

Fergus Carr
2505361
History and Theory

The changing face of economics and the consequences for industry

In this essay I am going to study the way in which a changing economy affects the architecture of industry. I am going to examine the change of use of the Peek Freans biscuit factory in Bermondsey from confectionary manufactory (use class B2) to offices and studios (use class B1).

It is a fact that industrial units are redeveloped when the existing infrastructure becomes outdated or outmoded. However, I feel that there may be more to the redevelopment of the Bermondsey site than may meet the eye.

Firstly I would like to address the question of classical economics, which relied upon the belief that "the pursuit of individual self interest produced the greatest possible economic benefits for society as a whole, through the power of the invisible hand".¹ This meant that the state would have a laissez-faire policy towards the regulation of industry. That it was the captains of Industry that provided capital for cultural and community projects such as art galleries, museums and more pertinently social housing, which gave rise to the creation and development of communities based entirely on the local industry, examples of which can be found In the chocolate company Cadbury's model village Bourneville near Birmingham, tobacco company RJ Reynolds in Winston-Salem in the USA and Peek Freans "Biscuit Town" of Bermondsey in London, to name but a few of the most pertinent examples.

When James Peek and his business partner George Hender Frean established the Peek Freans Company in 1857, they had anticipated Mr. Peek's two sons to participate in the management of the company. Mr. Peek's sons had however shown no interest, therefore in 1860 an old school friend of John Peek, John Carr was employed as manager and with him he brought the experience of working at Carr's Biscuit manufactory in Carlisle, and the principles of Quakerism which adhered him to strict codes of conduct regarding honesty and fairness. These were manifested in the form of employee benefits; fair working hours, fair wage, paid holiday and a pension fund, as well as on site dentists, medics, postal service and fire brigade. The success of Peek Freans, stemmed from its sense of community participation especially with regards to the upkeep of the local neighbourhood, its dedication to a fair system and its homely brand image, which was found in every pantry. The people who worked there were considered to be part of a family with a patriarchal Carr as manager. Subsequently the factory established cricket teams and a recreation ground which were seen as a useful way to use your spare time for personal enrichment, a magazine to keep the community up to date with personal stories and company news and by 1918 a worker elected tribunal, responsible for managing problems and requests.

I feel it pertinent to consider the choice of site, as Bermondsey had a long history for being a slum, it provided cheap central London land, a nearby railway line and affordable workers. The area was invigorated by the presence of the biscuit factory, which provided employment for much of the local community, particularly women, who were given the option to choose either marriage or financial independence by working in the factory, an option which would have been unheard of in the social and industrial convention of the time.

While Quaker companies like Peek Freans, Cadbury's, Fox's and Carr's held social liberalism, community action and worker's rights as a religious duty, traditional captains of industry and

¹ The invisible hand is the ability of the free market to allocate capital for the common good.

classical economists were not required to provide these liberties and chose not to, and furthermore stipulated that to counteract poor trading results or lack of demand, the wages of the labour force would have to be reduced, while the owners would incur little or no penalty. The principles of classical economics invoked strong criticism in the labouring masses, and most notably the socio/economic theories of Karl Marx gave rise to the worker's unions, and the subsequent class struggle has not abated to this day.

The value of the constituent materials that a company requires to be productive can include the value of the labour required to produce the goods, it is at this point that the principles of unionized action drive up the cost of production, causing a severe headache for many companies world wide. While this was occurring in other factories and industries at the time, it was far less evident in the Quaker run companies such as Peek Freans, so while it may feel counterintuitive to consider the application of liberal policies such as holidays, and days off without reducing wages, it made good business sense to keep the workers content, in a holistic and beneficial fashion.

The factors affecting the productivity of a company rely upon the equilibrium of its supply and demand, varying from season to season, dependant on the value of the materials that it uses to produce its goods and the value of the goods that it produces. Peek Freans made its name by producing inventive biscuits, such as the Pearl Biscuit in 1865, which was softer than conventional biscuits and did not require the machining involved in the making of docker holes². They proved to be popular, thanks to having a superior taste and texture than their competition. As a result, during the Franco-Prussian war of 1870 and the subsequent siege of Paris, when food was extremely scarce, (so much so that the Parisians ate animals from the zoo)³. The demand for a biscuit was much higher than it would otherwise have been and resulted in an order for eleven million biscuits to be airlifted into Paris via Montgolfier balloon, therefore the value of the product was increased, and the company made a substantial profit.⁴

