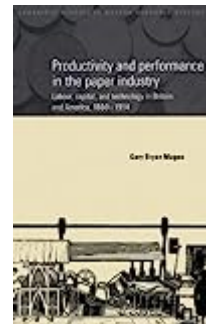


Gary Bryan Magee. *Productivity and Performance in the Paper Industry: Labour, Capital, and Technology in Britain and America, 1860-1914.* Cambridge and New York: Cambridge University Press, 1997. xvi + 293 pp. \$59.95 (cloth), ISBN 978-0-521-58197-4.



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Gary Bryan Magee (recently returned from his native Australia to a lectureship in History at Queen Mary and Westfield College, London) has performed something of a rescue operation. The long debate on British entrepreneurial failure has recently faltered. Like some endangered animal in an arid wasteland, the reputation of the late Victorian entrepreneur has been threatened with partial redemption from explanations emphasising relative factor endowments and productivity differentials. In the best heroic tradition, Gary Magee uses these very techniques and arguments to demonstrate that, at least in papermaking, the late Victorian British entrepreneur really, genuinely and truly deserves to be castigated once again; that, at least from the 1890s onwards, there was “an incipient conservatism developing in the heart of British papermaking ... [coming] from the complacent and conservative business culture that earlier success had bred ...” (p. 268). Well, is this just Pommie-bashing in disguise, or do we have a genuinely new contribution to this long debate?

First, the story. In 1860 British papermakers were among the most advanced in the world. Demand rocketed in the second half of the nineteenth century and the most significant problem facing suppliers was a declining supply of rag—the key raw material. Paper making involved processing rag to produce a semi-liquid raw

paper (called “stuff”), which was then laid out, shaken dry and rolled-up (or cut and packaged) ready for use. It was, therefore, at least on the face of it, a fairly simple process. Nevertheless, by the 1890s the size and speed of machinery increased substantially. More importantly supplies of rag had more or less given out and British entrepreneurs had invested much time and energy in using esparto grass as the best alternative. However, new chemical treatments of wood enabled the necessary cellulose to be extracted economically from the relatively abundant forests of Scandinavia, Central Europe and North America. The combination of new raw materials and American-developed new technology saw British firms placed at an undoubted disadvantage, but rather than pursuing high margin niches or developing process technology, British papermaking entrepreneurs put their heads in the sand. It is for this they stand accused.

If the book contained this crudely summarized narrative alone we would be less welcoming. Its real contribution is not so much the admittedly neglected case of papermaking, but the attempt to integrate the perceived entrepreneurial failure into a credible economic analysis. Thus, an information cost approach is used to model entrepreneurial decision-making and so evaluate outcomes. The broad economic context is framed from industry-

wide data which are used to estimate revealed comparative advantage, comparative productivity and their proximate sources. While Habakkuk-type factor-returns help to explain some differences in practices, Magee concludes that from the 1890s British entrepreneurs simply made poor decisions given the information available.

The key information for British papermakers concerned supply-side innovations in raw materials and technology. The British papermakers quickly shifted from esparto to wood when the latter's advantages were plain—this is cited as good entrepreneurship—but they proved woefully deficient in developing the papermaking technology. The interesting fact here is that the core papermaking technology was the same in both Britain and the US. However, what varied was the adaptations made to the machines by the papermakers. In the US, papermakers were able to extract vital improvements in speed and paper-width from essentially the same machines used as the British. This was the bad entrepreneurship. Magee cites various contributory institutional factors but his is a more refined (and hence more credible) version of the Lazonick thesis of entrepreneurial failure.

Of course, questions remain. American adaptation of the papermaking machine was crucial to success. This must have been an incremental process and so techno-

logical advantages and disadvantages were perhaps cumulative and so possibly locked-in to a greater or lesser degree. If so, the evaluation of the British papermakers' performance presented here therefore depends upon Magee's interpretation of the extent of potential lock-in. He suggests that British papermakers were exposed to the latest advances and techniques through the trade press, visitors' reports, and other conduits, and that they could not but have been aware of the adaptations made by American producers. Magee no doubt now knows more about late-nineteenth century paper making than practically anyone alive, but the implication that lock-in effects were relatively minor and that the diffusion of new adaptation of machinery was rapid may need to be considered in more detail. Magee, given his expertise, has to be given the benefit of the doubt here. Indeed, I hope he is right. After all, we Brits are far too modest to want anyone thinking that we might have ever been successful at anything!

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