Overview and some theory

Evidence

Chemicals

Iron and steel

Ship building

Cotton textiles

Lecture 3 & 4


Imitation of technology (they can just copy rich countries)

On the other hand, US consumers prepared to accept higher degree of standardisation, facing US producers with a more flexible and adaptable production approach.

Cotton (60)

1. Vertical specialisation

- On one hand, US cotton textile producers had a higher degree of organisational specialisation, with a focus on one process (spinning, weaving, or dyeing) rather than integrating all stages of production.

- On the other hand, British cotton producers tended to integrate all stages of production, which increased their costs and made them less competitive.

2. Exports and domestic consumption

- US producers could rely on a larger domestic market, while British producers had to export their goods to foreign markets.

3. Capital and technology

- US producers had access to more capital and new technologies, such as the ring spinning machine.

4. Labour costs

- US workers were paid lower wages, which made US producers more competitive.

5. Price and demand

- US producers could sell their goods at a lower price due to lower wages and higher production efficiency.

Chemicals

L&T find there was a cartel, therefore reduced competition. But once cotton had collapsed between the wars, there seems to have been an increase in competition.

Prejudices of the present

intermediation (shipping) and optimal plant scale. The Rule of Historiography: Historians write the past using the tools of their own time.

UK had the world's most developed stock markets; Dispersed shareholders, thousands per company; Vote share of 0.01% was typical. This assumes that British firms actually were more family-owned and operated. Were they?

-Failure to transition to the corporate economy

-Compensated by lower transport costs. Europe: ES were moderate: 4-9% of import values, vs. US 28%. By WWI, Germany and UK were largest trading partners!

Cotton (80)

- British firms were family owned and managed

- European markets were smaller than American

“Inherited and persistent constraints impeded British firms from acquiring the market control, authority in labor relations, and technological leadership.”

-Linguistic and cultural differences

-US had all in-house workers/ Brit: weavers were not packers, insurers, shipper etc.

-Different types of industry rather than aggregate

-Protection - Britain had to rely on Empire and other overseas markets.

Iron and Steel

Alternatively Allegations of anti-competitive practices by German firms, including dumping of alizarin dyes when GB was not using the Solvay plant.

Brit declines in relative terms compared to other industries. US needs a lot of steel to industrialise: share increases to 28% of world production.

At 1901, US productivity was 2.5 times as much as Britain. This could be done by relying on skilled labour rather than machinery.

Adjustment to competition from abroad/ Stable 2:1 US productivity lead/ Productivity similar in Germany.

Not so with textiles. Did US cotton producers have high throughput method, invented in US in 1894, and first introduced in Lancashire in 1900. It stopped automatically for extra strain of ring spindle. Extra raw cotton costs more significant for fine yarns because high quality long staple cotton is a British advantage in skilled labour, mules.

These modern technologies were invented in the USA (so consider differently). Hence, shipbuilding is a good counter example to claims that British entrepreneurs failed. The crafts based flexible production system important in explaining success of British shipbuilders.

1. Variety of experience across industries, but central theme of spread of high-throughput production methods being the reason for US success and the productivity gap. E.g. shipbuilding: as long as mass production was possible there was no productivity gap between Britain and the USA.

2. Labour relations

- German strikes were fewer, shorter

3. The context of industrial success

- Size of market matters.

- Variety of experience across industries, but central theme of spread of high-throughput production methods being the reason for US success and the productivity gap.

4. Technology

- High throughput method, invented in US in 1894, and first introduced in Lancashire in 1900. It stopped automatically for extra strain of ring spindle. Extra raw cotton costs more significant for fine yarns because high quality long staple cotton was a British advantage in skilled labour, mules.

5. Protection

- Britain had to rely on Empire and other overseas markets.

6. Capital and finance

- US had all in-house workers/ Brit: weavers were not packers, insurers, shipper etc.

In pre 1914 period Britain was more productive than Germany. Britain may have been doing as best as they could, given what they had.

- US consumers prepared to accept higher degree of standardisation, facing US producers with a more flexible and adaptable production approach.

If we add in soap, explosives and other chemicals, more balanced.