UNIVERSITY OF OXFORD

Discussion Papers in
Economic and Social History

Number 38, December 2000

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WHO BOUGHT THE INTER-WAR SEMI? THE SOCIO-ECONOMIC CHARACTERISTICS OF NEW-HOUSE BUYERS IN THE 1930S

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ABSTRACT

Although the high level of private house-building in the 1930s was an important episode in Britain's economic and social development, the literature has not addressed adequately the nature of the demand for these houses. In particular, the class and income characteristics of their purchasers are poorly understood. The conventional wisdom in this area is due to Swenarton and Taylor, who have argued that the vast majority of house buyers were middle class and that few manual workers could afford to buy. In fact their argument contains several important flaws. This paper uses a broader and more reliable collection of evidence to show that 'working-class' households broadly construed bought a large proportion of new houses from 1932-3 onwards. (The six years 1933 to 1938 account for well over half of all houses built privately in the interwar period.)

Abbreviations:
BSG = Building Societies Gazette.
BSY = Building Societies Yearbook.

Who bought the inter-war semi?: the socio-economic characteristics of new house-buyers in the 1930s.

I. Introduction

The interwar period saw very high levels of private house-building. Private enterprise built 2.88 million houses, compared to a stock of 7.9 million outstanding in 1919.[1] This high level – which was concentrated in the years 1933 to 1938 – was an important episode in Britain's economic and social development. During the 1930s, house-building accounted for a much higher proportion of GDP than it had during any previous period, and the sharp increase in house-building in 1933 and 1934 was central to the country's recovery from recession.[2] The low-density semi-detached style which characterised much interwar housing radically changed the appearance of British towns. And since the vast majority of the new privately-built houses were for owner-occupation rather than for letting (due to the decline of investment in property for letting and the readiness of building societies to supply finance on generous terms), the house-building boom led to a significant increase in the incidence of owner-occupation. Before 1914, owner-occupation had been a marginal tenure in most towns, and its spread has been seen as an important social and also political phenomenon, given the oft-posited causal link between a household's tenure and its political ideology.

However, despite the subject's importance, the literature has not adequately addressed the nature of the demand for these houses, in particular, the class and income characteristics of their purchasers. The conventional wisdom in this area is due to Swenarton and Taylor, who have argued that most of the purchasers of new houses during the interwar period were middle-class households and that few manual workers could afford to buy them. To reach this conclusion they compare the weekly cost of buying a new house with the weekly wages of working-class households.

In fact their argument contains several important flaws. In the 1920s it was certainly the case that only middle-class households could afford to buy new houses, but in the early 1930s building costs and interest rates fell so that house purchase came within the reach for the first time of large numbers of manual and lower-paid non-manual workers. It was exactly these groups to whom building societies catered with their loans on generous terms through pool schemes: most importantly, these involved very small 'personal stakes' and also long repayment periods. This paper

[1] Bowley, *Housing*, pp.269, 271.
[2] The increase in private house-building accounted for over 19 per cent of the 7.7 per cent increase in real GDP in these two years (derived from Feinstein, *National income*, p.T16, Bowley, *Housing*, pp.271, 278.)

reassesses the issue of affordability by comparing wages with the weekly cost of house purchase, but it uses a broader and more reliable collection of evidence. The paper also presents a broad range of evidence to show that not only *could* many 'working-class' households broadly construed afford to buy new houses from 1932-3 onwards, but that many actually *did* so.

It is desirable at the outset to specify the notion of occupational class. The most obvious distinction, and the one which Swenarton and Taylor use, is between manual and non-manual workers. They argue that few manual workers could afford to buy houses, and consequently that the great majority of house-buyers were middle class. This paper shows that households lower down the income ladder could also afford to buy new houses. But in terms of wages, there was a large overlap between skilled and even some semi-skilled manual workers on the one hand, and lower-paid non-manual workers on the other. Swenarton and Taylor's argument must imply that large numbers of these non-manual workers were unable to buy. But if one argues that households lower down the income distribution were able to buy new houses, one is implicitly arguing that large numbers of these lower-paid non-manual workers as well as manual workers could afford buy for the first time.

In fact, there is a good deal of evidence that large numbers of manual workers did buy new houses. But importantly, it is not clear that the manual/non-manual distinction is the most significant. Contemporaries drew an important distinction between lower-paid non-manual and better-paid manual workers on the one hand, and less well-paid manual workers on the other; and they often applied the term 'working class' only to the latter. For example, in 1936 the assistant editor of *The Economist* explained that the families which had purchased the new houses

> have not in the main emerged from the working class, that is, the unskilled labouring class, but from the lower middle class, the clerk and artisan class, numerically very much smaller than the unskilled labouring class.[3]

On Tyneside, the major distinction in access to owner-occupied housing during the interwar period was 'not between manual and whitecollar workers but between well paid and poorly paid manual workers.'[4] The remainder of this paper shows that in the 1930s, this was the case throughout the country.

It is also useful to note the distribution of the population between different classes. Defined as manual and less-skilled non-manual workers, 77 per cent of gainfully-employed adult males were 'working class' in 1931.[5] Statements such as 'only the better off among the working classes could afford to purchase houses'

[3] G. Crowther, 'Some thoughts on the past and future of building in this country', *BSG*, May 1936, p.445.
[4] Byrne, 'Working class owner-occupation', p.89.
[5] Routh, *Occupation and pay*, p.6.

must be read in this context. If the ‘better off’ covers one quarter of working-class households, then this group is almost as big as the whole of the middle class.

II. House-building for Sale to Owner-occupiers in the Interwar Period

That private enterprise built so many houses during the interwar period (and that so many of these were for owner-occupation) was due to a combination of demand- and supply-side factors. On the demand side, a severe existing shortage of houses at the end of World War I was compounded by a high rate of family formation right through the interwar period. In addition, the new houses built in the interwar period were very desirable: they had electricity, they were warmer and lighter, and most of them were built on ‘healthy’ suburban estates.[6] On the supply side, during the 1930s at least, houses were cheap and mortgage finance available on easy terms.

Before 1914, the vast majority both of the housing stock and of the houses built in any one year were let by private landlords. However, in the 1920s the supply of funds for investment in rented property largely dried up. Small capitalists, who had provided on a local basis the bulk of the funds for investment in property, were discouraged by the rent restrictions, imposed in 1915 and retained in a modified form after the war, and by persistently falling building costs.[7] Furthermore, the development of capital markets meant that small capitalists were no longer so tied to rented property.[8] Investment in rented property staged a partial recovery in the mid- and late 1930s, when building costs were increasing. But even during the five years 1934 to 1938, properties built for letting accounted for only one quarter of the private enterprise total.[9]

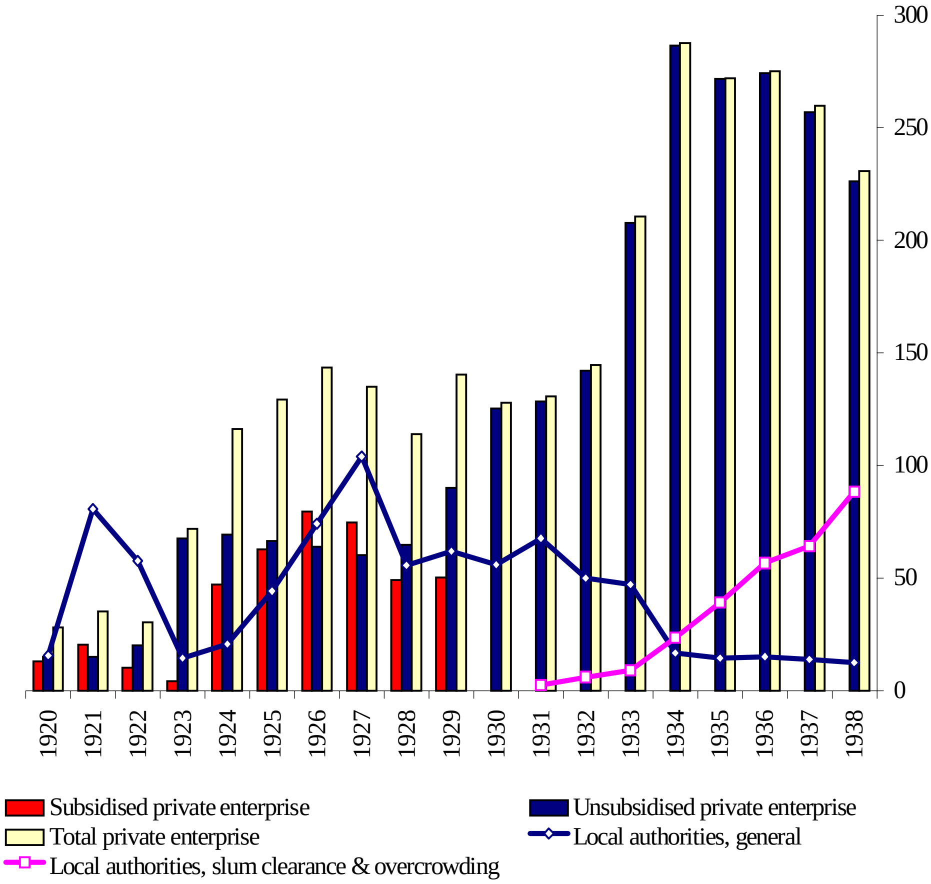
Local authorities partially filled the gap created by the near-disappearance from the housing market of the private investor. However, they only built enough houses to cover a fraction of the shortfall. The majority of the houses which they built up to the early 1930s were for ‘general purposes’, that is, for letting to relatively well-off working-class families.[10] The decline of building for general purposes in the early 1930s meant that many such families turned instead to the private sector.

