
Accounting for the Nationalised Brewery (1916-1974) and the Public Good

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Abstract

This paper examines the accounting issues created by the now largely forgotten Liquor Central Control Board (LCCB), which later became the State Management Scheme (SMS) that was variously known as 'The Carlisle Experiment', 'The Scheme' or the more illuminating 'Nationalised Brewery' at Carlisle. The unapparent reasons for the State ownership and continued management of a brewery business from 1916 until 1974 are explored along with the critical role that accounting formed in the controversy justifying the perpetuation of State control and its experiment in social engineering for the 'public good'. As such the successful operation of the Scheme offers an insight into the contemporary debates of commercial management techniques being applied in the provision of public sector services. At the same time the paper seeks to contribute further to the existing accounting and management literature on the history of the public sector.

Introduction

The political and ideological foundation for nationalisation lay in the now defunct Clause Four of the Labour Party, which called, '*for the common ownership of the means of production, distribution and exchange, and the best obtainable system of control of each industry and service*' (Davies 1992:161). Nonetheless nationalisation pre-dates Labour administrations, the Thames Dockyards were brought into public ownership in 1908, and later in the inter-war period the Forestry Commission, the Central Electricity Generating Board, the British Broadcasting Corporation, the London Passenger Transport Board, and the British Overseas Airways were all brought under State control (Ferguson, 2001:59). The partial nationalisation of the brewing industry at Carlisle and District predates this later period but it's ideological basis differed in that it was intertwined with the influential Temperance Movement and wartime political expediency.

The impact of the Great War from 1914 onwards had led to a fall in beer production, increased raw material prices and taxation, leading to a major rise in retail prices (Vaizey, 1960:20). The pre-war hostility to the brewers manifested itself in Lloyd George's, (later prime-minister and temperance supporter) comment in 1915 that, '*Drink is doing us more damage than all the German submarines put together*' (King, 1947:155). This coincided with the 'Shells Scandal' (Carver, 1998:68) when ammunition shortages were attributed to high absenteeism rates amongst munitions workers caused by insobriety and amidst a perception of profiteering by the brewers. The combined effects of all these factors, coupled with the lack of military success, allowed the traditional ideology of laissez-faire to be challenged and permitted the partial nationalisation of the British brewing industry. In some quarters total prohibition was advocated or full nationalisation but the increasing estimated cost of acquisition ultimately proved prohibitive (Table 1).

Table 1. Costs of the Proposed Nationalisation of the Brewing Industry

Year	Estimated Cost of Nationalisation
1915	£225,000,000
1917	£250,000,000
1918	£400/500,000,000
1920	£1,000,000,000

(Gourvish and Wilson, 1994:327-329)

The imposition of initial government controls resulted in the reduction of public house trading hours within the auspices of the Defence of the Realm Act following the creation of the LCCB which was established by an Order in Council in June 1915, consisting of a chairman and eleven members appointed by the Minister of Munitions, (Table 2), effectively a 'quango'. It was given control over alcohol sales and consumption in those areas scheduled by an Order in Council. These areas were

those where excessive drinking was interfering with the war effort and eventually 95 per cent of the British population fell under the control of the LCCB. The LCCB restrictions endured in Scotland until 1977, and in England and Wales until 1988 and it is only recently that government policy is seeking to reintroduce twenty-four hour public alcohol access to overcome the current problems of insobriety that were tackled in a diametrically opposite way by the LCCB and SMS.

Table 2. The Composition of the LCCB 1915

Board Member	Details
Edgar Vincent, Lord D'Abernon	Chairman, former financial advisor to the Egyptian government, governor of the Imperial Ottoman Bank and later British Ambassador to the Weimar Republic
Waldorf Astor	Chairman of the Observer, Tory MP
E.R Cross	Lloyd George associate of pre-war Land Campaign
Col John Denny	Head of Dumbarton engineering firm
John Hodge	Labour MP, later Minister of Labour
Sir William Lever	Industrialist soap magnate
Philip Snowden	Independent Labour Party MP, post war Chancellor of the Exchequer
Neville Chamberlain	Tory MP, Director of Nation Service and later prime-minister
W Towle	Midland Railways Company Hotels manager
Sir George Newman	Principal medical officer Board of Education
John Pedder	Home Office
R Russell Scott	Admiralty
W Walters-Butler	Mitchell & Butler, Birmingham brewing company
Rev Henry Carter	Wesleyan Temperance Society
R S Meiklejohn	Treasury
S O Nevile*	Director of Whibread Brewers

