

Unemployment and the Great Depression in Adelaide

Dr Ray Broomhill, 13 May 2018

The Great Depression of the 1930s in Australia produced levels of unemployment that have not been experienced at any other time in our history. South Australia, in particular, experienced the highest level of unemployment of any state during the Depression.

The book *Unemployed Workers* that I wrote 40 years ago focused on the experience of the unemployed during the late 1920s and 30s in Adelaide. In this talk I will revisit some of the research from this study but I will also draw on other political economy research about the nature of economic crises to try to explain the reason why unemployment seems to be a more or less permanent component of all Capitalist economies – including Australia's – and also why it reached such high levels during the Depression.

Many political economists, particularly those coming from a progressive political perspective, have sought to explain capitalism's recurring economic crises and high unemployment by emphasising the anarchical nature of capitalism's market processes.

It has been the nature of capitalist development to evolve through a process of boom and bust rather than through even development and consequently Capital's need for labour has varied quite dramatically over time.

Historically, we can see that each economic 'boom' features a burst of innovation and growth based around new technologies and forms of production. Similarly, each period

of expansion is generally underpinned by the development of a set of political and social institutions and processes that provide a stabilising framework within which the chaotic forces underpinning capitalist development can be contained.

However, each period of growth based on a new mode of production contains its own contradictions and eventually runs its course – leading to faltering growth, crisis and eventual collapse.

When this happens, there generally also occurs a crisis in the temporary political and social institutional arrangements that serve to underpin and support economic growth during the boom cycle as these suddenly become less effective or even counterproductive and prove to be only temporary fixes rather than permanent solutions.

Thus each economic crisis tends to be accompanied by serious political and social crises as well.

During such a crisis a number of dramatic changes in the political, economic and social landscape generally occur through capital, labour and state restructuring:

- A huge shake-out and fundamental realignment of class forces.
- significant changes in the role of the state,
- shifts in economic policy approaches (usually involving a resurgence of conservative economic ideology)
- a dramatic rise in unemployment and decline in living standards for the working class, leading in turn to the weakening of the power of organised labour.

Capitalism, of course, has proven to be a remarkably resilient system in spite of these frequent crises it experiences. In fact these crises can be seen (in the words of the

political economist **Joseph Schumpeter**) as periods of ‘creative destruction’ through which the problems increasingly inherent in the previous boom are at least partly resolved and the conditions for a new phase of capital accumulation forged.

I want to suggest that the ‘Great Depression’ in Australia can be viewed as part of such a long term historical pattern.

Australian capitalism has evolved through several long-term cycles of capital accumulation – each comprising a growth phase ending in an economic crisis and rising unemployment. These phases can roughly be characterised in the following way:

- from 1788 until the economic crash of the early 1840s - the era of primary capitalist accumulation
- from the colonial gold rushes of the 1850s until the Depression of the early 1890s - the first long boom
- from Federation until the Depression decade of the 1930s - the era of early national development
- from 1945 until the global crisis of the 1970s - the second long boom;
- from the 1980s to the present - the era of neoliberal globalism.¹

In order to understand the extraordinary rise in unemployment during the Great Depression it is important to understand that the recovery and restructuring that followed the Depression of the 1890s was somewhat fragile.

¹ This schema was inspired by Christopher Lloyd (1992). ‘Regime change in Australian capitalism: towards a historical political economy of regulation’. *Australian Economic History Review*. 42(3) pp 238-266. However, it provides a quite different categorisation of historical periods from Lloyd’s.

In the wake of the 1890s Depression a re-alignment of economic and political forces emerged culminating with the formation of the Australian federation in 1901.

The establishment of the Australian federation came about in part as a result of increasing awareness of the negative impact of the states' dependency on British capital whose withdrawal was a large part of the cause of the economic collapse of the 1890s.

Increasing recognition of, and resentment towards, the costs of dependency on British capital and of the underdevelopment of local industry resulted in a rise in support for not only Federation but also for protectionist policies to encourage the development of manufacturing industries and the embryonic manufacturing business class.

Although the newly federated state economies slowly recovered from the 1890s Depression, Australia's manufacturing industry developed slowly – partly as a result of the weakness of the local bourgeoisie as a result of its subordination to British capital. The economic recovery of the period 1901-1929 in fact was characterised not by outright economic boom conditions but by only moderate economic growth.