In the early years of the 1920s, private sector house-building was depressed by the high level of building costs (see figure 1 below). It increased as building costs fell from the very high levels immediately following the war, and from 1923 to 1929

[6] Bowley contrasts them with Victorian villas with their ‘long dark passages, cold and depressing sculleries, sordid bathrooms and villainous scarlet brick’ (*Housing*, p.74). See also Jackson, *Semi-detached London*, pp.103, 144-8; Daunton, ‘Housing’; Lewis, *Building cycles*, pp.224-5.
[7] On the effect of falling building costs, see Bowley, *Housing*, pp.86-7.
[8] See e.g. Daunton, *House and home*, pp.300-1.
[9] Bowley, *Housing*, p.274.
[10] Bowley, *Housing*, p.272; and Olechnowicz, *Working class housing*; Glass, *Watling*.

the ‘Chamberlain’ subsidy (of £75 per house, and £50 from 1927) gave it a significant boost. Unsubsidised building increased towards the end of the decade, reflecting the continued fall in building costs as well as the end of the subsidy. In the early 1930s, private house-building increased sharply, reflecting primarily a further fall in building costs and also now a fall in mortgage rates as well as the reduction in local authority building for ‘general purposes’ and the continued high rate of household formation.[11] Well over half of the private sector houses built in the interwar period as a whole were built in the six years 1933 to 1938. It was in this period when the cost of buying fell so that large numbers of manual and lower-paid non-manual households could afford to buy.

Figure 1: *Houses built by private enterprise and local authorities, 1920-38 (years starting 1 April) (thousands).*



Source: Bowley, *Housing*, p.271.

III. Swenarton and Taylor’s argument

[11] That is, for the wealthier end of the working-class market, as distinct from building for slum clearance. Throughout this period, changes in building society lending terms were important in generating changes in the level of house-building; see Speight, ‘Building society behaviour’, chs.3-6.

Swenarton and Taylor have argued that during the interwar period as a whole, very few 'working-class' households could afford to purchase new houses. To reach this conclusion they compare working-class incomes with the cost of buying a new house. The comparison involves three stages: first, deriving a distribution of the prices of new houses; second, working out the weekly payments required to purchase them; and third, comparing these weekly payments with working-class incomes.

The first step, of deriving a distribution of the prices of new houses, is the most complex. Swenarton and Taylor attempt to derive prices ('capital values') from information on rental values ('gross values') collected by the Fitzgerald Committee in 1938.[12] (Local authorities recorded a gross value for every house and derived each house's rateable value directly from its gross value via a centrally-given formula.) The Fitzgerald Committee carried out a survey of the English and Welsh housing stock and divided it up according to tenure (owner-occupied, private rented and public rented); gross value (it grouped properties into 5 bands); and age (pre-war and post-war). The survey covered 8.25 million dwellings out of a total of 11.4 million. The shortfall was partly due to the systematic exclusion of flats and agricultural dwelling houses. However, it also somewhat under-represented urban houses, because some local authorities only reported information on a sample of houses. (The survey covered about 76 per cent of the 2.65 million dwellings built privately between the armistice and 1938, although some of these dwellings will have been flats and therefore excluded.[13]) Of the dwellings built between 1919 and 1938 for owner-occupation and covered by the survey, most (64 per cent, or 921,000) were concentrated in the second gross value band, with gross values of between £20 10s and £40. Only 19 per cent of such dwellings (276,000) had gross values of less than £20 10s.

In a well-functioning market, the capital value of rented property is a direct function of the property's clear annual rent – that is, the landlord's return after paying for repairs and insurance – and of the rate of return which landlords require at that time. For example, if a house produces a clear annual rent of £20 and landlords require a return of 7 per cent, the capital value is £20 multiplied by 100/7, that is, £286. The capital value is expressed in terms of 'years purchase', that is, capital value divided by rent, in this case just over 14.

Swenarton and Taylor assume that the gross values reported to the Fitzgerald Committee are accurate guides to properties' annual rental values and subtract 15

[12] This committee – the Departmental Committee on Valuation for Rates – was appointed in 1938 to assess whether valuing houses at their true rental values for the purpose of rating would impose 'undue hardship' on any classes of tenants or home-owners.
[13] Total houses built: Bowley, *Housing*, p.271.

per cent to produce estimates of landlords' clear annual rents. Given this, they need to relate rental values to capital values via the number of years purchase. They use a guide to investment in rented property, which explains that 'substantial freehold houses could be valued at 25 to 16 years purchase' (and 'inferior or low-rented freehold houses' at 14 to 11 years purchase).[14] They further claim that owner-occupied property was at a premium in the interwar period. This leads them to conclude that owner-occupied property in the interwar period was valued at 24 years purchase.[15] Given these two assumptions – that gross values accurately reflected real rental values and that capital values were 24 times clear annual rent – it follows that houses with gross values of £20 10s to £40 (which accounted for 64 per cent of post-war owner-occupied houses) had selling prices of between £417 and £816.[16]

To derive the weekly repayments and incomes necessary to purchase houses at various prices, Swenarton and Taylor use evidence supplied to the Fitzgerald Committee by the National House Builders' Registration Council.[17] This links house prices, repayments and incomes, the latter two via the assumption that repayments and rates must not exceed 30 per cent of income. As presented by them, the evidence indicates that to purchase a house costing £500, one required an income £3 8s 9d.

The Ministry of Labour's 1931 survey of working-class wages showed that only 10.6 per cent of male workers earned £3 5s or more per week, and this was actually an *overestimate* because the survey excluded the low-paid occupations of coal mining and agricultural labour. Since one required an income of £3 8s 9d to buy a house costing £500, the implicit premise that relatively few houses in GV band 2 cost less than £500 (the bottom of GV band 2 being £417) allows Swenarton and Taylor to draw the conclusion that 'only the élite of the working-class would have met the status requirements needed to buy a house in GV band 2'.[18] In the Fitzgerald Committee's survey, this GV band accounted for 64 per cent of post-war owner-occupied houses, and the more affordable GV band 1 for only 19 per cent. 'The conclusion seems to be that in general only the élite of the working class could afford home-ownership – and even then only at the cost of self-sacrifice and thrift.'[19] And by implication, 'The vast majority of the new owner-occupiers of the interwar years belonged to the middle-income groups which could satisfy the status

[14] Swenarton and Taylor, 'Growth of owner-occupation', p.384.
[15] The book is Tarbuck's *Handbook*.
[16] Swenarton and Taylor, 'Growth of owner-occupation', p.384.
[17] PRO, HLG56/157, written evidence of NHBRC to Fitzgerald Committee.
[18] Swenarton and Taylor, 'Growth of owner-occupation', p.384.
[19] Ibid., p.385.

requirements of building societies'.[20]

IV. The flaws in Swenarton and Taylor's argument

Swenarton and Taylor greatly understate the number of working-class households which purchased new houses in the interwar period because their argument involves questionable assumptions and arguably inappropriate evidence at each stage, that is, in the derivation of house prices; in establishing the repayments required to purchase these houses; and in linking these two to working-class income levels.

House prices

To reach their conclusion about the prices of new houses in the interwar period, Swenarton and Taylor make two assumptions: that gross values accurately reflected market rental values; and that new owner-occupied houses could be valued at 24 years purchase. In fact, it is not clear that either of these assumptions is sufficiently well-founded to support the rest of the argument.

With respect to the link between gross values and market rental values, many local authorities had failed to keep their gross value schedules in line with properties' real rental values. Indeed this was the proximate reason for the formation of the Fitzgerald Committee, on whose survey Swenarton and Taylor base their analysis.[21] The whole basis of rental value had been distorted by the introduction of rent controls and subsidised local authority housing, by the increase in the number of owner-occupied houses, and by the post-war housing shortages which meant that 'market' rental values often reflected properties' scarcity.[22] On average, post-war properties were undervalued by 30 per cent.[23] In addition, the extent of the undervaluation differed between regions: post-war properties were most undervalued in the Home Counties, where a large proportion of the private enterprise houses of the interwar period were built.[24] Such general regional trends overlaid large variations between individual local authorities. The upshot is that it is extremely problematic to attempt to derive post-war properties' selling prices from their gross values.

