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Jute, firm survival and British industrial policy: Government action under globalisation.

Dr. Carlo Morelli
Economic Studies, University of Dundee, Dundee, DD1 4HN

Email: c.j.morelli@dundee.ac.uk

Abstract

This paper examines the diversification out of the jute industry by the two major jute firms Jute Industries and Low & Bonar in the period after 1945. Neo-liberal economic theory of price mechanisms suggests price distortions lead to sub-optimal welfare losses. In a globalising world economy the scope therefore for government action in the form of industrial policy is potentially severely curtailed. This paper utilises the experience of the major two firms in the jute industry to demonstrate that industrial development is more complex than economic theory suggests. The paper highlights that the diversification out of jute and continued survival for Jute Industries and Low & Bonar occurred in an environment whereby competitive market pressures were limited by government policy. As such it highlights the continuing relevance of industrial policy in a globalised industry.

Keywords

Jute, Competition, Industrial Policy,

Yute, la firma de supervivencia y la política industrial británica: la acción del Gobierno en la globalización.

Dr. Carlo Morelli
Economic Studies, University of Dundee, Dundee, DD1 4HN

Email: c.j.morelli@dundee.ac.uk

Abstracto

Este documento analiza la diversificación de la industria del yute por las dos empresas más importantes Jute Industries y Low & Bonar en el período posterior a 1945. Neo-liberal la teoría económica de los mecanismos de precios sugiere llevar a distorsiones en los precios las pérdidas de bienestar sub-óptima. En una economía mundial globalizada por lo tanto, el alcance de la acción del gobierno en la forma de la política industrial es potencialmente graves restricciones. Este documento utiliza la experiencia de las dos principales empresas de la industria del yute para demostrar que el desarrollo industrial es más compleja que la teoría económica sugiere. El documento destaca que la diversificación de yute y de supervivencia para las Industrias de Yute y Low & Bonar se produjo en un entorno en el que las presiones competitivas del mercado se vieron limitados por la política gubernamental. Como tal, pone de relieve la pertinencia de la política industrial en una industria globalizado

Palabras clave

Yute, Competencia, Política Industrial,

Jute, firm survival and British industrial policy: Government action under globalisation.

Introduction

Industrial policy within the United Kingdom has a long and detailed history. Early forms of government regulation of industrial development can be dated back at least to the formation of monopoly companies in the form of the East and West India Companies for the exploitation of trade with the East and West Indies.[1] More commonly, however, industrial policy can be considered to evolve in the twentieth century in response to the collapse of free trade and the Great Depression. The development of a 'managed economy' from the interwar years and extended further, following the successful organisation of industry in wartime Britain, into the postwar era marked a new era in government's role within the private economy.[2]

By the end of the 1970s the encroachment of industrial policy into the area of the private market was beginning to be rolled-back. Government's growing awareness of the weakness of competition within the private sector, drives towards utilising market incentives to enforce efficiency and a growing awareness of relative economic decline all were suggested to derive from the dominance of industrial policy as a 'feather-bed' available to protect inefficiency.[3] The film *'I'm Alright Jack'* came to symbolise the low productivity consensus in which a strong shop-stewards organisation, dominated by the communist party leadership and played by Peter Sellers, colludes with a conservative management to prevent economic efficiency.[4] As such industrial policy was now increasingly being described as a cause rather than a cure for market failure.[5]

In the case of the jute industry we can identify both the rise of industrial policy and the movement towards competition as government withdrew its support. Jute, being a staple industry of the first industrial revolution saw the role of government increase as the industry suffered from the effects of international competition, as with other staple industries, following the industrialisation of the rest of the world.[6] Thus, the emergence of centralised government importation of jute goods by 1939 was understood as a key factor in the survival of the industry.[7] The continuation of government's role, longer than other industries after the Second World War, can again be identified as a feature of this 'feather-bedding'.[8] Finally, Jute was also one of the industries which was to suffer from the shock of competition policy, following the industry's failure to win support for its collusive agreements before the Restrictive Trades Practices Court in 1963.[9]

