

The emergence of regional industrial policy in Britain, the case of Wales, 1939 to 1947.

From the 1940s to the 1970s British Governments steered manufacturing businesses to peripheral regions designated as needing more employment. This approach was delivered through a Regional Policy that deployed industrial location controls and financial incentives. Effectiveness varied over time but was dramatic in the mid-1940s when it boosted the regional stock of secondary manufacturing to the extent that its legacy remains visible today. The literature describes how Regional Policy was a peacetime policy, albeit one formulated during the war. This article, however, proposes that the initial and most successful phase of Regional Policy was an extension of wartime policies governing regional manufacturing businesses producing munitions. It uses a case study of Wales to make two arguments. One is that the Regional Policy associated with the post-war period began to be implemented before the war had ended. The other is that the Board of Trade pursued the policy through repurposed wartime governance mechanisms within an economy that remained subject to onerous state controls. The case outlines a short but consequential burst of assertive state involvement that shaped business activity throughout much of regional Britain, echoing Scranton and Fridenson's arguments as to 'the state always being in' given its role in shaping markets, business behaviour, and regulations.

Introduction

Over the past century the British state has often implemented policies aiming to boost economic and employment growth by stimulating business activity. This article presents a case study exploring how the state forcefully influenced manufacturing businesses to locate factories in peripheral regions to secure higher levels of employment and prosperity. Business historians have long debated the role of the state, with Scranton and Fridenson arguing that the ‘state is always in’ given its role in shaping markets, business behaviour, and regulations.¹ Other research with a more specific focus on Britain echoed this argument and called for business historians to recognise the continual involvement of the state as both an economic regulator and market participant. One example is MacKenzie’s argument that ‘for business historians, business-government relations offer a fruitful route to understanding changes in industries, shifts in forms of capitalism, and technological developments’.² Finally, MacKenzie, Knox and Hannon argued that neoliberal doctrine tends to characterise government policies as ‘intervention’, implying that governments generally restrict their activities to regulation and act more assertively only when prompted by market failure.³

Regional Policy in Britain presents an example of how state influence over businesses varies over time but remained an influential force shaping business behaviour. Regional Policy originated in the 1930s when the government designated four regions dependent on struggling primary industries and lacking sufficient diversified business activities to offset their decline as ‘Special Areas’. Commissioners were appointed to promote industrial growth in 1934 but were hampered by a lack of funding, the absence of a nationwide approach to influencing industrial location and the government’s preference for transferring labour from Special Areas.⁴ They achieved little beyond demonstrating governments could designate regions as

priorities. In 1945, however, the newly formed Labour Government designated four peripheral regions as ‘Development Areas’, steering manufacturing businesses away from more congested regions of England to these areas through industrial location controls and incentives including state-constructed factories. These ‘Development Areas’ secured 51.1 per cent of all industrial building in Britain during 1945 and 1947, a crucial period of post-war reconstruction, despite accounting for only 19.9 per cent of the insured population.⁵ The volume of manufacturing businesses diverted to Development Areas before the end of 1947 changed the contours of Britain’s industrial geography to an extent that remains visible today. Despite such achievements, financial crises forced retrenchment in late 1947 and the policy lost much of its effectiveness. Successive governments pursued Regional Policy with varying degrees of enthusiasm until locational controls were abolished in the early 1980s.

The literature on Regional Policy implemented after the war features three gaps. One is that accounts of the policy in the 1940s view this policy and its nationwide influencing of industrial location as having been developed in wartime for subsequent implementation in peacetime. Studies of wartime activity focus on the role of the Government’s Board of Trade within policy formulation. Booth, for example, argues that the wartime development of industrial controls offered ‘radical new solutions’ to regional employment problems that came to be accepted by both policymakers and industrialists. These solutions were set out subsequently in the 1945 Distribution of Industry Act that outlined governance machinery, and incentives, to influence industrial location.⁶ Yet the common research focus on the Board of Trade prompts neglect of other wartime controls deployed by government such as the Ministry of Production’s development of regional structures to marshal businesses producing munitions,⁷ and the Ministry of Works’ licensing of all civil building projects. Moreover, survey works examining the entirety of Regional Policy from the 1930s onward including those by Parsons, McCallum,

and Crone, also stress how the Regional Policy of the 1930s had limited impact and policy was reconceived during wartime for subsequent implementation.⁸

The second gap is that evaluations of post-war Regional Policy neglect the period immediately after the war. They focus instead on comparing the ‘policy off’ period under post-1951 Conservative Governments with later, more active, phases under Labour Governments. As examples, two studies by Moore and Rhodes, one by Moore, Rhodes, and Tyler, and one by Scott each take 1950 or 1951 as their starting point.⁹ These evaluations tend to focus on the role of Industrial Development Certificates which businesses had to obtain before planning permission for factories could be granted. However, such certificates were not introduced until late 1947 when the state downgraded Regional Policy, reducing its impact on businesses. Moreover, studies of the post-war Labour Government’s economic policies such as those by O’Hara, Morgan and Tomlinson highlight the shifting boundaries of the state within the economy but tend to focus on the many other challenges it faced, such as nationalisation and industrial modernisation.¹⁰

The final gap is that research tends to analyse the Britain-wide effects of Regional Policy, neglecting how it impacted business activity within individual regions. As examples, Rosevear and Scott argued in separate works that Regional Policy’s focus on maximising employment rather than longer-term growth between 1945 and 1951 prompted a lack of self-sustaining industrial expansion throughout the regions targeted by the policy,¹¹ while a further work by Scott contrasts this failure with the new towns initiative that instead facilitate a mutually reinforcing high-tech industrial base.¹² The few analyses of specific regions tend to be subsumed into broader economic surveys such as those by Thomas and Humphrys.¹³