After making the assumption that a property's gross value was a good indicator of its annual rental value, Swenarton and Taylor claim that post-war owner-occupied properties sold at 24 years purchase. This is a very high figure. In the buoyant property market of the late 1890s, leasehold properties in the most

[20] Ibid., p.391.
[21] Fitzgerald Committee, *Report*, p.4; Hicks et al., *Valuation for rating*.
[22] Fitzgerald Committee, *Report*, p.9.
[23] Ibid., pp.27, 56-57.
[24] Ibid., p.55-57; and Hicks et al, *Valuation for rating*, p.34-48 and appendix.

fashionable (i.e. expensive) areas of London rarely sold for more than 11 or 12 YP, calculated on the basis of the clear annual rent, implying a return of 8 to 9 per cent (assuming that most of the leasehold properties being sold had more than 40 or 50 years to run).[25] Another source indicates that in the early 1890s, residential property was valued at something in the order of 17 YP.[26] As a rule, capital values in the rented sector vary inversely with long term interest rates, of which the most important was the yield on consols. This was lower in the 1890s than in the 1930s, which indicates that 24 YP is far too high for the 1930s (never mind the 1920s, when consol rates were much higher). In 1934 an authoritative source claimed that ‘the return at present expected on speculative properties appears to be about 10 per cent at the least’, implying about 10 YP.[27]

What then is the basis for Swenarton and Taylor’s assumption that new owner-occupied properties were valued at 24 YP? Their source is Tarbuck’s *Handbook of house property*, according to which ‘substantial’ freehold houses typically sold for between 16 and 25 YP and ‘inferior, or low rented’ freehold houses between 11 and 14 YP.[28] Given this broad range, Swenarton and Taylor choose 24 years purchase on the basis that ‘owner-occupied property was generally more highly priced than rented property, and that during the 1930s, owner-occupied property was at a premium’.[29] This is rather arbitrary, and biases the argument very strongly in their favour. Perhaps more importantly, the cheaper speculatively-built houses of the 1930s were not ‘substantial’ in Tarbuck’s sense. Furthermore, whilst Tarbuck’s book was indeed ‘published in 1938’ as the ninth edition as Swenarton and Taylor claim, it was in fact simply an unrevised reprint of the first edition, published in 1875. The property market changed a great deal between the 1870s and the interwar period. A mid-Victorian handbook on rented property does not constitute a secure foundation for valuing speculatively-built owner-occupied housing in the interwar period.

Repayments

Swenarton and Taylor’s information on mortgage repayments (and other housing outgoings, most importantly rates) is based on evidence given to the Fitzgerald Committee by the National House Builders Registration Council. It appears that this slightly overstates the repayments required to purchase houses during the mid- and late 1930s, when societies’ lending terms were most generous and when working-class households were buying higher proportions of new houses. This is because it

[25] Derived from Offer, *Property and politics*, p.270; Tarbuck, *Handbook*, p.139.
[26] Derived from Brabrook, *Provident societies*, p.162.
[27] Political and Economic Planning, *Housing England*, p.52.
[28] Tarbuck, *Handbook*, p.124.
[29] Swenarton and Taylor, ‘Growth of owner-occupation’, p.384.

shows the average payments made by *existing* rather than *new* borrower-purchasers. The evidence also lacks precision, since it only shows the average payments on houses in £50 bands, rather than for specific house prices. But most importantly, Swenarton and Taylor mis-transcribe the original source. The source states that an income of £3 8s 9d was necessary to purchase a house costing between *£550* and £600, not between *£500* and £600 as Swenarton and Taylor claim. This makes a significant difference because it means that even on the mortgage terms implicit in the NHBRC evidence, people earning £3 8s 9d could purchase houses up to at least £550. And there was a heavy concentration of houses in the band £500 to £550, particularly in the provinces (see below).

Incomes

For information on the level of working-class earnings, Swenarton and Taylor use the Ministry of Labour survey of October 1931, which shows that only 10.6 per cent of male workers in manual occupations (excluding some low-paid ones) earned more than £3 5s per week.[30] In fact, this evidence significantly understates adult male working-class earnings in the mid- to late 1930s, for two reasons. First, earnings were lower at the end of 1931 than for much of the period 1932 to 1939. They reached a low point soon after the October 1931 survey and subsequently rose for the rest of the decade.[31] Second and more important, the 1931 survey does not distinguish between men and boys; rather, it simply gives an average of *all* male wages. What mattered in determining a household's ability to pay was the income of the chief wage earner, for which adult male earnings is the appropriate proxy. The inclusion of boys along with men appears to have pulled down the average by as much as 15 per cent.[32] In other words, many more working-class households earned the kind of incomes which allowed them to purchase new houses than Swenarton and Taylor allow.

The separate nature of the London property market

Swenarton and Taylor follow the Fitzgerald Committee in making no distinction between London and the provinces. But the London housing and labour markets were quite distinct from those in the provinces: house prices and wages were both significantly above the national average. Between 1932 and 1939, the London area accounted for about one quarter of privately-built houses (and rather more by value, since houses were more expensive in London). Treating the London and provincial

[30] Ibid.
[31] Feinstein, *National income*, p.T140.
[32] Derived from Political and Economic Planning, *Housing England*, p.50, and from the 1935 Ministry of Labour survey (*MLG*, July 1937 p.257-8).

housing markets as one constitutes an unnecessary degree of aggregation in an argument which already contains a number of fairly rough estimates.

V. Reassessing the affordability of new houses in the interwar housing market

Before 1931/2 it is true that house prices and mortgage rates were sufficiently high to exclude most working-class households from the market for new houses. Building costs fell persistently through the 1920s, but even by 1930, few houses sold for less than £600 in London.[33] Outside London, prices were slightly lower, but even in the West Midlands, where houses were relatively cheap during the interwar period, the 'typical' subsidy house cost £550 (freehold) in 1929, rising to £600 in 1930 with the removal of the 'Chamberlain' subsidy.[34] This implied weekly outgoings of over 20s per week, which in turn implied a weekly income of over £4 plus a deposit of about £75, including legal and survey fees. This deposit requirement was onerous, but to reduce it to below £50 would raise the required income significantly. This is supported by Jackson's claim that

> Until interest rates and building costs fell in the early thirties, the lowest paid among the owner-occupiers were those in the £4 10s to £5 10s group.[35]

In the late-1920s, this criterion excluded most manual workers and a large number of clerks.[36] That few working-class households could afford to buy at this time is supported by evidence from social surveys. In London in 1930 only 4 per cent of working-class households were owner-occupiers, and in Merseyside the figure was 3.6 per cent (and only 0.5 per cent had mortgages outstanding, indicating that they had purchased recently).[37] In addition, of a sample of 141 Leicester Permanent Building Society borrowers in 1930, only two were in working-class occupations.[38]

However, in the early 1930s, the cost of house purchase fell substantially. House prices continued to fall until at least 1934, more than cancelling out the effect of the removal of the subsidy in 1929.[39] Mortgage rates fell: at the start of 1932 they were

[33] Jackson, *Semi-detached London*, p.188. From 1928 to 1931, about 30% of all private enterprise houses were built in Greater London (*idem*, p.104).

[34] Reports of the annual meetings of the Birmingham Incorporated Building Society, *BSG*, March 1929, p.105 and March 1930, p.192.

[35] Jackson, *Semi-detached London*, p.191.

[36] *MLG*, Jan.-March 1933 (1931 survey); Oct.-Dec. 1929 (1928 survey), and Llewellyn Smith ed., *New survey*, vol. III p.64; Routh, *Occupation and pay*, p.90 and p.101.

[37] Llewellyn Smith ed., *New survey*, vol. III p.56 (in fact this finding concerned the Eastern Survey Area); Caradog-Jones ed., *Survey of Merseyside*, p.143.

[38] Swenarton and Taylor, 'Growth of owner-occupation', p.386. Swenarton and Taylor cite this evidence in support of their claim that very few working-class households could afford to purchase new houses during the interwar period *as a whole*.

[39] See Speight, 'Building society behaviour' ch. 5 for more details on the fall in the cost of house purchase.

6 per cent in the London area, but by early 1933 several large lenders were offering loans at 5 per cent, and by the summer 5 per cent was the standard London rate. In the provinces, rates were typically 0.5 or 0.75 per cent lower until mid-1935, when 4.5 per cent became the standard national rate. And competition between societies drove repayment periods up and personal stakes down. These changes were reflected in the sharp increase in private enterprise house-building.[40] The effect was to open up house purchase beyond the middle-class households which had bought the houses built in the late 1920s.

Certainly, as Bowley has shown, the number of houses built for owner-occupation in the 1930s far exceeded 'middle-class' requirements, even defining middle class to include the best-paid manual workers. By 1934, middle-class households no longer faced an absolute shortage of houses.[41] In contrast, the classes which had traditionally occupied houses in the lowest rateable value band – accounting for something in excess of two thirds of households – were still experiencing an absolute shortage of houses of over 100,000 before allowing for the increase in the number of households (even making only a minimal assumption for replacement of the existing stock during the preceding decade).[42] The demand for houses from these classes now came from only two sources, namely, from newly-formed households, and from existing households' desire to migrate into new houses.[43] Between September 1934 and March 1939, the number of households in England andWales increased by about 450,000. If one third of these were middle-class households (a generous assumption), these households will have accounted for 150,000 new houses. In addition, some middle-class households will have migrated to a new house. Between September 1934 and March 1939, the number of households in England and Wales increased by about 450,000; according a generous 150,000 of these to the middle class means that middle-class households occupied 150,000, plus however many existing households migrated to new houses.[44] By 1931 not far short of one half of middle-class households had already migrated into new private enterprise houses, and in the early 1930s building societies became concerned about the apparent saturation of 'middle-class' demand. Changes in tenancies among middle-class households were running at only around 50,000 per annum.[45] Even assuming that all of these changes represented moves into new houses, this leaves a remainder of at least 800,000 new houses in England and

[40] See ibid., chapters 5 and 6, for more on the causes of the house-building boom.
[41] Bowley, *Housing*, p.80, 173.
[42] Ibid., pp.49-50.
[43] Once households had moved into new house, they were unlikely to move again, because they invariably found themselves in negative equity for several years, particularly given that building costs fell until about 1933 (Speight, 'Building society behaviour').
[44] Bowley, *Housing*, pp.173, 269.
[45] Ibid., p.173.

Wales going to households which could not in any way be regarded as 'middle-class'. Given the limited number of houses built for renting, well over 500,000 of these houses must have been for owner-occupation.[46] And it must be stressed that these estimates are based on a very broad definition of 'middle class'.