In this paper we seek to examine the impact of the government support for the jute industry in terms of its influence on the firms involved. In particular, we seek to highlight the importance of government support for the jute industry in firms' development of diversification strategies first in related industries and also in unrelated industries. The importance of this support is that whilst we saw the demise of the jute industry itself we did not see the demise of the major firms within the industry. Instead they were able to evolve into new industries.[10] In conclusion, we suggest, the case study of jute provides a useful example of the role of government in facilitating economic transition. As such jute provides a counter example to the economic arguments against industrial policy in a globalised economy; the growth of importance of the price mechanism far from negating industrial policy suggests a greater role for government within the private sector. The format for this paper is; first in section one we examine the links made between the rise of industrial policy and British economic relative economic decline, and specifically the economic arguments against government's distortion of the price mechanism. In section two we briefly outline the history of the jute industry after the Second World War before in section three highlighting the related-diversification strategies of the two largest manufacturers Jute Industries and Low & Bonar. In section four we then examine this process of diversification into unrelated industries as price competition in jute intensified before, in conclusion, emphasising the importance of industrial policy as a means of encouraging the transformation of companies out of one industry and into another.

1. Industrial policy and the price mechanism

Government's increasing role within the private economic has played a major role in explanations of British economic development.[11] In particular the rapid growth of industrial policy in the twentieth century has placed government's role, in discussions of economic management, productivity shortcomings and ultimately relative economic decline, as a central explanatory factor. From highly influential popular writers including Barnett and Hutton to more serious academic studies including Broadberry and Crafts, Cairncross, Phelps-Brown and Tomlinson the role of industrial policy continues to play an important yet disputed part in these debates.[12]

The stage was set for these debates by Bacon & Eltis who suggested that government policy increasingly 'crowded-out' scarce resources out of a productive traded sector.[13] In Bacon and Eltis's view growing government involvement in the private sector created an almost Malthusian type crisis in which private investment was crowded out by an ever increasing public sector. In rejecting the Bacon and Eltis model other neo-classically influenced rational choice views have tended to explain the growth of government's role as the result of an implicit post-war 'social contract' between labour, government and employers. A commitment to high welfare expenditure acted as a quid-pro-quo for government's minimalist approach to competition policy within the private sector.[14] Thus Broadberry and Crafts, while accepting the short term benefits of the post-war consensus, maintain that the 'post-war settlement and gradualist approach to the transition from war to peace had costs in terms of forgone productivity'.[15] The long term result, in the British case, was an institutionalisation of weak incentive structures reducing the adoption of important changes required for more rapid productivity growth.[16] Further, in the absence of mechanisms for the destruction of institutional limitations, upon growth, sub-optimal choices could nevertheless appear rational. Eichengreen maintains that under such circumstances market failure occurs, due to co-ordination problems, with actors unable to establish markets to satisfy either latent demand or supply. Thus the, apparent, failure to develop managerial capitalism was a product of firms' inability to gain access to capital for investment, due to imperfect capital markets. This in turn was a product of the continuing strength of family firms preventing the emergence of sophisticated capital markets.[17] A damaging circularity is said to have become established in which distributional coalitions and cosy post-war deals restricted possibilities of growth and instead produced economic sclerosis.[18]

The economics literature has a strong link reinforcing these analyses. Since the 1960s a body of literature emerged which highlighted the market distortions arising from trade policies fettering the influence of the price mechanism.[19] Thus rent-seeking and dead-weight social losses from monopoly occurred where government policy sought to limit the price mechanism. While a ‘New Trade Theory’ in the 1980s emerged which highlighted weaknesses of existing trade theory, arising out of an ignoring of upon imperfect capital markets, Krugman et.al., nevertheless demonstrates that a defence of industrial policy in terms of the defence of infant industries, minimum labour standards or counter-acting unfair terms of trade were all sub-optimal, remained second best solutions with reference to free trade.[20] As such the main defence for continued industrial policy within a neo-classical framework has moved away from a focus upon market failure arguments and instead become a focus upon government’s role in the development of comparative advantage through the creation of industrial ‘clusters’. Clusters of specific factors of production are suggested to achieve industrial economies of scale and scope arising from agglomeration effects external to the firm, for example in the form of human capital acquisition deriving from specialisation.[21]

The jute industry, as we will now seek to highlight, provided government with an example of such a complex trade policy problem of dealing with the difficulty of adjustment, in terms of welfare and employment, in moving from protectionism to free trade.

