Bacheloroppgave

NTNU
Norges teknisk-naturvitenskapelige universitet
Det humanistiske fakultet
Institutt for historiske studier

Edvin Johnsrud

Managing the Great Depression

Action and Reaction During Recession

Bacheloroppgave i Lektorutdanning i historie for trinn 8–13
Veileder: Espen Storli
Mai 2020

Edvin Johnsrud

Managing the Great Depression

Action and Reaction During Recession

Bacheloroppgave i Lektorutdanning i historie for trinn 8–13
Veileder: Espen Storli
Mai 2020

Norges teknisk-naturvitenskapelige universitet
Det humanistiske fakultet
Institutt for historiske studier

NTNU
Kunnskap for en bedre verden

Sammendrag

Depresjonen var en periode med store økonomiske utfordringer mellom 1929 og 1935 som rammet store deler av den vestlige verden. Starten på krisen markeres av børskrakket i 1929, ofte kalt "Black Tuesday". Fordypningsoppgaven ser nærmere på hvordan næringslivet i Storbritannia reagerte på de nye økonomiske forholdene. Var det fellestrekk mellom ulike selskaper og industrier? Oppgaven baserer seg på to teorier presentert i ettertid. Den første handler om lederskap og lederskapsstruktur. Alfred D. Chandler hevder i sin bok *Scale and Scope: The Dynamics of Industrial Capitalism* at Britisk lederskapsstruktur var underutviklet i forhold til andre land som USA og Tyskland. Administrasjonen var ofte sentralisert og lite effektiv, nepotismen regjerte når nye medlemmer ble ansatt. Den andre teorien blir presentert av Thomas E. Hall og J. David Ferguson i deres bok *The Great Depression : An International Disaster of Perverse Economic Policies*. Boka tar for seg politiske vedtak fattet av ulike stater i løpet av depresjonen, og hevder at disse vedtakene var mye mer utslagsgivende for varigheten og alvorlighetsgraden av depresjonen enn det faktorer som ledet opp til denne perioden var. Sentrale vedtak oppgaven tar for seg er da pundet ble tatt av gullstandarden i 1931, devaluering av pundet og da tariffen for import ble endret i 1933.

Oppgavens primærkilder stammer fra to aviser, *The Economist* og *the Financial Times*. Begge avisene har publisert ulike artikler om økonomi i en årrekke, samt detaljert statistikk som oversikt over aksjepriser. I utgangspunktet er det møtereferater fra årsmøtene til de fire selskapene nevnt under som vil være i fokus, men oppgaven vil også benytte seg av andre avisartikler skrevet om selskapene.

Oppgaven tar for seg fire selskap; *Morris Motors* - en bilprodusent, *Gordon Hotels* - en hotellkjede, *London Midland and Scottish Railway Company* - et jernbaneselskap og *United Glass Bottle Manufacturers* - en glassflaskeprodusent. Selskapene er fra ulike sektorer i det britiske næringslivet, som vil kunne vise tiltak som ble igangsatt ikke bare i en spesifikk industri. Resultatene viser at det finnes tiltak som kun gjaldt for noen selskap, men også flere tiltak som ble iverksatt for flere av selskapene, ofte på forskjellig måte. Oppgaven konkluderer med viktigheten av politiske vedtak. Vedtak var ofte tema under årsmøtene, og det kommer ofte frem at strategien til selskapene må skreddersys til landskapet vedtakene har laget.

Abstract

The Great Depression was a time period with great economic challenges between 1929 and 1935 that affected most of the Western world. The beginning for the crisis is marked by the stock market crash in 1929, often referred to as "Black Tuesday". The research paper examines how companies in Britain reacted to the new economic challenges they faced. Were there any similarities between different companies and industries? The paper is based on two theories connected to the depression. The first is all about management structure. Alfred D. Chandler claims in this book *Scale and Scope: The Dynamics of Industrial Capitalism* that British management structure is underdeveloped compared to companies in the US and in Germany. The administration was often centralised and lacket efficiency, and new hires to the administration were often based on nepotism. The second theory is presented by Thomas E. Hall and J. David Ferguson in their book *The Great Depression : An International Disaster of Perverse Economic Policies.* The book looks at important political policies implemented by different governments during the depression, and argues that these policies were more critical to the development of the depression than the economic relations leading up to the crisis. The most important policy changes that are included in the paper are the abandonment of the Gold Standard in 1931, subsequent devaluation of the pound, and when the government raised import tariffs in 1933.

The primary sources the paper is based on originates from two newspapers, *The Economist* and *the Financial Times*. Both newspapers have published different types of articles related to economics for centuries, as well as detailed statistics like prices of stocks. The paper will mainly focus on reports from the annual meetings of four different companies mentioned below, but the newspapers also published other articles of interest.

The paper looks at four companies; *Morris Motors* - a car manufacturer, *Gordon Hotels* - a company which owned and operated several hotels, *London Midland and Scottish Railway Company* - a railway company and *United Glass Bottle Manufacturers* - a glass bottle and tableware manufacturer. The companies are from different sectors in the British business world, which will illuminate measures taken across several industries. The results show that there are measures that only some companies applied, and some that several or all the companies applied, often in different ways. The paper also concludes on the importance of government policy. Political policy was often brought up during the meetings, and the company strategy was often tailor made to government policy.

Table of Contents

A Brief Explanation of Key Expressions[1]

Below are some expressions which are useful for the understanding of the results presented later. While the results are from reports from annual meetings and not annual reports, the same terminology can be applied to both types of sources. The expressions themselves are not always present in the source material, but understanding the relationship between them is crucial to understanding the motivations of companies both in the past and in the present.

Revenue: Revenue is used for the sales a company makes. Total revenue in the annual report is therefore the total amount of sales a company has made during the year the report covers.

Expenses: Expenses are used by Thomsett as cost not directly correlated to production, but the term is often used as an umbrella that includes all cost. Examples of expenses are wages, raw material costs, cost of operation and maintenance as well as marketing.

Cost of goods sold: This covers the cost of making and selling the goods. The cost of goods sold includes amongst others material purchases and salary to employees making the goods.

Profits and margins: Margins equal the revenue of a sale subtracted by the cost of producing said product. Profits equal the margin subtracted by all other expenses. This means that a company can have positive margins, but still lose money.

Other incomes: Income not from production. Examples are capital gains from selling assets and investment profits. Some companies might also make money on trademarks and patents.

Other expenses: Expenses related to the examples of other incomes, such as capital losses from selling assets and investment losses.

Asset: An asset can either be tangible or intangible. A tangible asset can be properties, production lines and stock of a product. Intangible assets are hard to put an exact value on. Examples include patents and goodwill.

Goodwill: Goodwill is an *intangible asset*. Goodwill consists of other intangible assets like brand value, customer base as well as relations to both customers and employees. The value of goodwill becomes material when a company is sold, as goodwill contributes to a valuation higher than the company's material asset value.

[1] Thomsett 2007: 39-42.

The paper is referenced with APA 6th with footnotes. Primary sources are referenced with date, title and page number both in the footnotes and in the reference list.

Introduction

The Great Depression is arguably one of the largest events in economic history. The "Black Tuesday" stock crash ended the "roaring twenties" and started an economic downturn that lasted nearly a decade, which forced several governments in the Western world to reconsider their policies on currency and capital. This paper examines two aspects of the Depression and how they were connected to each other; the role of management and management structure as well as the role of government policy. The paper will look at how some historians have different opinions on the importance of these two perspectives on the Depression itself, and analyse annual meetings of four British companies during this period of time. Their meetings reveal how the companies themselves reacted to both a changing economic landscape as well as changes in government policy. To begin this paper, some boundaries will be set and the research question this paper examines will be detailed. Then, relevant background information, historiography and method is discussed before the analysis mentioned is conducted.