Evidence from the Abbey Road Building Society supports the argument that manual and lower-paid non-manual households purchased large numbers of new houses in the 1930s. The prominence of wage-earners among the society's borrowers is striking (table 1 below). Between 1933 and 1936, the proportion of advances going to wage-earners increased rapidly to over 50 per cent. By 1939, 49 per cent of the society's outstanding mortgage loans were to wage-earners and labourers, which means that during 1937 and 1938, between 55 and 60 per cent of the society's new advances must have gone to such borrowers. In 1931 the Abbey Road was the second largest society, but it was not representative of the industry as a whole. Up to 1931 it competed vigorously for mortgage business and it is likely that the competitive mortgage terms which it offered encouraged a higher than average number of wage-earning borrowers to take out mortgage loans.[47] In 1932, it drastically restricted its mortgage advances, insisting in particular on higher personal stakes (witness the decline in the importance of working-class purchasers in 1932).[48] From 1933 onwards, the increase in the importance of wage-earners reflects a more general trend in the industry as a whole, but the Abbey Road lagged behind many other large societies in this respect because it was the most conservative, being notably reluctant to increase its risk-exposure in pursuit of market share.[49] The implication is that the Abbey Road figures if anything *understate* the prominence of wage-earners among building society borrowers from 1932.

In the 1930s, around 70 per cent of building society advances went to finance the purchase of new houses, and within this total, loans to owner-occupiers dominated.[50] The clear implication is that the Abbey Road lent to a large number of wage-earners for the purchase of new houses. And many other societies were probably even more dependent on lending to wage earners. Indeed in 1938, the general manager of the Abbey Road wrote that 'Of those who made the [housing] boom possible I should judge that about half the purchasers were black-coated workers and the other half better paid artisans'.[51]

[46] Derived from ibid., p.274.
[47] See Speight, 'Building society behaviour', chapter 4.
[48] Ibid., chapter 5.
[49] Ibid., chapter 6.
[50] Ibid., p.41.
[51] Bellman, *Capital, confidence,* p.60.

Table 1. *Abbey Road Building Society, borrowers by occupational classification (per cent).*

	Stock	New loans during:						
	Stock	During	During	During	During	During	During	Stock
	1930	1931	1932	1933	1934	1935	1936	1939
Wage earner	34.8	40.8	31.0	41.2	43.3	49.4	50.5	48
Labourer	0.6	0.6	0.5	0.8	0.7	1.2	1.3	1
Clerk	7.3	7.3	7.4	7.6	16.8[52]	7.7	6.9	)
								21
Salaried	16.7	15.7	16.3	14.2	12.1	12.3	10.7	)
Independent	15.5	13.2	17.9	14.3	12.6	11.9	13.7	13
Professional	4.4	4	4.1	3.3	2.4	3.1	3.0	3
Miscellaneous	20.7	18.4	22.8	18.6	11.9	14.4	13.9	14
Abbey Road lending, £m		8.0	3.5	6.4	8.7	7.3	7.5	
Total building society lending, £m		90.3	82.1	103.2	124.6	130.9	140.3	

Source: Bellman, 'Building trades', p.430; last column, Pole Committee, *Report*, p.27; final two rows: *BSY*, 1931-37.[53]

More tentative support comes from the Ministry of Labour's 1937/8 survey of the budgets of urban working-class households (defined as those in which the head of the family was either a manual worker or a non-manual worker earning less than £250 per annum).[54] The survey found that slightly fewer than 18 per cent of urban working-class households (equivalent to about 1.45 million) were owner-occupiers in late 1937 and early 1938.[55] Unfortunately, it is not known what proportion were owner-occupiers at the start of the 1930s. There is information for individual towns: in Liverpool 3.6 per cent of working-class families were owner-occupiers and in London 4 per cent, and in Oxford, relatively few houses were built privately for owner-occupation before 1930 to house the rapid increase in the population.[56] But

[52] 'Increase due mainly to block transfer of mortgages from large public utility undertaking.'

[53] The figures show the proportion of *new advances* going to borrowers of different social classes each year, rather than the incidence of the social classes in the *stock* of outstanding mortgage loans. The figures have been misinterpreted by among others Nevin (*Cheap money*, p.295) as showing the stock in each year. This seriously distorts the information.

[54] 'Weekly expenditure of working class households in the UK in 1937-38', *MLG*, Dec. 1940, Jan. 1941.

[55] The estimate is based on the calculation that urban working-class households accounted for 65% of households in 1938. Number of households: Department of the Environment, *Technical volume*, p.15, multiplied by 1.1 to include Scotland.

[56] Caradog-Jones ed., *Survey of Merseyside*, p.143; Llewellyn Smith ed., *New survey*, vol. III p.56 (furthermore, in the 'External Boroughs' of most recent development, the figure was only 6.5%); Whiting, *View from Cowley*, p.164.

Swindon, Burnley and Blackburn had much higher rates of working-class owner-occupation.[57] According to the Secretary of the Swindon Permanent Building Society, in 1930 12 per cent of the country's housing stock was owner-occupied. Given the much higher rate of owner-occupation among the 20 to 25 per cent of the population earning more than £250 per annum, middle-class households will have accounted for a good proportion of these houses.[58] It is difficult to estimate from this information the proportion of urban working-class households which owned their houses before 1932, but eight or nine per cent would be an upper-bound estimate (nine per cent being about 650,000 households). This leaves a remainder of 800,000 working-class households becoming owner-occupiers for the first time during the 1930s, mainly from 1932 onwards. Clearly this is only a rough estimate, but such was the *size* of the urban 'working class' (broadly defined) that even a relatively small increase in the incidence of owner-occupation represented a large number of house sales.

In the light of this evidence, this section uses Swenarton and Taylor's original method of linking house prices to incomes to deduce which occupational groups could afford to purchase during the 1930s, but it uses a broader and more robust range of sources.

House prices

Three independent sources together provide a large amount of evidence on the prices of houses built in the 1930s: first, it is possible to establish a link between rateable values and house prices; second, building society archives contain information on the prices of houses on which they lent; and third, there are figures through time and by region concerning the average cost of houses for which local authorities granted planning permission.

Based on 'a careful review of selling prices in relation to rateable value', in 1935 Harold Bellman published figures linking selling prices with rateable values.[59] (Rateable values were derived from gross values via a schedule of formulae, for the purpose of levying rates.) Combining these figures with information on the distribution of new houses across rateable value bands provides information on the distribution of the prices of new houses. Unlike in Swenarton and Taylor's argument, these figures are based on direct observation of the relationship between gross/rateable values and selling prices. They do not depend on questionable premises concerning the link between gross (or rateable) values and rental value,

[57] Secretary of the Swindon Building Society, cited in W. Harvey, 'Business notes', *BSG*, Jan. 1930 p.4; Hemingway, J., *Society life*, p.44; Madge, 'Blackburn and Bristol', p.445.
[58] Massey, 'Expenditure of middle-class households'.
[59] Bellman, *Thrifty three millions*, p.212. Bellman was general manager of the Abbey Road, one of the only societies to have a statistical department, which Bellman presumably employed in his research.

nor how to capitalise market rental values. In addition, they allow one to distinguish the London housing market from those in the provinces.

The rateable values for which Bellman chose to estimate selling prices correspond to those chosen by the Marley Committee, which estimated the number of houses built since the war in each rateable value band. But the most systematic breakdown of houses built during the 1930s comes from the Ministry of Health's data, as interpreted by Bowley.[60] In fact it is a straightforward step to use the information supplied by Bellman to deduce the selling prices for houses according to the Ministry of Health's RV band schema. Combining this with information on the number of houses built in each RV band allows one to produce the following breakdown of the distribution of houses built for owner-occupation:

Table 2. *Houses built for sale to owner-occupiers in England and Wales, April 1931 to March 1939.*

London:				
Selling price	Below c£600	c£600 to c£1,000	Above c£1,000	*Total*
(RV band)	*(RV <£20)*	*(RV £21-£35)*	*(RV £36-£105)*	
No. of houses	111,900	191,600	65,800	369,300
As percentage	*30.3%*	*51.9%*	*17.8%*	*100%*
Provinces:				
Selling price	Below c£400	c£400 to c£750	Above c£750	*Total*
(RV band)	*(RV <£13)*	*(RV £14-£26)*	*(RV £27-£78)*	
No. of houses	335,900	521,800	173,100	1,030,800
As percentage	*32.6%*	*50.6%*	*16.8%*	*100%*

Note: Since there is no information on the number of houses in the top rateable value band which were built for letting, we have included them all in the owner-occupied category. This overstates the actual number. The returns of the Fitzgerald Committee (*Report*, pp.51-7) indicate that a small but significant proportion were for letting.

Sources: Bowley, *Housing*, p.272; Bundock, 'Speculative house-building', pp.101, 714; Jackson, *Semi-detached London*, p.104; Bellman, *Thrifty three millions*, p.212. For details of calculations, see Speight, 'Building society behaviour', pp.57-8.