This article aims to address these gaps by examining Regional Policy between 1939 and 1947, using Wales as a case study of linkages between wartime industrial location policies and the initial phase of Regional Policy. Wales has three merits as a case study. The first is that the policy instruments used in Wales during and after the war were identical to those used throughout England. There were, however, institutional differences in Scotland and Northern Ireland. Although the War Cabinet confirmed in 1944 that the Board of Trade would lead the implementation of Regional Policy in Scotland, it was influenced by the Scottish Home Department, a territorial department of government that prioritised balanced development as opposed to maximising short-term employment creation. One example of such influence was that no part of the Scottish Development Area could lose this designation without the approval of the Scottish Secretary, the Minister responsible for the Scottish Home Department.¹⁴ Regional Policy instruments, however, did not apply in Northern Ireland given the existence of the Government of Northern Ireland, although the territory benefitted from industrialists searching for alternative locations after they had failed to obtain permission to construct factories in congested parts of England.

The second merit is that a study of Wales enables business-government relations to be explored at a regional level. This level can easily be overlooked despite the importance of regional business clusters within the broader economy of Britain. The business history literature, for example, features few works with a specific focus on businesses in Wales.¹⁵ The final merit is that the historic overreliance of Wales on primary industries prompted the government in 1945 and 1946 to designate parts of the country, containing over 75 per cent of its insured population, as Development Areas and it became a focus for industrial location policies. From 1945 to 1949, businesses opened 243 new factories in Wales as employment created in civilian goods industries replaced that of wartime munitions. Although some of these factories opened after

1947, the lead time for factory construction and operational development meant that almost all were influenced by the more stringent controls previously in place.¹⁶

This paper makes two arguments. One is that the Regional Policy associated with the post-war period began to be implemented before the war had ended. By 1943 the Wales Regional Office of the Board of Trade was dealing with investment inquiries from industrialists seeking to locate factories there, and by 1944 advance factories were under construction while the Board's central functions were pressuring industrialists successfully to locate their new factories in Wales instead of their preferred locations elsewhere. The other argument is that Regional Policy governance processes before 1947 were those that had already emerged to oversee the wartime mobilisation of manufacturing businesses or were evolved from wartime mechanisms such as building licences.

In sum, this case study demonstrates how the state's wartime experience of marshalling munitions businesses combined with its determination to prevent to recurrence of inter-war regional industrial depression to prompt a short burst of assertive and effective state involvement that shaped regional business activity; the state is always 'in', but its involvement varies substantially depending on political and economic circumstances.

Data

Smith and Umemura recently called for business historians to place more emphasis on explaining their sources and methods.¹⁷ The extent to which central government controlled industrial location policy in Wales combined with the absence of a territorial government department to dictate that the main source for this article was the UK's National Archives at Kew, primarily the records of the Board of Trade but also including those of the Treasury, War Cabinet and the Ministry of Labour and National Service. Other sources included the diary of Hugh Dalton held by the London School of Economics, Hansard verbatim records for the House of Commons, government and parliamentary reports, and newspapers. These primary sources enabled triangulation that helped ensure accuracy, supplemented with secondary sources, when assembling the narrative. The branch plant nature of post-war secondary manufacturing in Wales, however, means that there are few business archives that hold data sufficient to trace the development of individual factories, prompting a paucity of factory histories.¹⁸ Nevertheless, the frequency of industrialists' interactions with regional and national representatives of ministries when discussing factory development enabled their perspectives to be represented in central government records, and in this article.

Industrial floorspace

Between 1941 and 1947-48 governments authorised the construction of almost 17 million sq. ft. of factory space in Wales. From 1941 to 1944, the Board of Trade's Factory and Storage Control Function issued floorspace licences, known as Nil Certificates, in Wales for 775,600 sq. ft.¹⁹ This was equivalent to 7.9 per cent of all floorspace licensed throughout the UK despite Wales possessing only 3.3% of all UK employees in 1939, and less than 1.5% of those within secondary industries, primarily manufacturing and construction.²⁰ Meanwhile, labour and

materials for civil construction were subject to building licences issued by the Ministry of Works.

Building licences were retained in peacetime to steer manufacturing to Development Areas. By the end of 1947-48 over 16 million sq. ft. across 289 privately or state funded projects was in progress throughout the Wales Development Areas, or had been authorised.²¹ Such authorisations coupled with the difficulty of obtaining licenses outside of Development Areas helped Wales, between 1945 and 1951, to obtain 27 per cent of all British interregional factory moves, defined as new factories created by a company not previously operating in that area.²² Most of these companies forming what a report commissioned in the 1970s by the government called a ‘very substantial’ inflow during an ‘active’ phase of Regional Policy were headquartered in the south east, or midlands, of England.²³

Combining data with qualitative material enables four distinct phases of industrial policy to be discerned. The first is from 1939 to June 1942 when pre-war Regional Policy was suspended as governments focused exclusively on boosting munitions production. The second is from June 1942 to June 1944 when post-war policy began to be developed. The third is from June 1944 to August 1945 when the policy was finalised, and its implementation began. The final period is until August 1947 when implementation helped create a new secondary industrial base in the Wales Development Areas before Regional Policy at the British level was curtailed. Each of these phases will now be examined in turn.