Boundaries and Research Question

The research is focused on the time period between the Black Tuesday market crash of 1929, and will look at annual meetings until 1935. Many companies shifted their focus towards pre war buildup at that time. More in-depth background information is found in the context chapter. The economy contributes, and sometimes dictates historical events. The Great Depression is no different in this regard, as the popularity of the Nazi Party and Adolf Hitler has been blamed on the econmic depression by some historians.[2] The paper will concentrate on how Britain was affected by the Great Depression, and in particular how British companies responded to the economic struggles that Europe experienced during the early 30's. Britain was one of the largest economies in the world during the interwar period, and seeing how a stock crash in the US affected a trade partner in Europe is interesting. Were there common strategies among British companies on how to stabilize in a difficult market? Did certain types of business react differently than others? Did management react to changes in the economy in general or changes in government policy? These are all questions this research paper will try to answer.

[2] Hall & Ferguson 1998: Preface.

While many of these causes are connected to measures taken during the crisis itself, the paper will only acknowledge this when necessary. A brief explanation of the Great Depression as a time period is found in the context chapter. The paper will not concern itself with other economies than the British one. Lastly, it should be noted that government measures during the Depression are important to the measures taken by the private sector as well. As the paper will discuss later, many measures taken are direct responses to government policy in Britain. The context chapter will explain some of these, as they are relevant to every company analysed in this paper.

Historical Relevance

At the time of writing, the economy has been trending upwards since the recession caused by the Subprime Mortgage Crisis in 2007, and as recent events have shown, an economic recession can be hard to predict. The public has been optimistic towards the economic market for a while, others have been worried that we are heading towards a new recession.[3] The market moves through periods of booms followed by recessions, and has done so for decades, which makes the state of economy a topic that always holds relevance. While measures taken in the 1930's might not be applicable for companies and governments today, that in itself can be interesting to uncover.

[3] The Economist (2019, August 17). Markets are braced for a global downturn.

Context

What was the Great Depression?

The US experienced economic growth in the beginning of the interwar period, often referred to as the roaring twenties.[4] Europe did also experience some growth, mostly due to much of the industry modernizing and receiving large loans from the US[5] [6] While Europe had been through a long and bloody war, it did not cause the same amount of material damages as the war soon to come, and the losers of the war were the ones negatively affected by the peace agreement signed in Versailles. America did suffer military loss, but had a robust domestic industry that had grown to overtake competing countries like Britain.[7] In the end this rapid growth turned into one of the largest economic crises in modern history, the largest one at that point. The exact reasons for the downturn can be hard to determine, but some historians suggest that the answer can be found when looking at the American population's ability to participate in the economy.[8] While many were able to do so, the poorer part of the population was not. As the economy was fueled by consumerism, problems began when most that could have bought their cars, kitchen appliances and furniture had done so.[9] This group grew during the twenties as wealth became less evenly spread throughout the population.[10] A decline in production leads to a rise in unemployment which again leads to even fewer Americans able to participate in the economy. Much of the economic growth in the stock market was funded with loans that were not repaid, leaving the banks with less liquidity, when interest inevitably rose, they became even harder to pay back.[11] When the stock market collapsed in 1929, the banks were not able to recover along with a lot of industry leading to even less employment. The positive upwards spiral from the 20's turned downwards as unemployment rose. As America struggled, their European trade partners did as well. The banking system in neither America or most of Europe were prepared to handle a crisis like this, and the governments were unable to help.[12] In many countries,

[4] Hall & Ferguson 1998: 3-5,

[5] Chandler 1990: 320-322

[6] Crafts & Fearon 2010: 289

[7] Chandler 1990: 52

[8] Hall & Ferguson 1998: 7-8

[9] Hall & Ferguson 1998: 18

[10] Hall & Ferguson 1998: 21

[11] Hall & Ferguson 1998: 24-25

[12] Crafts & Fearon 2010: 292

Britain is a good example, unemployment rose in the beginning of the 30’s, and did not return normal levels until the buildup to the Second World War.[13] This was the Great Depression.

The Gold Standard, Devaluation of Currency and Trade Tariffs

The Gold Standard was a way to ensure the value of currency. In short, a certain amount of a given currency could be traded with a certain amount of gold, a commodity which historically had held its value well. There were several benefits to this system, trading with countries using different currencies was easy as every currency could be traded for the same commodity. It was also reassuring to both the market and to the public that their capital was worth *something*.

The reliance on the Gold Standard was officially ended in Britain in 1931, after having first abandoned it during the First World War, and then returned to it in 1925.[14] Having currency tied up in some tangible asset had been the norm, but the flaws of this system became apparent during periods where economic flexibility was needed. Having the currency tied directly to gold limits the options to create more currency, and the British government needed more currency to save their banks during the Depression. The government waited several months before they eventually had to increase the circulation of currency.[15] By no longer having the pound exchangeable for a tangible asset like gold, the government could devalue the British currency by inflation. The government had suspended the gold standard several times already, usually when capital was needed for war. The difference now was that they never returned to the standard after the country had recovered from the crisis. This paper will not explore all the reasons behind the abandonment of the Gold Standard, Hall & Ferguson do so in detail.

The government increased the circulation of the pound shortly after abandoning the Gold Standard. This measure would be very beneficial to companies exporting products to foreign markets, as these products now became more affordable. Competition with foreign import would also be more manageable, as domestic goods became cheaper than foreign import. The problem with devaluation is that if a government does not

---

[13] Crafts & Fearon 2010: 286
[14] Hall & Ferguson 1998: 98
[15] Hall & Ferguson 1998: 98

devalue their currency, their industry will eventually fall behind. Not only will they struggle with exports, but also struggle against import. This creates a pressure to devalue the currency to maintain the positive effects of having a currency weaker than potential trade partners. The market does often correct itself however, as buying cheap currency anticipating its value to increase can be quite profitable. As the paper will explore later, devaluing the British pound was critical for several of the companies, as they were struggling to export. One of them, a glass bottle manufacturer, was also having issues with being undercut by foreign competitors. While devaluation did not completely resolve this issue, it did make British manufacturers more competitive.

As mentioned, devaluation of currency can potentially become a race to the bottom. Not only that, but if the government decides to make up losses of their industry to keep it afloat, foreign dumping can also become problematic no matter how great the difference in currency valuation is.[16] Most of the world economy leading up to the Depression was based around an open market model, meaning that trade between nations was highly encouraged through low import duties and tariffs. The British government changed import tariffs in 1932, making import of foreign goods more expensive.[17] The move towards a more protectionist economic model was asked for by several members of the British private sector, as they were struggling with foregin competition. An example can be found in the annual meetings of the same glass bottle manufacturer mentioned earlier, where they even thought the new tariffs were too lenient.[18]

Historiography and Literature

The Great Depression was an event that has had an impact on most of the Western world, if not the entire world. A lot of research has been conducted on the period as a result of this. The paper will mostly focus on two perspectives when discussing the Depression; the role of management itself and the impact of government policy.