2. Jute and decline

Jute, an industrial textile used extensively in bagging, sacking and rope manufacture, was a textile of great significance for the transportation of bulk goods such as food stuffs and building materials. Dundee’s jute industry, accounting for over 90 percent of UK output, provides one such example of an industrial cluster where external economies of scale generated significant comparative advantages in its early years. Jute was a leading sector in the industrialisation of Scotland in the nineteenth century but already by the early twentieth century its relative decline was apparent. The history of the decline of the jute industry can be understood as a typical example of the staple industries of the first industrial revolution in which high levels of international competition brought with it low levels of domestic investment and high levels of domestic unemployment for jute workers in the interwar years. The jute industry saw the return of international competition from the 1950s onwards as world markets re-emerged from the dislocation brought about by the collapse in world trade in the 1930s and the Second World War from 1940-45. International competition from within the Commonwealth was thus not a new feature; rather the threatened decline of the industry represented the return of competitive pressures which had been in existence since before the First World War.[22]

Government support for the industry, in the form of Jute Control, using government centralised buying and price fixing arrangements nevertheless permitted the stability of the industry after 1945 until these supports were weakened from 1957 and eventually abolished in 1969. Between 1958 and 1963 the number of firms fell from sixty-four to forty-four, while the number of factories fell from eighty-nine to seventy-six.[23] However, while rationalisation of production took place it was not the case that the industry was contracting. With the exception of production of jute yarn, *Census of Production* data indicates that other areas production were static or even rising. Hessian twill used in the carpet industry, linoleum quality hessian and other woven cloths together saw small increases in output from 1,331 to 1,478 cwt tons in weight between 1958 and 1963, and a large expansion, of sixty-five per cent in nominal values was also seen in more specialised areas of production in jute tow, pulled, dyed and carded jute products.[24] This initial process of rationalisation largely dissipated as threats of competition eased with the continuation of a form of Jute Control after 1964, so that by 1968 forty-three firms and seventy-four establishments remained in the industry

Despite this apparent stability in the late 1960s, it was in these years that significant substitution effects can be detected within jute product markets. The earlier growth of specialised jute product markets were now under threat with output of hessian twill for carpets, hessian for linoleum and other woven cloths falling fifty-three per cent by quantity from the 1963 levels. Smaller falls were also to be found in the most specialised areas of dyed, carded and jute tow. The impact of these pressures can be seen in the second, still more pronounced but more complex, wave of rationalisation that took place between 1969 and 1972.

In the initial phase of this second wave of rationalisation between 1968 and 1971 the number of establishments was to fall to thirty-eight per cent of the 1968 figure, yet the number of firms only reduced by 2.[25] However, as market conditions continued to deteriorate during the following twelve months the number of firms fell from forty-one to thirty-five with only a small reduction in the number of establishments from forty-six to forty-two.[26] Thus firm's initial response was to close plants and concentrate production. But this concentration of production itself gave way to amalgamation and merger, rationalisation and exit from the industry.

It was in this period that jute firms can also be detected as adopting a strategy of diversifying out of jute.[27] In 1968 whereas artificial fibres amounted to under 2.9 per cent of output by value in 1972 output of polypropylene alone accounted for over twenty-seven per cent of gross output by value and was the single largest commodity output of the industry, by quantity, accounting for almost as much as total yarn and cloth of all types combined.[28]

It is this diversification out of jute and initially into polypropylene and then into unrelated industries that is of interest here. The two largest companies Jute Industries (later Sidlaw Industries PLC) and Low and Bonar were at the forefront of these changes and it is to their experience that we now turn.

3. Polypropelyene and related-diversification

Jute Industries Ltd, formed in 1920 as a holding company, was the largest of the Dundee jute manufacturers. As a holding company it had developed a vertically integrated structure with production in all areas of jute processing including in yarn and cloth manufacturing, sewing and bag making. From its formation Jute Industries had also incorporated activities in textiles outwith jute. Stanley Mills, for example, was one of the oldest cotton mills in Europe, established in 1785 continued to spin cotton yarns and weave cotton for machinery drives and cigarette filters until the late 1960s when its operations changed to produce synthetic fibres. By 1950 Jute Industries Dundee factories were also supplemented by eight merchanting and distribution companies in South Africa and Canada servicing the African and North American markets in jute, flax and cotton goods.[29]