1: Regional Policy marginalized, 1939 to mid-1942

The government's pre-war Regional Policy was immediately marginalized as war began. One part of this policy was the Barlow Commission, established in 1937 to investigate regional industrial development; its majority report of January 1940 argued for integrated planning with central control over industrial location. Arthur Greenwood, Labour Minister without Portfolio and chair of a cabinet Committee on Reconstruction Problems created an inter-departmental sub-committee to consider industrial location, but it met only three times and achieved little. The priorities of Regional Policy were distant given the urgency of war; an early 1942 survey of south Wales observed that the Commissioner for Special Areas had 'virtually gone out of business'.²⁴ However, in February 1942 Labour MP Hugh Dalton became President of the Board of Trade. He represented a northeast England 'Depressed Area' constituency and had chaired Labour's pre-war commission that argued south Wales needed 'thoroughgoing state action' to achieve prosperity.²⁵ Despite his views, his responsibilities included the coal mining industry whose crises prompted him to diarise in May 1942 that he could not 'get anywhere near my many other problems'.²⁶

Meanwhile, munitions production had transformed the industrial economy of Wales; 822 factories, generally producing munitions, were registered by the Factory and Storage Control Function by 1942 and unemployment had been eliminated.²⁷ Some one-third of munitions employees worked in state owned and managed Royal Ordnance Factories (R.O.F.s) or Admiralty facilities; the largest was at Bridgend that employed 32,000 by 1941.²⁸ The remainder worked for private businesses that fulfilled government contracts. Some of these businesses occupied state constructed and owned factories, and also received financial support to purchase plant. Many state mechanisms governed munitions businesses but two regulated

industrial location. One was statutory control over factory construction. From 1941, the Board of Trade's Factory and Storage Control Function allocated Nil Certificates to permit construction, while the labour and materials for all non-governmental projects necessitated a Ministry of Works building license that were subject to national resource planning but were administered by regional functions.²⁹ The other was a Wales Regional Board under the Ministry of Production that from mid-1942 brought together representatives of ministries, including the three supply ministries that procured munitions, the Ministry of Labour and National Service, and representatives from both sides of industry, to ensure that munitions businesses were co-ordinated to maximise output.³⁰ The result was a munitions industry largely comprised of private businesses but subjected to comprehensive state governance.

2: Regional Policy under development, June 1942 to June 1944

The creation of a Ministry of Fuel and Power in June 1942 freed Dalton to focus on reconstruction, while by late 1942 the turning tide of war combined with the Beveridge report and its call for a post-war social insurance and welfare system prompted reconstruction to become a central political theme. Dalton drew on wartime industrial governance to develop an approach of boosting regional employment through deploying building licences to control industrial location but precluded regulating all nationwide private investment. He argued before the Reconstruction Committee in May 1943 that 'to secure full employment in the depressed areas [...] some control of industrial location is essential',³¹ foreshadowing the crucial argument over the contents of a subsequent White Paper on Employment. Developments within government helped Dalton steer policy development. Greenwood's reconstruction responsibilities were passed to Labour's William Jowlitt, but he had few

executive powers and his committee remained balanced carefully between Labour and Conservative members to ensure that ministries retained discretion over policy.³²

Throughout late 1943 and early 1944, Dalton's approach progressed steadily and successfully through the Whitehall committee system.³³ He told his Board of Trade Regional Controllers in early 1944 that areas such as south Wales presented a 'very simple problem. These areas had too few factories and too little variety of industry. The remedy is to put more factories in them with a greater variety of industries'.³⁴ His arguments were supported by warnings from his Factory and Storage Control Function Regional Controllers; the Wales Controller argued that only 27,440 of the 97,470 jobs created in 'new war factories' in south Wales were likely to be permanent.³⁵ The May 1944 White Paper on Employment duly stated that an 'object of government policy' would be to secure 'balanced industrial development in areas [...] dependent on industries especially vulnerable to unemployment' and that such areas would receive 'priority [...] in the grant of licenses for the building of new factories'.³⁶

Meanwhile, Dalton developed industrial location policies. In February 1943 the Board of Trade told its Regional Controllers of Factory and Storage Space that 'the time had come [...] to pay some further attention to reconstruction' and that they should prepare reports recommending how to prevent 'formerly depressed areas from reverting, after the war, to their previous condition'.³⁷ Twenty reports were produced, for example, for locations throughout south Wales.³⁸ Two themes predominated in research examining locations throughout Wales; one was how forceful government action could prevent a return to mass unemployment, and the other was the need to build on the successes of wartime governance. As an example of the latter, a report on north Wales argued that a 'considerable amount of administrative experience'

had been built during the war in ‘locating factories in localities where the needs are deserving and the facilities are right’, recommending the continuation of a similar approach.³⁹

One example of continuity was Dalton’s September 1943 appointment of Douglas Jay as his special advisor on post-war reconstruction. Jay had worked at the Ministry of Supply where he lobbied for contracting factories on their labour availability, not price. He argued that ‘wartime experience’ was vital in helping prevent the ‘curse of the depressed areas emerging after the war’ and within weeks of his appointment was anticipating the creation of a ‘full machinery’ to oversee industrial location.⁴⁰ Moreover, other parts of the state’s wartime locational apparatus were considering options; the Ministry of Production’s Regional Division, for example, argued in September 1943 that government should construct advance factories to attract businesses to the regions. In the same month, the Factory and Storage Control Function was preparing a report arguing that the small number of factories attracted to Special Areas between 1932 and 1938, including the 26 in south Wales, could not be ‘considered a serious contribution to [addressing] the problems of the Special Areas’, and a national system of factory registration and location control should be created similar to that existing in wartime.⁴¹

