THE POLITICAL APPROACH OF THE BRITISH LABOUR PARTY
TOWARD UNEMPLOYMENT DURING THE LABOUR
PREMIERSHIPS OF J. RAMSAY MACDONALD

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THE POLITICAL APPROACH OF THE BRITISH LABOUR PARTY TOWARD UNEMPLOYMENT DURING THE LABOUR PREMIERSHIPS OF J. RAMSAY MACDONALD

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By

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Following the first world war unemployment was the most critical domestic problem facing the British nation. Both the Conservative party and the Liberal coalition met with failure in their efforts to solve the problem. Their persistent critic, the British Labour party, claimed that the answer to unemployment was socialism. The Labourites were only waiting until they had a mandate from the people to put their cure into effect.

Under the leadership of J. Ramsay MacDonald the Labour party quickly rose to political prominence. In 1924, for the first time, they were able to form a government without a parliamentary majority; however, it was under circumstances which would not allow them to carry out an uncompromising program of socialism. Again in 1929 when they formed their second government, the Labour party was in a minority and therefore unable to pursue a policy independent of the support of one of the opposition parties.

MacDonald was in the difficult position of having to develop a program which, while sufficiently moderate to be acceptable to a major part of the opposition, would still include enough of the Labour program to be supported by his party. Although this study, which is based upon memoirs,
diaries, and public documents, reveals the positions that the opposition parties took regarding unemployment, it is primarily concerned with unemployment as an internal political problem of the British Labour party. The absence of an effective biography or study of MacDonald, the leader of the party, during the period of the two Labour governments makes monographic studies of aspects of the policy of MacDonald and his government especially useful. The unemployment problem is of special interest because here we have, in theory at least, the party of the workers dealing with the most basic problem of the time for workers.
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UNEMPLOYMENT AND THE FIRST LABOUR GOVERNMENT

In September, 1923, unemployment in Great Britain was at a critical level with 1,275,396 unemployed.¹ Since 1920 unemployment had been a serious problem, reaching its peak in May, 1921, with 23.4 per cent of the insured workers unemployed. Although the situation improved, 10 or 11 per cent of the insured workers were still unemployed by 1923, and the Conservative government could find no solution to the problem. Stanley Baldwin, the prime minister, felt that the answer was a protective tariff; and even though his party had a majority of eighty-eight in the House of Commons, he decided that it was necessary to hold a general election to get the country's consent for a protectionist policy. The election was set for December 6.²

The Labour party, the second largest party in parliament and the official opposition, strongly criticized the Conservatives in the Commons and throughout the country for their failure to grapple with unemployment. J. R. MacDonald, leader of the Labour party, was one of the Conservative government's

¹Great Britain, 5 Parliamentary Debates (Commons), CLXXVII (1924), 579.
sharpest critics. Speaking at a Labour party luncheon, he said that the government's handling of unemployment was a "scandal and disgrace." The present system of capitalism he insisted, had nearly ruined the country. He added that industrial cooperation must be substituted for industrial anarchy.\(^3\) On November 15 in the House of Commons, MacDonald moved a censure against the Conservative government for their failure to pursue a policy that would restore Great Britain's influence abroad and reestablish trade to meet the needs of the unemployed. Speaking in support of his motion, he accused the government of keeping the unemployed quiet by paying them a bare subsistence, which he suggested was no solution to the problem.\(^4\) MacDonald's action clearly indicated that the Labour party was challenging the Conservative party on the unemployment issue.

When he presented his case to the country, MacDonald stated that the major cause of unemployment was an insufficient export trade. The objective of Labour's foreign policy would be to restore trade, and he encouraged party leaders to include in their program proposals to settle European problems. Labour he urged, should adopt a "... courageous and moral British policy," which would make evil influences in Europe ashamed of themselves. MacDonald also blamed

\(^3\)The Times (London). November 2, 1923, p. 9.

\(^4\)Debates (Commons), CLXVIII.(1923), 461, 463.
unemployment on abnormal conditions in industry, which he felt could not be corrected until the national debt was reduced. He advocated a capital levy to help pay the debt.\(^5\)

J. R. Clynes, lord privy seal in the first Labour government, noted that by providing relief the Conservative government had accepted the principle that the state was responsible for unemployed men and women. Now the government could no longer fail to pursue a program that would provide employment.\(^6\) Clynes claimed that many opportunities to employ large numbers of people only awaited action by the government.\(^7\)

A number of Labourites believed that a solution to general European problems would lead to a solution to the unemployment problem. They had long wanted Great Britain to recognize the Soviet Union and to establish trade relations with her. Franco-German relations were at a critical point over reparations and the French occupation of the Ruhr.\(^8\) J. H. Thomas, colonial secretary in 1924, stated that it was necessary for other nations to pay their debts to Great Britain before unemployment could be cured. Franco-German difficulties must be resolved. Agreeing with Thomas, Clynes also felt that

\(^5\)The Times (London), November 2, 1923, pp. 7, 6.
\(^6\)Debates (Commons), CLXVII (1923), 554.
\(^7\)The Times (London), October 30, 1923, p. 18.
\(^8\)Lyman, First Labour Government, p. 158.
prosperity would come only after international peace was restored.  

The Labour party's manifesto suggested a legislative program of public works to be carried out immediately, an adequate maintenance for those unable to find jobs, training and maintenance for young persons, and the regulation of the flow of youth to jobs in order not to put too much strain on the labor market. The program also contained a list of large national schemes to be developed: a national electrical power system; an enlarged transportation system by road, rail, and canal; and the improvement of national resources by land drainage, land reclamation, afforestation, town planning, and housing schemes. Unemployment, the statement concluded, is a recurrent feature of the capitalistic system whether the country has free trade or protection; and the Labour party alone has a "positive remedy for it."  

The largest organization affiliated with the Labour party, the Trade Union Congress, decided after their successes in the 1922 election to rely less on industrial action and more on legislative action to secure reforms. At their general council in November, 1923, trade unionists

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adopted a resolution to resist protection and to promote the Labour party program.  

The Independent Labour party, though a minority group, was politically the most powerful organization associated with the Labour party. A right-wing group in the ILP supported MacDonald, and a left-wing group leaned more toward Sovietism. MacDonald, a right-wing member of the ILP, supported the Labour party's evolutionist platform, Labour and the New Social Order, which had been adopted in 1918. The radical Clydesiders, also ILP members, believed that when they got to parliament the country would be changed overnight to socialism. They told their Glasgow constituents, who were sending them off to parliament in 1922, that when they returned from London the railroad would belong to the people.  

The ILP's pronouncements with regard to the 1923 election reflected the political tastes of both the right and the left. Constructive Socialism, their election manifesto, was similar to the Labour party's in that it suggested various schemes to be executed on the local and national levels to alleviate unemployment; however, the ILP document stated more emphatically that socialism was the answer. The ILP interpreted the election as a contest

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12 The Times (London), November 2, 1923, p. 12.
13 Charles Loch Kowat, Britain Between the Wars, 1918-1940 (Chicago, 1955), p. 147.
between capitalism and socialism—not a contest between protection and free trade. They declared that the Conservatives' policies of protection and relief were "idle and contemptible"; they claimed that the "wasteful doles" did not help one out of ten unemployed workers. The ILP warned that if in their quest for private profit the government was unable to "harmonize production and distribution, socialism can and will." 14

The results of the December 6 election showed that the country was certainly not in support of protection. Although the Conservatives obtained a plurality with 259 seats, they no longer had a majority. The second largest party in the House of Commons was the Labour party with 191 seats. The Liberal party, although united again in the defense of free trade, won only 159 seats. 15 The Conservatives could not expect Liberal free traders to support a protectionist government, and Labourites would make no deals with the Tories.

The thought of a Labour government caused much consternation in many areas of the country. Asquith, the leader of the Liberals, remarked that he had been "... cajoled, wheedled, almost caressed, taunted, threatened, brow-beaten, and all but black-mailed to step in as the 'saviour of society.'"

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14 The Times (London), November 20, 1923, p. 9; October 31, 1923, p. 11.
15 Lyman, First Labour Government, p. 70.
Although a group of Liberals would have supported a coalition to keep Labour out, most Liberals realized that such a policy would ultimately strengthen Labour. If they went into a coalition with Labour, the future of their own party might be jeopardized. Asquith soothed the fears when he noted that a Labour government could hardly be tried under safer conditions since they were not getting a "blank check" but would be limited by the parliamentary situation. He emphasized that the Liberal party would not consent to socialist experiments.  

The choice now devolved upon the Labour party. They must either refuse office or accept it under circumstances that would not permit them to succeed with a socialist program. A large group of Labour members in parliament, including the Clydesiders, wanted to take office, launch an outright socialist program immediately, and after being defeated in parliament, fight an election on purely socialist issues. MacDonald held the opposing view. He had no thought of carrying out a socialist program when four of every seven electors were not socialist. He wanted to follow a moderate socialist program, and he realized that the parliamentary situation would act as a check on the left. MacDonald had

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16 Debates (Commons), CLXIX (1924), 313-315.  
17 Lyman, First Labour Government, p. 89.  
been elected party leader by the left. According to Wheatley, a Clydesider, the Clyde element felt that he had foresight and enthusiasm and that after he became leader the "Promised Land" would soon be reached. By joining the moderates, MacDonald sharpened the division between the right and left. Most of the party leaders wanted Labour to form a government, and their viewpoint prevailed. On January 21, 1924, with Liberal support, Labour voted to censure the Conservative government.

Anticipating the possibility of obtaining office, MacDonald had gone into seclusion during the Christmas holidays to draft a list of ministers. MacDonald made some mistakes in choosing his cabinet which later hindered the smooth operation of his government. George Lansbury, a left-wing member of the Labour party, was omitted because MacDonald thought that his appointment would prove difficult with the king, and he felt that he could not trust him to administer a large department. Arthur Henderson and Sidney Webb, both party leaders, favored the inclusion of Lansbury.

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20 Debates (Commons), CLXIX (1924), 680.
office Lansbury caused considerable difficulty by continuously snipping at the government from the back benches and making indiscreet speeches.  

One of the strongest points of a Labour government should have been its ability to work out two-way cooperation with the trade unions. MacDonald got off to a bad start with the unions by appointing only seven of their men to a cabinet of twenty. MacDonald did appoint a trade unionist, Tom Shaw, minister of labour. Shaw was optimistic that a Labour government would be able to restrain union members from striking and embarrassing their government. He felt that a reduction in industrial tension would help decrease unemployment.

The unions took another view of the situation. They regarded a Labour government as an organ through which they could secure reforms regardless of the desires of the rest of the country. Frightened by the unions and incapable of any independent action, Shaw proved to be incompetent. Unable to stop the unions from striking, Shaw spent much

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22 For example, Debates (Commons), CLXX (1924), 1974-1977; CLXXI (1924), 174-179, 774; CLXXIII (1924), 2379-2380, 2431; CLXXIV (1924), 105, 109, 110, 1075, 1697-1700; CLXXV (1924), 731-736; CLXXVI (1924), 3079-3081.


24 Shinwell, Labour Story, p. 122.

of the time which he should have been using to devise legislation settling trade disputes. 26

On February 12 when MacDonald made his first speech as prime minister he commented that "No Prime Minister has ever met the House of Commons in circumstances similar to those in which I meet it." 27 Of course he was referring to the parliamentary situation. Labour, a minority government with 191 representatives in a House composed of over 600 members, would be restricted in their program to measures on which they could secure either Liberal or Conservative support. Their inexperience was an additional difficulty. Most Labour members of parliament, including MacDonald, had never held any office in a government. 28

Outlining the government's policy on unemployment, MacDonald advocated two things. First work must be provided; and if possible, every man must be put back in his own occupation. Next, an effective insurance system must be established to provide an adequate income for those unable to find employment. Specifically, the prime minister proposed to abolish the gap in benefits whereby unemployed persons were periodically denied benefits for three weeks. He also wanted to revoke the local


27 Debates (Commons), CLXIX (1924), 749.

unemployment committees' power to arbitrarily decide whether a person should continue to receive benefits after his period of eligibility expired. To set the oppositions' minds at ease about the capital levy, MacDonald made it clear that the government would not diminish industrial capital to pay for their relief measures.\(^29\)

Although relief was important, it was only a palliative and not a cure for unemployment. The industries with the largest unemployment problem were those most heavily involved in the export trade. Aware that trade must be restored, MacDonald proposed to renew the trade facilities act, which had expired the previous November, and to extend the period over which the export credits act would operate. MacDonald announced British recognition of the Soviet government in Russia, and he optimistically forecast the resolution of outstanding grievances between the two governments and the signing of trade agreements. The prime minister cautioned that it would take time to work out agreements, but when trade with Russia was finally established, it would significantly stimulate Britain's economy.\(^30\)

The government's policy, as MacDonald presented it to the House, contained few steps being taken immediately to alleviate unemployment. He mentioned the necessity of relief

\(^29\)Debates (Commons), CLXIX (1924), 759-760.
\(^30\)Debates (Commons), CLXIX (1924), 759-760, 762, 768.
lands—land drainage being a very important project to carry out. He also felt that a wise expenditure of the road fund would give employment, but he did not regard it as a good idea to spend road fund money for projects purely in the interests of the unemployed. He mentioned the particular difficulty of devising unemployment schemes for women. Nevertheless, with Miss Bondfield, as parliamentary secretary to the minister of labour, in charge of their problems, they would not suffer; all members of the House of Commons knew that she had a very good knowledge of the subject. 31

J. E. Clynes entered into the debate on the government policy, but he barely mentioned unemployment except to blame the present problem on Lloyd George's coalition of 1918, which had failed to keep the war workers employed and then had bought them off by giving them something for nothing. 32 Clynes was of the opinion that the employment situation was worse in 1924 than it had ever been, with over 2,000,000 unemployed, wages being cut, and prices rising. 33 The House, he warned, should not expect Labour to completely solve the difficult unemployment problem within a few months after

31 Debates (Commons), CLXIX (1924), 762.
32 Debates (Commons), CLXIX (1924), 875.
taking office. Clynes presented no specific solutions for unemployment.\(^\text{34}\)

George Lansbury expressed disappointment with the prime minister's statement about unemployment. He urged the House to do something in spite of the fact that no party had a majority. Calling attention to conditions in East London, he said,

...you are ruining, crippling, degrading, and
demoralising hosts of good living young men and
demoralising hosts of good living young men and
women. You are breaking their very souls, because
there is neither work nor adequate means of
maintenance for them.\(^\text{35}\)

Making his maiden speech in the House, Mr. Ayles, another Labour backbencher, preached a sermon on Christian love to Viscountess Astor, a Conservative member of parliament. He found it hard to understand how members of the opposite party could live like millionaires when millions suffer poverty. While it was true that he shared Viscountess Astor's belief in Christianity, he reminded her that one of the religion's most revolutionary doctrines was that we should find some way to share what we have with those who have not.\(^\text{36}\)

Mr. Ayles accused the opposition of thinking of the unemployed man as an economic factor and a potential source of social revolt. According to Ayles, heretofore the

\(^{\text{34}}\)Debates (Commons), CLXIX (1924), 875.