Alfred D. Chandler jr. is one of several historians who have studied the development in management structure in the Western world. He has argued that the rise of modern

[16] Dumping is the practice of selling goods to very low prices compared to the rest of the market. This is not profitable unless the loss is made up by either the government, or if the increased market share is expected to provide value in the future. The issues with currency value is circumvented, as the goal becomes to beat the market price no matter what.
[17] Horsewood, Sen & Voicu 2010: 20. This paper goes into more detail regarding the 1932 General Tariff itself.
[18] The Economist (1934, March 24). United Glass Bottles Manufacturers. p. 663

management was the most important economic development during the late nineteenth and early twentieth century.[19] His book *Scale and Scope: The Dynamics of Modern Capitalism* provides a lot of insight into British management.The topic of management is significant to the research in this paper, as British industry is often regarded as underdeveloped when it comes to management.[20] Other forms of management had been adopted in the US, Germany and Japan, like the M-form management model. This model of management is more decentralised as centralisation of management could lead to managerial paralysation. The M-form model consists of several different departments that are mostly run independently, while still working towards the same overarching goals. Having smaller departments that specified in one particular field increased management efficiency over time. Companies from both Germany and the US started adopting this model during the late nineteenth century, while British companies were underdeveloped even in 1940. John F. Wilson goes into detail on this in his book *British business history, 1720-1990*.[21] The book itself reiterates many of Chandler's points, but provides new knowledge as the timeframe of the book itself is much wider, while only looking at Britain specifically.

Another relevant point Chandler makes is regarding how management is hired and who the managers are. In many parts of the world, managers would be trained specifically for management duty. In Britain however, managers were often linked to the companies through personal connections, and these connections were often more important than actual management skills.[22] Interestingly, Chandler argues that the shortcomings in British management had a large impact on how British industry was able to capitalize on their opportunities.[23]

Scale and Scope: The Dynamics of Industrial Capitalism has been criticised after its release. David J. Teece writes in his review that while Chandler summarises and analyses business history and the rise of large firms well, Teece does not agree with Chandler on the relationship between management and economic environment. The convention has been that management is shaped by the economy, but Chandler

[19] Chandler 1990: 3

[20] Chandler 1990: 389-92

[21] Wilson 1995: 134

[22] Chandler 1990: 242

[23] Chandler 1990: 278-280

suggests that the opposite is the case. Teece concludes that "Chandler can be challenged, but he cannot be ignored by economists and others concerned with economic growth and industrial organisation."[24] While it is hard for economists to accept that their view on how the economy works is completely wrong, they should according to Teece be open for new perspectives. Roy Church is sceptical of how Chandler classified British capitalism as more personal (i.e. family owned and controlled) than the one found in the US. In fact a large part of American industry was also controlled by families or family owned holding companies.[25] Calling British industry personally managed compared to the American one is therefore flawed, according to Church.[26]

A different perspective on the Depression is the role of government policy. As discussed in the previous sub-chapter, the government enacted several policies during the Depression, and they all had consequences for the private sector. Thomas E. Hall and J. David Ferguson have written the book *The Great Depression : An International Disaster of Perverse Economic Policies* about this topic, where several policies, the abandoning of the Gold Standard being one of them. The book is a contrast to those who have said that government policy saved the world economy, as the authors believe that bad economic policies enacted during the late twenties and early thirties being much more decisive than economic factors in the world during the roaring twenties.[27] It would seem to be unreasonable to suggest that Hall and Ferguson argue against Chandler, as they are looking at different parts of the same convoluted system, but it does raise questions about management in general. Were the government policy changes too much even for a competent management to handle, or were management in British industry not able to handle the changes due to being incompetent? These questions will become more relevant when the paper looks at how certain British companies acted during the early thirties, where their actions motivated by general economic changes, or reactions to government policy.

The opposite is also true. The government had to react to a heightened unemployment rate, banks close to bankruptcy as well as the closing of large parts of the British industry. Some of these policies were promoted by British businessmen, which Wilson

[24] Teece 1993: 223
[25] Church 1990: 706
[26] Church 1990: 709. More extensive criticism of Chandler can be found in the review colloquium which Church's critique is a part of.

[27] Hall & Ferguson 1998: 161

discusses in his book. The rationalisation movement was strong in Britain during the interwar period, and did shape political policy.[28] A conclusion that could be drawn is that Chandler and Hall & Ferguson all agree on a concept that many historians do not. Whether it is the government or private companies, both theories are based on the fact that there are actors affecting the economy, not that the actors are affected by the economy. As seen in the criticism of Chandler, this is an opinion they do not share with Teece.

Some support literature has also been read before and during the writing of this paper. Michael Thomsett's *Annual Reports 101* have been helpful to gain knowledge on how annual reports should be read and what the reader can interpret from the information provided. The book was written in 2007, but the information regarding company balance sheets, and most importantly, the way they are presented to the shareholders has not changed much since the 1930's. Relevant for this paper, company records are not written to convey information objectively, but also to maintain public relations and relations to the shareholders.[29] The explanations of expressions found later in this chapter are explained in more detail in his book. Nicholas Crafts and Peter Fearon compare the Great Depression with the subprime mortgage crisis of 2007 in their paper *Lessons from the 1930s Great Depression.*

Method

Source Material

Most of the research conducted is based upon newspaper articles. While the newspapers themselves were often not present at the meetings, they did publish reports from the company itself. The reports are written like most other reports summarizing what different people said during the meetings. Some articles from the Financial Times are supplementing these reports, which illustrates the value of choosing newspapers as sources. Not only are they specialized on economic news, they are also able to contextualise the actual reports and events. None of the newspapers wrote about politics during the 1930's, and the paper will not spend much time on their particular political leaning due to this. It should however be known that the papers are somewhat right leaning on the political spectrum, which could possibly show when discussing issues like

[28] Wilson 1995: 143

[29] Thomsett 2007: 1

workers rights. The reports themselves are not commented by the newspapers they are published in, so they are only influenced by the opinions of those present at the annual meetings.

The Economist

The Economist was established in 1843. The newspaper is mostly concerned with the economy, but does also discuss a great deal of international news and politics. As they state themselves: "The Economist [...] offers authoritative insight and opinion on international news, politics, business, finance, science and technology".[30] In 1930 however, the Economist did mostly concern itself with economics, and while it should be mentioned that the newspaper is somewhat right leaning today, this is less relevant in 1930. Another trait the Economist has that is quite uncommon is the fact that the newspaper is completely anonymous. The paper claims this is done both because their articles are often produced by many different journalists, and because the message of their articles is more important than the person writing them.[31] The Economist is published every Friday. The newspaper becomes a natural choice for this paper due to their credibility, heritage and additional insight, as discussed earlier.

The Financial Times

The Financial Times, often shortened to just FT, was founded in 1888. Gale's description of the newspaper gives insight to why the newspaper is a great source for this research paper: "Limited in range and often dull, but utterly reliable in its coverage of all the relevant financial news, the FT of the twenties and thirties was undeniably the 'right stuff' as far as its almost uniformly bowler-hatted readers were concerned."[32] While the newspaper has branched out in more recent times, the FT of the 1920's and 1930's were only concerned with british economy. In return, their articles are very in-depth, and provide a lot of useful information on the topics they cover. The papers also contain lots of statistics on everything related to the stock market such as dividends as well as summaries of annual reports.

---

[30] The Economist 2020. About us

[31] The Economist 2020. About us

[32] Kynaston 2018

Archives

The research in this paper is based on two archives; Gale's digital archives of The Economist and the Financial Times. Both archives are large, and can be hard to navigate to find good primary sources. The original idea for the research project was to find company names in the appendix of Chandler and then cross referencing those with the other archives. This turned out to not be optimal. Annual reports in The Economist were published on request from the companies themselves, which means that the largest companies in Britain, which Chandler has listed, are not necessarily in The Economist. The annual meetings were as the name suggests held once a year, so looking at certain time periods in the newspapers several years in a row revealed which companies had a habit of getting their annual reports published. The period used during this project was March throughout April. Picking companies this way provided better results, and is the foundation for the analysis conducted later in this paper. This method also had to be refined, as the newspapers also published detailed statistics for many companies that turned out not to be relevant for the research conducted on company strategy. In the end, reports for the annual meetings of four relatively large British companies were located, some more detailed than others.

