the appendix to this memorandum, which shows, in the briefest outline, the principal concrete proposals put forward under the various headings of the pamphlet "we can Conquer Unemployment" together with the action taken or contemplated by the present Government under each of those heads.

The Liberal Party's criticism of our unemployment policy is based, as might be expected, on a comparison of that policy with the grandiose schemes outlined in this pamphlet. I am well aware that our programme cannot compare with the Liberal programme in the mere magnitude of the expenditure contemplated, but with one exception I am satisfied that on any standard of sane economies we need not fear a comparison. The objects on which the Liberal Pamphlet proposes to spend are as a rule good enough, but the scale of the expenditure is out of all proportion to what can be economically justified. Is it, for instance, common sense to sink £145 million in an enlargement on a luxury scale of a road system already admittedly the finest in the world, largely at the expense of other forms of transport?

We are already being criticised on account of the magnitude of some doubts about Telephone development (Para III of the Appendix): the present proposal — merely an acceleration of £1½ millions — is very small when compared with the proposal in Liberal pamphlet and I think is a matter which should be specially examined.
of the road programmes we have sanctioned. What the Liberal Programme contemplates is a lavish expenditure on what is really, in industrial terms, 'plant'. The expansion of plant far beyond any load which it is likely to secure in a foreseeable future is what the armament and munition industries (steel, shipbuilding, etc.) were forced into during the war with results from which we are still suffering. The Liberals now propose a similar policy for the public utility services of the country. We are not likely to cure the evil for which the economic policy of the war period was responsible by applying that policy to another sphere.

To those critics who think that the merits of an unemployment programme can be measured by the millions of expenditure which it involves, I have nothing to say. As my colleagues know I do not accept that standard. If Government expenditure is to do any good, it must earn its keep. To squander our capital resources on schemes which bring no corresponding economic return can only do harm, and ultimately lead to an increase in unemployment.

Judged by the more exacting standard of economic realities, our programme can well challenge comparison with that of the Liberals. Not only is it economically sounder; it is also broader in its scope. The proposals contained in the Pamphlet were put forward as a complete programme of national development. Our programme of development at home covers a wider field. The Development (Loan Guarantees and Grants) Act allows assistance to be given over a wider range of economic development than appears to be contemplated by the Liberal Party's Pamphlet, which contains no proposals for railway development, (except in relation to London Passenger Transport) for dock improvements for water supply schemes, or for gas which has its proper place, along with electricity, in our economic system. The last Government virtually
virtually closed down the assistance for economic development by local authorities. We have taken the view that local authorities have Schemes of economic development which can properly be put in hand; this view has been borne out by the fact that the Unemployment Grants Committee have approved in five months for grant £12-13 millions of work whereas under our predecessors the Committee approved only £6 million of work within the period of the last 2 years. Further, the Liberal programme makes no provision for the development of the great potential markets in our overseas dependencies, for which we have provided funds under the Colonial Development Act, 1929.

The Liberals pin their faith to a vast programme of works aided by financial assistance from the State. They believe that this expenditure, if it is large enough, will by itself set in motion trade activity on a scale to swing industry round on to the upward grade again. I do not share this easy faith. My view is that the root cause of our unemployment is the weakened competitive position of our export trades in the world's markets since the war. Unproductive expenditure at home can only add to this weakness.

As I indicated in my recent memorandum to the Cabinet, I believe the only sound policy for dealing with the present situation is one which, while giving the fullest possible scope to our home resources and means of production, is aimed primarily at the restoration of the competitive efficiency of our export trades; it is on this that I am concentrating my efforts. In this connection I attach importance to strengthening our Trade Commissioner Services overseas, and I propose to consider, in consultation with my colleague the President of the Board of Trade, the possibility of further missions on the lines of the D'Abernon mission to South America. These are only instances of what can be done to assist our export trades. I believe that in this sphere there are many directions
directions in which we can, by concentrated effort, stimulate flagging enterprise, start new trains of thought on problems of industrial organisation, and create a spirit in which industry will face the future with a renewed confidence.

J.H.T.

29th November, 1929.
APPENDIX.