\(^{\text{35}}\)Debates (Commons), CLXIX (1924), 921, 923.

\(^{\text{36}}\)Debates (Commons), CLXIX (1924), 901-902.
government had given the unemployed just enough to keep them from revolting. Speaking of the new prime minister he said, "He sees in the unemployed man and woman and the slum child divine and human personalities that can never be developed while the claims of body are supreme to the claims of the mind and of the spirit." Ayles added that because of the prime minister's interest in developing both a home policy and a foreign policy that would help solve the unemployment problem, "we feel that there has at last dawned a new spirit."^37

Ayles was also optimistic about employee-employer relationships. The Conservative government, he claimed, had never really learned how to handle labor when they were in office. A Labour government would because they not only understood the viewpoint of the worker, but they also had the necessary knowledge and imagination to understand the viewpoint of the employer.38

Making positive suggestions as to what should be done immediately for the unemployed masses while other programs were being developed, Mr. Ayles suggested classes in education, recreation, and religious work for boys and girls ages fourteen to sixteen and for unemployed adults. Ayles felt that such a program would help to prevent the moral and physical deterioration caused by unemployment.39

37Debates (Commons), CLXIX (1924), 908.
38Debates (Commons), CLXIX (1924), 903.
39Debates (Commons), CLXIX (1924), 910.
Labour's first successful attempts at dealing with unemployment were in the area of maintenance. On February 19 an act of parliament abolished the gap in benefits. All factions within the Labour party were as critical of the payment of doles to the unemployed as any other party. They did not regard unemployment benefits as doles, however, because the workers contributed to the unemployment fund while they were employed. In 1924 many workers had been unemployed for so long that they were no longer eligible for regular benefits; but they could, under certain conditions, receive payments called uncovenanted benefits. Uncovenanted benefits were not paid to individuals who could financially get along without them. Tom Shaw argued that because the law excluded certain individuals from obtaining benefits, it was a charity. When individuals are unemployed through no fault of their own, Shaw maintained, it is the responsibility of the state to take care of them; and when people receive benefits, they are not accepting a charity but are exercising a right. Consequently, they should be treated equally.\textsuperscript{40}

On May 20, July 9, and July 18 a bill that would considerably alter the unemployment insurance law was debated in the House. The bill was heavily amended. Several times Labour backbenchers voted against their government on amendments. Although Shaw was not able to get benefits for young

\textsuperscript{40}Debates (Commons), CLXIX (1924), 1593-1594, 1992-2000; CLXXII (1924), 290-295.
persons aged fourteen to sixteen, because of Liberal opposition, he did redeem many Labour promises when he secured the passage of the bill on July 18. Henceforth all insured persons were entitled to unavowed benefit, children's allowances were doubled from one to two shillings, men's benefits were increased from fifteen to eighteen shillings weekly, and women's benefits were increased from twelve to fifteen shillings weekly. By July, 1924, it had become apparent that the Labour party had ignored, if not abandoned, its basic premise; it had provided maintenance before work. The Labour party had devoted some effort toward providing a program that would increase the level of employment.

The first measure that the government passed to furnish employment was an amendment extending the trade facilities acts of 1921 and 1922. Under these acts the government guaranteed loans to British firms who would do work that they would normally not be able to undertake. Labour's proposal was a modest one to raise the maximum guarantees from £50,000,000 to £65,000,000. Up to that time the government had lost only £4,000 under the act, and Labour, members of the other parties felt, should be more generous in their proposals to extend the act.

\[\text{Debates (Commons), CLXXIII (1924), 2041-2066; CLXXV (1924), 2287-2386; CLXXVI (1924), 761-842.}\]

\[\text{Debates (Commons), CLXIX (1924), 1594-1596, 1601, 1604, 1611.}\]
Major opposition to the bill came from Labour backbenchers. Mr. Thomas Johnston asked some embarrassing questions about a British syndicate in the cotton business in Sudan that had been given guarantees in the past and was to be given further guarantees under the proposed amendment. Johnston wanted to know how the government proposed to exercise control over such matters as prices, profits, and labor. Mr. Sullivan, another Labour backbencher, also voiced his opposition to the Sudanese guarantee. On March 4 and 5, when the amendment was further considered, the left-wing Labour backbenchers monopolized the debate. Their point of attack was the Sudanese guarantee. James Maxton, a Clydesider, argued against the government sending money to Sudan when it was so reluctant to give relief at home. Guarantees to the syndicate, he felt, gave it an unfair advantage to make huge profits. After William Graham, financial secretary to the treasury, defended the bill, Maxton referred to him as the "new apologist for capitalism." In spite of the opposition from its own party, the government was able to secure the passage of the bill on April 16.43

The next measure connected with unemployment concerned a cruiser construction program inherited from the previous administration. MacDonald, much to the displeasure of some of the members of the Labour party, had appointed Chelmsford, a Tory aristocrat, first lord of the admiralty. When Philip

43 Debates (Commons), CLXIX (1924), 1623-1624, 1633-1634; CLXX (1924), 1463, 1281-1288, 1450-1457; CLXXII (1924), 1445.
Snowden, chancellor of the exchequer, examined the estimates of the previous government he attempted to reduce the expenditure for armaments in line with the Labour party pledge. Under the Conservative program the construction of eight cruisers had been scheduled, and only after much struggle with Chelmsford, spokesman for the sea lords, was Snowden able to reduce the program to five cruisers. 44

When Mr. Ammon, parliamentary secretary to the admiralty, announced, in answer to a Conservative MP's question, that the government planned to proceed with the construction of five cruisers because of the serious unemployment situation, a Liberal member moved the adjournment of the House to debate the issue. Speaking in defense of the program, MacDonald admitted that he had had unemployment in mind when he decided to carry out the cruiser program. He argued that he was not compromising his pacifist principles because the new ships would not increase armaments but would merely be replacements. The Liberals pressed the matter to a division, but the Conservatives voted with Labour in support of the program. 45

From the very beginning of their term in office Labour had been plagued with questions from Liberal and Conservative members concerning when they could expect to receive the government's proposals for the solution of the unemployment

On March 10 the unemployment question was debated in the House. Thomas Shaw made a long speech, and after he had finished, the absence of new proposals was obvious. He stated that every department in the government had been instructed to prepare every possible scheme of useful work that was practical to alleviate unemployment. When questioned about various projects all he could reply was that the government had extended schemes already in existence. When chided by his critics for producing no new policies, Shaw remarked, "Does anybody think that we can produce schemes like rabbits out of our hat?" This remark became the source of many jokes about Labour's inability to produce an effective unemployment policy.

Excusing the government's slowness to act, Shaw explained that they were not responsible for the prevailing conditions in Europe. Six weeks had not been enough time to straighten them out. The restoration of trade, he believed, was the remedy for unemployment, and the government was devoting its energies to that end. He mentioned the government's recognition of Russia as a step in the right direction. He ended his speech with the promise that members of the opposition would not have to wait long for an opportunity to approve a Labour program.  

^46 Debates (Commons), CLXX (1924), 2003.  
^47 Debates (Commons), CLXX (1924), 2005-2006.
Speaking about the government's program for unemployed women, Miss Bondfield expounded upon the great occupation of a home maker—an occupation disrupted by the war. Many of the young people who had married since the war either had not been able to find houses or could not afford them. A program of home-training classes would be very helpful, and Miss Bondfield announced that forty such classes had begun since January 1 resulting in a half dozen women finding employment in domestic service.\(^{48}\)

Miss Bondfield had also been working on youth unemployment. She reported the expansion of juvenile unemployment centers for the training of young people. In areas of extreme unemployment the government had agreed to pay 100 per cent of the cost of these centers instead of only 75 per cent.\(^{49}\)

Various Labour backbenchers also contributed to the debate. Neil Maclean, a Clydesider, and James Maxton attempted to turn the debate into a discussion of socialism. They were thwarted when the speaker ruled against them. David Kirkwood, another Clydesider, urged Shaw to go ahead and put forth the Labour party's policy of socialism. Ben Tillett, a left-wing Labourite, declared that a country as wealthy as Great Britain should not be faced with severe economic problems. He called on the companies that had grown rich on war profits to come

\(^{48}\)Debates (Commons), CLXX (1924), 2082-2083.

\(^{49}\)Debates (Commons), CLXX (1924), 2084-2085.
to the rescue of their country now with the same enthusiasm with which they had come to its rescue during the war.  

On May 22 when the estimates for the ministry of labour were discussed, unemployment was again debated in the House. Taking the first speech, Shaw wandered from one subject to another but never outlined a legislative program to aid unemployment. Shaw assigned much of Labour's difficulties in dealing with unemployment to a lack of confidence among the commercial classes in a Labour administration. He blamed certain sections of the press, who had published stories assuring the country that they would be ruined by a Labour government, for inspiring this lack of confidence. He complimented MacDonald's foreign policy for restoring confidence and raising British prestige throughout the world.  

According to Shaw the government was going to do many things, but he said little about what they had done except to note again that they had overhauled the previous government's schemes. The government had tried to get work done on the main trunk roads but had found the local authorities overburdened financially. They were preparing to investigate the whole question of electrification. They were attempting to pass a housing scheme that would surely


51 Debates (Commons), CLXXIII (1924), 2441, 2446-2447.
provide increased employment. A committee was soon to look into the problem of the national debt. Lower interest payments would mean lower taxes and, hopefully, increased trade. Shaw's whole emphasis, however, pointed toward the future; with severe unemployment going into the fifth winter, the British people wanted something done immediately.

Following Shaw's speech, Sir W. Joynson-Hicks, a Conservative MP moved that the minister of labour's salary be reduced by £100. He claimed that the minister had told the House what the various other departments in the government were doing but had failed to say what he was contributing. Joynson-Hicks' motion was in the nature of a vote of censure against the minister of labour, and the debate which ensued degenerated into a partisan discussion with the various MP's making claims and counter claims about what their particular party had done or could do. This was unfortunate because under such conditions very few constructive ideas could be discussed.

That there was widespread disappointment over Labour's inability to deal significantly with the unemployment problem became apparent during the debate. Parodying Shaw's account of public works, Mr. Masterman, a Liberal, said,

On one an expert committee would be appointed. On another the Government were considering it. On a

52 Debates (Commons), CLXXXIII (1924), 2443-2449.

53 Debates (Commons), CLXXXIII (1924), 2451.
third, the Government were now considering the possibility. On the fourth, negotiations were still continuing. On the fifth, the Government intended to make investigations. On the sixth, the Government were unable to make an absolute declaration. On the seventh, the Government would undertake any scheme which could be suggested to them.

Replying to a statement in a Labour paper that had excused Shaw for not bringing in schemes on the grounds that the other parties would only have killed them, Masterman said: "Bring in the schemes; that is all we ask."54

The Labour backbenchers who spoke in the debate revealed their anxiety over the government's failure to develop a policy. Although, according to Mr. Stephen, the only possible remedy for unemployment was socialism, it was the government's obligation to promote schemes to help the unemployed until the time when it would be possible to replace the capitalistic system. Mr. Dickson also insisted that socialism was the only cure for unemployment. He did realize, however, that Labour could not expect to effect its cure as long as they were a minority government dependent on the support of two parties antagonistic to their policy. Mr. Dickson did frankly admit that he as well as the rest of the members in the House would like to see the minister of labour's plans mature rapidly.55

54 Debates (Commons), CLXXIII (1924), 2469.
55 Debates (Commons), CLXXIII (1924), 2484, 2488.
The vote to reduce Tom Shaw's salary was relatively close, with 210 in favor and 244 against. His salary was scheduled to be debated again May 29, and there appeared to be some chance of a government defeat. Fearing such an occurrence, MacDonald decided to speak on the government's behalf. He mentioned the government's accomplishments in revising unemployment insurance and in working toward the restoration of trade. He accused the Conservatives of trying to take credit for schemes that they had only enacted and had left for Labour to put in force. According to MacDonald Labour was trying to meet the most intricate problems first. Thus in case they were voted out the succeeding government would have a foundation upon which to build. 56

MacDonald blamed the government's slowness on a number of unanticipated problems. Unemployment had been a problem for so long that the local authorities no longer had the money or the credit with which to carry out projects. It took time to finance schemes on the national level because of the necessary legislation. MacDonald observed that the Conservatives had not set up administrations to carry out their schemes, and Labour had had to do this after they entered office. Although the afforestation and the electrification schemes were considered by Labour in their first few days in office, four months, the prime minister claimed,

56 Debates (Commons), CLXXIII (1924), 2556; CLXXIV (1924), 647-648, 654.
were not enough time to carry out these programs. Land had to be acquired for afforestation; water power possibilities had to be explored for electrification. Both took time. MacDonald admitted that his government had been too innocent when they took office. He explained that they did not realize the complexity of carrying out what had seemed like a simple thing. He described the task as an "exceedingly difficult, and a laborious and almost heartbreaking thing."\textsuperscript{57}

Speaking in reference to Labour's program of socialism, MacDonald clearly emphasized the necessity of a change in society. He did not, however, plan to use the Bolshevists' methods to bring about changes. Because Labour had not turned their views into acts of parliament, MacDonald remarked that his party had been accused of breaking their election pledges.\textsuperscript{58} Most of the Labourites realized, as MacDonald did, that if they embarked on their program of socialism, they would be put out of office; however, some of the backbenchers were beginning to believe that the party would be better off to invite defeat and then go to the country with the idea of returning a majority.

Mr. Toole and Mr. Wallhead, both Labour backbenchers, stated their belief that Labour would get a majority in a general election. Speaking for himself and his fourteen

\textsuperscript{57}\textit{Debates (Commons)}, CLXXIV (1924), 651-657.