The failings of traditional classical economics led to the reinvention of economics by John Maynard Keynes and the shift in the role of the state and its control over national economies.⁵ Which is intrinsically linked to the rise in political and economic theories, the years preceding, during and following the second world war is the battle ground for massively conflicting economic arguments, namely the 'socialist' principle of state led central planning whereupon national governments regulate the flow of capital to promote modernization, ensure the safety of jobs and individual market protectionism as opposed by the American model known as the "free market" system, whereupon "flows of capital would cross national borders without restriction".⁶ The post second world war economic system shifted with the Bretton Woods conference of 1944, which saw the emergence of international monetary organizations, the IMF and the World Bank. The world was split into three main economic systems, Liberal Economics, which followed the free market system, Mixed economies, in which key elements of a national economy are nationalized while others are governed privately by companies, and the central planning model, such as the Soviet Bloc and its satellite states, where privately run companies simply didn't exist. The United Kingdom followed the Mixed Economy system and aligned itself much more toward the American Free Market. This is most evident during the Conservative Government under Prime Minister Margaret Thatcher. During her tenure the British Government set in place "The most dramatic act of deregularisation" in the abolition of exchange controls, and it "facilitated the exodus of portfolio capital from Britain".⁷ Economists Philip Armstrong, Andrew Glyn and John Harrison noted that "British financial institutions increased their holdings of shares and bonds overseas by \$75bn

² Docker holes are pierced holes in the dough in order to prevent explosion of trapped air during baking.

³ Contemporary French Menu

http://pagesperso-orange.fr/fdlj/lettres%20de%20Caroline_fichiers/image079.jpg

⁴ Together with biscuits the company also airlifted flour supplies into Paris

⁵ Bishop, Mathew, Economics, an A-Z Guide

⁶ Newton, Scott, The Global Economy 1944-2000

⁷ Newton, Scott, The Global Economy 1944-2000

between 1979 and 1988.” Further “examples of deregulation were the removal of fixed commissions on share dealings and the ending of limits on foreign ownership of British stock broking firms”.⁸The result of these policies and the growth of the world market exacerbated the division and alienation of communities from their parent industries.

Next I would like to address the effect of shifting private sector economics on the evolution of the company and this is most pertinent when you consider the phenomenon of mergers and acquisitions. Which are in simplest terms the combinations of two or more companies to form a single unit, in the most optimistic, a merger can lead to an increase in both company’s total manufacturing output and provide product diversification, reduce the cost of importing raw materials and ensure a link to markets while providing a larger capital for investments. At worst an acquisition can be seen as a larger company swallowing up a smaller one in order to reduce competition and acquire intellectual property. Often the differences between the two are imperceptible until after it occurs.

It is with the friendly amalgamation of the two most successful biscuit manufacturers in the UK Peek Freans and Huntley and Palmers and the formation of the holding company called Associated Biscuit Manufacturer’s Ltd in 1921 that the companies became part of a larger and more economically powerful unit which prompted worldwide expansion and manufactories were created in India as part of a merger with Britannia Biscuits in 1924, in 1949 in Canada the United States and Australia. With the third largest UK biscuit manufacturer Jacobs joining in 1960.⁹

Each company that had been added to the Associated Biscuits brand had its own factories. These factories were run independently and the heads made up the board of directors. As Chairman, my Grandfather Richard Carr was posed with the problem of overproduction and the requirement to close if not one then several of the family managed factories in order to pay for the debts incurred during the earlier mentioned takeovers. To ensure that his personal preference for his Peek Frean Division did not appear to effect his judgement, he decided to appoint an independent arbiter, and in 1978 he recommended Keith Bright as Chairman.¹⁰

This also represents a key shift and the start of a new breed of economics led by the “non-company man”. While not being a specialist in a specific field, for example, the manufacturing of biscuits, and not having started a career in the company, either through work on the factory line, or through family. The non-company man relies entirely on a natural ability to exploit the workings and politics of a company boardroom. Preferring to “serve company investors and not the company tradition”. The most significant examples being that of Keith Bright of Associated Biscuits in the UK and the Canadian Ross Johnson, whom through charisma elevated himself through the ranks of the ‘Standard Brands’ company and through a merger with Nabisco and subsequent boardroom politics became President of RJR Nabisco.¹¹

The growth of the multinational company and the conception of the leveraged buyout with a precedent formulated by McLean Industries, Inc. in the hostile takeover of the Pan-Atlantic Steamship Company in January 1955.¹² That the face of the economics of amalgamation shifted from being one of mutual cooperation between specialist manufacturers to being that of individuals and groups of specialist businessmen with a hunter attitude, armed with billions of dollars of capital, hunting an investment and a quick return.

⁸ Newton, Scott, *The Global Economy 1944-2000*

⁹ Carr, Christopher

¹⁰ Carr, Christopher

¹¹ Burrough, Bryan & Helyar, John, *Barbarians at the Gate, The Fall of RJR Nabisco*

¹² Marc Levinson, *The Box, How the Shipping Container Made the World Smaller and the World Economy Bigger*, pp. 44-47 (Princeton Univ. Press 2006). The details of this transaction are set out in ICC Case No. MC-F-5976, *McLean Trucking Company and Pan-Atlantic American Steamship Corporation--Investigation of Control*, July 8, 1957.