There are certain weaknesses to the qualitative method used for the research. While the actual reports from the annual meetings in theory should provide the best overview of the meetings themselves, more context is also needed to grasp everything that went on during the meetings. Therefore, the amount of articles one could read to conduct research is very large, and would certainly have diminishing returns. By selecting certain articles and excluding others, perspectives could get lost. By having the research question in mind when reading through the newspapers, the researcher will probably exclude articles that seem less relevant, but could run the risk of excluding articles that provide important context. To combat this, the research itself has a basis in the annual meetings, and will look for other articles when that is necessary, usually because the annual reports are incomplete. The amount of annual reports available for each company has also been a factor when selecting them. That way, every company is researched with the same base.

The Companies

An important part of this paper is the companies the research will be focused on, and the choices made here does therefore require appropriate justification. As discussed earlier, there are other factors besides the changing economic climate that affected business in Britain, government policies being one of them. The so-called abandonment of free trade is a policy change that probably did affect certain companies positively, by excluding foreing competitors, but it is also a policy that likely hurt those companies dependent on imports. This example illustrates that the new bills enacted had different effects on companies with different roles in the economy. To explore the different effects of both the rapid change in British economy and the different effects of policy change, several choices could be made. One would be to look at small selections of companies that were affected differently by different policies and the economic downturn in general, another could be to look at a larger selection of companies in the same industry, therefore likely affected by the same policy or change. As the research question has not been narrowed into a specific industry, the first approach was chosen for this paper. This allows for research into several factors, but does limit depth in some ways. In-depth analysis of every industry will not be feasible, but by looking at different types of companies, one could argue that the paper provides a more complete look at the economy than just looking at one industry. Several industries in Britain are also connected to each other, so looking at just one of them could leave out crucial insight. The method could potentially turn up many interesting points for further research too. The second approach is not without issues as explained, and the result of looking at only one group of companies runs the risk of not actually answering the research question.

Morris Motors

The British auto industry developed into a proper manufacturing industry during the 1920's. Morris Motors ltd. was formed in 1919 by Sir William Morris, and was one of Britain's leading car manufacturers during the 1920's and 1930's, with a market share of over 50 percent in 1929.[33] Car companies have several traits that make them interesting in relation to the research question. These companies are dependent on raw material pricing in their manufacturing, and employed many workers at their factories. A company in the car business should therefore provide some insight into employment and

[33] Church 1990: 707

unemployment, and perhaps also the consequences of raw material prices. Another interesting aspect with the car industry is the consumer side. Morris Motors sold cars to consumers through car dealers. While the typical car owner in Britain in the 1930's was more wealthy than today, referred to as a separate class at one of Morris Motors' annual meetings[34], they would still have to navigate a market with less capital during the Great Depression. Seeing how one of the largest car manufacturers in Britain responded to this could also provide insight into companies of similar size providing services to similar consumers. The car industry was also somewhat used to dealing with government policies, as the industry was severely limited by the horsepower tax, and was often evolving when this tax was changed to less restrictive.[35] The horsepower tax was quite controversial as it restricted the car manufacturing industry. The tax limited the size of engines in cars, making competition with car manufacturers abroad difficult.[36]

Gordon Hotels

The hotel industry both is and was very different from the car manufacturing industry, which itself is a reason to look into Gordon Hotels. If there are similarities in measurements implemented in the two industries, it could suggest common measurements across several industries which again could suggest that certain measurements were taken by most of the private sector in Britain. Hotels were large employers at the time, and will naturally be affected by economic hardship, as traveling abroad or staying in hotels became less important to those who were already struggling to feed their families. Hotels were also impacted by economic difficulties in the private sector like a reduction in business travel, which translated to fewer guests. The director of Gordon Hotels called this *invisible export*, which means that the hotels exported rooms to business travelers with meetings in Britain.[37] Calling it export might sound strange as the rooms are still very much domestic, located in Britain, but they are being booked by foreign business, and therefore "sold" abroad. Another similarity between invisible export and traditional export of goods is that both are heavily influenced by the value of currency, both the British Sterling itself, but especially in comparison to foreign

[34] The Economist (1931, April 25). Report of the fifth annual general meeting 18th April 1931. p. 910-911

[35] The Economist (1936, April 4). Morris Motors Prosperity. p. 22

[36] The Times (1946, February 16). The tax on motor cars. p. 5. This article provides more detail on why manufacturers opposed this policy and how they wanted to replace it. The tax was later changed in 1947 to give more freedom to the manufacturers, which the Times details in their article "The New Car Tax", (June 18, 1947. p. 5).

[37] The Economist (1933, April 23) Gordon Hotels Limited - Effects of trade depression. p. 394

currencies. The annual meetings of Gordon Hotels were not only attended by investors, but also by the hotel managers managing the hotels the company owned, which were often addressed at these meetings by the administration.

London Midland and Scottish Railway Company

London Midland and Scottish Railway Company (LMSR) was one of four large railway companies in Britain during the 1930’s. Their location of operation can be determined from their name, but they did also operate lines in Ireland, and they offered other services than rail. The company was invested in both omnibuses and steamboats as well as hotels. The company’s structure was in fact so comprehensive that their investors were provided a simplified version of the company's annual results, both to help their investors understand the company and to save paper.[38]

The railway was of great importance in Britain in the 1930’s due to several reasons. Firstly, they were transporting goods for most industries. This is important as the amount of freight they transport depends on how much the industry produced. As the Depression struck British heavy industries like steel production hard, the revenue of LMSR was also affected. As the paper will come back to when examining the reports from the annual meetings of LMSR from 1930 to 1936, their bottom line increased and decreased together with the rest of British industry. Another important source of revenue was transportation of people. Even though companies like Morris Motors were working to provide motor vehicles to the public, most still relied on trains or omnibuses when traveling distances too long for walking. LMSR and Morris were therefore competitors, and LMSR did feel a decline in passengers for shorter and medium distances, as their customers began to drive themselves. Similarly to Gordon Hotels, LMSR also experienced a decline in passengers due to a drop in tourism, partly caused by the strength of the pound in comparison to currencies still tied to the Gold Standard, like the franc. LMSR is therefore an important company to cover in this paper, as they function as an intermediary between several businesses in Britain, and their balance sheets reveal many interesting details. As the company’s meetings detail more points than this paper can cover to a reasonable extent, the research paper will mostly focus on the relationship with other industries, the labour force and government policies.

[38] The Economist (1930, March 8). London Midland and Scottish Railway Company. p. 533

United Glass Bottle Manufacturers

The final company included in the research project is a glass bottle manufacturer. Unique to this type of business, they both bought raw materials from other companies and sold their products to companies instead of directly to the consumer.[39] Disruption in the economy would therefore affect both the number of suppliers and customers in a different way than the other companies presented above. They took orders from their buyers and which they fulfilled. This means that their sales were not measured in the number of bottles produced and sold, but rather how many orders they had received. Interestingly, this made it possible for the chairman to predict the coming year during the annual meetings in March, as they could make assumptions of the next year based on the number of orders they had received already.

Results and Analysis

Morris Motors

FT and the Economist provides a near complete overview of the financial situation in Morris Motors Ltd. from 1930 to 1936, which is the scope that this paper will explore, as the company moved their focus from the Depression to the war effort in the late thirties.