\textsuperscript{58}\textit{Debates (Commons)}, CLXXIV (1924), 647-648.
colleagues from the Clyde, they might, Maclean intimated, help to defeat their own government. They would, he promised, go into the lobby with the government that night; but he warned that Labour ministers must spend more time working to alleviate the misery of the unemployed and less time going to "flunkey banquets in full dress." 59

MacDonald's speech on behalf of Shaw and the unemployment program saved the government from defeat. The government considered the vote on the reduction in Shaw's salary as a matter of confidence in the government. Asquith remarked that he would have been compelled to vote against the government had it not been for MacDonald's speech, which had contributed some information on the unemployment program. Judging from the vote, the Liberals were not prepared to turn Labour out yet. They went into the lobby with the government and defeated the motion to reduce Shaw's salary by a vote of 300 to 252. 60

On July 30 unemployment was fully debated in the House of Commons for the final time during the first Labour government. Presenting the case for the government, Philip Snowden made a much better impression on his colleagues than Tom Shaw had. He demonstrated that he understood the complexity of the problem. "The positive remedy for a chronic disease," he said, "does not effect a cure in a day and a night." Criticising

59 Debates (Commons), CLXXIV (1924), 696-697, 723, 707-713.
60 Debates (Commons), CLXXIV (1924), 660, 685, 740.
past governments because they had not anticipated the problem, as noted how difficult it was to deal with unemployment when it was at a crisis level. Governments should, he advocated, make plans when the problem was not pressuring them and put them into operation when the need arose. 61

The government did not, Snowden emphasized, regard a policy of making work as a solution to unemployment. The public works promoted by Labour were not necessarily those which would employ the most people, but they were those which would help to solve the problems in industry. Labour proposed to treat the disease, not the symptoms. For example, Snowden noted that British industries were going to have to decrease their production costs to be able to compete on the world market and increase foreign trade. The government’s schemes were aiming at cutting production costs. Road building was being promoted in order to reduce transportation costs. Railroad companies were being encouraged to make improvements that would allow them to reduce their rates. The government was investigating electrical development in the hope of producing cheaper electrical power. 62

Although several of the backbenchers made their usual speeches regretting the government’s slowness to act and urging the elimination of capitalism as the only true

61 Debates (Commons), CLXXVI (1924), 2092-2099.
62 Debates (Commons), CLXXVI (1924), 2093-2110.
solution to unemployment, many members were rather encouraged by Snowden's proposals concerning electrical production. An electrical program had been mentioned before, but Snowden had made specific recommendations and had told how the government was carrying them out. At least something was finally being done, and this was good news to Labour's critics. Had the government lasted longer Labour might have accomplished something to decrease unemployment. By the end of July the government had difficulties it was unable to survive.

The Russian problem had been a major one for the government. After recognizing the Soviet government, Labour had invited Russian representatives to London to discuss outstanding differences between the two countries and to draft trade agreements. The talks, which had started in April, broke down on August 4. The left-wing elements of the Labour party pressured the government into resuming negotiations, and on August 6 an agreement containing a conditional proposal for a loan to Russia was reached. The treaty was to be taken up after the summer recess of parliament.

Although he had promised earlier that under no circumstances would Great Britain make a loan to Russia, MacDonald and his cabinet had agreed to a loan. During

63 Debates (Commons), CLXXVI (1924), 2133, 2158-2159.

64 Snowden, Autobiography. II, 681-682.

65 Debates (Commons), CLXIX (1924), 769; CLXXIV (1924), 2095.

the adjournment the Liberals were busy denouncing the treaty, and Asquith made it clear that they would defeat the government on the issue. An event intervened that made it impossible for the Liberals to carry out their intention.

Before the summer adjournment the government had considered whether any action should be taken against J. H. Campbell, acting editor of the *Worker's Weekly*, because of an article in the communist newspaper that had called upon soldiers to refuse to act. When parliament resumed on September 30, the opposition parties were determined to investigate the government's lack of action. MacDonald made a very incoherent explanation of the matter, which made it appear the government had been influenced by the left of the Labour party. Refusing an investigation, MacDonald chose to let the issue defeat the government. Election day was to be October 29, 1924.

During the election campaign MacDonald said much less about unemployment than he had said in 1923. In September, 1924, unemployment stood at 1,162,880. Obviously the weak measures of the Labour government had not been very effective. Seven months in office, MacDonald insisted, had not been sufficient time to do much about unemployment. The main

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68 *Debates (Commons)*, CLXXVI (1924), 1897; CLXXVII (1924), 619.

69 *Debates (Commons)*, CLXXVII (1924), 579.
achievements of the government were the successful arbitration of disputes between European powers, and it would take more time to tell the effects of these settlements. MacDonald restated his belief that the complete establishment of peace in Europe and trade with Russia were the answer. He offered no new ideas about how to solve unemployment.70

The government, Snowden claimed, only needed time to develop the great schemes that it had started. The Labour party's election appeal, "Toward a Socialist Commonwealth," incorporated Snowden's idea that apart from completely changing the industrial system, national development was the solution for unemployment.71

The Campbell case was the main election issue. Dissatisfaction had been growing among the opposition parties because of the apparent influence of the left-wing members of the Labour party on the government. Soon after the formation of the Labour government, the Labour party had elected an executive committee to act as a liaison between the government and the party.72 Controlled by a rebellious group from the left, among whom George Lansbury was a leading member, this committee summoned ministers before it and advised them on various issues. Embarrassing to the government,

70The Times (London), October 22, 1924, p. 10; October 29, 1924, p. 14.

71The Times (London), October 24, 1924, p. 9; October 13, 1924, p. 7.

the committee was the source of the press criticism that the
government was governed by the "Labour Junta" rather than by
the House of Commons. The Russian treaty and the Campbell
case emphasized the role that the left was playing in the
government and gave the opposition an issue. Both Conserva-
tives and Liberals used the threat that a vote for Labour
was a vote for communism.

On Saturday before the election on Wednesday the Zinoviev
letter appeared in the press. Purportedly sent to the British
Communist party by Zinoviev, president of the Comintern, the
letter urged British Communists to ensure ratification of the
Russian treaties and to prepare the working classes for armed
insurrection. The letter was never authenticated, but the
government published a statement which made it appear genuine.
Although the letter did not change the minds of convinced
Labour supporters, it certainly discouraged many moderates
from voting Labour. Labour carried 151 seats, but lost 41.
The Conservatives gained 165 seats and returned to parliament
with a total of 413. The principal losers were the Liberals,
who lost 107 and thus were reduced to only 40 seats.

73 The Times (London), February 22, 1924, p. 12; October 27,
1924, p. 11.


75 The Times (London), October 25, 1924, p. 12; October 31,
1924, p. 12; November 14, 1924, p. 12.
CHAPTER II

THE SECOND LABOUR GOVERNMENT: UNEMPLOYMENT,

A PROBLEM FOR J. R. THOMAS

When the Conservatives were forced to face an election in 1929, unemployment was still a major problem in Great Britain with 1,153,000 individuals on the unemployment registers.⁠¹ Although the Conservatives had held a large majority in parliament, they had failed to deal effectively with the problem; and the Liberal and Labour parties decided to make unemployment the principal issue in their campaigns to win the general election that had been announced for May 29, 1929.

On May 13 the Liberals published a full-page advertisement in The Times announcing a united Liberal party "Again at the Country's call--this time to conquer unemployment."⁠² Realizing the desperate need to revitalize the Liberal party, Lloyd George, the party leader, spent a great deal of time and money attempting to get the Liberals elected. A book written by Lloyd George, We Can Conquer Unemployment, became the backbone of the Liberal campaign. They put 570 candidates

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¹Great Britain, 5 Parliamentary Debates (Commons), CCXXVII (1929), 960.
²The Times (London), May 13, 1929, p. 23.
into the field and promised to eliminate unemployment for one-half the amount that the Conservatives would spend to do the job.³

During their period of opposition to the Conservative government, the Labour party had been busy preparing for their next opportunity to form a government. At the 1928 annual Labour party conference, the delegates adopted *Labour and the Nation*, a vague policy statement which would serve as a guide for a future Labour government. The section of the statement that dealt with unemployment contained suggestions for measures that would increase the benefits available to unemployed workers and ameliorate undesirable conditions in industry. *Labour and the Nation* recommended a gradual evolution transforming the capitalistic society into a socialistic society. This policy represented the viewpoint of the right-wing elements in the party. The party's official election manifesto, which contained more specific proposals regarding unemployment, also reflected the beliefs of the right-wing Labourites.⁴

In its election manifesto Labour made an unqualified pledge to deal immediately and practically with the unemployment question. They attacked the Conservatives for

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doing nothing and having no policy and accused them of provoking the industrial unrest that had led to the general strike. Labour also blamed the Conservatives for throwing thousands of people on the poor law by reducing unemployment payments. The Labour party proposed to aid national development and increase trade and prosperity by housing and slum clearance, land drainage and reclamation, electrification, reorganization of railways and transport, and afforestation. Agreements would be made with the dominions whereby unemployed persons could migrate if they so desired. Development schemes would be carried out at home, in India, and in the colonies, in order to aid trade. Export credits and increased facilities for trade would be developed. Other measures that the Labourites promised to pass dealt more directly with unemployed individuals. To provide more generous maintenance for those unable to find work, they planned to amend the unemployment insurance act. By raising the school-leaving age to fifteen and increasing benefits to parents, 400,000 children would be taken off the labor market. The retirement of individuals over sixty-five would be encouraged by increasing old-age pension payments.\(^5\)

Remembering the incidents of the 1924 election, the Labour party's election manifesto contained an assurance that the Labour movement was not communistic. Neither did

they believe in Bolshevist methods; they would establish the "new social order" step by step through democratic processes. They promised to nationalize the mines only if Labour had a majority.6

The 1929 election was the first in which the entire adult population had the suffrage. The Conservatives had extended the vote to women between twenty-one and thirty years of age.7 The 1929 election was also the first in which all three major parties used the radio broadcasting media to speak to the voters.8 Talking over the radio, MacDonald criticized Baldwin's policy of safeguarding, which MacDonald claimed was the Conservatives' method of proposing protection. According to the Labour leader, countries that had protection were in worse condition than Great Britain. On other occasions MacDonald chided the Conservatives for adopting a policy of "safety first," which he said, "is the apostle of stagnation and creator of revolution." MacDonald claimed that the Conservatives had no policy; and while it was important to be cautious in a time filled with problems, it was also necessary to have a courageous and enterprising program.9

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9 The Times (London), May 18, 1929, p. 8; May 29, 1929, p. 9; May 13, 1929, p. 10; May 11, 1929, p. 11.
Referring to the Liberals' claim that they could abolish unemployment in one year, MacDonald noted that anyone who thought that unemployment could be cured in that short a time was living in a "fool's paradise." In another reference to the Liberal program, he remarked that unemployment could not be cured by relief works of any kind. 10

MacDonald promised the nation that a Labour government would do the maximum to end the unemployment, which had been a problem for ten years. He proposed to reorganize the government so that it could deal more effectively with the problem. He would have an unemployment committee consisting of the chancellor of the exchequer, the president of the board of trade, the minister of labour, and the prime minister, who would preside. Experts from various branches of industry would be invited to appear before the committee to help it make its decisions. The government would also consult with agricultural representatives. 11

Domestic affairs received more attention from the Labour leader in the 1929 campaign than they had in 1923. Unemployment figures were a gauge of the unhealthy economic conditions in the country, and MacDonald noted that the nation's resources must be developed in order that trade could be restored and the economy made healthy. The government would help industrial

10 The Times (London), May 28, 1929, p. 9; May 29, 1929, p. 9.

11 The Times (London), April 25, 1929, p. 9.
plants to modernize to enable them to lessen their production costs and to compete more effectively in the world market. Dominion markets would be developed through agreements mutually beneficial to them and to Great Britain. Finally, Labour would continue to enlarge the home market by providing adequate payments for the unemployed. Although MacDonald intended to come to terms with Russia through the facilities of the international labour office at Geneva, he said less during the 1929 election than he had in 1923 about the effects trade with Russia would have on unemployment. MacDonald also proposed to use the international labour office as a means through which other agreements could be made to develop foreign trade. 12

Leading members of the Labour movement rejoiced that unemployment was the principal issue in the election. In their campaign speeches they were strongly critical of the attitude of the Conservatives and the Liberals toward unemployment. Henderson and Thomas accused the Conservatives of refusing to pay adequate unemployment benefits and of failing to provide more useful work for the unemployed who, under the circumstances, were forced to rely on charity. Henderson attacked the Liberals for adopting a program, which, he emphasized, included only old Labour proposals. Clynes also noted with disdain that the Liberals' boast to rid the

12 *The Times* (London), May 13, 1929, p. 11; May 11, 1929, p. 9; May 29, 1929, p. 9.
country of unemployment in one year without cost was unrealistic, and Thomas called it a stunt by which the Liberals hoped to deceive the country. Beatrice Webb commented that relief schemes would probably not solve unemployment; and at any rate, Lloyd George's schemes were more expensive than the country could afford.

Philip Snowden used a slightly different approach to the election. He emphasized the importance of modernizing British industry and of converting the war debt in order to reduce the interest charges. Margaret Bondfield appealed for the support of the new women voters.

Following the defeat of the first Labour government, the trade unions had returned to their former policy of using militant industrial action to secure their objectives. They maintained this practice until 1926, when the collapse of the general strike caused a serious setback to the power and prestige of the unions. The measures embodied in the trade disputes and trade unions act of 1927, which the Conservative government passed as a direct result of the general strike, dealt another blow to trade unionism. The

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13 The Times (London), April 4, 1929, p. 14; May 16, 1929, p. 9; May 18, 1929, p. 8; April 11, 1929, p. 9; April 10, 1929, p. 11.