Since Keith Bright's accession to Chairman of Associated Biscuits he had closed the Huntley and Palmer's Huyton factory in Liverpool in 1983 and floated Associated Biscuits on the stock market, it became possible for shares to be bought and the ownership of the company to change hands. The international success of Associated Biscuits made them an appealing target for a transnational merger which Bright facilitated in 1982 with the American National Biscuit Company (Nabisco) which at that time was led by the conservative administration of Chief Executive Robert M Schaeberle who was replaced by Ross Johnson in 1984. Who oversaw the conglomeration of RJ Reynolds Tobacco Company and Nabisco, to form RJR Nabisco. Which was in turn bought for \$31.4Bn (which holds the title of largest leveraged buyout in history, and which prompted the book 'Barbarians at the Gate, the Fall of RJR Nabisco, published in 1990') by Kohlberg Kravis Roberts in 1985, which then sold off the assets for a profit, in a move, which is known as 'Asset Stripping'.

The assets, including Intellectual property and real estate owned by Associated Biscuits to were divided between the companies Danone, United Biscuits and in the US and Canada to Kraft. Apparent overhead costs caused the closure of the Peek Freans Bermondsey site, which was announced in 1987 and finalized on Wednesday 26 May 1989. The Peek Freans brand now only exists abroad as part of the Kraft conglomerate, while biscuits that had been invented by The Peek Freans Company are now sold under different brands.¹³

Conglomeration is much like a snowball, it gets larger and larger and more powerful. Unfortunately, the larger something is the further away are its extremes, the factory becomes an asset and the familial relationships that it harboured are forgotten. The communities that had formed around an industrial site begin to dissolve and fade away in the shadow of the now foreign brand.

The phenomena of amalgamation, leveraged buyouts and asset managements, manifested themselves in the architecture of the factory site. Beginning in the 1860's with the purchase of properties in Clements Road Bermondsey and ending on Wednesday 26th May 1989 after 126 years of trading, the Peek Freans biscuit manufacturing site closed, and was uncared for until it was developed and divided up into light industrial offices and studios in 1999 by West and Partners Architects for an investment company UKI Ltd and are now rented to small businesses by Workspace Group Ltd. This forms a second shift in the type of economy that now inhabits the site; this new economic model is known as a "knowledge economy" which in opposition to classical industry which is the trading of physical goods, such as biscuits. A trader in the knowledge economy trades in knowledge or experience. Which does not necessarily manifest itself physically; examples of these are creative industries such as media, television, graphics, architectural services, Information Technology and music. The role of technology in the evolution of this information society is startling, the birth of the computer and the Internet, made the use, manipulation and distribution of information both far easier and far more widely spread.

The rebirth of the site with a modern, knowledge and technology based economic system manifests itself in a redesigning of the physical space and mechanical and spatial networks that it once contained, the old requirements of the site which served specific functional roles have mostly gone while some have been retained to become part of the "industrial-style" decoration, while they no longer fulfill a function, the physical memories of the factory imbue the space with meaning. While the modern use of materials and construction techniques define and delineate the space with steel, glass and brightly coloured paint.

¹³ <http://brands.kraftfoods.com/peekfreans/>



Bibliography

Personal Interviews

Carr, Christopher, Personal Interview, 17th April 2010.

Books

Bishop, Mathew

Economics, an A-Z Guide, London, Profile Books Ltd, 2003

Burrough, Bryan & Helyar, John,

Barbarians at the Gate, The Fall of RJR Nabisco, London, Jonathan Cape, 1990.

Fraser, Hamish

A History of British Trade Unionism 1700-1998, London, Macmillan Press Ltd, 1999

McCreadie, Karen

Adam Smith's The Wealth of Nations, A modern Day Interpretation of an Economic Classic
Oxford, Infinite Ideas Limited, 2009

Newton, Scott,

The Global Economy 1944-2000, London, Arnold, 2004

Internet

Peek Freans company archives in Reading

<http://www.reading.ac.uk/special-collections/collections/sc-peek-frean.aspx/>

Huntley and Palmers

<http://www.huntleyandpalmers.org.uk/ixbin/hixclient.exe?a=file&p=huntley&f=huntley.htm>

<http://huntleyandpalmers.com/>

Kraft

<http://brands.kraftfoods.com/peekfreans/>

Nabisco

<http://www.nabiscoworld.com/>

Kraft Canada

<http://www.collectionsgateway.org.uk/collections/7/hp%20timeline.pdf>

Images

<http://www.biscuit-factory.co.uk/>

<http://www.re-title.com/public/exhibitors/3643/V22-1.jpg>

<http://www.visitmap2.co.uk/sites/clients/bermondsey/images/news/22.jpg>