*Nevile would serve the SMS until the mid 1950s.¹

Methodology

This research was undertaken as part of a wider study focusing on the role of accounting in the management and organisational practices of the British brewing industry. This involved the preliminary examination of secondary archival materials held at the Coors Visitor Centre (formerly the Bass Museum) at Burton upon Trent, Staffordshire and at the Stafford Record Office. This was followed by two separate visits during 2001 and 2002 to the Cumbria County Archives, Carlisle to examine the primary records of the LCCB and SMS and also by a visit in 2003 to examine the SMS archives held at the National Archives at Kew, London. The research at Carlisle was funded by two separate seed corn grants provided by the Institute of Chartered Accountants for Scotland (ICAS), which the author gratefully acknowledges.

The Cumbria Record Office at Carlisle holds the incomplete primary source documents dated 1916-1974 pertaining to the LCCB and the SMS (TSMS 1, TSMS3/2, TSMS 3/3, and TSMS4/6), which were used for the research. Other mainly duplicate archival material is held at the National Archives, Kew in London. The Carlisle records are contained in 85 separate boxes, which have not yet been fully catalogued that presented problems of identification and required painstaking research.

¹ Sir Sydney Nevile became the Head Brewer of the Putney Brewery, and later a director of Whitbread's. He was President of the Institute of Brewing 1919-1921.

The approach to the research adopted in this paper is grounded in the traditional positivist paradigm of accounting history, which has been variously labelled as the neo-classical or economic-rationalist approach. This is a narrative based approach, which surveys accounting innovations as directly responding to the economic environment. It is acknowledged that such an approach may be criticised for pursuing a narrow economic reductionism, which ignores broader social issues, but in this instance the accounting innovation was supportive of the governments attempts at social engineering.

The Nationalisation of the Carlisle and District Breweries

The unprecedented State interference in the brewing sector failed to solve the problems of insobriety in Carlisle and other areas so that the LCCB proceeded in 1916 with the nationalisation of brewing operations in separate munitions producing areas. These areas comprised Carlisle, Gretna and Annan which was the largest munitions manufacturing centre in the British Empire, Enfield Lock in London and Invergordon, Cromarty-Firth naval base. This involved taking over five breweries in Carlisle, Gretna and Annan, (Table 3), 235 licensed properties, and forty-four other properties elsewhere, which cost the State £900,000 (Gourvish and Wilson, 1994:324). The State brewery henceforth supplied all the beer sold in Carlisle, Gretna and Cromarty but commercially produced beer was purchased for the few houses at Enfield Lock. The small numbers of Enfield Lock properties were returned to the private sector in 1923.

Table 3. The Private Breweries Nationalised in 1916

Breweries	Details
Carlisle New Brewery Co* Ltd	Originally registered in 1879 as the New Brewery, (Carlisle) Ltd, and re-registered in 1899. Closed by the State in 1916, and later used as a maltings and sold to the Border Bairy Co Ltd
Carlisle Old Brewery, (Sir Richard Hodson and Co Ltd)	Founded in 1756, and used as the State Management Brewery until 1973 and was purchased by Theadstons in 1974
F P Dixon (Jos Iredales Trustees High Brewery)	Closed 1916
Graham and Sons - Queens Brewery	Founded 1860, closed 1916
David Hall and Sons	Established 1895, closed 1916

*Now the student accommodation of the University of Northumbria

Disinterested Management

The imperative for maintaining a wartime national consensus prevented the commercial brewers from vigorously attacking the nationalisation until after hostilities finished. The major social objectives of the partial nationalisation were,

- To prevent such drinking as renders workers less fit for the National Service;
- To provide cheap and good food, so as to discourage the drinking of alcohol apart from with meals;
- To make the public house a less unhealthy and more easily supervised and controlled place for rest and refreshment; and for social intercourse and recreation.

These aims were to be achieved by restrictive methods, i.e. a reduction of trading hours, reduced licences, Sunday closing, restriction of credit, the prohibition of spirit sales at specified places and times, and the prevention of retail abuses such as the 'long pull' by landlords who gave generous

measures to attract custom. This was complimented by innovative constructive methods which involved the appointment of fixed salaried public house managers with commissions being offered on non-alcoholic and food sales, the reconstruction of premises and the provision of recreational activities (Hunt, 1971:19). By contrast commercial practice remained devoted to sales maximisation since the core business activity was the production and selling of beer. The objectives and pursuit of the LCCB was achieved through a policy of 'Disinterested Management' that had its origins in the Temperance Movement. Disinterested Management is now a largely forgotten concept whose origins can be traced back to the nineteenth century 'Gothenberg System' (Haydon, 2001:224) but the meaning always remained imprecise. However the Southborough Report published in 1932 defined it as having two components, management and ownership. In the case of management it was,

The conduct of a public house by a manager with a fixed salary and having no commission on the sale of liquor, but sometimes taking commission on the sale of food and non-intoxicants. They (the Committee) took as types of disinterested management, Public Housetrusts and Associations, and State Management.