Morris Motors experienced both increases and decreases in profit between 1930 and 1935. The administration of Morris Motors was very happy with the financial year of 1930. After having paid dividend to their investors and income tax to the British government, the company was left with almost one million pounds in disposable funds. The chairman went on to say that the good results of 1930 were impressive as the market had become harder to operate in, not only for car manufacturers, but all manufacturers in Britain. As a result of harder times for the public, Morris Motors launched a new model, which targeted the group of consumers where price was an important factor for what car they buy. According to the chairman, this strategy had proven successful, and had not impacted the sales of their cars with a larger profit margin. He claimed that in the market of higher priced cars, Morris had a market share of seventy percent.[40]

---

[39] The Economist (1931, March 28). United Glass Bottles Manufacturers. p. 696

[40] The Economist (1931, April 25). Report of the fifth annual general meeting 18th April 1931. p. 910-911

The chairman argued in his 1931 speech that due to increasing difficulties in the market, the price of cars manufactured in Britain would stay mostly as they had been the last year. He explained this by saying that the price of their cars were affected by three factors; the price of raw materials, the productivity of their factories (i.e. how many cars they could produce) and the quantity of cars sold to consumers. The first and third factor were very much outside the control of Morris Motors. Purchasing power in the public had decreased, and heavy taxation on motorists, such as a high petrol tax excludes car ownership to a small class of the british public. The manufacturing process was also heavily taxed.[41] The chairman turned out to be wrong about his price predictions, as the company had to lower prices during the following year.[42] The reason for this was not explicitly stated, but if the prices were dictated by the three factors just described, one which Morris could not affect themselves, it likely was either lower raw material costs or an attempt to sell more vehicles. Prices of raw materials did drop, which will be discussed more when looking at London Midland and Scottish Railway Company, and as the Depression hit Britain at this time, a large increase in sales seems unlikely.

The sales did bounce back in 1932, but the profits did not.[43] There are likely several reasons for this. The personal vehicle market was relatively new at that time, so rapid increase in competition is a reasonable assumption. Even though the times were tough, the people buying cars were often above average on the social and economical ladder. They are even described as a separate class by the chairman himself during the 1931 annual meeting.[44] Morris also expanded to different parts of the British Empire during the early thirties. This was not entirely unproblematic, as conditions were worse in the empire than in Britain. The chairman said that they mostly exported cars that did not require much in terms of roads or service, as those two factors were lacking in the export markets. While the devaluation of the British pound made the vehicles Morris sold cheaper, the Horsepower tax limited the types of engines they were able to put in their cars, making it hard to compete with other manufacturers.

---

[41] The Economist (1931, April 25). Report of the fifth annual general meeting 18th April 1931. p. 910

[42] The Economist (1932, April 2). Morris Motors. p. 748

[43] The Financial Times (1933, April 11) Morris Policy. p. 4

[44] The Economist (1931, April 25). Report of the fifth annual general meeting 18th April 1931. p. 910

A good example of a measurement taken by the management can be seen in 1934. Morris had a strong cash balance throughout the Depression, which made them able to make decisions that were not profitable right away. They reorganised their factories during the year of 1934, which lowered both their revenue and profits. The new factory arrangement meant that Morris had to hire more workers, further limiting profits. This was spun as a positive by the chairman as Morris had "made its contribution to the reduction of National Unemployment".[45] The chairman reassures the shareholders that the loss was planned for, and the more efficient production line would increase profits later.[46] The large stockpile of cash made it possible for Morris to pay full dividend to the shareholders despite lower revenue, which certainly helped keeping them pleased with the management. Fruits of the reorganisation were seen already the following year, as profits rose during 1935. The Horsepower tax was lowered on certain engines, making it possible to lower the price on some of the cheaper cars Morris produced.[47] This is a good example of government policy affecting company strategy. These taxes are mentioned as one of the factors contributing to the pricing of vehicles in 1931, and when they are lowered, the prices are lowered as well.

Morris seemed to have made it through the Depression quite well. Even though profits were down throughout the period, they were able to continue operating. Having reorganised, they were now even more competitive in the emerging market of personal vehicles. Looking at the management itself, some examples of Chandler's criticisms can be found. The management seems to have been one unit at this point, as no departments are mentioned. No traces of the M-form model can be found. There are reasons for not implementing this model, but whether those applied to Morris is questionable. The M-form management model requires a larger administration, as the separate departments have one task to perform instead of performing several different tasks. In a smaller company, a centralised administration makes sense, as the amount of work the administration is expected to do can be done by fewer people. Morris Motors was not a small company in the 1930's however, they were market leaders in several of the markets they had entered. To their credit, it seems that they were able to stay productive, as they entered a new market domestically and started exporting vehicles to the British empire during the Depression. The owner of the company, Sir William Morris

[45] The Financial Times (1934, April 17). Morris Motors. p. 10

[46] The Financial Times (1934, March 31). Morris Motors Setback. p. 7

[47] The Economist (1936, April 4). Morris Motors Prosperity. p. 22

is not as central, and rarely speaks during the meetings, which could suggest that the company is less family owned than the typical British business was at the time.

Gordon Hotels

The newspapers provide records from all annual meetings held between 1930 and 1936, the most important ones are covered here.

Gordon Hotels had a great year in 1929, but earnings went down in 1930 and in 1931. The chairman announced a plan to exchange older hotels for newer ones.[48] As with Morris Motors, Gordon Hotels were looking to improve the competitiveness of the company during the Depression. They were not manufacturing like Morris, but improving the attractiveness of their hotels can be compared with improving production line effectivenes. Both changes are likely to lose the company money in the short term, but also ensure profits in years to come.

Earnings were down another 14,5 percent 1932, which made the earnings even worse than in 1931 when they were down by 20 percent.[49] The Depression had impacted the company a lot, as they had fewer bookings from traveling businessmen, due to the fact that business travel was down overall. The hotel industry was severely affected by the fluctuating currencies in Europe, which was because many countries decided to take their currency of the Gold Standard. While the ultimate goal was to lower the value of the pound to make British companies more competitive in export markets, the effect was somewhat mitigated by the fact that other governments did the same. The franc had been devalued even more than the pound, which made Britain unattractive to french travelers.[50] As mentioned while discussing the abandonment of the Gold Standard earlier, not having currency bound in any tangible assets can make that currency unstable. Several governments in Europe were trying to lower the value of their currency during the Depression to help Banks and the export industry, but unpredictable currency seems to have hurt Gordon Hotels.

[48] The Economist (1931, April 11). Gordon Hotels Limited - Results of a difficult year. p. 809
[49] The Economist (1933, April 23) Gordon Hotels Limited - Effects of trade depression. p. 394
[50] The Economist (1934, May 12) Gordon Hotels Limited - Favourable outlook. p. 1054

Gordon had also gotten increased competition from owners of empty apartments or apartment complexes during 1932. The competition allowed businesses to host meetings or other events. The hotels were unable to compete on price as they had to pay licencing fees to the government which these competitors did not as they were not classified as hotels. Here the flip side of government policy can be seen. While Morris asked for less regulation, as they felt their business and their customers were taxed too much, Gordon wished for more regulation.[51] Governments often move slower than the private sector, causing problems for both Gordon Hotels and Morris Motors. The core problem for both companies was how the government was unable to catch up to private companies, but interestingly, Morris felt the government had to deregulate to catch up, while Gordon felt the government had to regulate more.