16 The Times (London), May 16, 1929, p. 9.
The act reduced Labour party income by requiring trade union members to contract in if they wanted to remit a political levy to the party. Formerly trade union members had contracted out if they did not wish to pay the political levy. The act had a two-fold effect. Many trade unionists, who had paid the political levy simply because they had hesitated to contract out overtly, now did not bother to contract in; and as a result, the Labour party income decreased by one-third. The act, by stirring up resentment, strengthened the resolve of the unionists to remove the act from the statute books. Henceforth trade unionists began taking a more active part in the processes of government and began cooperating more enthusiastically with the Labour party.17

The division that existed between the right-wing and the left-wing elements of the Labour party had deepened since 1924. In 1926 left-wing members of the ILP led by James Maxton drafted a policy statement, Socialism in Our Time, which repudiated the manner in which the first Labour government had been conducted. The goal of the ILP was to achieve socialism in one generation. According to the ILP document, a Labour government, even if it had only minority backing, should immediately propose a socialistic program. Then, if the government was defeated, the responsibility for

its defeat would be thrown upon the opponents of the Labour party. \(^{18}\) *Socialism in Our Time*, of course, was in direct conflict with the evolutionist ideology embodied in *Labour and the Nation*. At the 1927 annual Labour party conference the leftist ILP members attempted to get their ideas accepted; they were unsuccessful. *Labour and the Nation* was entirely unsatisfactory to the party radicals, who felt that it was not a socialist document. They clearly regarded it as a move to the right. \(^{19}\)

The Labour party election manifesto, which followed the lines of *Labour and the Nation*, was also not pleasing to the ILP. In an article in their newspaper, the *New Leader*, the ILP reaffirmed their belief in the "socialism now" doctrine; however, they stated that they would not pause during the election campaign to criticize the Labour party. ILP members were urged to work hard for the Labour party because in spite of all its defects, it was the only party through which they could work. \(^{20}\) As in 1923, the ILP interpreted the election as a contest between capitalism and socialism. They proposed

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to bring the nation's resources under state ownership and control, to end war, and to abolish poverty.\footnote{The Times (London), May 10, 1929, p. 9.}

The Conservative government never seemed fully aware of the urgency of the unemployment problem. They did not profess to have a cure for the problem and only promised that efforts would be made to encourage the normal improvement of trade and industry.\footnote{The Spectator, CLXXII, June 8, 1929, p. 886; The Times (London), April 12, 1929, p.14.} Their unenthusiastic campaign on a note of "safety first" proved disastrous for the Conservative government.\footnote{Duff Cooper, Old Men Forget, The Autobiography of Duff Cooper (London, 1953), p. 165; Macmillan, Winds of Change, p. 228.}

Although they held 396 seats when parliament was dissolved, they returned with only 260. The number of Labour seats increased from 160 to 287, and the Liberals gained slightly, going from 46 to 59. The Labour party did not have a clear majority, but they had made significant gains and were now the largest party in the House of Commons.\footnote{The Spectator, CLXII, May 18, 1929, p. 765; The Times (London), June 15, 1929, p. 14.}

Immediately following the election rumors circulated that Lloyd George was trying to make a deal with the Conservatives to retain a Tory government. Stanley Baldwin did not approve, and he resigned on June 4 to make way for a Labour government.\footnote{The Times (London), June 4, 1929, p. 14.} Labour made no agreements with either
party, but their relations with the Liberals were better than in 1924. According to Herbert Samuel, a leading Liberal, his party gave Labour a general support because they felt that it was politically the wise thing to do. The Liberals had to be careful not to defeat the government too soon after the election. Otherwise the propertied classes would not seem willing to give the workers' party a chance to carry out even a minimum policy. The Liberals also wanted an electoral reform bill passed, and they needed to keep Labour in until it passed. MacDonald stated that the Labour party would do everything that they could to prevent a general election for two years. They must, however, be treated fairly by the opposition parties. The Labourites must be given the opportunity to develop their policies; and if they were defeated, it would be because of the other two parties.

In consultation with Thomas, Henderson, Clynes, and Snowden, MacDonald formed a cabinet largely composed of the same men as in 1924 but with some notable exceptions. Thomas Shaw was not returned to the ministry of labour but was made secretary for war instead. As minister of labour in 1929, Margaret Bondfield became the first woman cabinet member.

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29 The Times (London), June 3, 1929, p. 16.
her responsibility was restricted to matters dealing with unemployment insurance. 30 The general unemployment problem would be handled by the lord privy seal at the head of a new department, the ministry of employment. Difficulties arose over the appointment of the lord privy seal. MacDonald tried to get Henderson to take the position, but he declined. MacDonald, who decided not to serve a dual role as foreign secretary and prime minister in 1929, favored Thomas for the foreign office. Henderson, however, wanted the foreign office and refused to take any other position. Faced with this dilemma, MacDonald asked Thomas to accept the privy seal and take over the employment office. After much pressure from both the prime minister and Henderson, Thomas, realizing the difficulties of the position, reluctantly agreed to become lord privy seal. Henderson got the post as head of the foreign office. 31

The cabinet was overwhelmingly drawn from the right wing of the Labour movement. John Wheatley, the successful minister of health in 1924, was left out in 1929 because he had affiliated himself with the radical Clydesiders and had attacked his former cabinet colleagues in speeches while the party was in opposition. Snowden and Henderson wanted


Wheatley in the cabinet both because he had ability and because he would be less critical of the government in office than out, but MacDonald refused to have him under any circumstances. To placate the left wing MacDonald appointed George Lansbury commissioner of public works. Lansbury accepted on the condition that he could have a cabinet seat and help to devise the government's unemployment program.  

The prime minister appointed three men to help Thomas with his duties as minister of employment. Sir Oswald Mosley, a recent convert to Labour, was given the nominal post of chancellor of the duchy of Lancaster, with no cabinet seat. He, along with Thomas Johnston, under-secretary for Scotland, and George Lansbury, was to work on the unemployment problem. Thomas formed a committee of the chief civil servants in all of the government departments to help with the unemployment problem.  

On July 2, 1929, parliament met to hear the king's speech. The government would "deal effectively with the continuing evil of unemployment." Already schemes were being prepared that would improve transportation, agriculture, and the fishing industry and increase the export trade. Plans were also being

33 Thomas, My Story, pp. 168-169; Snowden, Autobiography, II, 767, 775, 873.
made to develop more effectively the overseas dependencies. Consideration was being given to the possibility of resuming diplomatic relations with Russia. The coal mining industry would be studied and reorganization proposals would be presented. The iron, steel, and cotton industries would be reviewed in order to improve their competitive position in the world market. 34

In the ensuing debate on the address MacDonald admitted that the government existed primarily to deal with the unemployment problem and to provide social benefits. He warned the opposition against using political tactics that would destroy the confidence of industrialists in a Labour government. He noted that the government had already consulted with the leaders in the most important trades to get their viewpoints. Regarding work-producing schemes, the government would encourage them in every possible way, including covering by guarantees modernization efforts in industry. MacDonald expressed confidence that when national industrial conditions were such that people could feel that they were being treated fairly, strife would cease and the nation would prosper. 35 MacDonald did not go into details about the government's unemployment program but left that task for Thomas.

34 Debates (Commons), CCXIX (1929), 48-49.
35 Debates (Commons), CCXIX (1929), 69-70.
Thomas told the House that he was aware of the extreme seriousness of the unemployment situation. He reminded his colleagues that he had never proposed a quick, easy remedy. The solution, he believed, depended upon improving the conditions of trade, commerce, and industry. Spending money was no solution; and besides, money was not an unlimited resource. Accordingly, the government would adopt schemes not solely for the purpose of providing employment, but rather for the purposes of stimulating trade and furthering the country's industrial development. To immediately alleviate unemployment, Thomas planned to execute schemes at home and in the colonies that, for one reason or another, had been stalled during the previous administration. He was also consulting with industrialists and seeking their advice on practical ways by which they could help the government with the unemployment problem.36

If the government was going to use schemes to reduce unemployment, they needed some type of administrative machinery to approve and to finance the projects. Thomas noted that he had requested the minister of transport, Herbert Morrison, to use the road fund to go ahead with road schemes, and if the fund ran out the chancellor of the exchequer would introduce the necessary legislation to enlarge the fund.37

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36 Debates (Commons), CCXXIX, (1929), 91-95, 107.
37 Debates (Commons), CCXXIX, (1929), 95-96.
During the previous administration the Lord St. Davids committee had been responsible for approving schemes, under restricted conditions, for certain public authorities. Thomas, who desired to continue the work of this committee, wanted them to have more freedom in approving schemes.

To be eligible for government aid, the local authorities had to demonstrate to the Lord St. Davids committee that their unemployment rate had reached 15 per cent and that the work for which they desired assistance would be done over a five-year period. Thomas declared that the requirement of having 15 per cent unemployment had nothing to do with the realities of the situation since unemployment in a locality could temporarily reach 15 per cent as the result of a sudden dismissal. Another community might have been more severely distressed for a much longer time because of a constant unemployment rate of 10 per cent. Thomas realized that the 15 per cent unemployment requirement and the five-year restriction on schemes were to discourage local authorities from depending on the government for support for projects that were their lawful responsibility. Thomas felt, however, that these restrictions were not realistic; and he wanted the St. Davids committee to be able to use their own discretion in deciding which local authorities were worthy of receiving grants. 38

38 Debates (Commons), CCXXIX (1929), 101-103.
The problem of transferred labor was another obstacle hindering the approval of the schemes of the local authorities. Thomas noted that about half of the million unemployed had been without work for three or four years and had no hope of finding jobs because they lived in areas of extreme depression. The government encouraged the local authorities to hire transferred workers by giving grants of up to 75 percent of the cost of the project provided that they would hire 50 percent transferred labor to do the work. Often local authorities who needed the large grants balked at accepting half transferred labor when they could not provide jobs for their own unemployed. Although he did not minimize the importance of moving workers out of depressed localities, Thomas believed that the requirement of 50 percent transferred labor was too high. He noted that he was working on the problem from another aspect; he was trying to get industries to move into depressed areas.39

As a past general secretary of the National Railwaymen's Union, Thomas was familiar with the problems of the railway industry. He had consulted with railway leaders and had asked them to let him know what schemes they had and how the government could help with them. Realizing the need to modernize other industries, Thomas was, he noted, making the same offer that he made to the railways to other industries.

39Debates (Commons), CCXXIX (1929), 92, 99, 100, 105.
He also informed the House that he was in the process of appointing a committee of businessmen to deal with schemes for public utility companies including railways. He asked the House for £25,000,000 to be used by this committee for granting loans, in cases where a loan was sufficient, or if a loan was not sufficient, to pay the interest on the loan for a period up to fifteen years. Thomas promised that no schemes would be undertaken that could not be financed under these conditions and that no schemes would be given to inefficient firms. In addition to the schemes sanctioned by the Lord St. Davids committee and the new committee of businessmen, road projects would be financed by the existing road fund. Schemes adopted would be aimed at developing natural resources, updating the country’s transportation system, aiding trade, and bringing new industries into depressed areas.  

Thomas, who had been colonies secretary in 1924, was aware of the resources of the various British possessions. He advised his colleagues in parliament that he would be asking their permission to amend the Palestine and East Africa loan acts to empower the government to pay interest on capital for schemes in the amount of £1,000,000. Each year in the budget the government would set aside £1,000,000 to make grants for interest on loans for colonial development. Although the independent status of the dominions must be respected, Thomas
was confident that the government could make agreements of mutual benefit with them. He proposed to go to Canada during the summer recess to attempt to work out trade agreements more favorable to Great Britain and to facilitate the migration of workers to that dominion. 41

Thomas mentioned that the government was thinking over the problems involved in relieving the labor market of the fourteen-year-old children and those individuals over sixty-five. The government had only had three weeks to devise their program; and if their proposals seemed too modest, Thomas stated that it was because they were trying to be practical and sensible. The Labour government was trying to avoid shaking the country's confidence. 42

Speaking in the debate on the government's policy, Sir Oswald Mosley remarked that the House of Commons had been elected to make the "greatest and most determined effort to deal with the unemployment problem that this nation has yet witnessed." He too stressed the point that the problem was one which would take some time to resolve. Mosley addressed many of his remarks to the opposition, clarifying points that they had brought up in the debate. Winston Churchill, the former chancellor of the exchequer, was concerned about how the government proposed to pay for schemes that he had

41 Debates (Commons), CCXXIX (1929), 106-109.
42 Debates (Commons), CCXXIX (1929), 106, 109.
pigeonholed for lack of finance. Mosley admitted that the government was faced with a dilemma, because money spent for government projects would be money diverted from industry. Mosley made it clear, however, that finances would not hinder the government from going ahead with schemes. After the project was ready to be carried out, the government would come to the House to get the necessary authority to provide the finance. To the opposition charges that the government was not carrying out its election pledges, Mosley challenged the other parties to show one instance in which the lord privy seal had failed to set up the machinery to carry out the Labour policy.43

Since concern had been expressed that the government was shelving the problem of the young and retirement-age employees, Mosley presented details about the nature of the committee that was surveying this problem. He assured the House that the government was genuinely interested in reducing unemployment by ridding the labor market of 450,000 to 500,000 children by keeping them in school one year longer, and 350,000 to 400,000 old persons by retiring them.44

Lansbury, who also spoke for the government, made a very partisan speech in which he complimented the Labour party on appointing, for the first time in history, a minister to

43 Debates (Commons), CCXXIX (1929), 112-113, 267, 257-258.
44 Debates (Commons), CCXXIX (1929), 259-269.
deal specifically with unemployment. He then proceeded to chide the Conservatives for their failure to do anything when they were in office. He particularly singled out Baldwin and Churchill in his attack. He warned the opposition members that if they spent all of their time trying to "score off" people on the Labour benches, the country would say they had put party interests above concern for the unemployed. Lansbury devoted most of the remainder of his speech to a defense of the government's policy of cooperation with capitalistic interests to end unemployment. He explained that the British Labour party was the only socialist party in the world that was devoted to the task of establishing socialism through constitutional means. Although he expressed a little discomfort at being in a position in which he would be considered "the most inconsistent and compromising of all my colleagues," Lansbury reaffirmed his belief that the answer to unemployment was a "drastic change in the social and industrial conditions of our country." 45

Several Labour backbenchers entered the debate on the address, and their speeches evidenced the varieties of opinion among party members regarding the unemployment problem. James Maxton, representing the left-wing section of the ILP, announced that he was completely dissatisfied with both the king's speech and Thomas's speech. Maxton recalled that he had criticized

45 Debates (Commons), CCXXIX (1929), 206-214.
labour and the Nation because it did not adhere to socialistic doctrine. He expressed a longing for a program that adhered to socialistic doctrine. In Maxton's view Thomas should not have made a policy statement until he had something definite to offer. He promised to support the government only on the condition that the cabinet act to relieve the people from the dread of starvation and insult. Maxton specifically recommended that the minister of labour take administrative action to rescind the regulation governing the employment exchanges that made it possible to refuse benefits to anyone they regarded as not genuinely seeking work. Several other backbenchers made this same request in their speeches.

Mr. Sexton, who had been a Labour MP much longer than Maxton, took a different viewpoint. Realizing the great difficulty of creating new government programs, Sexton congratulated the government on their program, which he felt was one of the most progressive ever presented to the House. He admitted that at one time he would have been more disappointed with the government's program than Maxton.