Observers in Wales, however, became increasingly concerned at the lack of visible planning, prompting a stream of petitions and delegations to arrive in London.⁴² In April 1943, MPs and councillors met in Swansea to condemn the lack of announcements even as employment in the regionally important tinsplate industry had fallen given its dependence on exports, and the city was struggling to recovery from the severe bomb damage of 1941. In the same month, the Wales Regional Director of the Factory and Storage Control Function, Eugene Brunning, warned his headquarters of ‘widespread uneasiness’.⁴³ In October, a deputation of MPs from Wales met Jowitt to complain that ‘nothing in fact was being done’ on reconstruction and that

‘planning and early action’ was needed.⁴⁴ Nevertheless, by early 1944 plans were advancing; in February, for example, the Ministry of Production finalised its scheme to construct regional advance factories. In the same month, Brunning noted that although local authority representatives were visiting him to complain as to the lack of planning and argue that businesses choosing factory locations would ignore their towns, he was ‘generally able to leave them very satisfied on both counts’.⁴⁵

Meanwhile, the Factory and Storage Control Function was channelling business enquiries to peripheral areas such as Wales. From October 1943 to June 1944, their Wales function met with twenty-six industrialists to discuss their floorspace requirements.⁴⁶ Some enquiries were made initially to the Function’s London headquarters, which diverted industrialists to the regions. One example was Lines Bros Ltd, a company that became an important employer in post-war Wales. Its large factories in London and Birmingham produced toys in peacetime, but guns and ammunition during wartime. In January 1944, its chair Walter Lines enquired as to the disposal of government factories ‘after the war or when available’.⁴⁷ The Function answered that it was compiling a register of applicants, telling Lines that there would be a ‘very serious shortage’ of building labour and material, and that applications for licenses to access these in four peripheral areas, including industrial south Wales, would be given a ‘high priority’.⁴⁸ It sent Lines what it called ‘propaganda’ on these areas, to which he responded by expressing interest in south Wales and asking for details of factory availability.⁴⁹

3: Implementation begins, June 1944 to August 1945

In June 1944 the Board of Trade appointed Jay and Sir Phillip Warter, nationwide Controller of the Factory and Storage Control, as joint heads of a department tasked to steer industry into

peripheral areas; Warter negotiated with businesses while Jay built governance machinery.⁵⁰ The Board began to implement its regional approach within the broader framework of reconverting the mobilised economy to a peacetime footing, issuing a press notice in October inviting industrialists requiring more than 10,000 sq. ft. of factory space for civilian uses to apply for authorisation and allocation.⁵¹ Meanwhile, other Ministries were increasingly active. One example was the number of regional advance factories throughout Britain planned by the Ministry of Production reaching eighteen by August.

These emerging activities needed regional administrative machinery; the White Paper on Employment had already recommended a regional organisation to ‘bring together the representatives of government departments concerned in the local application of these measures’.⁵² The question was the extent to which such an organisation would be based on the Ministry of Production’s Regional Boards whose co-ordination of businesses producing munitions would disappear in peacetime. In September 1944, the chairs of these boards asked the Ministry of Production for a ‘statement on government policy on post-war planning’ only for the Ministry to argue that policies were still under ‘constant discussion at the highest level’ and refuse the request.⁵³

The reality, however, was that the Board of Trade wanted to use the Ministry of Production’s Regional Boards after the latter’s post-war abolition, but without their industry or union representatives given the commercial sensitivities of handling business investment projects. A compromise was reached where Regional Distribution of Industry Sub-committees were constituted under the Regional Boards. They were each chaired by the Board of Trade’s Regional Controller and had the same cross-ministerial membership as their parent bodies but excluded industry or union representatives.⁵⁴ The Wales Regional Distribution of Industry Sub-

committee met for the first time in October 1944.⁵⁵ Its meetings of 1944 and early 1945 considered a list of companies applying for post-war space at the Newport R.O.F. before recommending those for acceptance to the Board's central functions for approval, and referred decisions as to the wartime occupation of standard factories to the Regional Board.⁵⁶

In December 1944, the Board of Trade set out nationwide post-war policy for civilian factory building licenses to control what it called 'meagre' construction resources. Licences were to be retained but priority was to be given to projects repairing bomb damage, locating in Development Areas (the term used within government by 1944 to describe peripheral areas), or converting government factories for peacetime occupiers. The Ministry of Works administered licenses but factory construction projects involving expenditure of more than £5,000 required approval by regional Distribution of Industry Sub-committees before a license could be issued.⁵⁷ Regional structures sat within a national approach to ensure that nationwide industrial expansion could be captured and diverted. All firms asking for permission to locate elsewhere were required to set out 'adequate reasons why the scheme should not be in a Development Area'.⁵⁸ All large projects were also submitted to a Britain-wide 'Panel A' for approval, while applications to convert government owned factories were submitted to a Britain-wide 'Panel B'.

These interlocking structures, described aptly by the Factory and Storage Control Function as 'somewhat complicated',⁵⁹ enabled two types of state action to emerge in Wales. One was steering large projects; an example was British Nylon Spinners (BNS), a joint venture between ICI and Courtaulds established in 1940.⁶⁰ It produced parachute yarn at factories in Coventry and Suffolk, before buying a site in Oxfordshire for a large factory. Dalton, however, refused authorisation, arguing that 'in the national interest' he wanted 'no more large industry in that

area [Oxfordshire]’. He instead offered information on Development Areas to BNS, stating that if the company chose one as a factory location, they could have a building license ‘by return of post’.⁶¹ After rejecting sites in Scotland, in November 1944 BNS purchased land near Pontypool in south Wales.⁶² Dalton’s office remained closely involved thereafter as the Ministry of Supply refused to dismantle hostels housing munitions workers on the site, prompting BNS to refuse to commence construction until Jay brokered a compromise.⁶³