Gordon Hotel's losses were down in 1933 compared to 1932, which made the chairman somewhat hopeful for the future. He stated that they were continuing to cut expenses. The company had sold one of its hotels, and was renovating another one. They were having problems paying interest on their debt, and were working out a way to lower their interest payments.[52] Another difference between Gordon and Morris can be found when looking at their cash reserves. Morris had enough cash to stay afloat while profits were down, Gordon on the other hand, had a large debt. The Financial Times details in several articles how Gordon had to negotiate both with their lenders and with the shareholders. Their loans had a high interest rate at six percent. The total debt was at one point more than 1,6 million pounds, which meant that the interest payments were suffocating the company.[53] The management decided to negotiate a new deal with their lenders, effectively turning debt into company stock. Naturally, this was not very popular with the shareholders, but as the letter from a shareholder to the Financial Times states in 1936, the shareholders ended up allowing for this as the result of not doing so could be bankruptcy.[54]

After several years of economic hardship, the hotels had finally started to improve their revenue in 1935. The company sold a hotel to buy a different one, and used the profits of the sale to reduce their large debt. This had been done instead of paying dividends to

[51] The Economist (1933, April 23) Gordon Hotels Limited - Effects of trade depression. p. 394

[52] The Economist (1934, May 12). Gordon Hotels Limited - Favourable outlook. p. 1054

[53] The Financial Times (1936, September 2). Gordon Hotels Debenture Scheme. p. 9

[54] The Financial Times (1936, April 16). Gordon Hotels - To the Editor of the Financial Times. p. 9

shareholders, which have not received dividends for several years and had to make sacrifices for the company for it to stay afloat. Letting the shareholder suffer is a risky practice, but Gordon Hotels had no choice at that point. The fact that the company ended up surviving could point towards a strong and competent management, and they were certainly resourceful as they managed to cut their highest expense, interest payment. The fact that the shareholders accepted a low dividend is not something that should be taken for granted, so one could say a degree of luck was involved. The chairman thanked the shareholders for having shown faith in the management, and believed that the future would be brighter for the company and its shareholders. Their hotels had an increase in earnings in general in 1935, and an increase in guests from the US.[55] The management structure of Gordon Hotels were naturally more decentralised, as the hotels themselves had separate management. If the company management was to increase efficiency, the hotels would have to operate independently. In a way they did just that, but the impression one gets from their meetings suggests that the centralised management of Gordon Hotels itself had the final say. It is also doubtful that the management of unsuccessful hotels would allow themselves to be sold, making it clear that the central management had a lot of power within the company.

London Midland and Scottish Railway Company

Looking at the annual meetings from 1930 to 1934, there is much evidence that supports both Chandler's and Hall & Ferguson's theories. The management, referred to as the administration, is old. They are not being replaced due to incompetence, it should be said that no evidence for incompetence can be found either, but rather due to old age. When new members are being hired, the chairman is criticized for hiring outside the company.[56] As discussed earlier, this is a normal practice in the US, but evidently not as common in Britain. During the 30's, more examples of administrative positions needing replacement due to old age and death can be found. It does however seem like the company is being run by someone who does know what they are doing, as LMSR are able to cut expenses every year, despite trouble with the labour unions. While not explicitly stated, one does get the impression that the old age of some of the members of the administration does help when dealing with members of the government, which could be explained by large contact networks that often form when working in an industry for a long time. The fact that LMSR decided to hire from outside the company

[55] The Economist (1936, June 7). Gordon Hotels Limited - Improved results and outlook. p. 642
[56] The Economist (1930, March 8). London Midland and Scottish Railway Company. p. 537

suggests that they were moving away from the British model of old management with close relationships with each other, towards the American model of hiring professional managers with relevant education or experience from outside the company itself.

Compared to both Gordon Hotels and Morris Motors however, the management structure was more developed. During the annual meetings, the chairman referred to several different departments, like the department that acquired raw materials as well as their research department. This means that the management was less centralised, and as Chandler and Wilson states in their books, this did increase management efficiency over time. They did open new departments during the early thirties. One of these can be interpreted as a direct response to the bad economic situation, as their task was to cut costs wherever possible.[57] LMSR also increased funding towards research and development. The department had worked on several cost cutting measures, such as a new paint that would last longer, and a different type of fuel. The chairman was very pleased with this department, and they received gradually more funding. This again suggests that the new structure was a success. The fact that LMSR had a large cash reserve like Morris allowed them to spend money on these departments that did not directly create profit, making it apparent that having funds was important during this period.

In 1930, the chairman of LMSR noted that the company had been negatively affected by the Depression, as both the textile and heavy industry had produced less goods for them to transport. The amount of passengers transported had been reduced due to several factors. An increase in unemployment meant that fewer people needed to travel by train, and they were experiencing increased competition with personal motor vehicles. To combat the reduced revenue, the company was working hard to reduce their expenses. They were reducing wages for their employees, and they were also exploring other ways of reducing expenses throughout the company. As they were transporting less goods, fewer employees were needed to load and unload the trains. The reduction of salary had to be negotiated with the trade unions, but they did reach an agreement in the end. The company had spent money on overhauling their trains rather than saving their profits, which the chairman noted as unproblematic due to the large reserves the company already had. The overhaul consisted of several initiatives, one being the

[57] The Economist (1932, March 5). London Midland and Scottish Railway Company. p. 537

replacement of several trains. They had to buy steel sleepers[58] instead of wooden ones. Their customers prefered the wooden sleepers, but as import of wood had become expensive, and steel was very cheap, steel sleepers made more sense financially. As noted when looking at Morris Motors, raw material prices were lower due to overproduction caused by lower demand. Both companies were able to cut expenses due to this.

Government policy was very influential on the company and their balance sheet. Before the tariffs in 1932 were implemented, many of the companies that LMSR transported freight for had to close. This was likely due to the strength of the British pound compared to other European countries and the US even after devaluation, making British steel manufacturers unable to compete in export markets as well as domestically due to import of cheap steel. When the tariffs were implemented in 1932, the domestic market became viable for British companies which positively impacted LMSR. Another consequence of the failing steel industry can be found when the railway company had to upgrade their sleeper trains.[59] Due to very low steel prices and the prices of imported lumber being higher than average, steel sleepers made sense even though their passengers preferred the wooden ones. The chairman was afraid that the government would enact measures to increase the price of coal in 1930, which would be detrimental to their balance sheet. Not only did LMSR transport a lot of coal, which now would see lower demand, but their expenses would increase as fuel would become more expensive. Other policies were also limiting the operation of LMSR. In 1931, the chairman voiced frustration as the speed regulation of trains had not been updated since 1850. He believed that this contributed to higher expenses, as the company spent more time transporting goods and people.[60] At the same time, he wanted policies that limited their competitors. Personal vehicles emerged as a new market, and road vehicles for transporting goods became a threat to LMSR, noted during the 1933 annual meeting.[61] This illustrates how government policy both can help companies and hinder them at the same time. Ultimately, the trade tariffs implemented in 1932 helped British industry back on its feet, creating more business for railway companies.

[58] Sleepers are train wagons where the passengers can sleep.
[59] The Economist (1930, March 8). London Midland and Scottish Railway Company. p. 536
[60] The Economist (1931, March 7). London Midland and Scottish Railway Company. p. 516
[61] The Economist (1933, March 4). London Midland and Scottish Railway Company. p. 483

While road travel did compete with rail travel, the new market was also an opportunity for LMSR, which had invested into buses. Passenger travel on medium distance routes had decreased, and by operating bus lines, the company could still serve the market without the losses expensive tranis brought with them. This did lead to some lines closing, but many lines were still operated even if the trains were not reaching maximum capacity. LMSR were transporting freight like parcels and mail on their passenger trains, and due to a reduction in passengers, this type of freight transport represented a fourth of passenger train receipts in 1930.[62] A new challenge became to coordinate bus lines with the trains, to improve efficiency for the travelers. This was brought up during the 1931 annual meeting as something the company still worked on at that point. They also started to invest in air travel together with other railway companies. The planes were not intended for commercial use, but were used internally to operate the train lines. This illustrates that even though LMSR were cutting costs every year, they did not shy away from investment opportunities.