So, the harsh reality in the 1920s for many of those tens of thousands of WWI returning soldiers was not only the day-to-day struggle to recover from the mental anguish from their experiences in the trenches but often also involved a struggle to find employment.

Although the shift to a new economic paradigm based on manufacturing was underway, in reality the economy remained dependent on exports of raw materials.

The problem for Australia was that world markets for staples were already collapsing and a strategy so dependent upon British demand for Australian exports made Australia vulnerable.

In these circumstances, the economic shocks that rocked the international economy in the late 1920s, culminating in the Great Depression of the 1930s, had a number of powerful and almost instantaneous impacts on Australia.

Firstly, the sudden cessation of British capital flows and the drastic fall in export prices shattered the economy – particularly affecting the rural sector and the fragile emerging manufacturing sector. Secondly, the impact was accentuated as the British banks immediately called in outstanding debts and took steps to ensure that Australia did not default on any of its repayments. Sir Otto Niemeyer of the Bank of England was dispatched to Australia to instruct state and federal governments to introduce deflationary policies, to cut living standards and to prioritise debt repayments.

Unemployment, which had remained quite high throughout the 1920s, quickly escalated to extreme levels.

Subsequently, the experience of the 1930's Depression demonstrated that, in spite of significant changes to the Australian economy and the decline of the British Empire, Australia was still essentially dependent upon exports of primary products and was closely tied to British trade and financial interests.

The Depression in South Australia

The immediate upsurge in unemployment which characterised the onset of the Depression in Australia began in South Australia as early as mid-1927. To a large extent the reasons for this lay in the narrow base of the state's economy.

The 1920s had produced in South Australia a structural shift of capital and labour from the rural sector to the infant secondary and tertiary sectors of the state's economy.

An important effect was a sudden demand for public investment in services and infrastructure – such as for the expansion of the Adelaide rail network. This required large-scale public borrowing of overseas capital and by 1930-31 repayments of interest on overseas loans were absorbing almost half of the state's annual income.

Despite seemingly stable conditions in the early 20s, South Australia suffered more than any other State throughout the peak years of the Depression 1928-1935 as is shown in this table which shows unemployment in each state over the period 1923-38.

The officially measured level of unemployment in SA rose to a peak of 35.4 per cent in the third quarter of 1932 and remained above 10% for over a decade.

Unemployment among Trade Unionists in Each State and Australia, 1923-38 (per cent)

	NSW	Vic.	Qld	SA	WA	Tas.	Australia
1923.....	9.2	5.4	7.1	4.6	5.7	3.8	7.1
1924.....	12.6	7.1	6.4	4.6	5.5	3.8	8.9
1925.....	11.0	8.6	6.6	4.3	6.1	7.8	8.8
1926.....	7.4	6.4	8.4	5.2	7.1	13.9	7.1
1927.....	7.0	7.4	5.9	7.2	5.4	11.1	7.0
1928.....	11.3	10.9	7.0	15.0	8.2	10.6	10.8
1929.....	11.5	11.1	7.1	15.7	9.9	13.4	11.1
1930.....	21.7	18.3	10.7	23.3	19.2	19.1	19.3
1931.....	30.8	25.8	16.2	32.5	27.3	27.4	27.4
1932.....	32.5	26.5	18.8	34.0	29.5	26.4	29.0
1933.....	28.9	22.3	15.3	29.9	24.8	19.1	25.1
1934.....	24.7	17.4	11.7	25.6	17.8	17.9	20.5
1935.....	20.6	14.0	8.7	17.6	13.4	15.9	16.5
1936.....	15.4	10.7	7.8	10.8	8.1	12.7	12.2
1937.....	10.9	9.0	7.3	8.2	5.6	7.3	9.3
1938.....	9.9	8.6	6.4	8.3	5.7	7.9	8.7

Source: Australia, Labour Report, 1923-38.

In addition to the huge numbers who became unemployed, large numbers of workers became under-employed. It is estimated that over half of those remaining in employment had their hours reduced substantially. At the time of the 1933 Census over two-thirds of all worker were earning less than the Basic Wage.