Report of the Royal Commission on Licensing, (England and Wales) 1929-1931, Cmnd 3988, S63(a).

In the case of ownership it was taken to be,

The interest of the owner in the profits on the sale of intoxicants is, in theory or practice or in both, limited. This is popularly known as 'disinterested management'.

Report of the Royal Commission on Licensing, (England and Wales) 1929-1931, Cmnd 3988, S63(b).

Social Justification

This radical experiment demanded a social success to justify its continuance. In the post war environment, the brewers keenly monitored the progress of the Scheme, fearing that it could be the precursor of a total nationalisation. This apprehension was not imaginary as the more radical elements of the Labour Party advocated such a policy that was clearly expressed in *Public Ownership of the Liquor Trade* (1920) by Arthur Greenwood (a Labour MP from 1922 until his death in 1954. He was Minister of Health between 1929-1931, Minister of Reconstruction between 1941-1942 and Lord Privy Seal in 1945) who was then secretary of the Labour Party Research Department which was influential in formalising party policy. The social justification it was claimed came from the reduction of insobriety in Carlisle (Table 4). However, these statistics were distorted by the temporary presence of building workers and the dramatic fall in cases after 1916 was mainly related to the departure of this peripatetic workforce. Moreover sobriety increased elsewhere, even in areas where commercial munitions production persisted, and overall national convictions for drunkenness fell by 84 per cent during 1914-1918 (Gourvish and Wilson, 1994:326).

Table 4. Cases of Drunkenness in Carlisle 1914-1919

Year	Cases of Drunkenness
pre 1914	250 per annum average
1915	277
1916	953
1917	320
1918	80
1919	78

(Brewers Journal, 1920:22)

The LLCB became the SMS with passage of the Licensing Act 1921 that reformed the administrative structure of the government brewery. The Scheme became administered via Local Councils, which were ultimately responsible to the Home Secretary and this would continue mainly intact until privatisation occurred in 1974. The commercial brewers now realising that the Scheme was not after all a temporary wartime aberration began attacks on the councils' composition that are redolent of the contemporary criticisms of 'quangos',

This body manufactured by a Coalition Cabinet without specific approval or consent of Parliament and has powers of striking similarity to those of the (wartime) Liquor Control Board. Advisory Committees formed part of the original machinery set up by the Board. The members are not elected. With the exception of a few ex-officio members they are carefully selected, solely in consideration of their favourable convictions as regards the policy of the State control of the liquor trade. From the point of the view of the inhabitants of areas specifically affected it is essential that Parliamentary action be taken in direction of abolition of a policy, which provides opportunities for arbitrarily restricting the personal rights of the individual with in addition interference in control of any industry, which may be subject to special legislation.

(Manual of British and Foreign Breweries, 1923:13)

The commercial brewers also chose to extend their criticisms to the Scheme's financial performance where the published financial statements became the focal point of intense and acrimonious debate.

Financial Accounting and Accountability

Within the immediate post war environment it became essential for the government and the Temperance supporters to present the Scheme not only as a social success but as a financial one also. Thus, the financial accounting and reporting became pre-eminent in order to measure the economic success of the social experiment and also provide a satisfactory mechanism of accountability to counter the criticisms of the commercial brewing lobbyists.

The Scheme had initially presented a problem of consolidating the accounts of the five separate breweries. This was by achieved by establishing a formalised 'Accounting System' that ran to five pages, which contained twenty separate categories (General Managers Annual Report, 1916). The formality and codification of the accounting regime is distinctive for this period and was a precursor of the now familiar individual company accounts manual. The uniqueness of the accounting system lies in its internal publication and its public availability. By contrast the commercial brewers had a traditional aversion to any form of accounting disclosure that went beyond the confines of commercial confidentiality. Pronounced disclosure aversion in the brewing trade had arisen from the omnipresent criticisms of the Temperance Movement,

brewers certainly assumed that any outsider seeking to investigate their past was looking for ammunition. They kept their records to themselves, and well they might.

