Introduction

This book examines private enterprise in twentieth-century Britain. Its point of departure is one singular fact of modern economic history: the declining competitiveness of British industry over the last one hundred or so years. From Waterloo to the Congress of Berlin, Britain enjoyed an unprecedented preeminence in the supply of industrial commodities. In 1881–85 the "Workshop of the World" still accounted for 43 percent of the international trade in manufactured goods. Over the course of the next century this preeminence disintegrated as the nations of North America, continental Europe, and the Far East industrialized. By 1973 Britain's share of the world trade in manufactures had fallen to 9 percent. By the 1980s the value of industrial goods imported in Britain had come to exceed the value of British exports, and the country's balance of trade in capital goods was also in deficit.¹

The debate about Britain's diminishing industrial strength that began before the turn of the century has gathered pace in recent years. Politicians, civil servants, businessmen, trade unionists, journalists, and diverse academics—economists, historians, sociologists, political scientists, and specialists in industrial relations—all have vigorously discussed the causes of Britain's industrial decline, its chronology, and its implications for the material well-being of the British people. Controversy has been the distinguishing feature of this discussion, and there are at present no widely accepted answers to any of the questions arising from Britain's loss of industrial strength.²

Though the participants in the debate about British industrial decline have been unable to agree about its causes, chronology, or consequences, virtually all of them have shared an implicit belief that owners and managers must occupy a central place in the story. Thus the British entrepreneur has been widely castigated for his indifference to maximizing profit, his ignorance of scientific and technological developments, and his pref-
ere for the leisure of the land and the excitement of the exchange. At the same time his efficient response to pecuniary opportunities and his rational accommodation to economic constraints have been boldly celebrated. The sensitivity of the businessman to government action and his relations with organized labor and financial institutions have also been much discussed. Yet there has been very little empirical study of entrepreneurs in Britain's declining industries and very little analysis of the management of individual firms. Business histories of the staple trades concentrate almost exclusively on the heroic period of the industrial revolution, while studies of more recent periods focus on Britain's corporate giants. The historical economists who have been so energetic in rehabilitating the reputations of British businessmen have generally applied their neoclassical models and quantitative techniques to individual industries in the aggregate.

The reluctance of analysts of the "British disease" to investigate individual entrepreneurs and the management of particular firms appears all the more surprising when one considers how much business history has contributed to our understanding of the growth of industrial economies in the twentieth century. Thanks to the work of Alfred D. Chandler, Jr., we now recognize that it was the rise of large-scale, hierarchically organized, and functionally diverse enterprises that permitted the economic opportunities offered by population growth, urbanization, and technological change after 1870 to be efficiently exploited. The path-breaking studies that explained the emergence of the corporate economy were exercises in comparative company history. By comparing the strategies and structures adopted by competing firms in diverse industries, Chandler charted the development of the "visible hand" that so enhanced the productivity and wealth of the industrial nations.

Chandler's substantive arguments about the seminal role of large-scale enterprises in the growth of industrial economies after 1870 have been introduced into the debate about Britain's decline by William Lazonick, Bernard Elbaum, and other proponents of the "institutionalist" hypothesis. For them it is Britain's failure to replace the "invisible hand" of market forces with more efficient allocative mechanisms—the failure to replace the competitive economy of the nineteenth century with the organized economy of the twentieth—that explains the nation's diminished industrial competitiveness. The practitioners of this approach, however, have made less of Chandler's research methods than they have of his findings. They have not systematically compared the strategies and structures
elaborated by individual firms in cotton textiles, iron and steel, or the other of Britain’s declining trades. Indeed, particular companies rarely appear in their studies. This deficiency has left the institutionalists dependent upon general comparisons with American industries and has prevented them from specifying precisely the range of opportunities available to firms in declining sectors and the constraints conditioning their responses to changing market conditions. Consequently, the two arguments upon which the institutionalist case rests—that structural factors exercised decisive influence over economic performance in Britain and that inherited forms of enterprise and methods of allocation were more intractable than elsewhere—remain unproven. Unsupported by comparative company research, Chandler’s arguments offer no more convincing an approach to the problems of the British economy than do alternative interpretations.7

