The Economic Ascent of the Hotel Business

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(G) Published by Goodfellow Publishers Limited, Woodeaton, Oxford, OX3 9TJ
http://www.goodfellowpublishers.com

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Introduction

The economies of the US and Europe and their hotel businesses were dominated in the first half of the 20th century by four critical events – World War I, ideological shifts in Europe, the Great Depression and World War II. The governance of the four critical events was different for each of the main economies as was the impact of the events on each economy and on its patterns of recovery. In turn, these critical events produced different impacts on hotel demand and hotel supply. At the start of the period the US hotel business was the largest and fastest growing in the world and it suffered the least severe downturns over the period, Britain suffered more severe downturns and the continental European hotel business, which started the century in the least developed state, endured the most severe downturns. In parallel, US hotel demand and supply recovered the soonest, developed the most and grew the fastest after each event and thus the economic ascent of its hotel business was greatest. British hotel supply took longer to recover and its development and growth was marginal, but its hotel demand declined over the period and thus there was no economic ascent of its hotel business. In the cases of France and Germany, the most significant continental economies, their hotel demand and supply suffered sharp decline and as a result their hotel businesses regressed.

The rate of growth in population reinforced these trends. In 1900, the population of the US was 76 million. By 1945 it had nearly doubled to 140 million, boosted by significant immigration and the least loss of life among any of the major combatants in the two world wars. In contrast, the population of European countries was characterised by greater proportionate loss of life in wars and more emigration. Over the period, the British population grew from 38 million to 48 million. The German population grew from 56 million to 70 million, while in France the population fell by one million to 38 million. Thus, the US with an economy that was already the largest and fastest growing in the world had added boosts from fast-growing population and greater structural development, which was reflected in hotel demand and hotel supply over this traumatic period.

World War I

World War I was centered on the European continent, most of the battles were fought in Belgium, France and Germany and they suffered the greatest loss of life as well as the greatest degradation of land, property and transport infrastructure causing the suspension of their economic development. The impact on the British economy was less because it was not invaded and did not suffer the degradation of its land, property and transport infrastructure. When World War I was declared in 1914, conventional domestic business demand into hotels in the battling countries collapsed as military production was given priority over consumer production, holiday taking crumbled and new hotel construction was stopped. Battle damage reduced hotel supply in France, Germany and Belgium, but not in Britain or the US, and throughout Europe conventional hotel demand took longer to recover after the war was over. The impact of World War I on the US economy and its hotel business was less severe than it was on any of the other combatants, not least because the US was involved for only 19 months of the 55-month duration of the war. The US also had a lower proportion of its population engaged in the fighting and it endured lower loss of life than the other major combatants. Moreover, its territory was not invaded and it avoided degradation of its land and infrastructure. By staying out of the war until 1917, the US economy achieved three years of growth as did its hotel business when the European economies and hotel businesses were in shock. The US economic momentum did not cease when the war ended. Apart from a hiccup in 1920, US manufacturing continued to grow apace rising by almost 50% between 1913 and 1925, and the US share of world trade rose from 20% to 33% over the same period (Jay, 2004: 247). In contrast, during this period, output in Europe was flat as the European countries struggled in the postwar period to re-establish their civilian economies and their hotel businesses.

Ideological shifts in Europe

The suffering in the European economies during World War I was not their only problem. Politics in Europe changed. It started with the simmering trend towards socialism, which asserted that the only effective way to eradicate poverty and social injustice was for elected governments to take control of the economies. Socialist ideology and big government went hand in hand. Both had grown in the latter decades of the 19th century and came into the mainstream of European politics with the formation of the British Labour Party. Left-wing political parties emerged in other European economies and were united in the promotion of state planning and control of economic activities. In 1918, the British Labour Party adopted clause IV of its constitution, which committed it to, "common ownership of the means of production… of each industry and service" and this was not revoked until 1995 (*source*: http://www.labour.org.uk). The employment of the blue-collar working class who dominated the membership and support of left-wing political parties was predominantly in primary and secondary industries. Traditionally, tertiary businesses required more wealth as the basis