I. ROADS AND BRIDGES.

A. The pamphlet proposes the following programme, to be completed in two years:

\[
\begin{array}{ll}
1. & \text{Trunk Roads} \\
2. & \text{Ring Roads} \\
3. & \text{Unclassified Roads} \\
4. & \text{Reconstruction of Bridges} \\
5. & \text{Special London Schemes:} \\
   & \text{Victoria Dock Road} \\
   & \text{Lower Thames Tunnel} \\
   & \text{Others} \end{array}
\]

\[
\begin{array}{ll}
\text{Total} & £42,000 \\
\text{Trunk Roads} & £20,000 \\
\text{Ring Roads} & £30,000 \\
\text{Unclassified Roads} & £37,000 \\
\text{Reconstruction of Bridges} & £145,000 \\
\end{array}
\]

This programme to be financed by a loan secured on the Road Fund revenues; but part of the cost would be met by taxation on the increased value of land along the line of the new roads.

Apart from considerations of finance and policy, the memorandum issued by the late Government shows that the execution of a programme of this magnitude in two years would be quite impracticable.

B. The present Government have approved the following programme:

\[
\begin{array}{ll}
1. & \text{Trunk Roads} \\
   & \text{(Extension of 1924-5 programme)} \\
2. & \text{Major improvements of other important roads} \\
\end{array}
\]

\[
\begin{array}{ll}
\text{Total} & £42,000 \\
\text{Trunk Roads} & £45,000 \\
\text{Major improvements of other important roads} & £27,000 \\
\end{array}
\]
In his memorandum of 13th November, 1929 (N.S. (29)2) to the Conference of Ministers on National Schemes, the Minister of Transport has suggested the possibility of further extensions of the Trunk Road Programme, increasing the figure of $5\frac{1}{2}$ millions above to 17 millions.

In the same memorandum he has put forward for consideration a further special programme, to include unclassified roads of 10 millions.

As regards unclassified roads, local authorities have since 15th July put forward to the Unemployment Grants Committee proposals for expenditure of over £2\frac{1}{2} millions.

Of the special London schemes mentioned, the Victoria Dock Road Scheme (about £2\frac{1}{2} millions) is now in progress, and negotiations are proceeding satisfactorily with the County Councils concerned with the Lower Thames Tunnel. Other important works in London quite recently agreed with the London County Council are the widening of Putney Bridge (say £2 million), improvements at Vauxhall Cross (say £2\frac{1}{2} million), South Circular Road additional improvements (say £200,000), with a probability of improvements at the Elephant and Castle.

Urgent consideration is being given to the question of legislation to accelerate the process of land acquisition and to provide for a contribution towards the cost of schemes from the increased land values created.

/II. Housing
II. HOUSING.

A. The pamphlet says "the right policy is to press on rapidly with the provision of houses at the lowest rents possible with the present subsidy and to begin the provision of urban houses at less than 10/- a week gross rental for the unskilled worker with a large family." It also advocates, in urban areas, the reconditioning of existing houses and the erection of modern flats. Apart from the question of the reduction of the subsidy, concrete proposals for Government action are somewhat to seek.

B. The present Government have decided to continue the existing subsidy instead of reducing it in September, as proposed by the previous Government, but primarily as a matter of housing rather than of unemployment policy.

They are proposing at an early date to introduce legislation providing for an organised attack on the slum problem. The powers of local authorities will be strengthened and measures taken to facilitate and accelerate the work. A primary consideration in dealing with slums is the provision of adequate housing accommodation for the persons displaced. The Government proposals will be designed to secure that the necessary housing accommodation will be provided in advance and will take account of the consideration that many of the inhabitants of slums are unable to pay a normal rent.
III. TELEPHONES.

A. The pamphlet recites the familiar figures of our telephonic backwardness and advocates an increase of £50 million in the capital expenditure during the next five years.

B. The present Government has put in hand the acceleration of the trunk telephone construction programme by authorising an immediate commencement upon certain works involving an expenditure of £750,000 which would normally have been begun next year. They have also sanctioned the acceleration of other works to a total of £750,000 which would otherwise not have been put in hand until 1931-32. These works will be additions to the main construction programme for which, during the current year, capital amounting to £10,500,000 has been provided. The possibility of a more comprehensive programme is receiving consideration.
IV. 