The present work applies the method of comparative business history to the British coal industry. It is a trade with a history of epic proportions. In 1800 coal’s place in the British economy was a modest one. Aside from providing the bulk, though by no means all, of domestic heat, coal “was a major input for the fast-growing, but still quite small, iron industry, and for a number of other minor manufactures such as glass, bricks, and nonferrous metals. It was also used to some extent in the textile industries, principally in cotton spinning, and in brewing.” By the First World War the British coal industry was one of the economic wonders of the world. It accounted for 25 percent of global coal production in 1909–13, and in 1913 it supplied 55 percent of the coal traded internationally. Coal’s importance to the domestic economy was greater still. In 1907 the value of the industry’s net output “was exceeded only by the conglomerate group of metal-working industries.” The sale of coal abroad accounted for 10 percent of the total value of British exports in 1913 and for 80 percent of the weight of export shipments—thereby making an indirect contribution to the balance of payments by cheapening the transportation costs of imported foodstuffs and raw materials. Coal was also the single largest employer of industrial labor, providing jobs to one in ten of the occupied male population when war began.8 The industry’s decline over the next seven decades was equally precipitous. By 1983 Britain was raising just 2.9 percent of the world’s coal, and the country’s exports accounted for just 3.5 percent of the coal traded by the members of the Organization for Economic Cooperation and Development. Employment in coal mining today is less than one-tenth what it was seventy-five years ago. Most significantly, coal for many years now has failed to make a positive financial
contribution to the British economy, requiring substantial direct and indirect subsidies.\(^9\)

The fateful discontinuity in the British coal industry’s history can be dated with precision. World War I marked the end of coal’s magnificent rise, and the signs of its decline first manifested themselves with brutal clarity in the 1920s and 1930s. Coal production reached its peak in 1913. At no point between the wars did output exceed 96 percent of the 1913 total. At the bottom of the slump, production was nearly one-third lower than the prewar peak; and even with rearmament, output in 1938 was only 79 percent of the 1913 total. Exports made a significant contribution to the decline in output, decreasing in volume by 40 percent between 1909–13 and 1934–38. Employment in the coal industry reached its high point in 1923 when some 1.2 million men found work in the industry. Over the next fifteen years the number of miners fell by more than one-third. As the coal industry contracted, its financial basis shattered. Only in 1923–24 and 1937–38 did net proceeds per ton surpass the annual averages for the five-year periods 1899–1903, 1904–08, and 1909–13. Direct subsidies to coal were required in 1925–26, and in the 1930s the state attempted to shore up the industry’s books by erecting cartels to transfer resources away from coal consumers.\(^10\)

That the progress of the British coal industry should have slackened in the interwar period was probably inevitable given the transformation of energy markets after 1914. The deceleration of economic growth the world over and economies in fuel use combined to slow the demand for coal. The emergence of a number of new or greatly enlarged suppliers of coal and the increasing availability of alternative energy sources (natural gas, oil, and hydroelectricity) intensified competition in the now less buoyant markets. The construction of barriers to trade in many places further exacerbated the situation.

That the British coal industry should have borne the burden of readjustment so heavily between the wars was not inevitable, for it enjoyed many competitive advantages. Despite alternative energy sources, coal retained a virtual monopoly in Britain throughout the 1920s and 1930s; and domestic producers had the market almost entirely to themselves. Britain’s supremacy in the international coal trade through the second half of the nineteenth century and the first decades of the twentieth endowed suppliers with consumer loyalties and distribution facilities that producers in other lands could only envy. Labor productivity in British coalmining was lower in 1924 than it had been in 1913, but the same was
true in all of the other major coal-exporting countries; and British productivity still surpassed that of any of its rivals. Moreover, nothing about Britain’s coal resources augured ill for the maintenance of that productivity advantage. Finally, the Great War had benefited the industry’s finances. Demand in excess of supply, near full-capacity working, and a system of price limitation only loosely connected to production costs rendered wartime coalmining “a very profitable activity.”

Why then did the British coal industry sustain such a severe contraction in the 1920s and 1930s and its finances such a marked deterioration? Was it because factors over which the industry’s managers could exercise little control—geology, finance, labor—thwarted their efforts to adjust to a changing economic environment? Or was it perhaps the case that coalowners and managers proved less than enterprising in adopting strategies that would have enabled the industry to moderate the fall in production and profits?

This book attempts to illuminate these questions about the decline of British coalmining between the wars by analyzing the management of colliery operations at four companies. The four firms cannot be considered representative British coal companies because there were none. The coal industry of the 1920s and 1930s included multiplicities of mines, firms, coalfields, administrative units, and markets. In 1921 there were 3,045 coal mines in Britain and 1,673 separate undertakings in the coal industry. The firms ranged in size from single-pit operations employing a handful of men and producing a few thousand tons per annum to large-scale corporations working numerous mines, employing thousands of miners, and raising several million tons annually. Those diverse enterprises were spread over the twenty-two districts into which the government divided the industry for the purpose of wage determination. Each district exhibited singular geological conditions, a particular pattern of transport facilities, and a distinctive combination of product and labor markets. Geological, transportational, and economic differences within the twenty-two districts were not unknown either.