Various sources supplement this evidence on the distribution of the prices of new houses. There is more information on house prices in the London area than

[60] See Bowley, *Housing*, pp.272, 274. Both of these schemas differ from the system of gross value bands used by the Fitzgerald Committee.

elsewhere, because the development of London's interwar suburbs has attracted a good deal of attention from historians. John Laing, whose building activities were concentrated in the London area, told the Fitzgerald Committee in early 1939 that 'the great majority of houses [on speculatively-built estates] are sold under £750', and this after several years when house prices had tended to increase.[61] An authoritative source on speculative house-building in the London area concluded that in the 1930s 'the number of very cheap houses [below £500] was not large in proportion to the total; the average price in the thirties around London was nearer £650-£750'.[62] In Middlesex, the 1930s was 'the age of the arterial road, ribbon building, and the £595 or £695 house: semi-detached, three-bedroomed, with a garage at the side'.[63] However *The Economist* put the average significantly lower, claiming in 1938 that 'The datum value for the typical new house has been £500-£600 in the London area'.[64] This is a credible source, but it conflicts with Jackson's claim that the average was between £650 and £750. Evidence from the minute books of societies which lent large amounts on speculatively-built estates in the London area in the 1930s indicates that relatively few new houses were sold for less than about £550, with a concentration somewhat above this, except in 1933 and 1934, when prices appear to have been at their lowest, with significant numbers at down to £400.[65]

Taken together, this evidence combined with the evidence from rateable value bands indicates that from 1932 to 1939 inclusive, houses in the London area were concentrated between about £500-£550 at the bottom end and about £750 at the top end, that is, straddling the lower and intermediate RV bands. This is supported by the average cost of houses for which local authorities granted planning permission.[66] In looking at repayments, it is this class of house in which we are most interested.

It is more difficult to describe a distribution of prices for 'the provinces' because this encompasses such a wide area. Using Bellman's pricing guide, about one third of the houses sold to owner-occupiers cost below about £400 (freehold), and just over half were in the intermediate RV band, costing between round about £400 and £750. *The Economist* thought that £400 to £500 was the 'datum value' for new houses in the provinces.[67] The average cost of houses for which local authorities

[61] PRO, HLG56/157, oral evidence of the NHBRC, 16 March 1939.
[62] Jackson, *Semi-detached London*, p.191. Throughout, where no tenure is specified, prices are freehold.
[63] Robbins, *Middlesex*, p.182.
[64] 'Mortgage Values Analysed', *Economist*, 23 April 1938, Building societies special supplement, p.8. According to Burnett, 'in the years immediately before the outbreak of World War II many semi-detached houses were available in Greater London in the range £400-£600' (*History of housing*, p.247).
[65] See Speight, 'Building society behaviour', tables A5-A7, pp.iv-vi; also J.G. Head, 'Property Experts' Views', *BSG*, Feb. 1934, p.126.
[66] Speight, ibid., p.60 and table A4, p.iii.
[67] 'Mortgage Values Analysed', *Economist*, 23 April 1938, Building societies special supplement, p.8.

granted planning permission seems to confirm that the distribution followed this pattern in the three most important provincial regions (the industrial ('North and West') Midlands, Yorkshire, and Lancashire).[68] And in Oxford, where houses were on the whole 'priced much more highly than similar houses built in other parts of the country' (due to the demand from motor workers), houses on the city's speculatively-built estates typically sold for less than £525.[69] Evidence from building society minute books confirms that a large proportion of the houses built for owner-occupation in the provinces cost less than £500.[70]

Repayments

This section explains the weekly cost of buying these houses. In fact, potential house-buyers faced two constraints: not only did they need to make the regular repayments, but they had to supply the 'personal stake' which building societies required. There had been no uniformity regarding personal stakes among societies, but they had invariably required at least 10 per cent. But many households on modest incomes had relatively little in the way of savings (particularly young families, which constituted a large part of the market for new houses). This meant that even a 10 per cent personal stake 'limits the field for sales'.[71]

In the 1930s, the majority of the houses built for owner-occupation, and a large majority of the cheaper houses, were built by speculative builders on 'builder's pool' schemes.[72] The pool system was designed to broaden the market for house purchase by reducing personal stakes (and also by increasing the repayment period, thereby reducing the weekly payments). Under pool schemes, societies commonly reduced personal stakes to below five per cent of the selling price inclusive of legal and survey fees, at least on properties costing up to about £750. And in many cases, builders would lend borrower-purchasers a significant part of the remaining personal stake. This removed a constraint preventing many households from buying who could otherwise afford the repayments.

The regular payments themselves were determined by the mortgage interest rate and the length of time over which payments were spread, as well as by the price of the house. With respect to repayment periods, up to 1931 societies rarely allowed borrowers to repay their loans in more than 20 or 21 years. After 1932, the most common terms on pool advances were 23 and 25 years, with a significant minority of 27 year advances and some of 30 years.[73] Repayment periods tended to become

[68] Data from *MLG*, various issues (reported in Speight, 'Building society behaviour', table A4, p.iii).
[69] Emden et al., 'Housing', p.353.
[70] See Speight, 'Building society behaviour', tables A5-A10, pp.iv-vi.
[71] Chandler, 'How building societies', p.84.
[72] See Speight, 'Building society behaviour', p.60 and *passim*.
[73] Ibid., ch. 6.

longer as the decade went on. These innovations came on top of successive reductions in the mortgage rate from 6 per cent and 5.5 per cent at the start of 1932 to a general 4.5 per cent from April 1935.[74] Coming together with the fall in house prices, these changes reduced the weekly cost of buying a house of a given size very substantially. Table A1 (appendix) shows the weekly repayments required to purchase houses of different prices assuming various lending terms. We assume a 98 per cent advance, which whilst not uncommon was probably above average for pool advances; this means that we state an *upper* bound for repayments.[75]

Incomes required to purchase houses at each price level.

Given the distribution of house prices and an understanding of the regular payments required to buy houses at each point in the distribution, it is necessary to relate these to working-class wages. But this requires knowing what proportion of their income those who bought new houses paid in mortgage payments. Building societies had a rough rule of thumb whereby a household's mortgage repayments plus rates should not account for more than one quarter of the chief wage earner's income. (Traditionally, societies only considered the earnings of the chief wage earner in deciding whether to grant an advance, since 'the earnings of the wife … are too uncertain a factor'.[76]) Political and Economic Planning considered that 'no family can afford to spend more than one-fifth of its income on accommodation without stinting itself in some other essential', and this for rented accommodation, that is, without additional repair costs.[77] But the evidence indicates that large numbers of house-buyers paid more than one quarter of their income in repayments and rates. Unfortunately no evidence concerning borrowers' earnings survives in building society archives. The most systematic evidence is that presented by the National House Builders Registration Council to the Fitzgerald Committee in early 1939. This indicates that purchasers of houses on speculatively-built estates in the London area typically paid between one quarter and one third of their income in repayments and rates.[78] Indeed, the representative of the National Federation of House Builders told the Committee that 'in many cases [borrowers] are already committed to one-

[74] Ibid.

[75] In fact, societies invariably required larger personal stakes on properties above £700 or £750 (there was no exact rule), so the table overstates repayments on these properties.

[76] PRO, HLG56/157, W. Harvey in oral evidence to the Fitzgerald Committee, 16 March 1939.

[77] Political and Economic Planning, *Housing England*, p.50.

[78] PRO, HLG56/157, written evidence of the NHBRC. The NHBRC was set up in 1937 in response to concerns about 'jerry-building' (poor quality building). Builders joining the Council had to satisfy certain standards and displayed their membership as a sign of quality. It therefore represented the more responsible builders. This evidence – contained in three tables – is reproduced in Speight, 'Building society behaviour', pp.vii-ix, and one of the tables is reproduced in Swenarton and Taylor, 'Growth of owner-occupation', p.385. Swenarton and Taylor do not refer to the other two tables, which demonstrate that manual workers could afford to buy relatively expensive houses.

third of their income'.[79]

This is much more than households typically paid in rent: in London and Liverpool in 1930, working-class families typically paid between 14 and 20 per cent of their *family* income in rent and rates, and in 1938 the average for urban working-class families in the whole country was 12.5 per cent (although these figures were artificially depressed by rent controls).[80] Before 1914, urban working-class families had paid on average 16 per cent of their family income in rent and rates.[81] In fact a straightforward comparison of rents with mortgage payments understates the owner-occupier's liability, because unlike tenants, owner-occupiers were liable for repairs and maintenance. In his study of housing in York, Rowntree added 3s per week to the average mortgage repayment of 17s 6d to allow for repairs.[82] House-buyers in the new suburbs also typically had to pay more for transport and often found themselves paying more for food.[83] Indeed research carried out during the late 1930s recognised that these additional items combined with mortgage payments and rates constituted heavy burdens on many households on new estates:

> [P]roblems arise on the many Estates erected by speculative builders, which are of comparable character as regards the size of the houses and the economic status of the residents [as Municipal Estates] … . They have grown up with very great rapidity in the last few years outside towns and in the Greater London area in particular … . The residents on the Estates which are here being considered are drawn from the ranks of weekly wage-earners. Although in some cases the family income may be slightly larger, the residents are paying more to buy their houses than they would be charged for rent on a municipal estate. In addition, they usually have the severe burdens of high fares to their places of employment, and young married people, who form a large part of the population, have instalments on their furniture to pay off.[84]

The reason that many of the better-off working-class households were willing to take on these onerous commitments is that this was the only way that many of them could satisfy their housing requirements. By 1934, there was still a large absolute shortage of houses among manual and less well-paid non-manual households.[85] Added to the existing shortfall, the areas where the building boom was concentrated

[79] PRO, HLG56/157, oral evidence of the NFHB.
[80] Llewellyn Smith, ed., *New survey*, vol.4, p.51; Caradog-Jones, ed., *Survey of Merseyside*, p.140; *MLG*, Dec. 1940, Jan. 1941.
[81] Fitzgerald Committee, *Report*, p.40.
[82] Rowntree, *Portrait*, p.18.
[83] E.g. Barlow Commission, *Report*, p.69 and *idem*, *Minutes of evidence*, p.892, Olechnowicz, *Working class housing*, pp.51, 55, Glass, *Watling*, p.7.
[84] National Council of Social Service, *New housing estates*, p.23.
[85] Bowley, *Housing*, pp.49-50.

saw rapid population growth; for example, the population of London and the Home Counties increased by 8 per cent from 1932 to 1938 inclusive. In addition, by the mid-1930s the process of middle-class migration into new houses was slowing down, which reduced the number of pre-war properties being freed up by middle-class migration. As a result, 'scarcity rents' were still common in the late 1930s, 'particularly in the neighbourhood of London, where industry has attracted labour from other parts of the country'.[86] As late as 1937 the Ridley Committee was unable to recommend full-scale removal of rent controls on working-class properties.