An indication of the severity of the curtailment in industrial production during the Depression is provided by Holden's which produced more than 50,000 bodies in the year 1926-27. Yet, in 1931-32 Holden's managed just 2,570 motor vehicle bodies. A favourite saying in the working class districts around this time went along the lines of ...'The definition of an optimist is someone who takes their lunch to Holden's'.

Class and restructuring

However, while business activity declined during the Depression, and many small businesses were forced into bankruptcy, the long-term impact on larger companies was quite different. By the thirties the role of the individual local entrepreneur had

been reduced considerably and the state economy was dominated by a relatively small number of large companies - many national or international. In 1929-30 only 118 companies earned 81% of all taxable company income.

The impact of the depression of these companies and on those who owned and controlled them was not always severe and often only temporary. One of the most significant effects of the Depression on the South Australian economy was to strengthen the dominance of bigger companies as a result of major restructuring that occurred with the economy. Mergers and takeovers occurred in many industries. General Motors merged, or took over, the local motor vehicle bodybuilding firm Holdens. The main morning newspaper, the Advertiser, absorbed its only competitor the Register. BHP acquired Rylands Brothers in 1925, Stewart and Lloyds in 1929 and Australian Iron and Steel in 1936.

The depression, then, was not an all pervasive experience influencing the whole of society equally. The extreme hardship experienced by the working class, particularly those who became unemployed, contrasted sharply with the relatively unchecked prosperity and growth of sectors of the bourgeoisie.

The experience of unemployment during the Depression

As part of my research for *Unemployed Workers* in the 1970s I collected oral histories from a large number of people who had lived through the Depression – most of whom had at some stage been unemployed.

Although all those who became unemployed during the depression faced many problems in common, the material impact of unemployment on the standard of living varied considerably. Some of the unemployed, though on the dole for many years, managed to achieve a degree of self-reliance and self-sufficiency which was quite remarkable. One person that I interviewed told endless stories of his initiative and resourcefulness in getting food for his family:

At that time, it was survival of the fittest. I raided all the vegetable gardens. You would go for a ride in the afternoon. There would be heaps of trombones piled outside a fence, so would pick this big trombone out. We would ride home through the back streets and tonight we would have this trombone in the next morning the children would have trombone and mashed potatoes.

Did your children ever go hungry?

They went hungry. They were always hungry.... That was the problem all the time. How am I going to feed them? They had second hand clothes and hand-me-downs, what somebody had given. They were just patch upon patch.

So even while managing to survive through their resourcefulness, the majority of the unemployed experienced a multitude of problems, physical and psychological, and almost daily threats to their existence. At the extreme were people who lived in severe poverty and misery. Many became completely broken and some did not survive the experience.

Adelaide not only experienced the highest Australian level of unemployment but it also provided the lowest subsistence for those on the dole. At this time the unemployed were 'doled out' not cash benefits but meagre food coupons and rations for other necessities, like clothing, shoes and fuel.

Those on the dole received less than 1 kg (2 lbs) of bread, 1.5 kg (3lbs) of beef, plus sugar, honey or jam, oatmeal, rice, tea, raisins and some soap per week. Living from hand to mouth and with starvation around the corner many of the unemployed and under-employed workers endured considerable material hardship as a result of inadequate relief provisions.

Journalist Elizabeth Leigh documented evidence of severe hardship and suffering amongst the unemployed in a series of articles in 1929 in the newspaper *The Register*:

The streets of Port Adelaide, which in a normal summer are full of brisk activity, have a deadly quiet these days. In the homes there is no spectacular drama of poverty. ... The whole spectacle is something less sensational, more deadening and gradual – the slow drift of decent working families down to slum conditions. Whole neighbourhoods of people owning nothing, crowding into small houses, two and three families to a house, dependent on private charity for all their needs beyond their sustenance, have lost that sense of security which in Australia has hitherto kept those able to work from the terror of utter destitution.

In all sorts of ways being unemployed was a humiliating and soul-destroying experience. As the Depression unfolded, thousands of those without work became the long-term unemployed. By 1934 the level of unemployment remained at 26%. One woman that I interviewed described her memory of those families who had been without work for a number of years:

You'd see the despair taking over in a matter of time with trying to keep tidy, warm and that. And then the brightness used to go out of the mother's eyes ... After a while there wasn't the – it seems as though they got to 'Oh this is my lot. I've just got to bear it, – but not grinning and bearing, if you know what I mean – just bearing it. And gradually the despairing look took over from the bit of joyiness that might've been there originally. It wore them down.