(Mathias, 1965:3-4)

Nevertheless the commercial brewers were not uniquely secretive since this had become the normative practice of British company financial reporting. The Companies Act of 1907, which was not significantly developed until the passage of the Companies Act 1929 first, introduced a minimum disclosure philosophy (Stewart, 1991:37). Edwards (1979:278), states that up until 1925, accounting information was becoming less informative and this view is supported by Kitchen (1979:226-7).

to many of them , to increase disclosure seemed tantamount to inviting more criticism – at least more questions, and many had had their fill of inquiries.
(Kitchen, 1979:118)

The financial accounting structure developed by the LCCB/SMS was bureaucratically and administratively efficient, as it needed to be with the wartime scarcity of suitably skilled labour². An innovative retail branches ledger was introduced enabling comparisons to be made between branches. (General Managers Annual Report, 1916) This indicated that local management control was being exercised via the financial accounts through the monitoring of individual branch (i.e. public house) financial performance. The distinction of this system contrasted with commercial practice,

Normally the bookkeeping system in general use in breweries is very elaborate and absorbs a large amount of clerical labour. By departing from the usual systems and introducing a number of labour saving devices it was possible to effect a considerable reduction in the amount of clerical services required as well as in the number of books used, and at the same time to preserve all the information and statistics.
(General Managers Report, 1917)

The Financial Reporting Controversy 1919-1929

The Scheme's first published financial statements were drawn up covering the period 18th January 1916 to 31st March 1918. These financial reports were prepared for each separate area, i.e. Carlisle, Gretna, Enfield Locke etc... without consolidation. The Carlisle financial reports were published and retained in the annual General Managers Report in Carlisle, and the minutes of the Carlisle board reveal that they were invariably accepted without comment. The Carlisle accounts were subject to an annual audit by the Glasgow firm of Mann, Judd, Gordon and Co who retained the audit until at least 1966-1967 when their last certification appears on the financial statements. The longevity of audit tenure was not unusual during this period and had numerous precedents in the commercial and brewing sector³. The accounts for all the areas operating within the Scheme were then submitted to the Comptroller and Auditor General for further audit before being presented to the House of Commons for debate. This level of audit coverage thus appears excessive when by comparison commercial balance sheets required only one external audit and certification during the period 1900-1948 (Myddelton, 2004:46).

The Scheme produced and published a succinct profit and loss account that disclosed trading profits after various provisions, Excess Profit Duty and depreciation. The debit side contained equally brief entries disclosing the main charge of interest on Exchequer Advances (the capital financing of the scheme), separate disclosure for the depreciation of leasehold premises, preliminary establishment expenses and accrued capital replacement costs accrued to the Exchequer. The Scheme's level of profit disclosure from the outset was distinctive because it was not until the passage of the Companies Act 1929 that a similar publication was imposed on companies (Myddelton, 2004:50).

The Scheme's balance sheet provided the most obvious difference to commercial balance sheets due to the nature of the capital financing adopted. Exchequer Funding provided the capital, effectively a long-term government loan, which was repayable with interest, that lasted until 1928

² The assistant accountant was Joseph Henderson who had worked at one of the Carlisle breweries pre-war. He was recalled from the Balkans in 1915 where he was serving with the Border Regiment. He succeeded J. Baird, FCA as the Chief Accountant in 1921. Henderson later became Assistant and finally General Manager in the 1950s.

³ A typical example is Joules and Sons Ltd, Staffordshire who were audited by Welch and Parkinson of Liverpool who held office from brewery incorporation in 1898 until 1959. It was the auditors who resigned from their office despite the company's request to retain the appointment. John Joule and Sons (Stone) Ltd, Annual Reports and Statements of Account, 1915-1965 Stafford Record Office.

rather than equity and debt funding. The Scheme's balance sheet disclosed the usual fixed and current assets and liabilities in line with commercial practice. It was the capital structure of the LCCB/SMS that was to provide a major focus of the financial debate. The Scheme did not provide dividends since it had no shareholders. Rather it was required to repay the principal amount advanced by the Exchequer used to finance the state purchase alongside interest payments thereon. Consequently, the principal and interest amounts involved reduced with each passing year as this profitable enterprise continued to trade successfully and pay off its government loan. Thus, by 1928 the outstanding principal of Exchequer Advances had been completely redeemed so that the equivalent of the capital account was about to disappear.

