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Mary B. Rose. *Firms, Networks and Business Values: The British and American Cotton Industries since 1750.* Cambridge: Cambridge University Press, 2000. xii + 352 pp. \$64.95 (cloth), ISBN 978-0-521-78255-5.



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The aim of this book is to provide an analysis of the long-term forces shaping the British and American cotton industries from the eighteenth century through to 1980. Central to this analysis is the conviction that a multi-disciplinary approach is required. Although the book covers some of the 'traditional' issues which have dominated debates on this industry for example, issues of technology, industrial organisation and international competitiveness, these are set against a much broader background which emphasises business culture, political and legal frameworks, the importance of local and regional communities and economies, family businesses, interlocking directorships and the pattern and growth of domestic and foreign markets.

The importance of this wider background is established from a very early stage in the book. It is probable that the biggest question of all which has dominated debates on the comparative performance of these two industries is whether the performance of the British cotton industry would have been enhanced by adoption of 'American' technology and patterns of industrial organisation. There has been a strong assumption, championed by Chandler and Lazonick in particular, that 'American' means 'best'. However, argues Rose, if it can be shown that cotton textile firms in America also experienced difficulties, despite the presumed advantages of their tech-

nology and organisational form, then it will be hard to sustain the idea that British cotton textile firms could have avoided their twentieth century difficulties merely by using American methods (p.2).

The ensuing discussion is rightly critical of any attempt to apply American methodologies to industries outside the U.S. Much more importantly, though, is the fact that an alternative line of enquiry is suggested. Comparative advantage can be determined by scale, technology and industrial organisation but, equally, it can also be determined by the quality of information flows, the accuracy of business expectations and the speed and effectiveness with which businessmen are able to co-ordinate themselves in order to protect their common interests by, for example, lobbying government. It was in these crucial areas that Dr. Rose is able to explain the divergent paths taken by the British and American cotton textile industries.

Broadly speaking, the book is arranged chronologically. Following an introduction in which the importance of business culture and networks is spelled out, the book divides into two parts. Part I, which comprises chapters 2-5, discusses the ways in which the British and American cotton industries developed during the period 1750-1860. Institutional developments, especially the emergence and growth of family firm networks, are shown to

have been of much importance in determining the values and attitudes of cotton businessmen in the two countries. Part II, which comprises chapters 6-8, analyses the strategic responses made by these businessmen between 1860 and 1980.

Throughout the book the importance of business networks and their consequences for the very different paths taken by the two industries is carefully established. In the early stages of the industrialisation process, both countries shared a common technology. However, Lancashire had the benefit of proto-industrialisation which ensured that there existed very well-developed commercial and financial networks, particularly with London finance houses, together with a large pool of skilled workers. The American industry, by contrast, was considerably less fortunate. Not only did it lack a comparable network of commercial and financial institutions and a pool of skilled workers but also, as a British colony until the War of Independence (1763-1783), it incurred the unfavourable effects of the Navigation Acts. While the different nature of resource constraints provides some clues to the divergent nature of the growth of the American cotton textile industry so too did the wider political and legal framework, especially intervention by state governments to foster local industry.

These initial differences between the two industries were quickly accentuated. For both industries the family firm was a predictable response to uncertainty. However, whereas most family firms remained small-scale partnerships throughout much of the nineteenth century in Lancashire, in America, the corporation became a more widely used form for family businesses. This divergence in corporate form, together with differences in the degree of vertical specialisation can both be explained by differences in the complexity of the supporting infrastructure— itself a product of earlier development. Whereas Lancashire was to cater increasingly for diverse foreign markets which required high levels of commercial expertise—and therefore even greater levels of specialisation, the major textile cities, first in the Northern states and then in the Southern states of America, had a much greater dependency on the domestic market. The consequence of this was that the supporting infrastructure of commercial and financial networks in the two industries differed. In turn, these differences fostered even greater path dependency.

Differences between the two industries in their business organisation were mirrored by differences in labour relations. The crucial role of sub-contracting in mule

spinning was to decline much quicker in America than in Lancashire. This had obvious implications for the whole issue of management-worker relations, and labour productivity. Greater reliance on inter-locking directorships as exemplified by the Boston Associates, meant that American cotton firms were better able to act collectively in labour disputes compared to their Lancashire counterparts.

The clear message which comes through from Part I of the book is that the differing profiles of the British and American cotton industries by 1914 had little, if anything, to do with institutional rigidities and everything to do with very different competitive processes. These processes, in turn, were generated by a much more complex interplay of forces than has previously been given credence.

Part II of the book extends the analysis from 1860 to 1980. It was within this period, especially the post-1914 period, that the differences between the two industries became especially pronounced. In her introduction Rose states that two issues were to be of continuing importance for the different paths taken by these two industries: the effectiveness of collusive agreements, and the strength of the respective networks in lobbying government (p.11). On the first point, it is the similarities and not the differences between the two industries which is most apparent. During the interwar years in particular, both industries suffered from excess-capacity and over-production. Both industries adopted defensive measures and, in both cases, fragmentation and disunity were the outcome. In Lancashire, a common policy on short-time working and price maintenance was continuously undermined by the refusal of firms in prosperous sections of the industry to sacrifice profits in order to aid those firms in the most depressed sections. Similar splits appeared in the American industry, with firms in the North experiencing very serious problems while those in the South appear to have done comparatively well.

However, it is on the second point, especially in the post-1945 period, that the differences between the industries could not have been more marked: the Lancashire industry practically vanishes whereas the American industry, although experiencing decline in the face of growing import penetration, does comparatively well. A key reason for this difference was the greater effectiveness of American firms gaining government support to limit imports compared to Lancashire firms.

Overall, this is a substantial piece of critical writing which succeeds in highlighting the very complex range

of forces determining the different paths taken by the two industries. Although some readers may balk at the price of £40 for a book which admits it relies heavily on secondary literature, this should not detract from the fact that the book is both a successful piece of comparative business history in its widest sense and a successful synthesis of the literature.

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