In designing this study I have tried to give expression to the coal industry’s diversity while exploiting it for analytical purposes. The four colliery companies whose histories are related here were chosen with regard to those variables that economic historians generally consider to be the principal determinants of entrepreneurial behavior and companies' performances: size, type of ownership, sources of managerial personnel, and the nature of the markets in which firms sell their products. Two of the
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concerns—the Ashington Coal Company and the Throckley Coal Company—were located in Northumberland, a district whose output went primarily for export. The other two firms—Henry Briggs, Son and Company and the Waterloo Main Colliery Company—were situated in West Yorkshire and produced largely for British consumption. Ashington and Briggs were among the largest firms in their respective districts—and among the largest coal companies in Britain. Throckley and Waterloo Main were of average size for the districts in which they were located. The four concerns also differed with respect to ownership and managerial personnel. Briggs was a public company; its shares traded on the London Stock Exchange. Ashington was a private company in the possession of three families. Paradoxically, Ashington relied on professional managers unrelated to the owners while Briggs drew its leading officials primarily from the family with the largest shareholding. Throckley and Waterloo Main were both private companies, and they relied on their owners to provide managerial talent.

In the pages that follow I address how Ashington, Throckley, Briggs, and Waterloo Main mined their coals, how they prepared them on the surface, and how they sold them. While most of the book is devoted to the interwar experiences of the four concerns, it is necessary to begin with a thorough survey of the histories of these companies. In 1921, when the government finally relinquished its wartime control over Britain’s coal-mining industry, the managements at Ashington, Throckley, Briggs, and Waterloo Main were once again free to apply their own traditions and business habits to their enterprises. These traditions and habits—the managerial cultures of the firms—combined with the strengths and weaknesses of the firms’ operations to determine the exact nature of the economic demands managers faced and the resources they could call on to satisfy them. If we are to comprehend the strategic options the four firms exercised in the 1920s and 1930s and the results that followed, we must first appreciate the moral and material legacies that Ashington, Throckley, Briggs, and Waterloo Main carried into the postwar period.

In analyzing the management of production and commercial affairs at Ashington, Throckley, Briggs, and Waterloo Main between the wars, I shall be at pains to compare their actions and achievements, not so much with one another, but with the contemporaneous experiences of neighboring concerns on the same coalfields. For Ashington and Throckley, the record of the more than two dozen other undertakings that mined coal in Northumberland will provide the criteria of evaluation. For Briggs
and Waterloo Main, the combined performance of the more than sixty-five other West Yorkshire coal companies will serve as my standard. In other words, my assessment of the management of the four firms will turn upon the systematic comparison of their individual records with the aggregate record of companies that worked similar geological resources, had access to the same array of markets, availed themselves of the same transportation facilities, and drew their labor from a common pool.

The judgments I will make about management in the interwar British coal industry will therefore derive from the record of what British coal companies actually accomplished between the wars—and not from some abstract notion of best practice drawn from the technical literature or from a comparison with what was achieved by coal industries in different lands. The systematic comparison of individual enterprises with their neighbors also diminishes the problem of representativeness. To the extent that Ashington, Throckley, Briggs, and Waterloo Main shared similar resource endowments with rival firms on the Northumberland and West Yorkshire coalfields and operated in comparable market conditions, any uniqueness that they displayed is more likely to have been the product of human agency than the result of fortuitous differences in geology and geography. In any event, we shall see that the empirical record contains little evidence that these four firms were atypically placed, be it for better or for worse, with respect to mineral deposits, transport, or markets.

Ashington, Throckley, Briggs, and Waterloo Main are among the few British coal companies whose records have survived in sufficient quantity to reconstruct their interwar experiences. That an industry with so many enterprises should have left so little documentation for so recent a period requires some explanation. With the exception of iron and steel companies that integrated backward in order to secure their supply of raw materials, few coaling companies were involved in activities that could be sustained profitably in the absence of mining operations. The nationalization of coaling assets in 1946 thereby deprived most firms of their raison d'être, and the 1950s and 1960s saw a spate of liquidations. The companies being wound up typically instructed their liquidators to retain the firms' papers for one or two years and then to destroy them. Given the coalowners' hostility to nationalization, it is likely that the documents that passed into the liquidators' hands had been carefully pruned some years before. For its part, the government was primarily interested in technical papers relating to production, though some business information from the late 1930s was gathered in connection with compensation.
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calculations for the compulsory purchase of colliery property. The result is that the company records of the vast majority of firms have disappeared, and the business historian of coal has few choices open to him. He is fortunate that the quality of the Ashington and Briggs papers makes it possible to study one large export-oriented enterprise and one large company that sold most of its produce at home. Throckley and Waterloo Main are the only average-size firms from Northumberland and West Yorkshire for which the necessary minimum of archival material is available.