The accounting techniques and accountability of the Scheme generated widespread criticism and the commercial brewers interests vehemently disputed the reported government figures. The Scheme had realised increased efficiencies and financial savings through the rationalisation operations and resultant economies of scale (General Managers Report, 1920). Moreover in the SMS areas the State was in the position of a virtual monopolist. The brewers' parliamentary lobbyists implied that the accounts were being manipulated to report favourably on the success of the SMS,

I complained that Control officials had misled rather had informed the public and I felt very doubtful about the large profit claimed for this business return of the State. Those responsible for this venture in which a good deal of public money has been sunk have claimed many achievements, chief among which is a high rate of profit... a recent White Paper stated 40% has been made on capital employed... further enquires revealed that it in fact averaged 16% during the three years ended March last year (1921) Here again it is misleading because the return as the Geddes Committee points out has been calculated without deducting interest or Exchequer Advances, without taking account of income tax or EPD (Excess Profits Duty), all of which would have been paid had the undertaking been in private hands. Therefore the truer return would have been 16%, 11.2% after the deduction for income tax and approximately 7% after EPD.

(The Brewers Journal, 1920:14)

The criticisms of government accounting continued throughout the 1920s and both government supporters and Temperance advocates were selective in the application of accounting information to support their respective arguments,

Indeed in that days issue of the Financial Times (25th April, 1929) a letter appeared signed by D. C. Dering, pointing out in glowing colours the wonderful results that had been achieved under State ownership and control. But the writer, in his enthusiasm omitted to make reference to the fact that during this period of State management no portion of the profits accruing to the State had been assessed for the purposes of excess profits duty, corporation profit tax, or income tax. There lay the catch. According to the Morning Advertiser, of the previous day, HM Treasury, under pressure had admitted that if the undertaking had been run by private persons in the period under review, no less a sum than £600,000 would have been paid to them for the taxes referred to. On top of that the Government had also lost the interest which would have accrued to them by that payment, representing a very large amount, so that according to the newspaper referred to, the implication is that if the Carlisle undertaking had paid the taxes a private undertaking would have had to pay it would have up to the present have made no net profit at all.'

W. G. Holland, General Manager and Secretary, Showells Brewery Co Ltd and President, Oldbury and District Tradesmen Association.

(The Brewers Journal, 1929:185)

The intensity of the brewers' criticisms of the Scheme's accounts during this period came amidst attacks being launched on the brewers themselves. The Temperance and nationalisation lobby was still active and there was the example of American prohibition, but more damaging was the persisting and widely held impression that the brewers were engaging in deliberately making excessive profits. This had prompted the 1922 public campaign to 'boycott beer' despite assurances from the President of the Board of Trade, Stanley Baldwin that there was no evidence of profiteering in beer, and that 'the taxation of beer was so high at present that the price of the materials had become negligible quantity in fixing the retail price' (The Brewers Journal, 1922 Vol 61:98). The brewers complained that their margins were so slight that any reduction in price would lead to net losses being incurred. The case of one brewery, Greene, King and Sons Ltd, is held to be typical in that,

The Managing Director of Greene, King and Sons Ltd has shown in the East Anglian Times for the year ended May 31st 1921 his Company have made a loss of £48,345, and for the half-year June 1st to November 30th, 1921, a loss of £23,230 had they reduced beer price by the least practicable reduction - namely, 1/2d per half pint.'
(The Brewers Journal, 1922:98)

Therefore the commercial brewers criticism of the Scheme permitted them to deflect this criticism towards the government and at the same time accuse the State of unfair trading practices.

Government Financial Accounting Reformed

By the end of the 1920s the government's accounting and financial reporting had been widely derided by the brewing sector. The 1928-1929 editions of the Manual of British and Foreign Companies in its review of the brewing industry stated,

The last report of the Home Secretary and Secretary of State for Scotland presented accounts as usual so obscure and incomplete that their disentanglement from the Cromarty Firth figures was impossible. Success is claimed for Carlisle throughout 1928-1929; but it seems to be a success of declining rather than advancing profits. Considering that Carlisle is a State monopoly, largely exempted from taxation with unlimited credit and extraordinarily favourable borrowing powers, its actual business achievement throughout the past year is nil. Certainly it has accomplished little toward the cause of general sobriety.
(The Manual of British and Foreign Brewery Companies, 1929:11-12)

These continual criticisms encouraged the government to alter its mechanism for accounting and financial reporting of the SMS commencing with the financial year 1928-1929. The government abandoned its previous financial reporting framework and adopted an analysed trading fund system of accounting, which it would adhere to with minor changes until the demise of the SMS in 1974, e.g. from 1944 onwards previous years figures were provided for comparison, from 1952 the profit and loss account and balance sheet were presented on separate pages. At the same time the balance sheet replaced what had previously been called the Statement of Assets and Liabilities and by 1969 notes to the accounts were included.