Housing

During the Depression one of the most challenging problems for individuals and families under financial stress was housing and shelter.

Housing stress was not just a problem affecting the unemployed. Working class wages had generally been low throughout the 'twenties but were further eroded during the 'thirties through wage cuts and underemployment. About one half of those in employment at the height of the Depression were working on reduced time.

For the unemployed though, housing was a huge problem since the dole provided no cash assistance and so meeting mortgage or rental payments become difficult or impossible.

As a result, evictions were commonplace for those renting and many of those I interviewed told stories of their families being forced onto the streets by the bailiffs.

There were numerous families who were continuously mobile throughout the depression, moving from one place to another, each dwelling a little cheaper and worse in conditions in the last. One person I interviewed told me about the moonlight flit:

It was practised by all and sundry. When you leased a place and couldn't pay, you would look around for somewhere else and one afternoon we would come home from school and everything would be packed up and a chappie would come around with a horse and dray just after dark and he and Dad and Mum would pack everything onto this dray and off you would go to this other house.

A Parliamentary committee was established in 1937 to investigate the growing scandal around slum housing in Adelaide. It revealed that there were extensive slum

housing areas in Adelaide during the Depression. The Parliamentary Committee concluded that over 25% of all rented houses in the metropolitan area should be classified as slum dwellings. The Committee concluded that slum landlords had prospered during the depression when houses could be bought very cheaply by those with the resources. One person owned 162 slum dwellings. Various members of one Adelaide family owned a total of 106 substandard houses.

Many of those who 'owned' their home but owed a mortgage also experienced great stress during the Depression. There had been a very significant increase in home ownership in the 1920s as the State Bank in particular began to increase the availability of finance for housing. By 1930 one third of all persons with homes mortgaged to the State Bank were already in arrears. By 1932 two out of every three mortgagees were in arrears. Some mortgagees abandoned their homes. Large numbers of homes were repossessed. The Savings Bank of SA adopted the practice of asking those in arrears to vacate their home so it could be rented by the Bank. In an interview with a former Bank employee I asked what those people did. He said:

I don't know. They would make their own arrangements. It was much more commonplace then to go to live with parents or brother or sister. ... Some went bush. Some finished up in shantytown.

Other homeowners continued to struggle with growing debt and in many cases found themselves at the outbreak of the war owing much more than their house was worth.

Political crisis

The economic and social crisis in South Australia was accompanied by a political crisis as well.

A Labor government had been in office during the period 1924-27 but was replaced by the Liberal government of Sir Richard Butler in the early phase of the Depression. In early 1930, however, the Labor Party under the leadership of Lionel Hill was returned to office.

The Hill Labor government was poorly prepared to meet the challenges posed by the economic crisis it faced. One problem was the Premier himself. Hill had little grasp of economics. He was guided by leading Adelaide businessmen and [Governor Sir Alexander Hore-Ruthven](#) rather than by party advisers.

[\(Sir\) Lloyd Dumas](#), editor of the *Advertiser*, [\(Sir\) Walter Young](#) and other businessmen accompanied Premier Hill to the premiers' conferences of 1930 and 1931. Hill's alliance with Dumas dismayed the Labor Party.

Faced with the situation whereby repayments of interest on overseas borrowings of the 1920s for public works absorbed nearly half the State's 1930-31 income Hill chose to endorse the deflationary economic approach of the visiting Bank of England adviser, Sir Otto Niemeyer.

Niemeyer kept a diary of his visit to Australia in 1930-31. During his visit to Adelaide he did the rounds of all the local political and business leaders. He kept a diary of his meetings including the following extracts:

11.30 Private talk to the editors of three Adelaide papers, the News, the Register and the Advertiser (Dumas), and to Murdoch from Melbourne. We sketched to them the lines which they should press - ... reduction of expenditure, costs, etc.

Lunched alone at Government House with Butler, Head of Opposition. Emphasised to him that he must not pinprick Hill ... if Hill was going straight.

3 o'clock Dawes, President of the Trades Hall – a nervous youth crammed with undigested economics. ... Long and not unfriendly discussion - ... Not much of a creature, but also not vicious.

