

The Economic Ascent of the Hotel Business

4

Second Edition

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4 Economic Developments and the Hotel Business: 1850–1900

Introduction

The central events of the second half of the 19th century for the British and US economies were the growth of secondary industries and the development of the social structures that emerged from the new economic context, which provided the main boost to business demand and the emergence of mass leisure demand into hotels. The economic significance of agriculture declined. Tertiary activities grew from a very low level, primarily as backup to the growing secondary businesses, and by the end of the 19th century the provision of public services was emerging as a core responsibility of central government. These developments produced growth in domestic business demand for hotels. However, the most significant progress in hotel demand and supply during this period resulted from the introduction of paid annual holiday leave for senior white-collar and professional employees. This development saw the expansion of hotels to resorts and the enhancement of the range of hospitality provided in hotels to meet the new holiday demand. The stratifications of the economy and of the social structure were reflected in the stratification of hotel demand and hotel supply. The endeavour by hoteliers to match the assumed social position of customers with the provision of facilities, services and products in hotels became a central tenet of hotelkeeping during this period and a driver of the economic ascent of the hotel business.

Economic structure and hotel demand

Agricultural demand into hotels

The decline in significance of British agriculture during the Industrial Revolution continued throughout the second half of the 19th century. In 1800, farming accounted for 40% of British national output and a third of the labour force. By the end of the 19th century both had fallen to less than 10% (Jay. 2004: 211). The decline in British agriculture, encouraged by cheap imports of foodstuffs from the

Empire, had only a marginal impact on domestic business demand into hotels because fewer agricultural employees travelled on business than those in any other segment due to the small size of farms as well as the local markets for arable products. Over the period a similar trend occurred in the US.

Industrial demand into hotels

The Great Exhibition in London in 1851 was a marker in the movement of the British economy to a full-blown industrial economy and was followed by a similar transition in the US after the Civil War. The Great Exhibition displayed over 13,000 exhibits and was visited by more than 6.2 million people, an astonishing number given that the population of Greater London was only around 3 million (www.wikipedia.org, The Great Exhibition, 1851). It also signalled the movement in the industrial economy from an emphasis on basic industries such as coal, iron and steel to a greater focus on manufactured goods such as textiles and household goods. The impact of the growth in secondary industries on the economies of Britain and the US can be seen in the change in the pattern of global production. In 1800, China accounted for 33% of industrial output, but by 1900 it had fallen to 6% (Jay, 2004: 237). Similarly, India accounted for 20% in 1800, but by 1900 it had fallen to 2% (p. 238). The advantage of size that these economies had during the agricultural period was lost because the structure of their economies had not shifted to secondary activities.

In the period from 1850 to 1875, Britain was the largest producer of coal, iron and steel in the world (Court, 1964: 183). The woollen industry trebled its intake of raw materials and as a result the 300,000 power looms in operation in 1856 increased to 560,000 by 1885 (Gregg, 1965: 298). These and similar statistics from other industries present the picture of a vibrant economy, but its global leadership was in decline. The impetus of technological developments and the larger size of manufacturing companies in the US as well as more effective capital markets boosted economic growth, while the opening of the West and strong population growth established it as the world's industrial powerhouse. As Jay records, 'in the 35 years before World War I the US increased its... output per head (at 2.4 times)... Germany (double)... Britain (1.5 times)' (Jay, 2004: 233). The root of the slower growth that Britain achieved was the domination of its economy by family firms, which were limited in their willingness to invest in new technology to grow. Moreover, the convenience of the Empire as a captive market for up to one third of British exports enabled manufacturers to become lazy in comparison with the US, which did not have an empire. The development of the industrial economy in Britain and the US generated new domestic business demand for hotels. The US produced more industrially generated business demand into hotels and grew faster than Britain because it is a larger country geographically and had a larger and faster growing population as well as having more and larger industrial companies selling their products over a wider area. The larger US manufacturing companies employed more executives such as salesmen who were the main business travellers from industrial companies. In contrast, Britain had smaller industrial companies with fewer executives travelling shorter journeys in a smaller country.

Public services demand into hotels

The growth in the secondary industries caused growth in the tertiary segment in two ways. First, it was later in the period before central governments became involved in public services. The migration from rural to urban areas that occurred during the Industrial Revolution continued during the second half of the 19th century, for example, the population of Manchester grew from 225,000 in 1850 and to 450,000 by 1901 (www.visionofbritain.org.uk). Over the same period the population of New York City grew from 515,000 to 3.4 million (www.census.gov/population). As the population of British cities grew local authorities became more active in public services providing running water, gas and sewerage services to households. Services such as education, health and the care of the elderly remained rudimentary until the 20th century, but in hospitals more effective surgery and professional nursing care emerged during the period. Education provision also changed. At the half century, only 2 million British children were believed to be attending elementary school and half of these for less than a year (Gregg, 1965: 506). Over 80% of children had left school before the age of 12 and it was not until 1880 that school attendance was compulsory for under-13-year-olds. Science and technology were growth areas of study in universities because they were needed for the developing industrial economy, but university students were a minuscule proportion of the population and they were predominantly male. Women rarely had the opportunity to advance beyond compulsory education and thus, were limited to low-skill work and family duties. During the period, mass trade unionism became established among the workforce of secondary businesses. In the face of *laissez-faire* government policy of the period and inadequate provision by employers, trade unions played a crucial role in providing social services to their members in addition to their role in wage and conditions negotiations. The hotel demand generated by health, education and the other social services was minor during the period because the focus was on activities within hospitals and schools and within the local authority areas so that the professionals and civil servants hardly travelled on business.

Service business demand into hotels

Transport and banking grew in response to growth in secondary industries. The introduction of steam power had an escalating effect on rail and sea travel, which were characterised by sharp increases in the volume of freight and passengers carried. Jay illustrates the growth of railways during the 19th Century. 'By 1870 Britain had almost 13,400 miles of railway, the US had 52,600 miles and continental Europe including Russia, had around 44,000. By 1914, the numbers were respectively 20,300, 255,000 and 252,000' (Jay, 2004: 214). The growth in supply was reflected in demand. 'In the United States the freight carried rose from 39,000 million ton/miles in 1866 to 142,000 million ton/miles in 1900' (Mitchell, 1988). This picture was mirrored in steamships. In 1859, there were 168,000 net tons registered in Britain, up from 24,000 in 1800 and by 1900 it reached 7.2 million net tons. By 1880, there were 263 banks in Britain down from 800 in 1825 as a result of consolidation driven among other things by the growing demand for corporate debt that could not be provided by small single-branch banks (Court, 1964: 186).