But time, responsibility and experience, particularly the latter have tempered the wind, and while still retaining my ideals as strong as he I gladly accept the modified programme as an instalment while, Oliver Twist like, demanding more.\textsuperscript{46}

\textsuperscript{46}Debates (Commons), CCXXIX (1929), 164-167, 188-189.

\textsuperscript{47}Debates (Commons), CCXXIX (1929), 296-297.
The most frequent criticism of Labour's unemployment program from both opposition and Labour members was that it was much milder than the promises that Labour had made in their election manifesto and in *Labour and the Nation*. Mr. Longden, a Labourite making his maiden speech, answered the criticism by noting that although they all had radically different ideas about what the government's program should be, if the government would promote an average program upon which the party could build, all of the Labourites would cooperate. Although the government's program represented only a very minimum, Longden believed that the introduction of socialistic measures would result in their defeat.  

During the short session before the summer vacation the government decided to concentrate on urgent measures that they could get passed with a minimum of effort. Some of these measures were of immediate importance. They provided the government with machinery to deal with the unemployment problem. Thomas's colonial development bill and loan guarantees and grants bill, which passed, provided the necessary administration to approve unemployment schemes. Margaret Bondfield was able to secure the passage of an unemployment insurance money bill, which increased the exchequer's contribution to the nearly bankrupt unemployment benefits fund.

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48 *Debates (Commons)*, CCXXIX (1929), 110, 111, 169-170, 315, 325-326.
to keep it operating until a suitable method of financing it could be devised. 49

A dispute arose between Miss Bondfield and some Labour backbenchers over the "not genuinely seeking work" clause that had been inserted in the 1924 unemployment insurance act by Thomas Shaw. The clause had been used unjustly by several employment exchanges to deny benefits rightly due to unemployed persons, and the backbenchers wanted the minister of labour to take administrative action to remove this injustice. Miss Bondfield pointed out that she could not act decisively in the matter; legislation would be required. She did, however, appoint a body to intervene in cases of dispute and selected a committee to study the problem. Her actions failed to satisfy many of the backbenchers. 50

At the 1929 Labour party annual conference, which was held between September 30 and October 4, just before the fall parliamentary session, Thomas remarked in reference to unemployment that "The Government, in my judgment, will be judged and rightly judged, by the handling of that problem. . . ." He noted that Labour must, as the core of its program, provide the "right to work," which implied the "right to live." The lord privy seal, however, outlined the difficulties

49Debates (Commons), CCXXIX (1929), 1127, 1130; CCXXX, (1929), 1646.

50Debates (Commons), CCXXX (1929), 1408-1423; Bondfield, A Life's Work, p. 309.
involved. By giving more people benefits the unemployment figures would be increased. This would make the government look bad. Cuts in naval armaments, to which the party was pledged, would cause more unemployment. Schemes took a long time to develop, and even then only 4,000 people had been provided work for one year for every £1,000,000 of public money spent. Thomas warned that the opposition would be attacking, and that the only thing that would justify Labour would be positive results showing that people were finding jobs. In spite of the difficulties, Thomas was optimistic. He warmly commended Lansbury and Kosley on their loyal support and expressed confidence that unemployment would be greatly diminished by February. 51

Not all of the Labour members shared Thomas's outlook. Wheatley, who deplored the government's actions in cooperating with capitalists, remarked that the basic problem in industry was one of consumption rather than production. Speaking along the same lines as Wheatley, another delegate declared that it was impossible to solve unemployment. He suggested that jobs be rationed and more leisure time be provided everyone. Taking a different viewpoint, Walter Newbold, a delegate, believed that spending £1,000,000 to employ only 4,000 people was too expensive a solution for the Liberals and Conservatives to accept. He urged the

government to find a solution through increased trade by paying more attention to salesmanship abroad and by working more closely with European countries through the economic council of the League of Nations.  

Some of the Labourites at the conference were concerned about the effect that the bank rate, which had increased from 4½ to 5 per cent the previous February, would have on unemployment. Opinion was divided, with Snowden denying that the increase would have the disastrous effect on trade and industry that the economists predicted. Ernest Bevin, a prominent trade unionist, predicted that unemployment would increase by 250,000 within the next six months. John Paton, secretary of the ILP, wanted the conference to consider his party's demand for a national system controlling banking, but he was ruled out of order on the ground that the discussion had been closed when Snowden had announced that an inquiry into the banking situation would be made.  

On November 4, 1929, a few days after the beginning of the fall session of parliament, Thomas had the opportunity to inform the House of Commons of his department's activities. Thomas reiterated his belief in a broad view of unemployment; he stated that public money would be spent to furnish employment only on the condition that the expenditure would increase

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the nation's efficiency. The export trade must be stimulated, and this would be done by improving the productive capacity of industry and developing the empire.  

Since Labour came to power, the unemployment grants committee had sanctioned local authorities' projects costing £11,000,000; the Duckham committee had approved public utilities schemes totaling £7,000,000; the minister of transport had instituted a £21,000,000 program; and Thomas had executed a £3,000,000 bridge scheme under the colonial development act. According to Thomas the £42,000,000 that had been approved would provide 1,400,000 man months employment, and schemes involving many millions more pounds currently under review would create more jobs. Thomas warned that the country could offer social services only in accordance with her ability to pay; however, he was confident that the country could pay if exports rose.

Herbert Morrison, the minister of transport, explained the details of the various road schemes and devoted the remainder of his speech to criticisms of the other two parties. He remarked that on the one hand the opposition complained because Labour did not introduce socialism, and on the other hand they warned the government that if they did they would

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54 Debates (Commons), CCXXXI (1929), 659.
55 Debates (Commons), CCXXXI (1929), 660-677.
be defeated. Morrison stated that Labour had deliberately restrained from promising to quickly end unemployment because they realized the difficulties that they would face after years of a Conservative government. He also recalled the failures of Lloyd George's coalition government, and he praised Labour for already having accomplished more than any previous government. 56

Speaking along the same lines as the minister of transport, Mr. Alpass, a Labour backbencher, expressed amazement that the opposition could be concerned because the government had not accomplished in five months what the Conservative government had failed to do in five years. Although he believed that the ultimate solution to unemployment must be the reorganization of industry on a socialistic basis, Mr. Alpass was pleased, given the limitations of the parliamentary situation, with the accomplishments of the government. He recognized that the dawn of socialism would not come until Labour had a majority. 57

Not all of Labour's backbenchers were prepared to exercise patience with their government. James Maxton made an impassioned speech in which he denounced Thomas's policy because it did not do one thing to bring about socialism and close the gap between the idle rich and the idle poor.

56 Debates (Commons), CCXXXI (1929), 716-724.
57 Debates (Commons), CCXXXI (1929), 732-737.
He chided Thomas for trying to make capitalism work when even the Conservatives could not do that. He invited the lord privy seal "to throw overboard the Tory philosophy of unemployment" and to do something to distribute work and leisure among the entire population. Winston warned that unless they did something soon to further the cause of socialism, the government would lose the support of its backbenchers. 58

A few days before Christmas unemployment was again fully debated in the House of Commons. An opposition member noted that unemployment had risen from 1,117,800 when Labour took office to 1,309,500 on December 9. Thomas explained the increase as a normal winter work slump. He excused the government's slowness to achieve any notable results in decreasing unemployment by calling attention to the necessity of getting parliamentary sanction for many of the projects. He also noted the difficulty in getting municipalities to submit schemes. Because of all of these difficulties very little work would begin until April or May. Although Thomas acknowledged the importance of providing work, he remained firm in his refusal to consider any project unless it would aid the trade or industry of the country. 59

58 Debates (Commons), CCXXXI (1929), 700-707.
59 Debates (Commons), CCXXXIII, (1929), 1794, 1858-1862, 1864-1866.
The lord privy seal devoted much of his effort to the problem of increasing the export trade. He had met with the dock authorities to determine what could be done to improve the efficiency of the nation's harbors. He proposed to return twenty trade commissioners, removed by the previous government as an economy measure, to their stations throughout the world, where they would be responsible for developing British trade. In regard to general trade prospects, Thomas noted that the economic crisis in the United States created uncertainty in trade; and it was difficult to determine how trade would be affected in the long run. 60

The speeches in the debate reflected a general discontent with the government's unemployment policy. One of the most bitter attacks on the government came from its own back benches and was delivered by Mr. Wheatley, who described the government's program of projects and prospective schemes as "... the same old stage army that has tramped the battle lines of Labour Ministers since ever this crisis began. There is, as far as I can see, not one new idea." Wheatley went on to say that the government had no far-reaching plan for solving the problem but had simply been treating unemployment as a crisis that would soon end. According to Wheatley, the government's efforts at rationalization were causing more unemployment; and efforts at land reclamation

60 Debates (Commons), CCXXXIII (1929), 1863-1866.
were wasteful because the country already had a million acres of uncultivated agricultural land. Capital being sent to the colonies and the dominions would, in Wheatley's opinion, simply aid industries that would compete with British industries. 61

Wheatley was especially critical of MacDonald's and Thomas's meetings with industrial and intellectual leaders. He concluded that capitalism had reached its "old age" in Great Britain and that unless the government made an effort to bring in a new order of society, the country would decay into ruin. 62

All of the criticism was beginning to have an effect on Mr. Thomas. After only six months as employment minister the strain of office was already becoming too much for Thomas. On December 2 Beatrice Webb noted in her diary that Thomas was in a state of panic over unemployment. According to Mrs. Webb he refused to take advice and considered suggestions accusations of failure. 63 Thomas admitted that he had been completely unprepared for the constant criticism from his own party as well as the opposition. He felt a personal responsibility for the rising tide of unemployment and was bitterly disappointed to realize that all his efforts were not succeeding in the face of the world economic depression. Thomas was

61 Debates (Commons), CCXXXIII (1929), 1805-1806, 1809-1810, 1813.
62 Debates (Commons), CCXXXIII (1929), 1817, 1820.
encouraged to continue in his difficult office by King George V, who complimented him for doing his best in an extremely difficult position and tried to make him realize that the increase in unemployment was not his fault.\textsuperscript{64}

On January 21, 1930, it was necessary for the minister of labour to ask for additional funds to keep the unemployment insurance fund from going bankrupt before the new insurance bill had completed all of the necessary stages to become a law. The opposition took this opportunity to debate unemployment. At this time Miss Bondfield reviewed some of the programs that her department had undertaken to help unemployed workers. She noted that at the end of the year 2,689 men were in workers training centers. Unemployed persons who had been trained and who had then emigrated to Australia numbered 2,366. Canada received 4,893 British workers. Prospects for future migrations appeared doubtful since both Canada and Australia were not taking any more immigrants at that time. Training centers for transfer workers had handled a total of 3,468 persons, and at that time 929 trainees were enrolled. Miss Bondfield noted that the purpose of the training centers was not to teach people specific trades but rather to enable them to maintain the skills that they already possessed and to keep them from idleness.\textsuperscript{65}

\textsuperscript{64}Thomas, \textit{My Story}, pp. 155-156.

\textsuperscript{65}Debates (Commons), CCXXXIV (1930), 130-132, 135.
The minister of labour blamed the current problems in industry on its leaders who had failed to look ahead and realize the need to rationalize the country's heavy industry. She noted that the problems in industry were coming to a climax all at once. It was impossible to reorganize the coal, cotton, wool, iron, and steel industries all within a few months; but until that was accomplished unemployment, Miss Bondfield believed, would continue increasing. 66

Several opposition members expressed concern that the large amounts being spent for unemployment relief might put a crippling tax burden upon industry and thereby further increase unemployment. One opposition MP noted that on the one hand the government, through the lord privy seal, were encouraging the export trade while on the other hand they were taxing industry so heavily through the ministry of labour that British products could not be produced cheaply enough to compete with foreign goods. The MP also argued that the average manufacturer, who could not sell his goods on the foreign market, could not raise the money to modernize his factory to cut the costs of production. 67

With unemployment at 1,473,000 by February, it was obvious that Thomas had failed to cope with the problem. It was also becoming apparent that he was discouraged by the

66 Debates (Commons), CCXXXIV (1930), 133-134.
67 Debates (Commons), CCXXXIV (1930), 139, 143-145.
magnitude of his task. Speaking in the House of Commons, Thomas observed that, while the questions were always addressed to him, unemployment was not his problem or his party's problem, but it belonged to all parties in the House. Even though he expressed doubt that schemes were an effective solution for unemployment, he felt that he should receive more cooperation from his colleagues in speeding up their passage.

Thomas spoke pessimistically about the conditions in several industries. He revealed that the serious situations in the cotton, coal, and steel industries would cause the dismissal of large numbers of workers before these industries could put their trade on a sound basis. The trade facilities act had not been renewed to aid these industries because, according to Thomas, money from this source in the past had merely hindered them from facing the reality that they must modernize to survive. Thomas noted that he had consulted with the governor of the Bank of England, who had agreed to organize the Bankers Industrial Development Company, an organization which would provide finances for sound schemes of industrial reorganization. Thomas rejected the idea

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68 Debates (Commons), CCXXXIV (1930), 1527, 1566, 1568.
69 Debates (Commons), CCXXXIV (1930), 1568-1573.
70 Thomas, My Story, pp. 175-176; Debates (Commons), CCXXXIV (1930), 1562, 1570-1572.
that the Labour government, by refusing to adopt a safeguarding policy, was responsible for the unsound conditions in industry.\textsuperscript{71}

Although many of the opposition members who spoke in the February 3 debate on unemployment believed that Thomas's approach was wrong, several expressed sympathy for him and the tremendous responsibility that he had had to bear. Herbert Samuel, a leading Liberal, believed that Thomas's schemes were on too small a scale; he suggested that the government needed to make a greater effort to secure cooperation from the other parties. Another opposition member expressed the opinion that creating the position of minister of employment was a mistake. It was wrong, he believed, to make a man, who had no power to determine the government's fiscal policy, social policy, and war debt policy, responsible for unemployment. According to the opposition member, Thomas was in the position of having to take the blame for unemployment that was often caused by policies over which the employment minister had no control. Mr. Amery, a Conservative, complimented Thomas for making a wholehearted effort to deal with unemployment under very difficult circumstances.\textsuperscript{72}

As the unemployment figures continued to rise, the opposition parties became more concerned about the problem. On March 10, 1930, Lloyd George noted that 1,539,300 people

\textsuperscript{71}\textit{Debates} (Commons), CCXXXIV (1930), 1572-1573.