The company was in constant conflict with their workers and the unions. This was not unique for LMSR, Morris motors did not mention conflict with the unions at their meetings, but William Morris himself was very much opposed to unions, so conflicts seems likely.[63] Often, employees are grouped into operating expenses, which means that when a company is cutting their operating expenses, they are actually letting their employees go. Not all employees at Morris Motors were unionised, and as Exell notes, the unorganised workers were treated much worse than those belonging to a union.[64] LMSR had to negotiate with the unions for several years, as they wanted to lower the wages of their organised workers to save money. The National Wage board had to resolve the conflict during 1932, and concluded that the wages of railway workers were to be lowered.[65]

Some similarities with both Gordon Hotels and Morris Motors can be found. LMSR decides to restructure and overhaul their entire operation during the downturn. Similarly to Morris, LMSR has money saved up that can be spent now. The chairman himself states that hard times are the best times for doing this type of work. The work LMSR

[62] The Economist (1930, March 8). London Midland and Scottish Railway Company. p. 533
[63] Exell 1978: 52
[64] Exell 1978: 54
[65] The Economist (1933, March 4). London Midland and Scottish Railway Company. p. 486

does to influence political change is also interesting, especially in regards to Morris Motors. The two companies became competitors in a sense, as they both sought market share in short to medium distance transportation of people. LMSR tried to persuade the government to not invest money into transport on roads, this is done through the Salter Act which was worked on in 1933 and 1934. Not only did LMSR do this to limit competition from personal vehicles, they also wanted to capture this market themselves. They did not only transport people and freight on rails, but also by steamboat, bus and by airplane. The emerging market of road travel is therefore interesting to LMSR. The chairman and management was applauded by the shareholders at the end of the 1936 annual meeting. The company had started to increase both revenue and profits, showing that the economic hardship was over.[66]

United Glass Bottles Manufacturers

During the annual meeting in 1930, the chairman noted that the company had a large stock of bottles that they were selling throughout the year to fulfill their contracts. Their profits in 1929 were nearly 250000 pounds. The company invested rather conservatively according to the chairman, which meant that large amounts of the profits were transferred to a cash reserve. During the end of 1929 and beginning of 1930, all the factories were running at max capacity, and the administration was therefore looking for ways to improve efficiency. They decided to not build or acquire more factories, but rather buy warehouses close to their buyers to reduce shipping delays. This improved both their reputation and Goodwill amongst their customers. They were having difficulties with taxation, and wished for an increase in import tax rather than sales tax. The chairman was worried that they would be unable to compete if the tax policies were not changed.[67] The next annual meeting in 1931 was led by a different chairman, as the former chairman had died.[68] The new chairman was not directly involved with manufacturing, but was well known to the company as well as the spokesperson for the shareholders. The competition from foreign companies was still causing issues.

Chandler's opinions on management in Britain become even more relevant when discussing United Glass Bottle Company. Nearly every annual meeting was started by

[66] The Economist (1934, March 3). London Midland and Scottish Railway Company. p. 476

[67] The Economist (1930, March 29). United Glass Bottles Manufacturers p. 737

[68] The Economist (1931, March 28). United Glass Bottles Manufacturers. p. 696

stating that sentral parts of the management had passed away or were in poor health. As mentioned, the chairman died in 1930. In 1933, the chairman was unable to hold the annual meeting himself, due to illness. He was present, but the meeting was held by his secretary. The deputy chairman died before the annual meeting of 1934. While the age of the management is not stated, it would be reasonable to believe that their age was much higher in the thirties compared to 2020. When the chairman himself passed away between the annual meetings of 1930 and 1931, he was replaced by someone well known to the company and the shareholders. This is a good example of Chandler's point that personal connections could be just as important as actual management skills, not to imply that the new chairman lacked such skills. The new chairman was probably not young either, as he was too ill to lead the annual meeting of 1934. Similar to LMSR however, United Glass Bottle Company also had several departments. The chairman congratulated their raw material acquisition department as they had managed to reduce expenses by renegotiating agreements. Investing into research and development was also important to the chairman and management. The management can therefore be placed somewhere between the M-form model and the family owned single management group that most British companies were structured around. They were decentralising, but also hiring based on personal ties.

The issues with foreign import highlights policies affecting the profits of the company. With the trade laws at the time, inspired by free trade principles that the Western world had gradually adapted, importing goods was cheaper than buying products produced domestically. The Chairman wanted the government to react to this, but did also attempt to make it possible for United Glass to compete. The renegotiation of raw material deals was an example of this.[69] Stricter trade tariffs were implemented in the end, but even then, the chairman wanted the tariffs more strict in order to protect their market share.[70] The chairman did also advocate for a reduction of taxation applied to the production of glass bottles as a cost saving measure. An increase in alcohol taxation made the demand for bottles for beer and spirits. While this might make it seem like the company wanted the government to save the company, they did also restructure the company to increase productivity, and every meeting included several ways the company was reducing expenses. An example of this was when they changed fuel source from oil to coal in many of their production lines in 1934, which resulted in cut costs.

[69] The Economist (1931, March 28). United Glass Bottles Manufacturers. p. 696

[70] The Economist (1934, March 24). United Glass Bottles Manufacturers. p. 663

As mentioned, they were not directly selling products to customers in 1930, but gradually focused more resources on tableware during the Depression.[71] The tableware they produced were not able to compete with handmade tableware in terms of aesthetics, and was therefore targeted at those who cared more about price than looks. As with all the other companies examined, improving efficiency to better compete in a difficult market was also prioritised by the management. They had a large reserve, but where many of the other companies lost money during the Depression, United Glass Bottle Company never delivered a negative result. There are several possible explanations for this. They were able to cut costs of production, and they were accused of raising prices, which the chairman denied. He believed that the prices accurately reflected cost of production and the cost of raw materials, making the denial seem more like a denial of unreasonable prices than a denial of raised prices. Wilson discusses the formation of trade associations in his book, and mentions that while some of these associations had other functions than price fixing, many did not.[72]

While 1931 was a bad year for the company, they still remained profitable for the entire period examined. This is likely due to a combination of reduced expenses and the fact that they still received a moderate amount of orders. The company was very dependent on a large positive change in the British economy, if not, they would start to lose money.[73] Their profits had increased compared to 1932 and 1933. A fund for research and development was started during this year. The chairman was optimistic for the future, and believed that the economic hardship now had passed. He was however concerned for the new transition period from crisis to normalcy.[74] This could suggest that it was change itself that worried the chairman. Changing the way a company operates is expensive whether the economy is improving or not. Some of the measures taken to save money short term might have to be changed later, highlighting the extra cost that is related to short term changes inside a company.

[71] The Economist (1933, March 18). United Glass Bottles Manufacturers. p. 607

[72] Wilson 1995: 155

[73] The Economist (1932, March 19). United Glass Bottles Manufacturers. p. 653

[74] The Economist (1935, March 23). United Glass Bottles Manufacturers. p. 692

Discussion and Conclusions

A General Discussion

Having looked at four different companies in Britain, there are several similarities that should be noted. Every single company decided to improve their internal structure, whether it was refurbishing hotels or making production lines more efficient. The reason for this is not that hard to understand. During the Depression, all these companies saw a decline in business. Improving production lines will generally disrupt production for a while, so it makes sense to do this when demand is low. This could perhaps seem counter intuitive, spending money when business is bad would surely lead to massive losses? While larger losses than usual would occur, spending money during downtimes is the best way of kickstarting the economy again, and is a tactic used not only by private companies, but also by governments. A great example would be the "New Deal" policy that was enacted to reduce unemployment in the US at this time, which drastically increased government spending.[75] Competition would also suffer during an economic Depression, so spending money to improve efficiency could make the companies more competitive when the economy inevitably improved. This is even something the chairman of LMSR said explicitly during their annual meeting of 1930.[76]

Not every company had the finances to spend lots while making little, Gordon Hotels nearly bankrupted their entire company, but were saved in the end thanks to tolerant shareholders. The other three had significant reserves compared to their revenues, and were allocating profits to said reserves every year. Even with large reserves, they still made a large effort to cut expenses. Not every company mentions it explicitly, but one way to reduce expenses is to employ less people or pay the employees less, or both at the same time. This is most apparent when looking at Gordon Hotels and LMSR, the latter having large conflicts with unions during the first half of the decade. Morris Motors also acknowledges the large unemployment issue.

