**Impact of the War on the Scottish Economy**

Those returning from war faced poor prospects of getting jobs in agriculture, fishing and heavy industries and unemployment grew in the 1920s. As well as this there was a shortage of land in the Highlands and Islands which caused problems and land raids continued. Many of these people emigrated from rural Scotland. Thousands decided to emigrate helped by the free passage scheme for ex-servicemen and women. The 1920s also saw significant emigration from industrial Scotland by people seeking a better life elsewhere. Attractions of Canada and the other Dominions, with pull factors such as the availability of land, better employment opportunities caused many economically active Scots to emigrate. Push factors such as overcrowding and poor housing, poverty at home.

**Loss of international competitiveness**

The Scottish economy was ruined by war with overseas trade disrupted and slow to recover. Post-war Scotland suffered badly from the slump in the world economy. Industries like shipbuilding, mining and engineering were badly hit and because these were the main industries in Scotland, the economy suffered more than in the rest of Britain.

During the war, demand for war goods and basic supplies was very high which made prices rise as supplies were relatively scarce. This excessive demand made the pound (£) overvalued. After the war, the effect of a strong pound meant British exports such as steel and cotton goods were expensive in international markets. Other countries not so directly involved in the war (eg Japan, China, India) took advantage of the war to infiltrate markets left open by the belligerents (eg. GB, France etc).

Between 1913 and 1923, steel production in Japan, China, India and Australia grew from

360, 000 tons to 858,000 tons and, power looms in India and Japan increased from 120,000 to 200,000.

This meant these countries could now produce these goods, like ships, for their own markets and so exclude exporters such as Scotland. Therefore, demand for Scottish built ships declined between 1921 -23 from 510,000 tons to 170,000 tons.

*“The war certainly shifted the balance of international trade against Scottish shipbuilders by increasing world-wide capacity, and against textile manufacturers by enabling competitors to establish themselves in Asian markets and especially in India.” C. Lee*

**Impact of war on Scotland’s labour force**

With so many men volunteering for the armed forces and later being conscripted, the Scottish labour force was seriously depleted both in number and in skills. This caused changes in the methods of production as industry adjusted to providing essential war supplies

Scotland’s contribution of men into the armed forces added up to 690,235 men. By end of war the proportion of males aged 15-49 serving in British armed forces since 1911 was41.5% of all Scottish males between 15 and 49, 26.9% of whom were volunteers.

The skills required to build ships, produce coal, make steel and manufacture textile goods were jealously guarded by those workers who had them and they would use them as bargaining tools for their Trade Unions to negotiate better pay and conditions from employers.

By 1900 many Scottish companies in the staple industries of shipbuilding, iron and steel had been successful by working in what had become traditional, labour intensive ways of working and were reluctant to take risks by investing in new machinery.

Employers were happy to pay low wages as long as workers were “happy” to stay in work using their particular skills and not losing their jobs to new technology. Of course the continuation of old working practices in Scotland meant other countries like the USA , Germany and later Japan who did invest in more efficient mechanized production methods could produce the same goods cheaper and often of higher quality than Scotland and so even before the war Scotland was losing its competitive edge internationally.

This led to dilution where unskilled and semi-skilled women and men replaced those skilled workers who had gone to war. The government introduced The Dilution Scheme in 1915. The Dilution Scheme was very unpopular with British trades unions as they were suspicious of the longer term implications of dilution, ie old skills would be replaced by less skilled workers and machinery, so skilled workers would become unemployed.

****This provided training to upgrade workers with required skills and forced companies to change traditional, often inefficient, production techniques by forcing them to mechanise. As a result of this dilution female employment between 1914 -18 increased from 2.18 million to 2.97 million and 704,000 women were replacements for men in engineering and munitions. By October 1918 31,500 women worked in Scottish munitions factories.

An example of Trade Union action against dilution came in March 1916 when there was a strike at munitions company Beardmore’s Parkhead Works, Clydeside. The management had stopped shop stewards organizing women workers so a strike was called. The strike spread to other firms as workers came out in sympathy with the Beardmore workers. The strike delayed production of howitzer artillery pieces which Douglas Haig had ordered as part of the requirements for the Battle of the Somme.

To end the strike, the trade unions were assured by the government that dilution would end with the end of the war. It duly did and many traditional working practices were reinstated, many women losing their jobs to returning soldiers wanting their old jobs back. Unfortunately this exacerbated the problems of inefficiencies that Scottish industry had been suffering from before the war and led to the poor economic performance of Scotland after the war.

The demand for goods created by the war merely postponed Scotland’s economic decline which hit heavily after the war.

The cost of the war was $35.3 billion, 19% of the GDP, and with the addition of costs such as destruction of property and loss of production and trade this increased to some $370 billion. This led to an increase in the National Debt from £650 million in 1914 to £7,828 million by 1920, mostly owed to the USA.