\textsuperscript{72}\textit{Debates} (Commons), CCXXXIV (1930), 1646, 1579-1580, 1618-1619, 1627.
were unemployed. He asked all members of the House to share the responsibility for unemployment. He praised Thomas for making an effort to find a permanent remedy for the industrial problems but offered the criticism that the minister had neglected the temporary problem, the masses of unemployed people. Lloyd George made it plain that he did not believe that safeguarding was a solution but suggested that more could be done to develop agriculture and to devise a large national road scheme. He urged the government to take bold steps to clear up unemployment, which, he noted, was creating a bad impression abroad.  

Three days later, on March 13, the Conservatives had their opportunity to call attention to the serious situation. Baldwin moved the following censure motion:

That this House deplores the depression in trade and the increase in unemployment resulting from the policy of the present Government, and regrets the refusal of the Government not only to extend Safeguarding or Imperial Preference but even to declare their intentions with regard to the maintenance of the existing Safeguarding and McKenna Duties and duties on sugar, silk, and key industries, thereby increasing uncertainty and distress.  

From the beginning of the second Labour government the Conservatives had periodically brought up the question of safeguarding. They attempted to amend the king's speech to include a declaration concerning safeguarding. On February 5

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73 Debates (Commons), CCXXXVI (1930), 951-967.
74 Debates (Commons), CCXXXVI (1930), 1535.
they moved a resolution in favor of safeguarding depressed industries, which, according to the resolution, were suffering from unfair foreign competition. In most of the speeches on unemployment the question of safeguarding was discussed.

During the debate on March 13 Snowden presented the government's position in regard to protection by reiterating the statement that the prime minister had made when the government had been established. The government would consider no further applications for safeguarding. Existing duties would be allowed to expire, and the government's budget policy would be kept secret until the proper time to reveal it. Although he was not able to repeal the McKenna and the silk duties in the 1930 budget because he needed the revenue, Snowden noted that the government's promise to abolish them would be carried out in time.

Snowden did not regard the government's fiscal policy as responsible for the increased unemployment but stated that the causes were the over production of raw materials, the financial crash in the United States, and the aftermath

75 Debates (Commons), CCXXIX (1929), 529; CCXXXIV (1930), 2026.
76 Debates (Commons), CCXXXVI (1930), 1551-1552.
77 Debates (Commons), CCXXXVIII (1930), 2671-2672; Snowden, Autobiography, p. 885.
of five years of inaction under the Tories, which had stymied the normal process of post-war reconstruction.\(^7^8\)

The House of Commons was busy with the budget proposals in April and May and did not get around to another debate on unemployment until May 19. At that time Thomas had no words of encouragement to offer. He reported that the government had sanctioned schemes totaling £95,000,000, which would provide employment for 380,000 persons for one year; however, many schemes ran for several years. Currently only 100,000 persons were employed as a result of all of the government’s projects with the exception of the railway schemes. Thomas admitted that he did not believe that schemes would permanently solve the unemployment problem, but he promised to continue promoting his program. By aiding national development, the schemes would increase the nation’s ability to take advantage of prosperity when it returned.\(^7^9\)

Several Labour backbenchers made their usual speeches supporting socialism as the cure for all of the social and economic evils of the country. David Kirkwood, an ILP radical, suggested that workers be given raises in order to be able to buy the goods that they produced. He asked that the ILP doctrine, a living wage, be adopted and proposed that the government pass a law making it illegal to lower wages.

\(^7^8\) *Debates* (Commons), CCXXXVI (1930), 1550.

\(^7^9\) *Debates* (Commons), CCXXXIX (1930), 101-102, 107.
Lang, another backbencher, observed that Kirkwood's speech was "the sheerest propaganda" since there was no socialist majority in parliament. He suggested that the government work more closely with the Liberals and possibly adopt some of the solutions for unemployment that the Liberal party had incorporated in their election program. A third Labour backbencher, R. A. Taylor, urged Thomas and Snowden to adopt an unorthodox financial policy. It was better, Taylor believed, to pay palliatives and to raise the level of consumption, even if it caused inflation, than to limit production by holding fast to traditional financial orthodoxy.

Discontent had been mounting inside the government against Thomas. By the end of May it had reached a climax. From the beginning of the government Thomas's relations with the three ministers on his unemployment committee had not been harmonious. The committee members felt that Thomas's methods to end unemployment were not adequate. On their own they had drafted a program, the Mosley memorandum, which Mosley submitted to the prime minister and several cabinet members, Thomas not included. When this occurred in February, 1930, Thomas attempted to resign because he felt that his subordinates had been disloyal to him. After MacDonald


reprimanded Mosley. Thomas was persuaded to continue in his position.

Mosley submitted the memorandum to the cabinet where it was considered for some time but finally rejected because it conflicted with Snowden's financial orthodoxy. Mosley resigned after the cabinet turned down his plan and presented his proposals to a Labour party meeting where he had the sympathy of those in attendance. He might have secured significant Labour support for his program if he had not insisted on pushing his program through to a rapid vote.

On May 28 Mosley explained his reasons for resigning and described his program to the House of Commons. He noted that the government's first mistake had been their failure to create adequate administrative machinery to deal with unemployment. Too much of the initiative had been placed in the hands of the committee of civil service chiefs, who had met at irregular intervals under Thomas's chairmanship. Mosley complained that he, Lansbury, and Johnston were not even invited to the first two meetings of this committee when every major decision on policy and administration had been decided.

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82 Thomas, My Story, pp. 169-174.
84 Snowden, Autobiography, II, 875-878.
85 Debates (Commons), CCXXXIX (1930), 1349-1350.
Lesley expressed his belief in a two-fold remedy for unemployment: a program to reconstruct industry and a program to deal with the current unemployment. The government's entire program for unemployment depended upon rationalization of industry to expand the export trade, which, according to Mosley, was a dangerous policy to pursue. He contended that increased industrialization throughout the world made it impossible for Great Britain to recover the trade position that she had once occupied. Mosley noted that the solution to Britain's problems depended upon the home market, which should be developed through a policy of tariffs and controlled imports. The banking system needed to be reorganized to provide better financial backing for industry. 86

As a solution for the current unemployment situation Mosley proposed that the government borrow £100,000,000, which could be repaid in prosperous times, to carry out emergency work schemes. In areas of extreme depression, instead of transferring workers, the government should pay the entire cost of the projects. To secure better cooperation from local authorities, the government should impose a time limit on their offers of assistance. 87

Mosley made a good defense of his policy in the House, which had the effect of an attack upon the efforts of the

86 Debates (Commons), CCXXXIX (1930), 1351-1362.
87 Debates (Commons), CCXXXIX (1930), 1362-1370.
government in handling unemployment. Labour party members went to the prime minister and demanded Thomas's resignation. Under the circumstances MacDonald decided to put himself in charge of unemployment. Thomas was made dominions secretary. 88

CHAPTER III

UNEMPLOYMENT AND THE ECONOMIC CRISIS OF 1931

By the end of its first year in office, it was obvious that the second Labour government had not been able to fulfill its promise to deal adequately with unemployment. On June 4, 1930, unemployment reached 1,770,100, and it was still increasing. MacDonald explained that when Labour took office the world market was normal, and unemployment was merely an internal British problem. The solution then was a relatively simple one of insurance, a normal amount of relief work, and reconstruction of industries to enable their production to compete on the world market. Now, through no fault of the Labour government, world prices were falling, resulting in world-wide trade depression. With this situation facing the country, MacDonald asked for more cooperation from the opposition parties than he had had in the past.

The prime minister believed that world conditions had changed, and the old ideas of protection and free trade were no longer applicable to the situation. Twentieth-century

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1 The Times (London), June 4, 1930, p. 16.
2 Great Britain, 5 Parliamentary Debates (Commons), CCXXXIX (1930), 1331-1332, 1335, 1339.
conditions required that new remedies be devised and applied. Rationalization was important, and it must be carried out under national control. MacDonald noted that world unemployment was caused by world capitalism, and that it could only be cured by adjusting conditions in the present industrial and economic situation. 3

MacDonald announced several changes in the organization of the government that would affect the administration of the unemployment problem. Clement Attlee, who had served as under-secretary for war during the first Labour government, was appointed chancellor of the duchy of Lancaster to replace Mosley. 4 MacDonald made Vernon Hartshorn, a Welsh mining leader who had been postmaster general in the first Labour government, lord privy seal. 5 Explaining Hartshorn's position to the House of Commons, MacDonald noted that the lord privy seal would no longer bear full responsibility for unemployment. In the future the head of each department would answer for the work of his department, and the prime minister would be responsible for the government's unemployment policy. Hartshorn would merely coordinate the work of the various departments. Lansbury would no longer be

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3Debates (Commons), CCXXXIX (1930), 1338-1339.


specifically connected with the employment department. On June 18 MacDonald announced to the House of Commons that he had formed a new committee composed of civil servants under the leadership of Sir John Anderson, permanent under-secretary at the home office. This committee would be responsible for the passage of unemployment and agriculture measures.

Referring to a statement that he had made when the second Labour government took office, "that Parliament should be a Council of State," the prime minister noted that the unemployment problem presented an opportunity for all parties to work together in a non-partisan manner. MacDonald explained that he was not trying to form a coalition government, but that he wanted the parties to pool their ideas and to determine how much agreement could be reached to expedite measures through the House of Commons. Lloyd George announced his acceptance of the conditions of the prime minister's invitation, but Stanley Baldwin refused on behalf of the Conservatives because Labour had ruled out any consideration of a protection policy, which the Conservative leader felt was essential to the solution of the problems of industry.

While the government was striving for better cooperation with the opposition, divisions were widening among the rank

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6 Cole, History of the Labour Party, p. 239.

7 Debates (Commons), CCXL (1930), 432-433.

8 Debates (Commons), CCXL (1930), 430-431, 435-436; CCXLIV, (1930), 802.
and file Labour party members. At the 1930 annual party
conference the splits in the Labour movement were apparent.
Hosley presented his proposals, and Lansbury spoke in favor
of them. The former minister's ideas had considerable sup-
port among Labourites, and when the Hosley memorandum was
brought to a vote it was narrowly defeated with 1,046,000
in favor and 1,251,000 against. 9

Again, as at the previous conferences, the opposing
policies of socialism now and evolutionary socialism had
their spokesmen. The conference passed a resolution which,
while recognizing the parliamentary situation, urged the
government to develop bolder national work schemes and to
apply more vigorously the principles embodies in Labour and
the nation. James Maxton failed in his attempt to pass a
resolution urging the government to disregard the parliament-
ary situation and to immediately apply socialistic principles.
Disturbed by the division in his party, MacDonald warned the
conference members to be careful of their criticism of the
government because the opposition would use it against the
Labour party. The prime minister also observed that the
government had not been able to accomplish some things in
parliament because some Labour MP's had refused to accept
ordinary party discipline. 10

9 Report of the 30th Annual Conference of the Labour Party
(London, 1930), pp. 201-205.

10 Report of the 30th Annual Conference, pp. 180, 186-191,
200, 184, 192-193.
In spite of the division in its ranks, the control of the party remained in the hands of the elements favorable to the government's policies. The annual report contained a summary complimentary to the government for its achievements toward a solution for unemployment. Although the party admitted that no cure to unemployment was possible under capitalism, the Labour government had made tremendous strides by passing the development act, the road program, the colonial development act, and setting up the unemployment grants committee, which approved schemes. The government had also undertaken the task of reorganizing industries through the passage of the coal mines act, the road traffic act, and the housing act. The government had set up an economic advisory council that was composed of eminent economists, businessmen, and labor representatives to study the economic situation and to advise the government. According to the conference report, the government's measures would have made a significant contribution toward solving unemployment had there been no world depression.\(^\text{11}\)

The feeling was widespread among Labourites that if the government could not solve unemployment, then at least it must provide adequate unemployment benefits. The government had secured the passage of an unemployment insurance act in March, 1930, which abolished the main grievance in the old act.

\(^{11}\)Report of the 30th Annual Conference, pp. 50-51.
Instead of having the unemployed individuals prove that they were genuinely seeking work, the employment exchanges now had to present evidence that the unemployed person had declined a suitable job, or, when suitable work was available, had refused to apply. The bill also provided for the exchequer to finance transitional benefits to be paid to persons who had been unemployed so long that their regular benefits had expired. But beyond the improvement in the administration of the unemployment benefits, the party members wanted the amount of the benefits increased. They passed a resolution demanding that the benefit scale set down in **Labour and the Nation** be immediately adopted.\(^{12}\)

The 1930 conference also passed resolutions urging the government to enact additional legislation. Since the government was accelerating the rationalization of industry with the consequent displacement of labor, the party wanted an act to be passed that would adequately compensate such employees. Agriculture had been neglected by the government's unemployment programs. In view of the unfavorable trade balance, the conference passed a resolution in support of revising the entire agricultural system to enable the country to raise more of its own food. The Labour party suggested public ownership, control, and use of land for

cultivation purposes. They also wanted adequate income for agricultural workers.\textsuperscript{13}

The king's speech on October 28, 1930, at the beginning of the session, did not mention any specific plan for dealing with unemployment. The government promised to submit legislation to encourage settlement and employment on land. Measures would be proposed to raise the age of compulsory school attendance. The entire question of unemployment insurance would be thoroughly investigated by a royal commission, which would make interim reports. The government would use these reports to draft legislation. Meanwhile the government would have to pass another measure to provide finances for the fund.\textsuperscript{14}

When the prime minister spoke he made little reference to the unemployment problem except to reiterate the measures proposed in the king's speech. He hoped to get the agriculture and education bills through parliament before Christmas. In defense of the appointment of a royal commission, MacDonald noted that the unemployment insurance problem had become so intricate that it was necessary to have a study made by a non-partisan group. The prime minister upheld the principle of paying unemployment insurance even though the fund had to borrow. He believed that the country was getting its money's

\textsuperscript{13}Report of the 30th Annual Conference, pp. 223-225, 208-212.

\textsuperscript{14}Debates (Commons), CCXLIV (1930), 6.
worth by avoiding the widespread destitution that would have resulted had there been no insurance provisions.\textsuperscript{15}

Vernon Hartshorn reviewed the government's unemployment policy. He claimed that the government had done more for unemployment than any other in the past ten years by approving £135,000,000 for schemes that were presently providing employment for 150,000. He promised that 200,000 would be employed by schemes by the year's end. The reason for the heavy current unemployment figure of 2,200,000 was the loss of markets after the war. The government was trying to assist industries to restore their markets and to retain the ones that they presently had. Hartshorn believed that unemployment could be solved by building a home market and increasing the efficiency of industry. Although he would continue encouraging the schemes of local authorities, he did not believe that they would provide a solution for unemployment.\textsuperscript{16}

The typical reaction to the government's policy for unemployment was disappointment; it was expressed by members of all three parties. Lloyd George criticized the prime minister for not giving direction to his ministers. He felt that MacDonald had spent too much time on foreign affairs and had neglected domestic problems. He called upon the prime minister to view unemployment as an emergency and to deal with

\textsuperscript{15}\textit{Debates} (Commons), CCXLIV (1930), 23, 29, 21.