Fighting against government policy is also a similarity between all the companies. The interesting part is that they are not all in favour of less or more regulation, but rather regulation they benefit from. LMSR and Gordon Hotels are both wanting regulation to help them outcompete new companies or technologies, however LMSR also wants the

[75] Hall & Ferguson 1998: 114

[76] The Economist (1930, March 8). London Midland and Scottish Railway Company. p. 534

government to allow them to increase the speed of their trains, similarly to how Morris Motors price their vehicles according to the Horsepower tax. The abolition of the Gold Standard is mentioned by all four companies, creating difficulties in both export and competition against inexpensive import from competitors. This can be seen in the annual meetings of United Glass Bottles Manufacturers. Certain raw materials were cheaper in Britain due to overproduction, LMSR chose steel sleepers because they were much cheaper to produce than wooden ones with imported lumber despite their customers preferring the latter. The fact that all companies improved their results after the new tariffs introduced in 1932 does raise some questions regarding the importance of management. The scope of companies is rather narrow, but if companies that did not survive the Depression were included, it would have been interesting to see how connected their bankruptcy was to unfavourable government policy.

Chandler's problems with management in Britain are also present in some of the companies examined. The most common reason for replacements in the administration seems to be death, retirement or illness due to old age. Not only that, but when new members are hired, they are often closely tied to the administration. This would be quite unthinkable in 2020, where headhunting has become a lucrative industry in itself [77], but points in favour of the approach used in the 1930's do exist. It is safer to hire someone known to the company already, and if they are known to the industry, it is also likely that they know the industry. When United Glass Bottles Manufacturers had to hire a new chairman, he was not only well known to the administration, but also to the shareholders. One of the roles the chairman is supposed to play is the intermediary between the company and its shareholders, so a candidate both parties already like would seem a reasonable choice. There are also several traces of modern management structure in some of the companies examined, both LMSR and United Glass had departments that operated independently, and these departments delivered good results in both companies.

Further Research

To find suggestions for further research on the topics this paper discusses, one could examine some of the flaws of this paper. Firstly, all four of the companies survived the Depression. This is a strength of the paper, but could also be looked upon as a flaw. The

[77] The Economist (2020, February 6). What it takes to be a CEO in the 2020s.

strategies of surviving companies are probably good ones, otherwise they would not have survived. However, having no examples of the strategies of the companies that failed makes it hard to contrast and compare. Perhaps some of the strategies adopted by the four companies in this paper were adopted by other companies as well, but these companies still went out of business? If one were to look at failed companies, one would have to choose different source materials, as companies close to bankruptcy probably did not ask newspapers to publish their annual meetings. Looking closer at one industry instead of several companies from different industries would provide more in-depth knowledge. The findings of this paper suggests that there were several general measures taken across different industries, but looking at only one could reveal more nuances. It is not unreasonable to think that improving efficiency translates to very different measures in practice across different industries, and going in-depth could possibly reveal this.

Comparing companies based on management structure could also be an interesting way to explore British companies during the Depression. Chandler argues that the adoption of modern management structure, or lack thereof, was what separated Britain from competitors in the US and in Germany. Looking at how management structure affected measures taken during the Depression could be an interesting study.

Conclusion

The impact of the Great Depression was immense. Even though the parties examined in this paper managed to recover during the thirties, a crisis that changed global economics as drastically as the complete and final abandonment of the Gold Standard in most of the world did, should not be underestimated. Whether large reserves, competent management or great policy making from the government is to thank for the survival of Morris Motors, Gordon Hotels, LMSR and United Glass is hard to determine. The answer is most likely a combination. While government policy was being enacted as an attempt to help out the British industry, management structure slowly evolved. The crisis did not stop this evolution, which is still progressing. The importance of management structure and the influence of individual companies on the economy is debated. Even so, several measures were implemented to stay operational, and as seen, all the companies examined in this paper managed to do so both during and after the Depression.

References

Literature

Chandler, A.D. (1990). *Scale and Scope: The Dynamics of Industrial Capitalism*. Cambridge: Harvard University Press.

Church, R. (1990). The Limitations of the Personal Capitalism Paradigm. *The Business History Review.* 64 (4) p. 690-735. URL

Crafts, N. & Fearon, P. (2010). Lessons from the 1930s Great Depression. *Oxford Review of Economic Policy,* 26 (3) 285–317*.*

Exell, A (1978) Morris Motors in the 1930s. Part I. *History Workshop,* No. 6 p. 52-78. URL

Hall, T.E. & Ferguson, J.D. (1998) *The Great Depression : An International Disaster of Perverse Economic Policies.* The University of Michigan Press

Horsewood, N., Sen, S. & Voicu, A. (2010). Beggar Thy Neighbour: British Imports During the Inter-War Years and the Effect of the 1932 Tariff. *Department of Economics Discussion Paper.* p. 10-31. URL

Kynaston, D. (2018) A Brief History of the Financial Times. *Gale Primary Sources*. URL

The Economist (2020). About us. Retrieved from https://www.economist.com/help/about-us

The Economist (2019, August 17). Markets are braced for a global downturn. Retrieved from https://www.economist.com/leaders/2019/08/17/markets-are-braced-for-a-global-downturn

The Economist (2020, February 6). What it takes to be a CEO in the 2020s. Retrieved from https://www.economist.com/leaders/2020/02/06/what-it-takes-to-be-a-ceo-in-the-2020s

Thomsett, M. (2007). *Annual Reports 101*. New York: AMACOM

The Times (1946, February 16). The tax on motor cars. p. 5.

Wilson, J. F. (1995) *British Business History 1720-1994.* Manchester: University Press

Primary Sources

Morris Motors

The Economist (1931, April 25). Report of the fifth annual general meeting 18th April 1931. p. 910-911

The Economist (1932, April 2). Morris Motors. p. 748

The Economist (1936, April 4). Morris Motors Prosperity. p. 22

The Financial Times (1933, April 11) Morris Policy. p. 4

The Financial Times (1934, March 31). Morris Motors Setback. p. 7

The Financial Times (1934, April 17). Morris Motors p. 10

Gordon Hotels

The Economist (1931, April 11). Gordon Hotels Limited - Results of a difficult year. p. 809

The Economist (1933, April 23) Gordon Hotels Limited - Effects of trade depression. p. 394

The Economist (1934, May 12) Gordon Hotels Limited - Favourable outlook. p. 1054

The Economist (1936, June 7) Gordon Hotels Limited - Improved results and outlook. p. 642

The Financial Times (1936, April 16). Gordon Hotels - To the Editor of the Financial Times. p. 9

The Financial Times (1936, September 2). Gordon Hotels Debenture Scheme. p. 9

London Midland and Scottish Railway Company

The Economist: March 8, 1930. London Midland and Scottish Railway Company. p. 533-537

The Economist: March 7, 1931. London Midland and Scottish Railway Company. p. 516-518

The Economist: March 5, 1932. London Midland and Scottish Railway Company. p. 535-538

The Economist: March 4, 1933. London Midland and Scottish Railway Company. p. 483-486

The Economist: March 3, 1934. London Midland and Scottish Railway Company. p. 476-480

United Glass Bottle Manufacturers

The Economist: March 28, 1931. United Glass Bottles Manufacturers. p. 696

The Economist: March 19, 1932. United Glass Bottles Manufacturers. p. 653

The Economist: March 18, 1933. United Glass Bottles Manufacturers. p. 607

The Economist: March 24, 1934. United Glass Bottles Manufacturers. p. 663

The Economist: March 23, 1935. United Glass Bottles Manufacturers. p. 692

NTNU

Kunnskap for en bedre verden