**Shipbuilding and Heavy Industry**

Demand for steel increased during the war as it was needed for the shipbuilding industry. Diversification of firms like Beardmores from shipbuilding to tanks to airships also helped increased profits but other countries increased their steel making during the war years and Scots manufacturers could not compete. After the war a return to competitive tendering along with the decline in the demand for steel and for ships, foreign competition, labour disputes and a shortage of manpower and materials all led to problems and shipbuilding went into decline.

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**Fishing**

The collapse of foreign markets for herring greatly affected the fishing industry.

European countries started to compete strongly with Scottish fleets and in 1920 the government removed the guaranteed price for the herring. The price of herring dropped

Dramatically as it was no longer profitable and for twenty years the industry went into a steep decline.

Dr William Kenefick:

*Overall the impact of the First World War was disastrous on the British fishing industry. We’re talking about an industry that was very successful in the period before 1914, and although it had been undergoing some restructuring we’re talking about an industry that was fairly productive, could employ something like 35,000 men and boys, and seasonally 50,000 women. The biggest problem for the fishing industry is when we went to war with Germany, we went to war with our biggest trading partner.*

Professor Hew Strachan:

*Fishing in the North Sea, was not an easy occupation to pursue when the North Sea is a no man’s land between two fleets, so of course the fishing industry looked westwards rather than eastwards.*

**Agriculture**

Scottish agriculture benefited through government purchase of wool clip for uniforms and oats for horse feed. However problems in agriculture returned post war as competition came from cheap foreign imports of food like refrigerated meat from Argentina, frozen lamb and tinned fruit from Australia and New Zealand.

Dr William Kenefick:

*Agriculture had been doing quite well before 1914, partly due to the fact that rentals had been pretty well stable for almost thirty years before the First World War broke out.  That meant that even if prices increased, if rentals were fairly stable the farmer could expect to get a good return on the produce, whether it was arable, whether it was animal husbandry. The First World War actually, there is some debate about that but generally speaking the First World War was a very profitable time for farmers.  That’s not to say that they were very rich, it’s merely to say that farming wages and salaries, if you must, income from working a farm actually increased pretty significantly.*

Professor Elaine McFarland:

*The Defence of the Realm Act plus the inflation surrounding prices for agricultural goods changed the agricultural practices and the Scottish landscape.  It pushed more land into cultivation, into cereal cultivation, especially oats with a 25% increase in the acreage devoted to oats.  This was to feed the horses on which the British Army still relied.*

Dr William Kenefick:

*Significant changes are taking place in terms of what farmers are growing, in terms of what farmers are producing, but generally over that period we’re talking about a period of relative prosperity.  The biggest problem that the farming industry has by the time we get to 1917/18 is that so many men are actually signing up for active military duty that they haven’t got enough people to actually, to produce the goods, so to speak, and this encourages more women into farming into order to take up the slack.*

**Jute**

War time was positive for many of the staple Scottish industries. Jute saw an increase in demand for sandbags Post-war decline of the jute industry – During the war Dundee’s jute industry boomed as demand for sack cloth rose but after the war the industry faced direct competition from Calcutta in world markets. Price of goods collapsed resulting in mass unemployment, deep social misery and discontent especially in Dundee and several firms went into liquidation.

Much recent historical research now concludes that Scotland’s economy was in decline before the war with its dependence on heavy, staple industries which were facing problems of productivity and poor international competitiveness.

C. Lee: E.W. McFarlane (ed): Scotland and the Great War

*“The war exacerbated a situation which was already a source of industrial weakness, accelerating the decline rather than causing it. In 1919 Scotland was a vulnerable economy with many inherent weaknesses, as evidenced by widespread poverty, outdated technology and a limited capability to succeed in international competition. But all these same characteristics had been present in 1913, on the eve of the Great War.”*

**Task**

**Source A:** from T.M. Devine, C.H.Lee and G.C.Peden, The Transformation of Scotland

(The Economy since 1700), (2005).

*The Scottish economy was devastated by four years of war; overseas trade had been disrupted and was very slow to recover. Those who returned from war faced many difficulties. Employment prospects in agriculture, fishing and the heavy industries were poor with unemployment levels growing during the 1920s. The Land Settlement (Scotland) Act in 1919 produced more funds for land settlement but the shortage of available land in the Highlands and Islands remained a problem and land raids continued. So with high unemployment, low wages and a shortage of available land to farm, thousands of Scots made the decision to emigrate to build a new life in the colonies. They were helped in making their decision as the Overseas Settlement Committee, set up in 1921 with government support, provided assistance to people wanting to emigrate and granted free passage to ex-servicemen and women until the end of December 1922.*

How fully does **Source A** describe the impact of the war on the Scottish economy between

1914 and 1928? **9**

*Use the source and recalled knowledge.*