Several contemporary observers noted that many working-class households were forced to purchase for the lack of an alternative, and building society men became increasingly concerned at the tendency for borrowers to take on onerous obligations.[87] In retrospect, a former chairman of the Building Societies Association drew out as one of the main lessons of the interwar period that societies had allowed many households to be 'induced, by the difficulty of renting a house, to take on mortgage obligations too onerous for [their] means'.[88]

This raises the question of why building societies did not enforce their professed 'rule of thumb', that borrowers should not pay more than one quarter of their incomes in repayments and rent. Societies had not traditionally placed much importance on vetting borrower applicants, because by requiring borrowers to supply sizeable personal stakes, they made borrowers vet themselves. Borrowers knew that if they defaulted, they would be likely to lose their personal stakes, and this meant that people would only apply for loans if they were confident of repaying them. But in the 1930s, a large proportion of new houses were bought with very small personal stakes. The screening mechanism upon which societies had traditionally relied was removed. Furthermore, societies were under pressure from their builder-clients – on whom they were dependent for mortgage business under pool schemes – to accept as borrowers whomever the builders could sell to.[89]

Working-class earnings

Swenarton and Taylor use the 1931 Ministry of Labour survey as their source for information on the upper end of the working-class income distribution. For our present purposes, this is flawed as a source because wages began to rise relatively quickly after it was conducted and because it makes no distinction between boys and men. Similar Ministry of Labour surveys in 1935 and 1938 redress both of these

[86] Fitzgerald Committee, *Report*, p.39.
[87] e.g. E.g. Rowntree, *Portrait*, p.18, D. Smith, cited in W. Harvey, 'Business notes', *BSG*, Oct. 1938, p.936.
[88] W. Harvey, 'Business notes', *BSG*, March 1942, p.123.
[89] See Speight, 'Building society behaviour', chapter 3 for more on the relationship between building societies and builders in the 1930s.

problems.[90] In 1935 the mean average earnings of *adult* male workers were £3 4s 6d.[91] The median was only slightly below this, so that in 1935 far more than 10 per cent of adult male wage earners were earning more than £3 5s.[92] By 1938, the distribution had shifted up quite substantially so that the mean average was £3 9s, which is to say that by 1938 over half of adult male wage earners in the industries covered earned more than £3 5s per week, compared to the 10 per cent which forms the basis of Swenarton and Taylor's argument.[93]

That manual earnings were substantially higher than Swenarton and Taylor claim is supported by evidence on wages in individual occupations in 1935. Most male skilled manual workers earned in excess of £3 per week (£156 per annum), and the weighted average (averaged throughout the year) was just under £3 16s per week.[94] At the 1931 census, such workers accounted for about 30 per cent of the male working population. It is worth noting that weighted average earnings for clerical workers were actually slightly below those of skilled manual workers, although there was a higher variance. The weighted average wage for semi-skilled adult male workers (including shop assistants) was £3 3s, although this was dragged up by transport workers, who were well-paid but are classified as 'semi-skilled'.[95] Semi-skilled workers made up 29 per cent of the working population in 1931.

Unfortunately, the income of the chief wage-earner alone is not sufficient to tell whether a household could afford to take out a mortgage on a house; the other two crucial factors were the number of dependent children, and additional household incomes. There is no way of knowing the extent to which house purchasers benefited from second incomes during the 1930s; the sources available typically only report evidence on the incomes of chief wage earners. The *New survey* found that 46 per cent of households had dependent children, and that in two-thirds of these, the husband was the only earner.[96] In 30 per cent of families with dependent children, one or more children earned as well as the husband, and adult sons worked in just under 5 per cent of families; but in only 4 per cent of these families did the wife work. Therefore in young families – which must have accounted for a large proportion of the new speculatively-built houses – it does not appear to have been common for the wife to work. But there is very little evidence in this regard specifically concerning the households which did buy houses in the 1930s. Clearly,

[90] *MLG*, July 1937 p.257-8; March 1941 p.54.
[91] In fact this slightly overstates wage levels for those in work, because the figures only cover those actually at work during a particular week.
[92] On mean and median wages: Llewellyn Smith, ed., *New survey*, vol. III, p.64; in this large sample, the median was 2% lower than the mean.
[93] The survey excluded the unemployed and several industries including agriculture and coal-mining.
[94] Routh, *Occupation and pay*, p.101; also Ministry of Labour, *Abstracts of labour statistics.*
[95] Ibid., p.107.
[96] Llewellyn Smith, ed., *New survey*, vol. III pt I ch.4; vol. VI pt 1 ch.3.

in so far as mortgage-borrowing households had second incomes, this served to reduce the weight of the mortgage obligations on the household. On the other hand, a household which was dependent on the maintenance of two income streams was more likely to run into difficulty in meeting its repayments. Building societies had traditionally refused to take second incomes into account when deciding whether to grant loans, particularly because house purchase was so closely linked to family formation and the birth of children. Although not ideal, the ratio of repayments to the income of the chief wage earner is nevertheless useful as an indicator of how much a household could afford to pay in mortgage repayments and rates.

Evidence regarding working-class house purchase in the 1930s

Combined with evidence on the distribution of house prices and on the proportion of their incomes which house-buyers appear to have spent on mortgage payments, this information on wage levels towards the top end of the working-class income distribution indicates that many working-class households could afford to purchase new houses in the 1930s.

In 1935, mean average earnings for adult male manual workers at work during a particular week were £3 4s 6d, rising to £3 9s 0d in 1938. These figures exclude the unemployed and certain important low-paid industries, most importantly coal-mining and agriculture. Furthermore, most workers would have some time off each year due to holidays and sickness: workers not at work in the week when the survey was conducted were not recorded. Outside London, the average was slightly lower than for the country as a whole, but nevertheless a substantial proportion of provincial wage-earners earned around £3 per week and upwards. In the provinces, a large majority of new houses cost between about £600 and something below £400. Table A2 (Appendix, p. 31 below) shows that with a 23 or 25 year repayment period, £445 and £595 houses were well within the reach of people earning £3 and £4 per week respectively.

In London, house prices were substantially higher: relatively few were sold at less than £500 (except it appears in 1933 and 1934, when prices were at their lowest) and only in the order of 30 per cent of new houses for owner-occupation cost less than £600. Earnings in London were also higher: in 1938, average expenditure per head of population among working-class families in the Midlands, the North West, Yorkshire and Scotland was respectively 9, 14, 13 and 14 per cent below the London level.[97] Extrapolating the Ministry of Labour earnings figures indicates that in the mid-1930s, significant numbers of working-class men earned around £4 per week. Tables A2 and A3 below indicate that people on these wages

[97] Prais and Houthakker, *Family budgets*, p.163. This information comes from the Ministry of Labour's 1938 survey.

could afford to buy houses at £600, particularly with the more generous offers of building society finance, if at the cost of some self-sacrifice as mortgage repayments would account for a high proportion of earnings.

In fact the evidence does suggest that it was in the London area that borrowers generally took on the most onerous commitments. On the demand side, the relatively low level of local authority activity along with migration into the region meant that there was a real shortage of housing among lower income groups. On the supply side, since the building boom in the London area had really begun in the late 1920s, builders had satisfied a larger proportion of middle-class demand than in other regions, which meant that they had an accordingly greater incentive to attract lower income borrowers by reducing personal stakes ever-further and by employing 'hard-sell' tactics.[98] The third factor is that on the whole, the ratio of housing costs to wages was generally higher in London than in other urban centres.[99]

This section reviews evidence from various sources to indicate that many better-paid workers did buy new houses in the 1930s. It is important to remember in this context that the number of 'better-paid' working-class households was large, relative to both the number of middle-class households and the number of houses built. Certainly, at the end of the decade the National House Builders Registration Council thought that 'the great majority of people who buy houses are earning less than £5 per week' and the National Federation of Owner-occupier Associations that 'a large percentage' of purchasers earned less than £4 per week.[100]

The provinces

In taking evidence from a Manchester builder for the Fitzgerald Committee in early 1939, Walter Harvey – general manager of the Burnley Building Society and at this time chairman of the BSA – thought that the builder must deal 'perhaps very largely with wage earners who are getting £3, £3 10s, and £4 a week'.[101] The builder confirmed that 'very few [purchasers of new houses] would be earning as much as £5. In the North of England I would say £3 was a very good average wage'.[102] The Fitzgerald Committee also received evidence on 'typical' budgets of purchasers of various classes of houses.[103] In Manchester, a clerk earning £4 per week lived in a house costing £470 leasehold plus £5 ground rent per annum (freehold equivalent about £535). However, this borrower appears to have borrowed at 5 per cent over

[98] Jackson, *Semi-detached London*, pp.190, 220; also Richardson and Aldcroft, *Building in the British economy*, p.236.
[99] See R. Bruce Wycherley, address to Metropolitan Association of Building Societies, *BSG*, May 1937, p.444, and Prais and Houthakker, *Family budgets*, p.163.
[100] PRO, HLG 56/157, oral evidence of NHBRC, 16 March 1939; *idem*, oral evidence of NFOOA, 2 Dec. 1938.
[101] Ibid.
[102] PRO, HLG56/157, oral evidence of the NFHB, 16 March 1939.
[103] PRO, HLG56/157, written evidence of the NFOOA.