Meanwhile, Factory and Storage Control regional officers in Wales continued meeting industrialists to register their enquiries: 84 between June 1944 and the end of the year. Many already had factories in Wales but as the Board’s national approach became clearer, an increasing number were those who were headquartered elsewhere but had met officials in London who steered them towards Development Areas. One example was the ongoing inquiry from Lines Bros Ltd. The Factory and Storage Control Function headquarters referred the business to their Wales operation, and Brunning visited Walter Lines in London in mid-1944. Line then spent two days in south Wales gaining ‘a general view of the area’,⁶⁴ before expressing interest in the Newport R.O.F. Another example was in November 1944 when a director at the furniture business Simmons and Sons visited south Wales ‘in consequence of his discussion with the Board of Trade Headquarters’. He examined a map, said that Newport or Pontypool would ‘suit him admirably’ given their proximity to railway links to London, and asked for building priority for a factory to employ around 170 people.⁶⁵

The other type of state action was constructing advance factories and converting the R.O.F.s. The Ministry of Works under the auspices of the Ministry of Production constructed six advance factories in south Wales, and the Board of Trade allocated them to businesses producing goods ranging from watches to electric components.⁶⁶ One was Pullman Springs

whose furniture factory in London had been requisitioned for wartime production. In 1944 it was offered a choice of government factories in Development Areas, choosing one in the south Wales settlement of Ammanford where it eventually employed 1,100 workers.⁶⁷ However, converting the R.O.F.s. was of more immediate importance. In March 1945, the Board of Trade engineered the transfer of the Hirwaun and Bridgend R.O.F.s to the South Wales and Monmouthshire Trading Estate Company, responsible for factories and industrial estates constructed under the 1930s Special Areas Acts, for conversion into industrial estates.⁶⁸ The new estates were part of a broader government strategy also pursued by the caretaker Conservative Government created after the wartime coalition government broke up in May. In June, Board of Trade President Oliver Lyttleton told the local Member of Parliament that while the new Bridgend Industrial Estate would employ only a few thousand former R.O.F employees, the government would also construct factories in ‘outlying areas’ from where other workers had commuted during wartime to enable them to secure industrial employment.⁶⁹

From late 1944 the Board of Trade was confident it had the tools to maintain the industrial rebalancing and full employment prompted by wartime mobilisation and control over industrial location. Brunning, for example, told Jay in August that the Mayor of Merthyr Tydfil had left his office ‘perfectly satisfied’ about ‘post-war affairs as connected with their town’.⁷⁰ In February 1945, Dalton toured south Wales, arguing that if the Board could act ‘widely and resolutely’, it would ‘banish [...] that mass unemployment which disgraced our so-called civilization in the pre-war years’ as he intended to expand factory space in the region for ‘as long as there was an industrial population capable of being absorbed’.⁷¹

Such policies needed to be preserved for peacetime by legislation, but a Distribution of Industry Bill had not become law by May 1945. Dalton promptly threatened resignation,⁷² and the Bill

was enacted by the caretaker Government on the day that parliament was dissolved for the general election. The Act had two main implications. One was geographical as it formally renamed the pre-war Special Areas as Development Areas and in south Wales extended them from the coalfield to include the adjacent coastal areas with their towns and cities. This extension was lobbied for by the Board's regional functions who saw these settlements as more attractive to industrialists; their inclusion would help maximise overall investment.⁷³ The other was administrative. The Act removed the responsibilities of the Commissioner for Special Areas from the Ministry of Labour and National Service, folded them into the Board of Trade, and extended them. The Board was empowered to build factories in Development Areas, clear land made derelict by industry, construct key worker housing, and finance companies subject to Treasury approval. Meanwhile, all industrialists were obliged to notify the Board if they planned to construct factories of more than 10,000 sq. ft., although the most important administrative element was the continuation of building licences, repurposed from civil building controls to industrial location implements.

4: Enabling an industrial influx, August 1945 to August 1947

Dalton became Chancellor after the Labour Party's general election victory and promised in his 1946 budget to 'find, with a song in my heart, whatever money is necessary' for Development Areas to enable their 'full and efficient and diversified economic activity'.⁷⁴ He was replaced at the Board of Trade by Stafford Cripps, a wartime Minister of Aircraft Production whose views on industrial location control were similar to those of his predecessor. Cripps demonstrated these views during the election campaign when he argued for state control over 'finance, land, factories, raw materials, prices – all those things that have been controlled during the war with such remarkable success'.⁷⁵ Continuity was reflected by the merging of

the Board of Trade's Factory and Storage Control Function with its Industries and Manufacturing Division to create a Distribution of Industry and Regional Division that united wartime industrial location machinery.⁷⁶ The Function's Controller-General until 1942, Sir Cecil Weir, argued later that its repurposing to address 'the post-war problems of the distribution of industry' was a 'natural and logical development'.⁷⁷ Moreover, the Board of Trade inherited the regional functions of the Ministry of Production in mid-1945; it promptly marginalized the Regional Boards by giving them vague advisory roles,⁷⁸ while their Regional Distribution of Industry Sub-committees were reconstituted as standalone panels separate from the Regional Boards..