In the first wave of rationalisation within the industry, in 1966, Jute Industries sought to centralise production through a reorganisation of production and creation of a single, and distinct, textile manufacturing division.[30] Simultaneously, Jute Industries was also beginning its diversification out of jute. The management of Jute Industries recognised that the United States was responsible for providing the impetus for its diversification into man-made fibres. It was argued that as American industry was 'not keen on placing reliance on outside sources of raw materials', manufacturers of tufted carpets were keen to develop an alternative to jute, which could be produced and controlled within U.S. borders.[31] In order to combat the threat posed by this Jute Industries began research and development into the possibility of weaving polypropylene plastic tapes for use as a backing cloth in the tufted carpet industry.

The second largest of the Dundee jute manufacturers Low & Bonar, formed out of a merger in 1912 and becoming a publicly limited company in 1947, followed a similar path to that of Jute Industries. Diversification had a long history dating to the acquisition of Baxter Brothers & Co Ltd in 1924 which engaged in the production of flax.[32] By the mid 1950s however Low and Bonar was moving into the product of plastics for waterproofing tarpaulins and early cellulose production for film for packaging.[33]

The simultaneous movement by the two largest jute manufacturers into related textiles came in 1966 when the two companies officially joined forces to form Polytape Ltd for the extrusion of polypropylene tapes and Synthetic Fabrics (Scotland) Ltd for the production and marketing of woven polypropylene fabrics. The formation of these two companies ensured Jute Industries and Low & Bonar continued to retain a large share of the domestic British market for primary tufted carpet backing as well as exports. Thus although polypropylene was a substitute for jute in carpet backing the two companies were capable of continuing to dominate the market and prevent new entrants.

Polypropylene was to become a related diversification of an entirely different magnitude to earlier diversifications. As Craig et.al., suggests it was responsible for transforming Dundee's 'highly concentrated industry, based upon one product, into a part of a national textile industry'.[34] As the data from the *Census of Production* described above indicates the two companies, and other competitor jute companies, rapidly understood the significance of synthetic fibres for the textile market. The two joint ventures, Polytape

Ltd. and Synthetic Fabrics Ltd. would together play a prominent role in the development of fibrillated yarns for both Jute Industries and Low and Bonar.

In the case of Jute Industries experimental weaving trials of extruded tapes were initiated in the newly formed 'Tape Department' within Stanley Mills from 1967. Further focus upon synthetic fibres came with the reorganisation, in 1971, as Jute Industries adopted a divisional structure with a specific General Textiles Division encompassing Sidlaw's interests in the spinning of synthetic fibres.

Jute Industries further acquired Thomas Gill & Sons Ltd, a Yorkshire firm producing synthetic yarns for the tufted carpet industry. To keep its presence in the European and US markets Jute Industries also invested a fifty percent share in Cordova Spinners Inc, in Cordova, Alabama, which spun yarn for the tufted carpet industry and a twenty-five percent share in N.V. Fibrilo of Zele Belgium to spin polypropylene for similar purposes. The end users of the Textile Division included carpet manufacture, carpet tile processing, dyeing and the weaving of industrial and domestic fabrics. Sidlaw Tile Services for example operated as 'one of Europe's major carpet tile commission manufacturing and printing services'.

While jute was still predominant in 1971, the management of Sidlaw Industries main focus was now on diversification away from jute. The chairman, Sir John Carmichael, informed employees in Sidlaw News that 'diversification was now 'the name of the game'. While referring to the company's 'major role in jute' and their hope that it would 'make progress' he 'pointed out that things changed and that industry had to change with them.[35] Indeed by 1972 Sidlaw maintained that 'jute has not been the sole interest of the organisation'.[36]

The movement into polypropylene was also followed by Low and Bonar, who in 1977 launched Flotex, its synthetic carpet manufacturing subsidiary, a venture described as the company's 'new direction in textiles'. By 1979 Flotex Limited 'increased sales outlets for its carpets and successfully launched a new synthetic domestic product – Flotex 21'.[37] Flotex remained the 'one bright spot' in the textiles division in an otherwise bleak picture.[38] The late 1970s were a period of investment 'on new plant and equipment' and on the development of new products and processes'.[39] Low & Bonar were also focusing upon diversification, as they suggested 'constantly looking for new opportunities' in areas which it had not previously operated. Indeed Low & Bonar's chief executive of the textiles division suggested that some of their companies in the UK are 'still over-reliant' on the tufted carpet industry, instead what was needed was 'diversity into new product areas'.[40] In the 1980s this led Low & Bonar into increasing its internationalisation with, in 1980, an investment of $1 million, through its Canadian subsidiary Bonar & Beamis Limited, in two low density polyethylene extruders, which had the capacity to produce three million pounds of film a year.[41]