The SMS annual report of 1928-29 went to great pains to justify the adoption of the new government trading fund formats. This eliminated the controversial Exchequer Funding that had rendered comparisons with commercial entities difficult and so angered the commercial brewers. The original Exchequer grant and interest thereon had been repaid in its entirety during the financial year 1927-28. The Public Accounts Committee consequently had the SMS accounts recast and a figure approximating to the original investment in the undertaking was calculated albeit an arbitrary

amount. Eventually, the Home Office agreed in consultation with the Treasury on a sum of £732,000. This sum was calculated as being an approximation of the maximum amount, £661,665, of Exchequer advances outstanding at the end of any financial year together with the compensation liability outstanding, £138,782, at the same date, 31st March 1919, less the sum of £68,130 resulting from the sale of capital assets in the Carlisle district in subsequent years. (The Brewers Journal, 1929:67-536) The capital account sum was apportioned to the three SMS districts according to the net assets of each. (Table 5) These amounts were thereafter included in the SMS balance sheet from 31st March 1930 onwards.

Table 5 State Management Scheme Capital Accounts 1929

District	£
Carlisle	593300
Gretna	49200
Cromarty Firth	89500
TOTAL	732000

(Second Report of the Select Committee of Public Accounts, 1929, paragraph 13, HC.113 of 1929, TSMS1/6/1)

The transparency of the financial reporting was apparent in that all three separate districts were separately identified within the total overall operation. The trading accounts posted charges for depreciation and taxation, albeit without income tax and permitted the calculation of ROCEs for each district and overall, although this is not provided and was apparently not asked for. The SMS columnar profit and loss account was consolidated into one financial statement and commenced with a trading account balance after provisions and is comparable to contemporary commercial equivalents. The SMS's debit side of the profit and loss account divulged eight separate line items whereas the commercial disclosures were restricted to directors' fees, interest and dividends. The SMS Balance Sheet or 'Statement of Assets and Liabilities' was analysed by columns for each area and by total. The SMS effectively reported as a 'group structure' divulged as in the profit and loss account the performance of each 'subsidiary' and the 'group' in total. This contrasted with commercial practice where investment in subsidiaries was disclosed in one balance sheet figure.

It is possible to detect a system of double standards being exercised by the commercial brewers in their criticisms of the Scheme's accounts when commercially suspect accounting practices were widely employed at this time. The most notorious example of this period was the Royal Mail Steamship case of 1931 that involved the deliberate manipulation of secret taxation reserves to convert losses into profits. Both the chairman, Lord Kyslant and the auditor were subsequently acquitted of wilfully deceiving the shareholders mainly because evidence was presented to imply that such accounting techniques were widespread (Stewart, 1991:41-43). This coincided with the commercial idea that the provision of too much information via the accounts provided an advantage to competitors, which coupled with contemporary trading difficulties, could have precipitated company collapses. (Arnold, 1991:41) Yet even so the brewers had lobbied for greater transparency and accountability by the SMS that they were not prepared to divulge themselves. In this respect the brewery companies continued to be as deliberately opaque as possible in their financial reporting, even after the passage of the Companies Act 1947.

A number of companies, reluctant to reveal their true profit position, used depreciation and other devices to reduce sums prior to publishing a profit figure. For example H&G Simmonds of Reading was negotiating to buy the Newport business of Phillips and Sons (a limited company

since 1892), in 1949, the latter's auditor's admitted that for some considerable time the addition to P&L Balance per the printed Report was purposely kept down to a small figure, and was arrived at after substantial sums had been tucked away... the avowed policy of Phillips & Sons Board being to make the published figures as uninformative as possible!
(Gourvish and Wilson, 1994:343)

Indeed, the chief accountant of Simmonds observed that the accounts were uninformative in no small degree, perhaps even more so than the old accounts of the great firm of Bass (Gourvish and Wilson, 1994:343).

However the new framework of financial reporting by the Scheme remained untainted by such creative accounting techniques and the transparency of the new accounting framework was sufficient for the controversy to disappear from the political agenda.