21 years; with more the more generous terms available from the early 1930s on, he could have bought a more expensive house. Also in Manchester, the ‘typical’ purchaser of the cheaper £365 leasehold house (ground rent £4 10s; freehold equivalent about £430) earned £3 5s per week. It is worth noting that this borrower received generous terms, namely 4.5 per cent over 27 years. Finally, on a large estate in Sheffield where the houses cost £365 plus £3 5s per annum ground rent, the purchasers typically earned between £3 and £4 per week. Rowntree’s 1936 survey of York revealed that wage-earning house-buyers typically bought houses costing from £450 up to £600.[104]

Houses with freehold equivalent prices of around £450 and below were built in large numbers in the West Midlands in particular, which was the second centre of the 1930s housing boom after the London area. In Birmingham, ‘working-class’ families (broadly defined to include 86 per cent of the population, including clerks) purchased over half of the houses built privately in the interwar period in the city’s ‘Outer Ring’, where private developments were concentrated.[105] For houses built in the 1930s alone, the proportion must have been considerably higher. And according to the Secretary of the Coventry Permanent Economic Building Society (interviewed in 1940), ‘50 per cent. of Coventry households are tenant purchasers. … Between 1934 and 1938 was the peak period for purchasing houses, and during this period it rose steadily until September 1939 …’.[106] If 50 per cent of the housing stock was owner-occupied (of which a large proportion was recently purchased), then working-class families must have purchased a large proportion of the houses built in Coventry in the 1930s. And in Oxford, a town similar in important respects to Coventry, ‘practically the whole of the work of the building societies … is on account of the lower-priced houses inhabited by working people and non-manual wage-earners’.[107]

The threshold for buying new houses went down to a low level. The Leeds Permanent agreed with one large builder in the West Midlands that he could sell his £395 leasehold houses (weekly outgoings 15s, £10 personal stake) to people earning £2 15s, so that outgoings were equivalent to just over 27 per cent of income.[108] And there was even a proviso that ‘where an applicant’s status is a borderline case, the Builders have the alternative to find £10 additional Pool deposit or the purchaser to find £10 extra deposit’. It was well-known among building society men that postmen – who earned £2 15s in the provinces – were common

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[104] Rowntree, *Portrait,* p.16.
[105] Derived from Bournville Village Trust, *When we build again.*
[106] Madge, ‘War time saving’ p.338.
[107] Emden et al., ‘Housing’, p.355.
[108] Leeds Permanent BS, *Board minutes*, 4 and 31 March 1938.

among the purchasers of houses with freehold equivalent prices of under £450.[109]

In Bristol, '21 per cent of the [working-class] families were living in their own houses; another 15 per cent. were buying their houses'.[110] This implies that working- class households were paying off mortgages on around 12 per cent of Bristol's housing stock, which must have accounted for a significant proportion of privately-built interwar houses. Furthermore, this excludes cases where households had bought new houses but had already paid off their mortgages by the time of the survey in 1940. And it was not only the highest-paid working-class households which had been able to buy.[111] Dividing Bristol's working-class households according to whether they had more than or less than 30s per head per week in 1940, 10 per cent of the poorer group (which was about four times larger) were in the process of buying their own houses and 11 per cent owned them outright, compared to 22 and 17 per cent in the better-off group.

Research on Edinburgh has shown that manual working-class households purchased a significant number of houses on six speculatively-built estates in the 1930s.[112] On an estate built between 1937 and 1940 on which the houses cost £475 and £485, manual and semi-skilled non-manual workers bought over 60 per cent of the houses. In 1937, the local authority paid skilled manual workers about £3 8s per week, which indicates that in the later 1930s when credit was cheapest, a large proportion of the houses in Edinburgh being sold at just under £500 were bought by wage-earners, relatively few of whom earned more than £3 10s.[113] Furthermore, manual workers purchased between 35 and 42 per cent of houses on three estates built earlier in the 1930s. These houses cost around £525 before the removal of the Chamberlain subsidy in Scotland in 1933, and thereafter £600. Roughly coinciding with the removal of the subsidy was the cheapening of credit terms which took place in the early 1930s. Therefore manual workers bought large numbers of properties costing £600 on easy credit terms in 1934/35 or costing £525 on more expensive credit terms before 1933. Edinburgh was a major market for building society advances, and builders sold large numbers of houses costing between £500 and £600 on competitive mortgage terms in the mid- and late 1930s.[114] These houses were within reach of many better paid manual and semi-skilled non-manual workers. Furthermore, it appears that, relative to working-class wages, the houses built in Edinburgh – relatively few of which seem to have cost less than £500 – were on the whole more expensive than in many other provincial centres, notably the West

[109] Interview with Leonard Hyde, former Chief Executive of Leeds Permanent BS, 29 Dec. 1998.
[110] Madge, 'Blackburn and Bristol', p.446.
[111] Ibid.
[112] O'Carroll, 'Tenements to bungalows'.
[113] Ibid., p.229.
[114] e.g. Leeds Permanent BS, *Board minutes*, 11 Feb. 1937; HBS, 6 Nov. 1933.

Midlands.

London

No social surveys were conducted in London after the New Survey (1929-31), but much of the evidence submitted to the Fitzgerald Committee concerns the London market. In addition, there is useful information, both published and unpublished, concerning the Abbey Road Building Society, whose operations were concentrated in the London area.

Tables A2 and A3 below show that somebody earning a relatively good London working-class wage of £4 per week could afford to buy a £600 house (in the order of 30 per cent of new houses in London cost less than this). There is a good deal of evidence that people with similar incomes bought surprisingly expensive houses. John Laing thought that it was not uncommon for men earning £5 to buy houses costing £750.[115] And using the specific cases supplied in evidence to the Fitzgerald Committee, it is possible to estimate the cost of houses bought by particular borrowers with incomes of £4 or below:

Table 3. *Estimated prices of houses purchased by borrowers earning less than £4 per week in evidence of the NHBRC to the Fitzgerald Committee.*

Repayments (1)	Est'd house price: 98% advance, 5%, 23 yrs (2)	Income (outgoings inc. rates/income) (3)	
£1. 0. 1.	£710	£4	(32%)
16/8	£595	£3.12.0.	(30%)
17/7	£625	£4	(29%)
19/10	£700	£3.14.0.	(34%)
18/4	£655	£3. 8. 0.	(34%)
17/8	£625	£3.12.0.	(32%)

Note: before estimating the house price we subtract 2d for insurance from each repayment.

[115] PRO, HLG56/157, oral evidence of NHBRC, 16 March 1939.

Source: cols. 1 and 3: PRO, HLG56/157, written evidence of NHBRC; col. 2: author's calculations.

Even assuming that these six borrowed at 5 per cent over 23 years (not the most generous terms), most of them bought houses costing £600 and above. The same exercise using the average weekly repayments of wage-earning borrowers of the Abbey Road indicates that wage-earning borrowers bought houses costing not much less than £600 on average.[116] And these repayment figures almost certainly understate the repayments of those wage-earning borrowers who purchased *new* houses, because second-hand (typically pre-war) houses were cheaper and because societies did not advance such a high proportion of the purchase price on sales of second-hand houses.

Furthermore, in 1933, 42 per cent of the Abbey Road's advances went to wage-earners and labourers and a further 7.6 per cent to clerks.[117] In the same year, fewer than 23 per cent of the houses on which the society had lent had cost less than £500, 24 per cent cost between £500 and £600, and 16 per cent cost between £600 and £700.[118] Assuming that wage-earners bought the cheaper houses, they must have dominated the £500 to £600 houses and will have probably spilled over into the £600 to £700 band. In this year house prices in London were at their lowest, and the proportion of wage-earning purchasers continued to increase in subsequent years despite higher house prices.[119] The explanation lies in more generous credit terms. By 1938, one third of the society's working-class borrowers whose mortgages were upwards of three months in arrear had purchased houses costing more than £600, and another third had purchased houses costing between £500 and £600.[120]

Surbiton Borough Council provided the Fitzgerald Committee with useful information on new housing estates in that borough. The houses on the two largest estates were almost all owned by working-class households.[121] Other smaller estates were more middle-class. On the first estate, we know the incomes of 340 out of a total of 421 residents. Almost all of these earned less than £3 10s, and 187 earned £3 per week or less. The council confirmed that 'the average wage on Estate no.1 cannot be much greater than £3-0-0 per week'. The second estate was chosen as containing residents of a slightly higher social class, but the average wage here was nevertheless under £4. Indeed it appears that the majority earned less than £3 10s. As well as indicating the sheer number of working-class house-buyers, the Surbiton

[116] Bellman, *Thrifty three millions*, p.207, *Bricks and mortals*, p.155.
[117] Bellman, 'Building trades', p.430.
[118] Bellman, *Thrifty three millions*, p.204.
[119] Nominal earnings increased but they did not quite keep pace (Feinstein, *National income*, pp.T137, T140).
[120] Table A16, p.xii.
[121] PRO, HLG56/160, written evidence of Surbiton Borough Council.

evidence also demonstrates that people on relatively low wages could and did buy relatively expensive houses. In the whole borough, only 47 houses out of 6,300 had gross values of below £20, whereas 4,079 had gross values of between £20 and £40.[122] Following Bellman's pricing guide, virtually none of the new houses in Surbiton would have sold for less than £400 (or slightly more). Practically all of the owner-occupiers on estates one and three earning less than £3 per week must have bought houses costing more than this. Tables A2 and A3 below show that this was possible. That the houses on 'Estate No.1' were aimed at marginal purchasers is reflected in the fact that most of them were sold with very small personal stakes of only £10.[123] Assuming the same ratio of income to house price, people earning £4 per week could purchase houses costing over £600.