Within the UK however, as a result of the 'serious recession in the UK woven carpet industry', Low & Bonar itself decided to reduce the output of Polytape. The company was also to rationalise production with the closure of Bow Bridge Works and the loss of forty jobs.[42] Nevertheless, by 1986 Bonar Textiles 'major activity' remained the production of 'special polypropylene yarns' for the traditional woven carpet industry in the UK.[43] The focus upon textiles ensured Low & Bonar were able to apply their knowledge to a range of applications for non-woven textiles permitting its development of products for a range of specialist disposable and durable markets. Disposable described products that were discarded after one use ranging from nappies, sanitary napkins, hospital masks and hats while durable products ranged from wall-coverings and blankets to inner linings for clothing and artificial grass surfaces for sports and display areas.[44]

While the move into synthetic fibres seemed initially to provide a solution to the long run problems facing the jute industry it was to rapidly run into a different set of competitive pressures. In contrast to jute, Dundee had little or no locational advantages in the production of synthetic fibres. Similarly, other external economies of scale that encourage clusters to emerge were missing. The raw material inputs did not require expertise in the establishment of relationships with buying and shipping agents in order to provide supply chains to the myriad of small scale raw material wholesalers and producers. Instead raw materials came through contracting with a few large organisations within the petrochemical industry. The capital intensity of wide loom weaving, for outputs destined for industries such as the carpet industry again reduced the necessity for a large workforce with uniquely locational skill sets, yet at the same time was not of such capital intensity that it was an imitable production technology. Thus, Dundee's jute manufacturers had little or no informational advantages in these new markets and neither could they develop alternative forms of human capital or physical capital as barriers to entry. Without the ability to create low unit costs out of high fixed costs they were, as Lazonick suggests, unable to either develop oligopolistic market power or significant barriers to entry.[45]

By the mid 1970s these pressures had led Jute Industries, by now the renamed Sidlaw Industries, to again reassess their focus. Following the 1976 reorganising plan Sidlaw's chose to move away not simply from jute but also other textiles. In June 1977 Sidlaw Industries released a statement to the Stock Exchange which outlined the sale of its interests, in Polytape Ltd, Synthetic Fabrics (Scotland) Ltd and N.V. Fibrilo S.A. to Low & Bonar.[46]

The decision to sell Sidlaw's synthetic fibre interests marked , as described above, a divergence in approach between Sidlaw's and Low & Bonar at this point in time. Sidlaw's was seeking to find diversification routes out of the textile industry as a result of the declining profitability, while Low & Bonar was seeking to achieve a competitive advantage within the market for synthetic textiles.[47] Further retrenchment out of textiles came in 1985 when Sidlaw Tile Services was sold and Sidlaw industries focus in textiles became almost entirely limited to merchanting and marketing as part of its International Division.[48]

While we can detect differences in approach as related diversification developed it is nevertheless the case that the process of related diversification was a key feature of the jute manufacturers who chose to remain in the textile industry. It was a strategy which emerged against a backdrop of continued, if diminished, support for the jute industry from government. Thus it would be wrong to suggest that feather-bedding prevented the search for new competitive strategies, instead government support provided the backdrop behind which new strategies developed. However, the major limitation of these diversification strategies were that the diversification that took place did not lead the firms involved into less competitive markets but rather the reverse, the markets they entered were already, or rapidly became as competitive as the jute industry had become.[49] This problem not only affected related diversification but also acted as a further stimulus into unrelated diversification as we now demonstrate.

4. Unrelated diversification

The major jute companies Jute Industries and Low & Bonar had began investing in unrelated industries as early as the 1950s and1960s with acquisitions of companies involved in engineering. Jute industries subsidiaries included design as well as 'overhead handling equipment' such as specialist cranes while Low & Bonar obtained controlling interests in companies operating within the electrical power transformers and other ancillary equipment industries.[50] These forms of diversifications were to be of growing significance from the 1970s as competition within jute intensified and related diversification strategies in synthetic fibres also faced a competitive threat.