\textsuperscript{16}\textit{Debates} (Commons), CCXLIV (1930), 162-165.
It accordingly. Austen Chamberlain, a leading Conservative, moved an amendment to the address charging the government with failing to include adequate measures to meet the economic crisis and to curtail the spread of unemployment. Chamberlain remarked that the government had not demonstrated that they had any plan or even any idea how serious the situation had become. 17

Chamberlain suggested that protection was the answer to the economic difficulties of the nation. Graham, president of the board of trade, replied that if the government thought that tariffs would help, they would apply them. Attlee remarked that the Conservative request for tariffs was an admission of the failure of capitalism. Both Graham and Attlee stated that industry needed to be reorganized. 18

The majority of the Labour backbenchers who entered the debate on the address felt that the government’s proposals were inadequate. Although some of them followed the government’s reasoning that industrial reorganization was the critical need, many Labour members’ speeches reflected the influence of Mosley’s memorandum. They stressed the importance of developing the nation and building a large home market. Several Labourites suggested monetary reform, and some specifically recommended going off the gold standard to make the money supply more

17 Debates (Commons), CCXLIV (1930), 54-56, 503, 513.
18 Debates (Commons), CCXLIV (1930), 520, 530, 620-621, 630.
elastic. Snowden's financial orthodoxy came under criticism by backbenchers who wanted to know why the chancellor of the exchequer could borrow money for unemployment benefits but not for constructive work.19

Fred Jowett, a Labour backbencher, moved the following amendment to the king's speech:

But humbly regret that the Speech from the Throne contains no proposals making for Socialist reorganization of industry, agriculture, banking, and the import and export trades, and for the fairer distribution of the national income.

In moving his amendment Jowett contended that he was not asking for full-blooded socialism, but he was asking the government to adopt measures such as control of finance and banking, which they had advocated during the election campaign. According to Jowett, the government should not adopt rationalization except along socialistic lines where labor saving methods would allow workers more leisure. Jowett was worried because the high unemployment rate weakened the position of the workers and made them vulnerable to the exploitation of capitalists. He warned that decreased wages meant reduced purchasing power in the home market, which would be very unhealthy for industry.20

Miss Loe, another Labour backbencher, supported Jowett's amendment not because she opposed the measures in the king's speech, but rather because she believed that they were totally

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19 Debates (Commons), CCXLIV (1930), 745-747, 139, 141-142, 169-170, 117, 244, 78-79, 116, 143, 574-575, 786-790.

20 Debates (Commons), CCXLIV (1930), 397-401.
Inadequate under the present circumstances. Although she did not believe that the government could solve unemployment with its current parliamentary support, Miss Lee did feel that the government could do more. She wanted to see more socialistic measures and fewer compromises with the opposition. Mr. Smith, parliamentary secretary to the board of trade, opposed Miss Lee. He argued that any attempt to promote socialism would invite the government's defeat. He believed the king's speech contained everything that the present parliament could reasonably be expected to pass. When Jowett's amendment was brought to a division, it was defeated 156 to 11. 21

Just before Christmas Sir Tudor Walters, a Liberal, raised the question of unemployment. He described the manner in which the House of Commons was treating the problem in the following words:

... but we just have a full-dress debate, in which the various parties wave their flags and shout their battle cries, and then we hand over a difficult and delicate business to Ministers. They in their turn, not feeling disposed to tackle the job themselves pass it on to the Civil Service, and this distinguished body of men ... of course at once sets to work in the orthodox manner to investigate, to deliberate, to report, to hold inquiries, and circulate reports. That goes on at great length, wonderful schemes are prepared, and large sums of money are voted, but nothing really happens. 22

In some respects the debate on December 16 was typical of Sir Walter's description. The Liberals proposed their

21 *Debates* (Commons), CCXLIV (1930), 420-422, 427-429, 432.

22 *Debates* (Commons), CCXLVI (1930), 1091.
large work schemes, the Conservatives suggested protection, and the Labourites wanted socialism. The debate differed from previous ones on unemployment in that several MP's from all three parties devoted portions of their speeches to a discussion of Great Britain's economic problems. These MP's were concerned about the effect of high taxes on industry, which were necessary because of the interest and sinking fund charges on the national debt. Even though they realized that parliament would have to act in a non-partisan manner to carry out economic reforms, several did not believe the present parliament and government had the ability to do this.  

A few of the MP's mentioned a major problem that the government had faced in developing work schemes. The government found it difficult to execute large regional or national schemes because they had to go through all the local authorities involved to get the work done. Many of the local authorities no longer had financial resources to contribute to schemes, and some refused to cooperate, for political reasons. Lloyd George suggested that to speed up the work the government should develop the projects and finance them. According to the Liberal leader, the improvements would raise property values making it possible for the government to increase the taxes to provide the necessary money. Both Herbert Morrison.

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23 Debates (Commons), CCXLVI (1930), 1144, 1177-1179, 1124, 1142, 1198, 1189, 1197, 1104-1105, 1122-1123, 1148, 1150-1153, 1159, 1163-1165, 1132-1135, 1138-1139.
minister of transport, and Arthur Greenwood, minister of health, stated definitely that the government would continue to work through the local authorities. Morrison informed the House that the government was setting up a committee of experts from various industries and representatives from local governments to recommend the schemes that the government should promote and to suggest ways to expedite them. 24

Because of the serious economic conditions at the end of 1930, the financial interests in Great Britain were demanding that the government reduce expenditure. 25 Because of the rising unemployment the government had been forced to continue borrowing money to keep the unemployment insurance fund solvent. By February, 1931, the fund had borrowed £70,000,000. In testimony before the royal commission on unemployment insurance, Richard Hopkins, controller of finance at the treasury, estimated that the fund would have to borrow £70,000,000 the following year, which would have the effect of unbalancing the budget and adding £40,000,000 or £50,000,000 to the national debt. 26 In view of this situation the Conservatives moved a vote of censure against the government for increasing public expenditure at a time when it was necessary to observe strict economy to restore confidence and provide employment. 27

24 Debates (Commons), CCXLVI (1930), 1130-1131, 1179-1181, 1117-1118.
26 The Spectator, CXLVI, February 7, 1931, p. 172.
27 Debates (Commons), CCXLVIII (1931), 430, 427.
Speaking in defense of the government, the chancellor of the exchequer noted that he could make only limited reductions because most of the expenditures were fixed by law. Although Snowden realized that cutting expenditures, especially in the social services, would be extremely unpopular with the electorate, he believed "... that the national position is so grave that drastic and disagreeable measures will have to be taken if Budget equilibrium is to be maintained and if industrial progress is to be made."

Snowden informed the House that the budgetary position was very serious. The effect of the depression had been to decrease revenue while expenditures had continued to increase. The chancellor of the exchequer expressed confidence in the basic soundness of Britain's financial position, but he warned that this was no time for parties to seek political advantage at the expense of the country. To get over the temporary crisis, Snowden observed that both political and financial sacrifices would have to be made. To avoid defeat the government agreed to accept the suggestion of the Liberals to appoint an independent committee, which would recommend to the chancellor of the exchequer reductions in national expenditure.  

On the following day, February 12, the House of Commons debated a Liberal motion calling upon the government to submit 

\[28\] Debates (Commons), CCXLVIII (1931), 447-449, 549-550.
measures that would promote national development and provide employment on a large scale. The projects would be financed out of economies in the national expenditure, taxes on the improved property, and public loans.\textsuperscript{29}

Mr. Hartshorn, who had been repeatedly questioned concerning the number of people actually employed on government schemes, concluded that 205,000 were currently at work on them. He noted that the government had made an effort to develop schemes. From June, 1929, until October, 1930, various ministers had met with the Liberals to attempt to develop proposals. Hartshorn contended that the Liberals' proposals were basically similar to the government's policy; it was merely a matter of expediting the schemes. In accepting the Liberal motion, MacDonald denied that the government had ever refused a scheme solely for lack of finance. Although he was doubtful that any permanent value would be gained by promoting schemes, MacDonald stated that the government would continue its policy of approving practicable schemes; and he appealed for national support to help the government increase its efforts.\textsuperscript{30}

During the course of the debate Sir Oswald Mosley made a very bitter attack upon MacDonald and Snowden in particular and upon the government in general. He stated that one of

\textsuperscript{29}Debates (Commons), CCXLVIII (1931), 631.

\textsuperscript{30}Debates (Commons), CCXLVIII (1931), 674, 679, 682, 684, 647-648, 651, 659-660.
the most serious dangers facing the country was MacDonald’s complacency. Mosley remarked that "If the Prime Minister could descend for a moment from the contemplation of the perfection which he contemplates so much, the business of the country might proceed more rapidly." Mosley was especially harsh in his judgments against Snowden. He accused the chancellor of the exchequer of pursuing fiscal policies that were detrimental to the interests of both workers and producers. By turning down schemes on the grounds that they were impractical when actually they only required loans, Mosley believed that Snowden had hindered economic progress.

He criticized the government for taking pride in efforts that had found work for only 200,000 people in twenty-one months when they had promised to find jobs for more than 600,000 persons in one year. Referring to the economic debate of the previous day, Mosley warned that it was no time to think of retrenchment, but rather it was time to act positively.  

Before the end of the month Mosley left the Labour party and announced the formation of the New Party to carry out his views. He was able to get only four Labour MP’s, including his wife, to follow him.  

During the spring of 1931 the House of Commons did not debate unemployment as frequently as it had during the previous

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31 Debates (Commons), CCXLVIII (1931), 685-691.

year. The Conservative opposition was more concerned with the general economic situation and debated that subject on March 31. Pethick Lawrence, financial secretary to the treasury, informed the House that the committee to recommend economies was at work. He assured the House that the government would welcome the committee's findings and would accept their recommendations as long as they were not based on a false economy which would destroy the services that the country and the House of Commons demand. The Labour backbenchers who participated in the debate were adamant that the social services must not be reduced.33

Stanley Baldwin moved a censure motion against the government on April 16 for their failure to fulfill their election pledges. This debate was characterized by party bickering, with members of the three parties making claims and counterclaims about what had or had not been done to stop unemployment. Thomas Johnston, the lord privy seal,34 informed the House of Commons that the government had fulfilled all of its pledges listed in the Labour party election appeal with the exception of two; they had failed on these two through no fault of their own. The government had been unable to promote migration because the dominions were suffering economic depression and

33Debates (Commons), CCL (1931), 997, 969, 981, 987-990.
were unable to accept immigrants. The pledge to raise the school-leaving age had not been fulfilled because the House of Lords had refused to accept the provision of maintenance grants for parents. The government had passed housing and slum clearance acts, afforestation, land drainage, and reclamation measures, electrification schemes, railway and transport reorganization, road and bridge building projects, and had promoted export credits and trade facilities guarantees.

MacDonald, who took part in this debate, expressed his disappointment that the Conservatives had refused his offer to act as a "Council of State," but he noted that the Liberals had cooperated and would continue to do so. Lloyd George also confirmed that the Liberal party would continue working with the government. He expressed confidence that Thomas Johnston had the situation well in hand, but he also noted that no man could be very effective unless he had the whole-hearted support of his chief. Although the Liberal leader admitted that he was out of place in doing so, he urged MacDonald to back up his ministers.

Mr. Stephen, a Labour backbencher, attempted to move an amendment to the Conservative motion to change it to a demand for an immediate socialistic program; but he was ruled out of

35 Great Britain, 5 Parliamentary Debates (Lords), LXXIX (1931), 1164.
36 Debates (Commons), CCLI (1931), 375-380.
37 Debates (Commons), CCLI (1931), 434-436, 417-418.
order. Mr. Brockway, who spoke on behalf of the ILP, noted that they regarded the appointment of the royal commission on unemployment insurance as a dangerous step and warned the government against accepting any of its recommendations. Brockway believed that the government was a slave of the economic conditions, and he urged the government to take the bold measures necessary to become master of the situation.38

By June 15 unemployment had reached 2,261,000. Under the strain of such a large volume of unemployment, the insurance fund would soon reach the specified limit of its borrowing powers; therefore, it was necessary for the minister of labour to obtain permission to extend the £90,000,000 limit to £115,000,000. Miss Bondfield met with the usual opposition to increasing the borrowing power of the fund, and this time the opposition was strengthened by the recent interim report of the royal commission recommending reduced benefits, increased contributions, and abolition of anomalies in the laws pertaining to unemployment insurance.39

The opposition moved an amendment against further borrowing because the government had failed to make the insurance fund self-supporting. They also chided the government for refusing to carry out the recommendations of the interim report. Thomas Johnston and Mr. Lawson, parliamentary

38 Debates (Commons), CCLI (1931), 374-375, 405, 408-413.
39 Cole, History of the Labour Party, p. 246; Debates (Commons), CCLIV (1931), 773-778.
secretary to the minister of labour, noted that in spite of
the insurance fund's mounting debt the government would not
reduce the unemployment payments because the maintenance of
benefits, they felt, was necessary from a social standpoint.
Labour backbenchers who spoke also made it clear that they
were opposed to any reduction in benefits. The opposition
amendment was defeated, and the government bill passed. 40

On July 8 the minister of labour moved an unemployment
insurance bill, which also met with opposition in the House,
but this time the opposition came from the government's own
party members. The bill, which was intended to remove cer-
tain abuses in the administration of unemployment benefits
in line with the royal commission's recommendations, was
strongly opposed by the ILP. James Maxton moved to reject
the bill because it placed control of insurance benefits out-
side of parliament, created more anomalies than it removed,
and in general did not deal with the abuses suffered by the
unemployed and working-class people. The opposition parties
supported the government, and the bill passed without serious
difficulty.41

The day before parliament rose for the summer adjourn-
ment, the House of Commons discussed the financial position