VI. Conclusion

In the early 1930s, the weekly cost of house purchase fell sharply. In the late 1920s one required an income of about £4 10s to buy the cheapest houses on the market in any numbers; by the mid-1930s this had fallen to below £3. In 1938, the chief wage-earner earned between £2 10s and £4 in just under 40 per cent of households.[124] Many of these households were brought into the market for the first time in the 1930s. In the provinces, postmen earning £2 15s could certainly afford to buy houses towards the bottom end of the market; and the evidence of Surbiton Borough Council indicates that large numbers of people on similar wages purchased houses even in the London area. The postman was very roughly at the 50th percentile of the total income distribution, or about the 35th to 40th percentile of the working-class income distribution.[125] A very large number of manual and non-professional non-manual workers could afford to pay substantially more than postmen, and these workers bought large numbers of properties both in the lowest and in the intermediate rateable value bands. In London, house prices were higher and wages, although higher, were not proportionately higher. A significant number of working-class households did purchase houses outside the lowest rateable value band in London as well as in the provinces, though in many cases only by straining themselves financially.

These conclusions differ from those of Swenarton and Taylor – who argue that very few working-class households could afford to purchase houses during the interwar period – for several reasons. First, this chapter only claims that substantial

[122] Ibid.
[123] Ibid.
[124] Harrison and Mitchell, *Home market*, p.62.
[125] Based on Harrison and Mitchell, ibid.

numbers of working-class households purchased new houses from about 1932, when the cost of house purchase fell sharply. Before then, very few could afford to do so. Second, Swenarton and Taylor significantly under-estimate working-class wages during the mid- and late 1930s. Third, they over-estimate the repayments required to purchase the cheaper houses in the market. In addition, they fail to distinguish the London housing market from provincial markets, which results in an unnecessary extra degree of aggregation.

The finding that manual and lower-paid non-manual households bought a large number – quite possibly upwards of one half – of the houses built for owner-occupation during the 1930s has important implications for our understanding of the house-building boom and the spread of owner-occupation. With respect to the house-building boom, it helps to explain the demand side of the market and demonstrates the importance of supply-side factors such as the co-operation between building societies and builders which allowed societies to reduce personal stakes to very low levels. It is also important in the light of the perceived social and political significance of owner-occupation as a tenure. This socio-political aspect partly motivates Swenarton and Taylor, who are interested in the growth of owner-occupation per se rather than in the more limited question which this paper addresses, namely, the socio-economic characteristics of the purchasers of *new* houses.[126] But if one is interested in the spread of owner-occupation per se, it is necessary to consider not only the two million plus houses built in the interwar period for owner-occupation, but also the large number of houses – estimated to be in excess of one million – transferred out of the privately-rented sector by sale to owner-occupiers.[127] In a large proportion of these cases, landlords sold their properties in response to the low returns imposed on them by the rent restriction legislation. (Conversely, they were concentrated in the 1920s.) In many cases they could only realise low prices for their properties, and they often sold to the sitting tenants. Although there is little information on these sales – Merrett refers to them as the 'hidden history' of the interwar period – it is likely that many of them involved working-class households. In other words, many more working-class households became owner-occupiers in the interwar period than Swenarton and Taylor allow, not only because they bought many of the new houses built during the 1930s, but also because they also bought a significant number of pre-war houses, particularly during the 1920s.

Appendix: incomes required to buy houses at various prices.

[126] Swenarton and Taylor, 'Growth of owner-occupation', p.391.
[127] Merrett, *Owner-occupation*, p.15.

Table A1. *Weekly mortgage repayments (shillings and tenths of shillings) on loans of various sizes.*

		Repayments under different mortgage terms:								
House price	98% advance	6%, 20 yrs	5%, 21 yrs	5%, 23 yrs	5%, 25 yrs	5%, 27 yrs	4½%, 21 yrs	4½%, 23 yrs	4½%, 25 yrs	4½%, 27 yrs
£345	£338	11.4	10.1	9.6	9.2	8.9	9.7	9.2	8.8	8.4
395	387	13.0	11.6	11.0	10.6	10.2	11.1	10.5	10.0	9.6
445	436	14.6	13.1	12.4	11.9	11.5	12.5	11.9	11.3	10.9
495	485	16.3	14.5	13.8	13.2	12.7	13.9	13.2	12.6	12.1
545	534	17.9	16.0	15.2	14.6	14.0	15.3	14.5	13.9	13.3
595	583	19.5	17.5	16.6	15.9	15.3	16.7	15.8	15.1	14.5
645	632	21.2	19.0	18.0	17.2	16.6	18.1	17.2	16.4	15.7
695	682	22.9	20.5	19.4	18.6	17.9	19.6	18.5	17.7	17.0
745	730	24.5	21.9	20.8	19.9	19.2	20.9	19.8	18.9	18.2
795	779	26.1	23.4	22.2	21.3	20.5	22.4	21.2	20.2	19.4
845	828	27.8	24.8	23.6	22.6	21.7	23.8	22.5	21.5	20.6
895	877	29.4	26.3	25.0	23.9	23.0	25.2	23.8	22.7	21.8

Source: author's calculations.

Table A2. *Income of the chief wage earner (shillings and tenths of shillings) if weekly mortgage payments plus rates are equal to 25 per cent of income.*

			Incomes for different mortgage terms:						
House price	98% advance	Rates + insurance	6%, 20 yrs	5%, 21 yrs	5%, 23 yrs	5%, 25 yrs	4½%, 21 yrs	4½%, 23 yrs	4½%, 25 yrs
£345	£338	3.1	58.1	52.9	50.9	49.3	51.3	49.3	47.7
395	387	3.4	65.7	60.1	57.7	56.1	58.1	55.7	53.7
445	436	3.6	72.9	66.9	64.1	62.1	64.5	62.1	59.7
495	485	3.8	80.5	73.3	70.5	68.1	70.9	68.1	65.7
545	534	4.2	88.2	80.6	77.4	75.0	77.8	74.6	72.2
595	583	4.5	95.8	87.8	84.2	81.4	84.6	81.0	78.2
645	632	4.8	103.8	95.0	91.0	87.8	91.4	87.8	84.6
695	682	5.1	111.9	102.3	97.9	94.7	98.7	94.3	91.1
745	730	5.3	119.1	108.7	104.3	100.7	104.7	100.3	96.7
795	779	5.9	127.9	117.1	112.3	108.7	113.1	108.3	104.3
845	828	6.4	136.7	124.7	119.9	115.9	120.7	115.5	111.5
895	877	6.7	144.3	131.9	126.7	122.3	127.5	121.9	117.5

Note: Insurance: we assume 1.5d per week on houses costing up to £495, 1.8d up to £645 then 2.2d.

Sources: table A1 above; rates series derived from PRO HLG 56/157, written evidence of the NHBRC; insurance from Political and Economic Planning, *Housing England*, p.63, and HLG 56/157, written evidence of the NFOOA; and author's calculations.

Table A3. *Income of the chief wage earner (shillings and tenths of shillings) if weekly mortgage payments plus rates are equal to 30 per cent of income.*

			Incomes for different mortgage terms:						
House price	98% advance	Rates + insurance	6%, 20 yrs	5%, 21 yrs	5%, 23 yrs	5%, 25 yrs	4½ %, 21 yrs	4½%, 23 yrs	4½%, 25 yrs
£345	£338	3.1	48.4	44.1	42.4	41.1	42.8	41.1	39.8
395	387	3.4	54.8	50.1	48.1	46.8	48.4	46.4	44.8
445	436	3.6	60.8	55.8	53.4	51.8	53.8	51.8	49.8
495	485	3.8	67.1	61.1	58.8	56.8	59.1	56.8	54.8
545	534	4.2	73.5	67.2	64.5	62.5	64.8	62.2	60.2
595	583	4.5	79.8	73.2	70.2	67.8	70.5	67.5	65.2
645	632	4.8	86.5	79.2	75.8	73.2	76.2	73.2	70.5
695	682	5.1	93.3	85.3	81.6	78.9	82.3	78.6	75.9
745	730	5.3	99.3	90.6	86.9	83.9	87.3	83.6	80.6
795	779	5.9	106.6	97.6	93.6	90.6	94.3	90.3	86.9
845	828	6.4	113.9	103.9	99.9	96.6	100.6	96.3	92.9
895	877	6.7	120.3	109.9	105.6	101.9	106.3	101.6	97.9

Notes and sources: see table A2 above.

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