**ELECTRICITY.**

A. The pamphlet advocates the stimulation of electrical development to the extent necessary to produce an additional expenditure over the present rate of £15½ millions during each of the next two years (including expenditure on generating plant). "All that is necessary is to get Local Authorities and Power Companies to stimulate local demand and to assist them where necessary to raise the necessary capital".

B. **Present Government.** The Development (Loan Guarantees & Grants) Act is designed to promote, inter alia, electrical development, and a circular was issued on 15th November, 1929, by the Electricity Commissioners with the approval of the Minister of Transport calling the attention of the industry to the terms of the Act. It is estimated that capital expenditure during the next 5 years should be over £100,000,000; and it is suggested that a considerable percentage of this could, with the assistance of the above-mentioned Act, be accelerated so as to fall within the next two years.

The Central Electricity Board have let contracts for £1½ million since the beginning of July, and are doing all that is possible to speed up work in every direction.
V. **LAND DRAINAGE.**

A. The proposals in the pamphlet are as follows:

1. **Arterial Land Drainage.** The pamphlet recognises that legislation setting up proper Drainage Authorities will be required, but advocates the assumption of emergency powers by the Ministry of Agriculture and Fisheries. Cost to be borne primarily at the public expense, but land which benefits should contribute. 50,000 men should be employed within 6 months.

2. **Minor Watercourses and Ditches** also to be cleared, enabling 35,000 men to be employed, provided adequate State assistance is given.

3. **Field Drainage** is not regarded as suitable for unemployment relief.

B. The Present Government have decided that the passing of a Land Drainage Bill on the lines recommended by the Royal Commission is an essential preliminary to any new comprehensive Land Drainage programme, but the late Government's 1928 Land Drainage programme is being continued on more favourable terms and grants of 33\(\frac{1}{3}\)% (to be increased to 50% if transferred labour is employed) are being offered to schemes of field drainage and rural water supply.
VI. LONDON PASSENGER TRANSPORT.

A. The pamphlet advocates a number of tube extension and railway electrification schemes at an estimated cost of £17 million and suggests that disagreements between authorities have been the primary obstacle to progress. The only concrete proposal for Government action is that in the case of tube extensions the State should own the railway leading the line to the existing company and making up any deficit from the proceeds of betterment and site value taxes.

B. Present Government. Under the Development (Loan Guarantees and Grants) Act, approval has been given to expenditure of £465,000 by the London, Midland & Scottish Railway on electrification and other improvements in the Dagenham district, to expenditure of £535,000 by the Great Western Railway for improvements at Paddington, and to expenditure of £270,000 by the Metropolitan Railway on station and signalling improvements. The Underground Group have put forward a £13 million scheme which includes a northward extension from Finsbury Park and substantial improvements beyond Hammersmith.

The London & North Eastern Railway have put forward proposals for £625,000 expenditure on widening of the Old Great Eastern (Romford) line, and have indicated that they are considering a proposal for electrification of the old Great Northern suburban lines.

VII. OTHER VALUABLE WORK includes

Land Reclamation. The pamphlet makes no definite proposal but compares Government inactivity unfavourably with the alleged expenditure of £84 million in Italy. The possibilities of land reclamation are being watched, but previous experiments in this direction have led to heavy loss. There is an area in the Wash which may become suitable for reclamation after the Ouse Drainage Scheme has been carried out, but as a rule land reclamation is unpromising economically.
Afforestation. The pamphlet criticises the curtailment of the Forestry Commission's planting programme below a figure of 30,000 acres annually. The present Government have increased the programme from 237,000 acres to 353,000 acres for the decade 1929-1939, which will enable the number of forest workers' holdings to be increased from 1,600 to 3,000.

Canals. The pamphlet urges the grouping of canals and inland waterways into seven systems, each under a statutory body of trustees, to whom loans should be advanced "on advantageous terms". Under the Development (Loan Guarantees and Grants) Act, canal companies are eligible for assistance, and the Grand Union Canal are proposing a scheme of some £500,000 expenditure, and the Sheffield and South Yorkshire Navigation one of £108,000. Further applications are expected as the result of discussion with the Canal Association.

Land Settlement. The pamphlet does not make any specific proposal beyond promising to provide small holdings on a much larger scale than anything done in the past. The possibility of extended provision of small holdings is being considered, but no large direct contribution to the relief of unemployment can be looked for in this direction.