The unrelated diversification strategy adopted by Jute Industries in the 1980s provides an example of the way in which firms are capable of developing new core competences and moving into entirely new industries. Diversified investment became a larger feature of the Jute Industries' operations from 1971 when the Board decided to change its name in favour of one that would 'not tie it so closely to one single fibre'.[51]

The company's operations were arranged into four divisions in 1971 based on distinct product groups: Jute Industries Division, General Textiles Division, International Division and Engineering Division The main activity of the International Division was the 'merchanting' and marketing of both Sidlaw and other products.

The Engineering Division experienced the greatest level of investment and expansion and provided the background to their developments within the emergent oil industry. Jute Industries' investment in North Sea Oil, marked a major departure in its investment and diversification strategy. In March 1972 it acquired the Aberdeen Service Company, a private partnership exploiting the early opportunities in providing services for the exploration and drilling companies operating in the North Sea. At this time the management had informed its employees in *Sidlaw News* that it intended 'to get closely involved with the exciting world of North Sea Oil'.[52] This is exactly what the company did. A year later it also invested twenty percent of the equity for Seaforth Maritime Ltd a company which built and rented workboats for the industry. Jute Industries also provided twenty per cent of the equity of Grampian Developments Ltd, a company which was originally formed to develop land near Dyce Airport, Aberdeen, and whose first project was to build a hotel. The company later became Skean Dhu Ltd and built a number of hotels and office buildings in Aberdeen. Jute Industries increased its interest in Skean

Dhu Ltd to 31.4 percent in 1980, with a third hotel opening in Aberdeen.[53] Their interests in the North-east of Scotland were substantial and, under the leadership of Sir John Carmichael, became an important early investor in the development of services for the North Sea oil industry.

In the late 1980s we see a further example of Jute Industries' diversification strategy with its move back into the packaging industry. The move into packaging also involved acquiring and investing in a range of established companies. In 1989 Jute Industries, now describing itself as 'the Dundee-based textiles and oil services group' agreed a merger with HPC, a plastics packaging company which operated in Brentford, Byfleet and Birmingham. HPC manufactured and sold polythene and polypropylene products such as bags, gloves and aprons for medical use.[54] Digby Morrow, the chief executive, highlighted the 'significant growth potential' in flexible packaging, which he described as an 'attractively rated sector'. He also felt that there was 'good opportunities for synergy with our existing textile business'.[55] In the same year the company also bought Derbyshire plastics packaging group Transrap for £9 million. Transrap designed, manufactured and printed 'high value-added' flexible packaging and it was 'one of the main manufacturers of biodegradable cellulose bags in the UK'.[56] The ability to generate economies of scale through the 'cross referral of business' was explicit in their strategy. By 1990 Jute Industries in a conscious effort to distance itself from its location in Dundee, described itself as 'the Scottish-based packaging, textiles and oil services group'.[57]

In the case of Low & Bonar the unrelated diversification had been limited to their much earlier investments in the electrical engineering industry. This sector again saw investment in 1980 with the acquisition of Melbourne based Stranger & Company Limited. The Australian company produced high and medium voltage electrical equipment and provided 'a direct base in Australia and access to the important markets of south-east Asia and the Pacific basin'.[58] A year later Low & Bonar purchased a 15% holding in Electrical Equipment Limited in Sydney.[59]

Increasingly, however, Low & Bonar took a different approach to Sidlaw industries and diversification came in the form of internationalising their interests rather than focusing attention on the UK market for investment opportunities. Thus, Low and Bonar's acquisition of Bonar, Long & Company Limited enabled Low & Bonar to diversify into overseas markets, with its specialist textile products now being 'shipped to all parts of the world' such that the export trade accounted for nearly forty percent of the total production output.[60] In particular 'Commonwealth interests' proved particularly important markets in their expansion.[61] By 1977 49 percent of Low & Bonar's profit came from its African operations, with 24.2 percent from the UK/EEC and 26.6 percent from Canada.[62]

5. Conclusion: A continuing role for industrial policy?

In the case studies above we have emphasised two aspects of the diversification strategies adopted by the leading jute manufacturers in response to increased competition within their established market. The first was the readiness of the major companies to look to diversification, initially related and later un-related, as a means to shift the firms' foci away from a highly competitive and declining industry. As such the firms themselves cannot easily be characterised as conservative or complacent. Instead they responded to opportunities where they arose. And, as the cases of the oil industry for Jute Industries or electrical manufacturing for Low & Bonar these opportunities could lie very far away from the areas where their expertise might be expected to reside.