The new Division hosted a 'Planning Room'; the Board of Trade told a parliamentary enquiry that they used it to interview industrialists and 'encourage' them 'to consider the possibility of establishing their new projects in the Development Areas'.⁷⁹ In June 1946 the Board set out its rationale for building licenses that included assisting 'the maintenance of full employment in the old depressed areas'.⁸⁰ Regional Distribution of Industry Panels considered applications while larger projects and allocations of government factories were also referred to the Britain-wide Panels A and B, although automatic references to Panel A ceased in early 1946 apart from those within the 'congested' regions of London and the West Midlands.⁸¹ Licenses were normally issued automatically by the Ministry of Works once the Board approved schemes, prompting the Nil Certificate regime to fall into disuse and be abolished in 1946.⁸²

In Wales, the Regional Board of Trade Office in Cardiff ended the war with only 23 staff, but trebled as it absorbed the Factory and Storage Control Function.⁸³ It set out its objectives to visiting journalists in August 1945; one was to find employment for workers who would otherwise be unemployed or forced to migrate, and the other was to reduce regional dependence

on a ‘few basic industries liable to depression [...] English firms seeking to replace war-damaged factories and to erect new works to participate in post-war expansion’ were to be ‘induced to select locations [...] in which labour surpluses are probable’. Momentum since 1943 meant that the journalists were shown eighteen new or extended factories throughout south Wales where businesses were already preparing new production facilities to employ over 7,000 people.⁸⁴

Meanwhile, the Wales Development Area was expanded to include Wrexham in north Wales and its R.O.F., prompting the South Wales and Monmouthshire Trading Estate Company to be renamed as the Wales and Monmouthshire Industrial Estates Ltd (WMIE). Linkages between wartime industrial mobilisation and post-war policy were reflected by WMIE personnel. Brunning was joint Managing Director from 1945 before later becoming Chair, while the board included R.J. Humphreys, formerly Ministry of Labour and National Service Regional Director and Percy Thomas, previously Chair of the Ministry of Production’s Regional Board. Finally, most WIEC sites in south Wales were managed by Len Corbett, former superintendent of the Bridgend R.O.F.⁸⁵

A mammoth programme of conversion and reconstruction ensued. The WMIE constructed an industrial estate in Swansea from mid-1945 but by the end of the year the government was concerned that the influx of businesses would not reach locations less attractive to industry, prompting plans to construct factory space throughout the Wales Development Areas in areas including Rhondda and Pembroke Dock, while a further 31 factories were added to the construction programme in 1946.⁸⁶ By the end of 1947-48, the government-financed programme in the Wales Development Areas comprised 168 factories covering some 5.8 million sq. ft., of which all but 27 had been allocated to tenants.⁸⁷ Existing government owned

factories were allocated for peacetime uses, often to the same firm that had occupied them in wartime. One example was a 419,000 sq. ft. factory in Cwmbran, occupied by Birmingham-based Joseph Lucas Ltd during the war to make aircraft components but allocated to them subsequently to produce car components.⁸⁸

Meanwhile, the Bridgend, Hirwaun and Wrexham R.O.F.s and their many hundreds of buildings were repurposed as industrial estates. The Regional Panel processed applications, and firms began occupying their allocated factories within a few weeks of receiving approval given their desire to quickly gain market share within the emerging peacetime economy. In January 1946, for example, the panel approved new occupants at the former Hirwaun R.O.F., and at former munitions facilities at Pembroke Dock.⁸⁹ Elsewhere, the Newport R.O.F. was allocated to Standard Telephones and Cables while other businesses were allocated ‘buffer depots’, windowless sheds constructed as reserve storage space. By 1947, 74 firms in Bridgend and 25 at Hirwaun employed 6,100 people.⁹⁰ Concurrently, the government’s focus on regional development helped prompt the creation of new towns, as recommended in 1940 by the Barlow Report. From 1942 industrial location policy reports identified the development potential of a large area of flat land north of Newport adjacent to congested valleys communities. The Board of Trade encouraged manufacturing businesses to open new factories there, and existing businesses such as Joseph Lucas Ltd to continue and expand their operations, while part of the area was developed subsequently for the new town of Cwmbran which was under consideration by 1947 after the enactment of New Towns legislation.⁹¹

The repurposed wartime machinery was part of a package of three elements diverting businesses to Development Areas. The first was delay as the administrative processes offered industrialists a choice between quickly obtaining a building license in a Development Area or

being processed slowly and centrally for other locations. Meanwhile, the Board's central functions steered large projects to Regional Panels. One example was Hoover whose management wanted to locate a factory employing over 1,000 people in Southampton but was instead steered to Merthyr Tydfil in 1946.⁹² The second was access to scarce labour and materials. Even if industrialists eventually obtained permission to construct a factory outside of a Development Area, shortages tended to prompt further delays.⁹³ However, if they chose a Development Area, they were often offered repurposed wartime factories or new advance factories. Nevertheless, factories were not the only resource that the Board could obtain for businesses as it was often able to help them navigate through the myriad of permits needed not only to establish a factory but also source the raw materials needed to commence production. The third element was loans from HM Treasury's Development Areas Advisory Committee, although few were made. One exception in south Wales was Polikoffs Ltd. which received £150,000 to expand its Rhondda clothing factory from 1,500 employees to 3,000. These measures helped prompt the approval of 121 privately financed factories totalling 10.2 million sq. ft. in the Wales Development Areas by the end of 1947-48, of which all but 21 were occupied or under construction.⁹⁴

Lines Bros. Ltd demonstrated how the first and second elements of Regional Policy formed an integrated approach influencing management decisions. The company had been seeking factory space in south Wales since 1944 and was offered a factory in Merthyr Tydfil after failing to obtain the former Newport R.O.F. The factory in Merthyr had been constructed in the 1930s by the Commissioner for Special Areas, while the government had financed its wartime expansion for Rotax, a business that employed over 2,000 workers producing armaments components. The factory was to be vacated and Walter Lines offered the Board of Trade a 1,500-job project with 'some urgency' as Lines Bros. Ltd. were keen to gain peacetime

market share. The regional Distribution of Industry Panel allocated the factory to Lines Bros. Ltd in August 1945 and funded its conversion, obtaining a building licence in March 1946.⁹⁵