40 Debates (Commons), CCLIV (1931), 795-797, 853-854, 1219-
1220, 811-812, 836, 1210, 2087.

41 Debates (Commons), CCLIV (1931), 2215, 2179; CCLV (1931),
1383-1386, 2386.
of the country. Snowden informed the House that the economy committee had made its report, and it would be available to the MP's the following day, July 31. He noted that the government would study the report during the adjournment and make recommendations when parliament met again in October. The chancellor of the exchequer gave some hints concerning the contents of the May committee report when he reminded the House that all three parties had supported the resolution for the committee, and therefore, they would all be responsible for taking action on the committee's report. He warned his colleagues that no government—especially a minority government—could bear the sole responsibility for proposing drastic cuts in expenditure. 42

Although Snowden reaffirmed his belief in the basic soundness of the British economy, he was concerned about the budget for the following year. He assured the House that every effort would be made to balance the budget and to maintain the nation's credit even if certain classes had to make sacrifices. He was in the process of converting the war debt to a more favorable interest rate, which would reduce the burden of the national debt and, he hoped, go a long way towards meeting the need for economy in next year's budget. 43

A cabinet economy committee composed of MacDonald, Henderson,

42 *Debates* (Commons), CCLV (1931), 2512-2513.
43 *Debates* (Commons), CCLV (1931), 2506-2512.
Thomas, Graham, and Snowden would study the May committee report and submit proposals when parliament reassembled in October. 144

The May committee estimated that there would be a £120,000,000 deficit in the budget by April, 1932. To make up this amount, the committee recommended that expenditure should be cut by £96,000,000 and taxes increased by £24,000,000. Two-thirds of the savings suggested by the committee came from a single source—unemployment insurance. By reducing benefits 20 per cent and increasing the weekly contributions of employers, employees, and the state, £66,500,000 could be saved. Most of the remaining economies suggested were cuts in the salaries of teachers, servicemen, and civil servants, and reductions in grants for work schemes. The two Labour members on the May economy committee wrote a minority report disagreeing with the committee's proposals regarding unemployment insurance. 145

Publication of the May committee report caused a panic among foreign investors, who began to withdraw their money from London. Because of the serious situation, the cabinet economy committee met earlier than they had originally planned. They submitted economy proposals amounting to £78,500,000 to the cabinet. Of this amount £48,500,000

144 Snowden, Autobiography, II, 932-933.
145 The Spectator, CXLVII, August 8, 1931, p. 176.
were taken from unemployment funds and schemes. The cabinet believed that it was necessary to balance the budget and to make cuts in expenditure. They agreed on economies of £56,250,000, which included £22,000,000 from the unemployment insurance fund; but they failed to agree on an additional savings of £20,000,000, which represented a reduction of the exchequer's contribution to transitional benefits.\footnote{R. Bassett, \textit{Nineteen Thirty-One, Political Crisis} (London, 1958), pp. 72, 74.} According to Snowden, the opposition parties were prepared to accept the proposed £28,500,000 reductions, but they refused to accept the smaller amount tentatively agreed upon by the cabinet.\footnote{Snowden, \textit{Autobiography}, II, 938-940.}

At Henderson's suggestion the cabinet economy committee met with the Trade Union Congress general council, the Labour party executive, and the consultative committee of the Parliamentary Labour party. MacDonald told this group that the financial situation was so serious that unless the gold drain could be halted unemployment might rise to 5,000,000. Snowden informed them of the measures that the cabinet had agreed upon and noted that they had not decided to reduce unemployment benefits.\footnote{Snowden, \textit{Autobiography}, II, 940-941; Walter McLennan Citrine, \textit{Lord Citrine: Men and Work, An Autobiography} (London, 1964), pp. 281-284.}

Following this meeting the TUC general council met and decided to reject the cabinet proposals. They also passed a
resolution opposing any change in the unemployment insurance scheme that would make the condition of the unemployed more difficult. They suggested that the government take the necessary steps to make the insurance fund self-supporting. 49

From August 20 to August 23, MacDonald and Snowden engaged in consultations with the cabinet, the opposition leaders, and representatives of the Bank of England. The opposition parties remained firm in their demand that £20,000,000 economies be made in addition to the amount that the cabinet had agreed upon. The Bank of England, which was attempting to negotiate a £80,000,000 credit loan from New York and Paris bankers to stabilize sterling, would accept a 10 per cent reduction in unemployment benefits and £7,000,000 in economies from other sources as a condition for securing the loan. When the cabinet met on August 23, a small majority favored further economies, but the cabinet could not unite behind MacDonald to propose a 10 per cent cut in unemployment insurance. Under the circumstances MacDonald asked his cabinet to hand him their resignations. The next day he informed the cabinet that he would head a national government, which was being formed solely to deal with the financial crisis. 50

Snowden, Thomas, and Lord Sankey, lord chancellor in the second Labour government, joined MacDonald as members of


the national government. The Labour party went into official opposition to the national government.51

51 Snowden, Autobiography, II, 954; Citrine, Men and Work, p. 286.
CHAPTER IV

CONCLUSION

Both Labour governments under the premiership of Ramsay MacDonald failed in their efforts to solve unemployment, Britain’s most critical domestic problem at that time. Although the MacDonald administrations were not the only governments that failed to find an answer to this problem, the Labour party’s shortcomings had much more serious implications. Traditionally the Labour party claimed to hold the key to the solution of unemployment. By reorganizing society along socialistic lines, the Labour party would abolish capitalism and thus get rid of unemployment, the great evil perpetuated by capitalism. But the realities of the political situations in 1924 and between 1929 and 1931 made it impossible for the Labour party to fulfill its aspirations.

While in opposition the Labour party had severely criticized the earlier governments for their failure to solve the unemployment problem. Even after the experience of 1924 Labourites took every opportunity to bring up the subject. The Labour party’s attitude in opposition was certainly not conducive to securing cooperation when they formed another government in 1929. According to Harold Macmillan, a
Conservative, between 1924 and 1929 the Conservatives faced votes of censure on unemployment almost every month. He noted that naturally when Labour became the government, the Conservatives exploited the unemployment issue.¹

Although unemployment was the central issue in both the 1923 and 1929 election campaigns, in 1923 the Labour party emphasized the importance of working toward a solution of European problems in the hope of restoring trade and thereby increasing unemployment. They were especially optimistic about the benefits to be derived from trade with Russia. After the experiences of 1924, Russian trade was no longer regarded so enthusiastically. In 1929 the Labour party did promise to resume diplomatic relations with Russia and to attempt to develop trade,² but domestic issues played a more prominent part in the campaign that year. With the Liberals making an active campaign on a program of national development and national reconstruction, the Labour party was forced to emphasize their own solution for the unemployment problem. A capital levy was part of the 1924 election program, but it did not appear in the 1929 election manifesto.

²In May, 1927, the Conservative government severed diplomatic relations with the Soviet Union; and the Labour government reestablished them in December, 1929. See: Great Britain, 5 Parliamentary Debates (Commons), CCVI (1927), 2171-2172; CCXXXII (1929), 2332.
Internal dissensions in the Labour party sharpened between 1924 and 1929. The major source of discontent was from the left-wing members of the ILP, who had been greatly disillusioned by the moderate nature of the first Labour government. When repeated attempts to get the Labour party to adopt the ILP "socialism now" policy failed the ILP conference passed a regulation requiring candidates whom they supported to pledge to carry out ILP policies if elected. Because of the extreme position taken by the ILP, some of their more influential members left the party. Snowden severed his relations with the ILP in 1927, and MacDonald, who had fallen out with them in 1927, resigned in 1930. As the right-wing members left the party, the ILP came increasingly under the influence of its left-wing members who intensified their activities as a backbench opposition to a number of the policies of the government.

Because of their opposing viewpoints, relations between the Labour governments and the Trade Union Congress were not smooth; however, the second Labour government was more successful in dealing with the unions than the 1924 government. Fortunately for the second Labour government, no strikes occurred.

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5 The Spectator, CXLIV, March 1, 1930, p. 302.
which hindered the movement of essential supplies and necessitated government intervention. Consequently, Margaret Bondfield spent less time arbitrating labor disputes than Tom Shaw had in 1924, and she could spend more time working on the unemployment problem.

The greatest contrast between the two Labour governments was that one was experienced and the other was not. In 1929 fear of a Labour government was not as prevalent as it had been in 1924 because Labour had demonstrated its ability to govern. MacDonald felt compelled to choose outsiders to fill government positions in 1924 because, in his opinion, the Labour party lacked enough frontbench material. In 1929 he selected his cabinet in consultation with other party leaders, and they were able to fill all of the positions with Labourites by using people who had served in the 1924 government.

Because of their inexperience the members of the 1924 government had not realized the difficulties with which they would be confronted in merely managing the government's routine business. Stanley Baldwin commented that judging from the Labourites' promises in opposition and during the election, he would have expected a revolution; but he realized that it is a different matter when you are in the government and

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responsible for carrying out its policies. The minister of labour found this to be true. The committee of cabinet members working with him spent most of their time administering schemes already in operation.

The experience of 1924 caused the Labour party to realize that the government needed to organize more efficiently to deal with unemployment; therefore, one of their campaign promises in 1929 was to set up a separate department to concentrate on finding employment for people. Plagued by quarrels, resignations, and death, the employment department, which the second Labour government set up, was never as effective as it might have been. By depending too much on the advice of civil servants and excluding most of the ideas of the Labour ministers in his department, Thomas alienated his co-workers. After Thomas was removed from the employment department, nobody took over the responsibility for unemployment. MacDonald, who had promised to be accountable for the government's unemployment policy, never discharged his duty.

Since both Labour governments had only minority support in parliament, it was necessary for them to promote policies which, while still being acceptable to their own party, would be measures that either the Liberals or the Conservatives or both would support. Because of the political situation, both governments depended more upon Liberal support. In 1924 the

\[7\] Debates (Commons), CLXIX (1924), 849.
Liberals felt that it was necessary for the survival of their party to support Labour until some issue came up to discredit the government. Even though the Liberals were stronger in 1929, they wanted an election reform bill passed and intended to support the Labour government until the matter was decided. The increasing Conservative agitation for a protective tariff made the Liberals more favorable to a Labour government, which was more inclined to accept the free trade position of the Liberals.

The attitude that the Labour governments took toward unemployment went through a series of changes. In 1924 unemployment was viewed as having its roots in foreign trade, which had been disrupted by the world war. By 1929 the government was beginning to realize that Britain's favored trade position in the nineteenth century could not be maintained in the twentieth century. Consequently, they began to look for other causes for unemployment. The general strike in 1926 pointed out the need for industrial reorganization in coal mining.

The economic troubles between 1929 and 1931 forced many industries to close or to cut down on their operations. Rationalization, a subject which meant different things to different people, was often discussed in parliament during the second Labour government. The government tended to view rationalization as the process of reorganizing industries.

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8Snowden, Autobiography, II, 776-777.
without changing their status as capitalistic enterprises while the left-wing backbenchers claimed that the only rational way to reorganize industries was to give the workers a living wage from the profits. By doing this, the government would be creating a home market and enabling the producers to buy the products that they manufactured. As the economic crisis heightened, the government came to believe that unemployment could not be solved until the international finance problems were resolved.

The approach toward a solution of the unemployment problem was essentially the same for both governments. They tried to create relief work, or if that was not possible, to provide unemployment insurance benefits. Although the second government did more to promote schemes, neither government made a significant contribution toward permanently solving unemployment. In the face of the world depression, the second Labour government's schemes were very inadequate. As chancellor of the exchequer in both governments, Snowden maintained his orthodox views towards finance and would only spend money for schemes which would make industry more efficient or would give the government a fair return on the investment. As the financial crisis approached, Snowden became increasingly anxious for the government to economize. To carry out large schemes of the scope needed to decrease unemployment after 1929, the Labour government would need the cooperation of the other parties.
MacDonald spoke idealistically of parliament as a "Council of State" to handle the great problem, but unemployment remained a partisan issue to the end of the Labour government.

Maintaining the confidence of the capitalists without alienating the trade unionists and the left-wing elements of the Labour party was a major problem for both Labour governments. They were never successful in handling it. In 1924 the government faced the Russian treaties and the Campbell case, and they found it impossible both to placate their own party's left-wing elements and still continue on as the government. From 1929 to 1931 the government had to deal with the economic crisis in a manner that would be satisfactory to their own party and still be acceptable to a major part of the opposition. The second Labour government found it impossible.

In an attempt to gain the confidence of the capitalistic elements of society, the second Labour government set up several committees to advise the government. Although the government was careful to include Labourites and trade unionists on the various committees, the ministers did not accept the advice of their party's representatives. According to G. D. H. Cole, a Labour historian and writer, who was a member of the economic advisory council, he and several other members, including Keynes, the well-known British economist, attempted to get MacDonald and Snowden to develop a definite financial policy in 1930 and avoid a financial
crisis. Cole noted that Snowden maintained his rigid viewpoint concerning finance, and MacDonald took no decisive action on their recommendations. Ernest Bevin, a trade union representative on the Macmillan committee studying industry and finance, wrote a minority report in collaboration with Keynes and others, recommending a tariff on imports, a bounty on exports, and the maintenance of wages and social benefits. The majority and minority reports, which were presented to the cabinet in May, 1931, and released to the public in July, 1931, were never acted upon.

The left-wing elements of the party in particular criticized the government for seeking advice from capitalists. Matters came to a climax after the May committee had reported, and MacDonald and Snowden attempted to secure the cabinet's support for a reduction in unemployment benefits. The rank and file members of the Labour movement believed that bankers manipulated finances in opposition to the working class's interests, and they would not be any part of what Beatrice Webb described as "A victory for the American and British

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financiers—a dangerous one, because it is an open declaration, without any disguise, of Capitalist Dictatorship; and a brutal defiance of the Labour Movement. Enough cabinet members opposed the recommendations of MacDonald and Snowden to make it impossible for them to continue to lead a Labour government.

Even though MacDonald admitted that the second Labour government had existed primarily to deal with unemployment and social benefits, he accepted the viewpoint of the opposition parties and the financial interests that unemployment benefits must be cut. MacDonald was not alone in his belief; however, because several cabinet members supported his view that economies in unemployment insurance were necessary. During the second Labour government MacDonald spent fewer and fewer of his leisure hours with his fellow Labourites. Even though no longer foreign secretary, he was still so involved in matters pertaining to the foreign office that it was often necessary for him to be out of the country or in conferences. Gradually he had drifted away from his party and from many of his cabinet ministers. By August, 1931, he no longer had either the ability or the desire to work out an agreement satisfactory to the dissident elements in the Labour party and acceptable to the opposition parties. From his

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viewpoint, the only way out of the crisis was to secure the cooperation, which he could not get from his own party, from the opposition.
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