The United Kingdom during the Interwar Era: Developments across the North Sea

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This panel looks across the North Sea to developments in the United Kingdom during the interwar years. The domestic economic and political issues that the UK confronted were daunting. Unemployment, depression, rising protection, and the political alteration of the nation itself were signature characteristics of the UK during the two decades following the First World War. This panel explores each of these characteristics, making substantial advances in the relevant scholarship. In explaining the high unemployment in the UK, Luzardo-Luna estimates aggregate and regional Beveridge curve shifts. He finds that intra-regional labour market frictions explained the majority of the UK's structural unemployment. Lennard considers the UK's recovery from the Great Depression. Previous scholars have attributed the UK's recovery to a shift in inflationary expectations, which Lennard now quantifies by constructing a number of high frequency estimates from primary sources. During the Depression, the UK abandoned free trade, but its erosion was already underway in the late 1920s, and Varian identifies the economic determinants of those industries that successfully obtained protection under the UK's safeguarding of industries system. Finally, Adams examines the Irish War of Independence (from the UK) and how an informal system of taxation was used by pro-independence guerrillas in Ireland to extract funds from the local population.

How important is regional polarisation in explaining structural unemployment? The case of the first Western deindustrialization (Remote delivery)

Ivan Luzardo-Luna, Universidad del Norte (Colombia)

This article aims to examine the impact of polarization in regional labor markets on labor frictions by examining the case of interwar Britain. Using an original dataset from the regional returns of the unemployment insurance administration, this article estimates the aggregate and regional Beveridge curve shifts for with a vector error correction model (VECM). This estimation allows the breakdown of labor frictions into spatial mismatching (interregional frictions) and frictions within regions. They accounted for 21% and 79% of structural unemployment, respectively.

Measuring inflation expectations in interwar Britain (Remote delivery)

Jason Lennard (co-authored with Finn Meinecke and Solomos Solomou), London School of Economics and Political Science

What triggered the recovery from the British Great Depression? A leading explanation is a shift in inflation expectations. According to Howson (1975) and Booth (1987), there was a macroeconomic regime change (Sargent, 1982; Temin and Wigmore, 1990) to a 'managed economy' in the early 1930s. This involved ending the gold standard, implementing the 'cheap money' policy, imposing the General Tariff and announcing a price level target. Crafts (2013, 2014) argues that these policies raised inflation expectations, lowering real interest rates and stimulating consumption and investment. While inflation expectations are regarded as the key stimulus to recovery from the slump in theory, there has been little empirical work in practice.

In this paper, we measure inflation expectations in the United Kingdom between the wars by constructing a number of high-frequency estimates using primary and secondary sources.

'Industrial safeguarding in Britain, 1925-8: the determinants of protection'

Brian D. Varian, Newcastle University

Prior to the landmark Import Duties Act of 1932, Britain had already begun to dismantle its longstanding policy of free trade. In 1925, a government White Paper formalized a procedure by which individual manufacturing industries could apply for tariff protection against imports, taking the form of temporary 'safeguarding duties'. Those industries of 'substantial importance' confronting 'exceptional' foreign competition could apply. If an industry exhibited a prima facie case for protection, then its application would be considered by a committee convened by the President of the Board of Trade. Each committee then recommended whether the industry should receive protection and, if so, an import duty 'reasonably sufficient to countervail the unfair competition'. Using a probit model, this paper examines the determinants of those industries that applied for and were successful in obtaining protection via the safeguarding procedure. This paper finds that protection was negatively associated with labour productivity in the industry. After controlling for many economic characteristics, this paper also finds that the extension of protection was positively associated with the share of imports (corresponding to that industry) coming from Germany. Already, in the 1920s, Britain's trade policy was becoming bilateralised.

'Stationary Bandits' in the Irish War of Independence: the arms fund levy, 1920-21

R. J. C. Adams, Queen's University Belfast

The United Kingdom lost 20% of its landmass in 1922, when the Anglo-Irish Treaty created a de jure independent state in Ireland. But in many parts of Ireland a de facto state of independence had already existed for months. In swathes of the south and west, local Irish Republican Army (IRA) brigades had effectively displaced the British government in holding a monopoly on the use of violence. Much like Mancur Olson's 'stationary bandit' phase of state formation, the IRA brigades levied a tax on local farmers and businesses through an organised campaign of extortion known as the Arms Fund Levy. This paper analyses the Arms Fund Levy: how it was organised, what techniques were employed, and what incentives were in play. It also explores the effect of the levy on the balance of power within the Irish republican movement and the extent to which, by empowering local brigades, it may have undermined the movement's central command.