However, the second element of enabling access to scarce labour and materials was also important. The Board helped Lines Bros. Ltd to obtain the necessary permits to obtain construction materials including steel, glass, and plywood, as well as some of the raw materials necessary to commence production.⁹⁶ The same dynamic helped equip the plant. Lines wanted to utilise some of the state-owned machinery used by Rotax, prompting much correspondence between the Board of Trade, the Ministry of Supply's Machine Tool Control, and the Ministry of Aircraft Production before obtaining its use. Finally, even obtaining petrol coupons for the infirm Walter Lines to be driven from London to Merthyr to visit his new factory proved problematic. The firm bought a large and comfortable car for this purpose only to be told by the Ministry of Fuel and Power's Regional Petroleum Officer that a smaller car should be used to save petrol, prompting yet another intervention by the Board of Trade to ensure that Lines would be allocated sufficient petrol.⁹⁷ The factory finally opened in 1949.

Although unemployment in Wales rose in 1946 as munitions production reduced, such problems were short-lived as the influx of manufacturing businesses helped its economy to grow faster than that of the UK throughout the late 1940s.⁹⁸ Nevertheless, this impact obscured two problems. One was that state actions within industrial location were a successful but ad hoc containment of a nationwide industrial expansion that sought to maximise industrial employment, not create sustainable integrated regional industrial economies through clustering firms in related industries, or prioritizing those with greater growth potential.⁹⁹ Instead, the government, prompted by the interwar problems caused by over-reliance on primary industries, declared in 1946 that new factories were introducing 'a wide measure of diversity' to Wales

by producing items including ‘clothing, furs, rubber goods, electric motors, silk and nylon yarns, clocks, electric fans, brushes, potato crisps, wireless goods, furniture and caravans [and] sheet metal work’.¹⁰⁰

The other was that the Board of Trade’s central operation in London remained mindful of the need to boost nationwide economic efficiency; it tended to operate in favour of larger firms able to navigate government procedures and often lacked the commercial expertise to challenge firms’ costings. In 1945, the Board stated that the factories to be ‘steered’ towards the Wales Development Areas would only be those that could ‘economically’ be located there, precluding those whose management argued successfully that their efficiency would be harmed if their factories were sited away from established concentrations in the West Midlands or the South East of England.¹⁰¹ Some large firms exploited these factors to secure permission to expand outside the Development Areas, and prominent examples in 1946 included Jaguar and Ford.¹⁰² Neither problem mattered when economic circumstances allowed the government to prioritise regional growth but 1947 became what Dalton described as an ‘annus horrendus’ culminating in August’s financial crisis over sterling convertibility.¹⁰³ Locating factories outside Development Areas subsequently became easier as the government was reluctant to impose constraints that might reduce export earnings, even as it introduced a new system of Industrial Development Certificates as a prerequisite for receiving planning permission. Nevertheless, while the wartime elimination of unemployment was not maintained as the average rate throughout the Wales Development Areas stabilised at around 6 per cent from mid-1947, there was no return to interwar conditions when the rate was 21 per cent in mid-1937, and 41 per cent in mid-1932.¹⁰⁴

Conclusion

The literature on Regional Policy implemented after the war focuses on its development in wartime and its subsequent peacetime implementation, with studies of the latter focusing on efficiency. While more recent studies have examined the wartime governance machinery used to co-ordinate regional munitions production, linkages between such machinery and the implementation of regional policy have yet to be explored. Moreover, evaluations of post-war Regional Policy neglect the period immediately after the war, as well as the policy's impact on individual regions. This article has sought to address these gaps and makes two arguments. Both arguments also apply to the other Development Areas throughout England as identical governance structures existed in each.

The first argument is that the Regional Policy associated with the post-war period began to be implemented before the war had ended. By 1943, the Board of Trade's regional Factory and Storage Control Function was foreshadowing the activities of governmental investment promotion bodies such as the Development Corporation for Wales from 1958 and the Welsh Development Agency from 1976 by receiving inquiries from industrialists and attempting to persuade them to locate in Wales. Activity increased throughout 1944. The Ministry of Production began to construct advance factories in south Wales for civilian production, some of which were constructed and occupied before the war had ended. Meanwhile, Dalton's own office was intervening forcefully to ensure that large industrial projects were directed to Wales, often against the wishes of their management. Finally, although Dalton was the most important force driving the new policy, other Ministers such as Lyttleton were also involved in the construction of post-war approaches.

After the war, repurposed wartime governance machinery combined with the ability of the Board of Trade to help businesses access scarce raw materials and factory premises diverted many other businesses to south Wales, the Development Area closest to London. The use of industrial location controls, the enabling of industrialists to access resources, and the volume of factory construction marked a radical shift in emphasis and effectiveness when compared to pre-war approaches. The lead time for construction and operations development meant that many factories were opened after Regional Policy was downgraded in 1947; of the 243 factories opened in Wales by firms headquartered elsewhere between 1945 and 1949, 104 opened after 1947.¹⁰⁵ These included BNS and Hoover whose combined employment peaked at over 13,000 in the 1960s. Both were constructed from 1946 and opened in 1948. The remarkable opening ceremony for the Hoover factory in Merthyr Tydfil reflected its importance as an employer, and the role of the government in its creation. A chartered train conveyed hundreds of guests from London to the factory, where they lunched before viewing a gala performance described by the company in a commemorative booklet as culminating in an illuminated image of the factory ‘visualised as a beacon of promise in an area once dark and depressed’, followed by an evening of dancing; ‘on with the dance, let joy be unconfined’. Moreover, the Hoover Chairman and Managing Director told attendees that the company had ‘accepted [the Board of Trade] suggestion that we come to the south Wales Development Area’.¹⁰⁶