The subsequent Premiers' Plan of June 1931, supported by Hill, involved reductions in government spending, public works and wages, and was opposed by most of the labour movement.

The Hill government staggered from crisis to crisis. Long-running unrest between the shipping companies and the Waterside Workers' Federation had resulted in 1929 in the introduction of volunteer labour backed by a citizens' militia.

The Trades Hall urged Hill to remove the 'scabs'.

Instead, in September 1930, on the advice of Police Commissioner Brigadier Raymond (Bull) Leane to the Premier, the government passed a Public Safety Preservation Act which gave the police extraordinary powers. Hill stated that its purpose was to 'smash Communism'.

Political resistance

In response, the trade union movement, not generally accustomed to organising mass resistance, largely saw its role in terms of protecting wage rates rather than job positions. But, with what little bargaining power they had left, they were helpless in

combating the combined attacks from employers, governments and the arbitration system. Instead of collectively retaliating against these attacks, divisions within the working class weakened their solidarity. In the year 1931 there was only one single strike recorded in SA.

At one stage frustrations within organised labour led to trade unionists expelling organised unemployed workers from the Grote Street Trades Hall. In response to this the unemployed retaliated spontaneously by barricading the official unionists inside the building for the entire night.

In fact, any serious resistance to the government and its austerity budget approach only came from the unemployed themselves – in particular from single unemployed men. The government initially attempted to contain any dissent by isolating the single unemployed in the old Exhibition Building on North Tce but this only allowed activists from the Unemployed Union and the Industrial Workers of the World (IWW or Wobblies) such as Ted Dickenson and Jim McNeill to organise political resistance. Jim McNeill recalled that day after day Ted Dickinson would take to the stump in front of crowds of unemployed. McNeill said of Dickinson:

He had the crowd in his hands and he'd lead them out into the streets in demonstration after demonstration. They'd go down King William Street and Rundle Street. Adelaide became familiar with the singing of Wobbly songs'.²

The Beef Riot

² Burgmann, Verity. 1995. Revolutionary Industrial Unionism. CUP. p 275

By far the largest and most violent demonstration of the Depression occurred on 9 January 1931.

This demonstration came to be known as the Beef Riot and was something of a watershed in the deterioration of relations between the Labor government and the unemployed. The march was organised to protest over the government's decision to replace beef with mutton on all ration tickets. Approximately 1000 men women and children marched from Port Adelaide with banners, placards and red flags. They were joined at the top of the Port Road by another thousand unemployed Adelaide men. Singing revolutionary songs and shouting 'we want beef', they marched to the Treasury building with the intention of confronting the premier Lionel Hill. The police were waiting for the demonstrators and refused to allow them to enter the building and a battle ensued.

As a result of the battle, 17 were admitted to hospital including 10 police.

The political environment became explosive as the unemployed became more militant after the Beef Riot and more mass rallies were organised in which the Red Flag was regularly sung. However the government also became more repressive of dissent amongst the single unemployed and frequent raids were made by the police on the unemployed camps. The Advertiser at the time declared: 'There is something that comes even before democracy and that is order'. Finally the government resolved the problem by cutting single men off the dole and requiring them to transfer to isolated work camps at Mount Crawford and Kuitpo Forest.

The Hill government survived for little over one year after its election before the party split over the issue of support for the Premier's Plan.

The split forced Premier Hill into a coalition with the Conservatives until the election of 1933 when his government was defeated. In the meantime, Hill had introduced large cuts in government expenditure, cuts in most wage rates and deliberately sought to further deflate the already depressed economy.

The local endogenous business class seemed at a loss in coping with the effects of the crisis; even in the depth of the Depression it was widely believed among this group that the answer to the State's problems was to produce more primary commodities. It was ultimately left to the conservative Liberal Premier Thomas Playford to grasp the troglodyte local business class by the scruff of the neck and drag them reluctantly into the modern manufacturing age – albeit by encouraging foreign capital in to undertake the investment that local capital would not do. This set the scene for the local version of the Australian long post war boom. Unfortunately many of the structural issues that contributed to South Australia's problems in the 20s and 30s remained embedded within the state's political economy and have contributed to the process of deindustrialisation that we are now experiencing. But that's another story.