Even where the sources are extensive enough to allow historical investigation, they suffer from a number of defects that render the work of the business historian of coal akin to that of the medievalist. First, there is the defect of omission. Some subjects—the precise destination of a company’s coal shipments, and the geology of its royalty area and its implications for underground working practices—simply find little mention in the available records. Then there is the defect of incompleteness. Statistical series covering output, employment, productivity, and financial results for each year of the interwar decades could not be compiled for all four companies even though the years in question are few. Where such series could be constructed, it was rarely possible to do so on the basis of the most sensitive indicators. Thus I have had to make do with measurements of annual productivity where per diem or per shift measurements would have been preferable and data on dividends rather than net profits. Problems of idiosyncrasy compound those of incompleteness. Even for such standard categories as annual output and employment, company statistics were computed in a variety of ways; and the methods employed are not always apparent from the documents. Therefore, the four firms’ records are not always strictly comparable with the regional and national data collected by the government.

Finally, there is the defect of perspective. Companies kept records for their own purposes and not in accordance with the wishes of historians of later generations. For Ashington, Throckley, Briggs, and Waterloo Main, minute books were places where topics of discussion were listed and decisions summarized. None of the four concerns kept extensive accounts of meetings or recorded the arguments behind particular actions. As a result, the decision-making process at each of the four firms remains opaque. So too do the identities and personalities of the principal decision makers.

To compensate for the deficiencies of the company records, I turned
to a variety of other documents. These included the archives of district employers’ associations, trade union and bank records, the papers of the Department of Mines and the Ministry of Fuel and Power, the various inquiries that official and private agencies made into the state of the British coal industry between 1918 and 1946, and the trade and local press. These sources were of inestimable value. They did not fully compensate for the shortcomings of the companies’ records, however, because they suffered from the same limitations.

The inadequacies of the other sources were most acute where the company records themselves were least revealing: namely, in illuminating how and why particular decisions were made and the men who took them. If the principals at Ashington, Throckley, Briggs, and Waterloo Main wrote diaries or memoirs, none has seen the light of day. Those letters that have survived were composed in minute-book style for the most part, and the pursuit of interviews proved unrewarding. Consequently, the human element is very much missing from the pages that follow.

The darkness surrounding those who gave life to the Ashington, Throckley, Briggs, and Waterloo Main coal companies is to be regretted—and not just because it makes for a less lively tale. The burden of my argument is that the quality of managerial decision making—entrepreneurship—was decisive in determining the fortunes of British colliery companies between the wars, and that skillful management was in short supply in the trade in the 1920s and 1930s. That I am unable to bring the dominant decision makers at the four firms to life is deeply dissatisfying because it means I cannot begin to explain why entrepreneurship was good at the firms that thrived and poor at those that foundered—and why competent management was not more available to the interwar British coal industry as a whole.¹⁴

One other feature of this book requires comment at the outset. No aspects of interwar coalmining excited more controversy among the industry’s participants than the miners’ hours and wages. The vast literature devoted to the trade subsequently has also accorded them great significance, but in the pages that follow I do not discuss how miners’ wages and their hours of work were determined. This is because it was not generally within the power of individual enterprises to settle such matters, either unilaterally or in concert with their employees. Wage rates and the length of the working day in the industry were the subjects of legislation and collective bargaining at the district and national levels. They enter into my analysis as constraints around which companies had to maneuver.
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Whether the success with which they did so was as important as most commentators have insisted, however, is a question that demands serious consideration; and I offer my reading of this problem below.

This account of the management of industrial decline at Ashington, Throckley, Briggs, and Waterloo Main proceeds in the following manner. Chapters 1 and 2 introduce the four companies and the regional coal industries to which they belonged, focusing on their development and fortunes in the period c. 1850–1921. Chapter 3 surveys output, employment, and the financial performances of the concerns and their districts in the years 1921–38. The next three chapters discuss the strategies the firms employed in managing their labor forces (chapter 4), their physical plants (chapter 5), and their commercial affairs (chapter 6) and the results that attended their efforts. Chapter 7 is devoted to the collectivist measures that groups of coalowners and then the state devised in the attempt to rescue the coal industry from cyclical depression and secular decline. The final chapter summarizes my principal findings and reflects upon their implications for our understanding of the decline of the coal industry and the long-term performance of the British economy.¹⁵