Nevertheless, the influx of industrialists to Wales and other Development Areas was not solely a product of Regional Policy, as some would have chosen to open factories in these areas regardless as labour shortages in more congested locations would have delayed their involvement in post-war restocking, risking losing market share to competitors. However, few industrialists chose to locate their factories in Wales during the 1930s despite the efforts of the

Commissioners for Special Areas and many showed a similar reluctance once Regional Policy was downgraded. The scale of the influx during and immediately after the war combined with the traditional reluctance of industrialists to locate their factories in Wales means that state action prompted much of the movement although the extent of policy additionality cannot be quantified fully.

The other argument is that the Board of Trade implemented Regional Policy through repurposed wartime governance mechanisms. The ineffective Regional Policy of the 1930s was suspended at the outbreak of war, but wartime needs to maximise munitions production birthed industrial location policy to control the predominantly private munitions industry. Its regional mechanisms featured a board to co-ordinate these businesses, while industrial location instruments included a Nil Certificate system over factory construction, to which the system of civil construction building licenses was generally sub-ordinated. As Regional Policy developed from 1943, the success of these approaches in eliminating regional unemployment meant that they were adapted to achieve a similar outcome in peacetime. There was, however, never any attempt to build a national body to govern and co-ordinate the investment decisions of all businesses as recommended by the Barlow Report. Instead, the development and implementation of the new approach owed much to the incremental, complex, and opaque nature of wartime industrial governance over private businesses.¹⁰⁷

Within national mechanisms, the Board of Trade's wartime Factory and Storage Control was folded into the Division responsible for Regional Policy, while the Board also took over responsibility for the Ministry of Production's Regional Boards. These were cloned, minus their union and business representatives, and repurposed as Distribution of Industry Panels to authorise job creating business investments, and also allocate surplus government owned

factories and new advance factories. Meanwhile, building licences were retained and repurposed as industrial location instruments to divert business activity from more congested regions, with their issuing by the Ministry of Works in practice sub-ordinated to Board of Trade approval processes. Nil Certificates were abolished by 1946, although they closely resembled the Industrial Development Certificates introduced in the following year. Finally, the components of Regional Policy as operated through the Board of Trade, or ancillary organisations such as the WMIE, were often governed by those who had carried out similar tasks in wartime.

Another indicator of continuity was the survival into the early post-war years of a permit driven economy where ministries controlled the allocation of resources to businesses. This was not formally part of Regional Policy, but the Board of Trade's ability to help businesses agreeing to locate in Development Areas, such as Lines Bros Ltd., access factories, construction materials, and raw materials to commence production, was important in driving its successful implementation.

This article argues that the initial iteration of post-war Regional Policy was an extension of the wartime governance of munitions businesses. This argument has two implications for the literature. One is that the findings reflect the arguments of Scranton and Fridenson, and others, within the business history literature as to the state always being 'in' as the implementation of Regional Policy in the immediate post-war years embodies a more assertive phase of government involvement within regional business decision making. Although the policy was short-lived in peak intensity, its achievements prompted long-term impacts in boosting the regional stock of manufacturing businesses. The other is that the findings echo Edgerton's arguments as to the durable and technocratic nature of the British 'warfare state' that dominated

industry in wartime, and his conception of the post-war economy as a ‘low-key war economy which was very slowly liberalised’.¹⁰⁸ Both combine to illustrate the constantly evolving dynamics of state-business relationships, as reflected by O’Hara’s description of the period as one characterised by the shifting boundaries of the state within the economy.¹⁰⁹

Previous research on Regional Policy implemented after the war has emphasized the centrality of the Industrial Development Certificates from 1947, but these marked the end of a fully effective policy, not its beginning as the proportion of industrial building throughout Britain secured by Development Areas more than halved after that year. Although Regional Policy’s initial phase was short-lived and created an industrial economy characterised by ‘branch plants’ vulnerable to closures during recessions, it channelled a surge of investment that remodelled the post-war contours of regional industrial economies, one that flowed directly from the war’s upending of the relationship between business and state.

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- ⁹⁹ Scott, “British Regional Policy 1945–51: a lost opportunity”, 373.
- ¹⁰⁰ *Government Action in Wales and Monmouthshire, 1946*, 8-9.
- ¹⁰¹ TNA, BT 64/3559, Editors’ Tour, 1 August 1945, 1.
- ¹⁰² Rosevear “Balancing Business and the Regions”, 84, 86.
- ¹⁰³ Dalton, *High Tide and After*, 187.
- ¹⁰⁴ *Distribution of Industry*, Appendix 4.
- ¹⁰⁵ Commission on the Constitution, *Survey of the Welsh Economy*, 58.
- ¹⁰⁶ *The Official Opening of the Hoover Factory at Pentrebach, Merthyr Tydfil* (Hoover, 1948), 45, 56, 58.
- ¹⁰⁷ Goberman, “Public Governance of Private Munitions Businesses in Regional Britain”.
- ¹⁰⁸ Edgerton, *Warfare State*, 95.
- ¹⁰⁹ O’Hara, “What the electorate can be expected to swallow’ Nationalism, Transnationalism and the shifting boundaries of the stat in post-war Britain”.