Evaluating LCCB/SMS Financial Performance

The Companies Act 1900 required balance sheets to provide a true and correct view and it was only with the passage of the Companies Act 1948 that this was changed to the now familiar though imprecise true and fair view. In 1922, prior to the Scheme's accounting reforms, the Home Secretary was asked in the House to comment on the financial success of the SMS, measured by the return on capital employed, which had become an accepted yardstick of measuring commercial profitability based on the published accounts (Tables 6, 7).

Table 6. State Management Scheme ROCE All Areas 1919-1921

Year Ended	£ Capital Employed	£ Return to Capital Employed	% ROCE
31st March 1919	1087839	153491 (43999)	14.11
31st March 1920	1185509	196819 (35709)	16.6
31st March 1921	1251605	138819 (32320)	11.09

Table 7. State Management Scheme ROCE Carlisle Area 1919-1921

Year Ended	£ Capital Employed	£ Return to Capital Employed	% ROCE
31st March 1919	834123	130782 (34263)	15.68
31st March 1920	884888	163727 (24464)	18.59
31st March 1921	929696	130071 (21695)	13.99

(Brewers Journal, 1922:22).

The figure in Column 2 is the mean of the Capital employed at the beginning and at the end of each period. The figure in Column 3 is made up of the interest (shown separately in brackets) charged on the Net Exchequer advances and on other outstanding liabilities, together with the further sum accumulated out of profits and accruing to the Exchequer towards replacement of capital cost. The Home Secretary commented without explanation that he thought that a bare statement of the percentage return to capital employed would not, speaking generally, afford a very sure foundation for an opinion as to the success of an ordinary commercial undertaking, or for a comparison of it with similar concerns. (The Brewers Journal, 1922:143) Indeed these ROCE figures appear to be suspiciously overstated given that Mitchell & Butlers were achieving a ROCE of approximately 6 per cent in 1921, which was similar to those ROCEs quoted by Major Kelly, MP in the Brewers Journal of 1920. However, whilst recognising the caveats of comparing the SMS with commercial performance, an attempt to evaluate the SMS financial performance of 1930 following the introduction of the new more transparent financial statements has been attempted benchmarked against a representative

sample of commercial breweries. Thus the ROCE, the return on capital employed, (net profit before interest and tax /capital employed x 100) has been calculated (Tables 8, 9).

Table 8. Commercial Brewery ROCE'S 1930 (Authors calculations)

Company	Bass, Ratcliff and Gretton Ltd	Worthington and Co Ltd	John Joules (Stone) Ltd
ROCE	7.40%	9.40%	5.40%

Table 9. SMS ROCEs 1930 (Authors calculations)

District	Carlisle	Gretna	Cromarty	Total
ROCE	7.20%	5.60%	4.50%	6.70%

Calculations have been performed on the published accounts 1930 of the SMS, Bass and Worthington's records held at the Coors Visitor Centre, and Joules held at the Stafford Record Office.

This reveals the overall SMS performance is inferior to the two larger and major breweries of Bass and Worthington, but it is superior to the small regional brewery of Joules. Overall, the Carlisle district outperformed the other two districts within the SMS, but Carlisle remained the most significant centre of operations, achieving a performance nearer to the two major commercial breweries. It is notable though that the SMS ROCEs of 1930 are significantly inferior to those that were reported during 1919-1921, but this was achieved in less buoyant economic conditions.

Aftermath: 1930-1974

By 1930 the government had abandoned any serious attempts to nationalise the brewing industry because of the more immediate problems of the economic depression. An unfulfilled second attempt in the form of the New Towns Act 1946 and the Licensing Act 1949 was made to extend the Scheme⁴. Although an initial administrative structure was created to replicate the Carlisle model the plans were abandoned for similar reasons that had dissuaded the earlier expansion of the Scheme, costs were prohibitive and the more immediate economic and social problems of peacetime demanded attention. The hostility to the SMS was replaced by reluctant toleration and eventual cooperation by the commercial brewers. The initial state monopoly became mitigated by the introduction of other more expensive commercial brands in the SMS area when demanded. Later attempts to sell and market the Carlisle brand outside the SMS area was thwarted by the Home Office since sales were restricted to the Schemes area.

The success of the Scheme in social terms introduced a new type of public house that became archetypal of the British inn. It introduced alternative refreshments and provided food and recreational activities, beyond a narrow male working class environment, that influenced commercial practices. However, the qualitative effects of the Scheme are harder to judge. The weak gravities of the government beer became only apparent to those who had also drunk the more expensive commercial brands. Also the puritanical ethos of the entire project was never entirely removed throughout its life.

These Carlisle public houses with their official atmosphere, separation of the sexes and rigid rules are as cheerful as a morgue...Recently I visited several of these Home Office Houses and I did

⁴ This included in England, Ayecliffe County Durham, Corby, Northants, Basildon, Essex, Bracknell, Berks, Crawley, Sussex, Harlow, Essex, Hatfield, Hets, Hempel Hemstead, Herts, Peterlee, Durham, Stevenage, Herts and Welwyn Garden City, Herts.

In Wales this only included Cwmbran, Monmouthshire.

In Scotland it included East Kilbridge, Lanarkshire and Glenrothes, Fife.

not know whether I was in a Tavern or post office. The manager and his assistants are Civil Servants – if you can't make them sober, make them sorry seems to be the slogan of these well furnished houses.

Daily Mail, 3rd February 1930 – Brewers Journal 1930:71.

This view was not confined to a metropolitan elite either and the residents of Carlisle could adopt equally hostile opinions,

The late Ian Mackay, a journalist on the old News Chronicle, visited the State Pubs and he remarked that everyone was dressed in white and he expected the dentist to appear at any moment.

Cumberland News, 10th December 1965: T/SMS 6

In financial terms the SMS remained consistently profitable (Appendix 1) and as financially efficient as the commercial sector. The establishment of the Scheme had produced a sophisticated and transparent financial accounting framework that exceeded contemporary commercial practice,

An accounting system of the most modern principles has been devised and it is doubtful whether there are many brewing firms in the kingdom, which can show a more concise and useful analysis of trading results.

(General Managers Report, 1919)

Moreover, the quality of the financial information led the General Manager to report that,

Representatives of brewing firms who have visited Carlisle have not hesitated to ask for particulars with a view to incorporating something of our system in their own business and it certainly cannot be contended that the work at Carlisle is not conducted upon business lines!

(General Managers Report, 1920)

Indeed the presence of senior brewing industry management representatives on the board of the scheme and frequent official visits of all interested bodies ensured that the financial practices became widely disseminated.

Conclusion

The abolition of the SMS under a Conservative government began in 1971 and was completed in 1974, heralded an ideological change that presaged the extensive privatisations of the next two decades. The Home Secretary, Reginald Maudling justified privatisation in that,

We should be clear that this experiment was never intended to be an experiment to determine whether the State can successfully run a liquor business. We are now far from the original problems that caused State Management to be introduced in these three areas. No one could reasonably suggest that there is any risk there today of outbursts of drunkenness promoted by publicans.

(Hunt, 1971:53)

The economic success of the Scheme is thus undeniable though it must be admitted that it benefited from its virtual monopolist position in one of the more remote and sparsely populated areas of the nation. It also enjoyed the benefits of private sector management input from the likes of Sir Sidney Nevile and others drawn from the senior ranks of the brewing industry. The supporters of the Scheme such as Greenwood advanced the 'Experiment' as the model for the future extension of its operating principles as the MP for Carlisle, a Mr Carr explained,

We ought to regard the Carlisle experiment... not as final but as giving us some constructive ideas in the management of the drink traffic in the future.

(Parliamentary Debates, 1920)

At the same time the evidence indicates that the State was capable of successfully managing a classic type private enterprise when required, consistently delivering annual profit streams to the Exchequer and thus satisfying the public good both financially and socially.

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Appendix 1. LCCB/SMS Reported Profits 1916-1974

Year	£ Profits	Year	£ Profits
1916-1918	107,392	1948	Unavailable
1918-1919	96,518	1949	145,289
1919-1920	139,263	1950	130,159
1921-1925	Unavailable	1951	135,494
1926	95,131	1952	144,887
1927	86,099	1953	157,651
1928	79,020	1954	167,321
1929	69,784	1955	153,949
1930	77,341	1956	189,686
1931	73,069	1957	193,681
1932	59,300	1958	192,757
1933	42,747	1959	195,991
1934	51,422	1960	196,809
1935	63,571	1961	211,776
1936	65,064	1962	240,141
1937	74,004	1964	284,281
1938	76,025	1965	279,961
1939	79,959	1966	262,958
1940	111,845	1967	245,506
1941	168,017	1968	186,986
1942	207,713	1969	162,135
1943	230,339	1970	259,451
1944	244,091	1971	400,598
1945	219,662	1972	328,646
1946	228,741	1973	150,937
1947	196,162	1974	(82,775)*

*the only reported loss occurred when the Scheme was being broken up piece meal.

Source: Published accounts held by Cumbria County Archives, Carlisle.