The second point to highlight in these diversification strategies is linked to the timing of their introduction. As Jute Industries highlighted the timing of the movement into polypropylene was one dictated by the market opportunities, in particular the demand for synthetic carpet backing in the U.S. market and then again in the case of the Low & Bonar's concentration upon the specialist synthetic textile market from the late 1970s. Similarly, the development of unrelated diversification strategies opened themselves up to Jute Industries with the rapid development of the North Sea oil sector by the mid 1970s. Here again we can suggest the firms involved were responsive to new opportunities for profit maximisation strategies. But more so this suggests that opportunities for a transition out of jute were not readily available prior to the mid 1960s. This is an important point to make for one of the criticisms of government policy linked to industrial policy was that the feather-bedding that emerged simply delayed the inevitable decline of unproductive sectors and an earlier economic shock to these sectors would have moved economic resources into more productive sectors more quickly, with less adjustment costs. Booth suggests this succinctly when he suggests that, '[In] retrospect, the pity is that the process did not begin in 1945'.[63] Yet, again, this Malthusian crowding-out hypothesis has little support from the case histories. The firms were highly responsive to opportunities, when they arose, and if they had arisen earlier we have no evidence that the firms would not have taken them. Certainly, as Howe notes, the more diversified firms did not appear to generate increased profitability, suggesting there were not missed opportunities. [64]

Instead of industrial policy appearing to feather-bed these firms McDowell and Draper are probably nearer the truth in their suggestion that continued government support ensured that when diversification opportunities did arise the firms were still in existence to be able to take the opportunities.[65] It is this point which is perhaps the most significant for our discussion of the continuing role of industrial policy within a globalised industry, such as jute. Industrial policy was perhaps more successful in facilitating the industry's transition from one sector and into another rather than in its defence of a static industrial structure. In an increasingly globalised world where industries can both emerge and disappear rapidly such a role in managing economic transitions is more important than ever.

One final point should be made in relation to the history of these two firms and the jute industry itself. The experiences of Jute Industries and Low and Bonar are by no means typical, most jute firms merged or exited the industry. Nevertheless, they did represent the experience of the dominant section of the industry and are instructive because of their ability to demonstrate the range of strategies adopted in response to industrial decline. However while their histories can be suggested to be more positive than most of the jute manufacturers we should not diminish the social cost of this restructuring borne by the thousands of low paid, and by this time predominately male, workers in the city of Dundee. As a result worklessness in Dundee in the 1980s and 1990s reached levels not seen since the 1930s.

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[13] R. Bacon & W. A. Eltis, *Britain's Economic problem: Too few producers.*, (London: MacMillan, 1976), pp.92-116.
[14] Bean and Crafts, 'British economic growth', pp.140-42
[15] Broadberry & Crafts, 'British economic policy', p.80.
[16] Crafts, *De-industrialisation*, p.49.
[17] Eichengreen, 'Explaining Britain's economic performance', in N.F.R. Crafts & G. Toniolo (ed.s), *Economic Growth in Europe Since 1945*, (Cambridge: Cambridge University Press, 1996),p.217.
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[19] See R.E. Baldwin 'Are economists' traditional Trade Policy views still valid?', *Journal of Economic Literature*, June 1992, pp.804-29
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[21] B. D. Audretsch, 'Knowledge, Globalisation and Regions: An Economist's perspective', in J.H. Dunning (ed.), *Regions, Globalisation and the Knowledge-Based Economy*, (Oxford, 2000), pp.63-81.
[22] See Walker, *Jutopolis:* and G. T. Stewart, *Jute and Empire: The Calcutta jute wallahs and the landscape of Empire*, (Manchester, 1998).
[23] *Report on the UK census of production, jute,* (1963), 79, (London, HMSO), table 1.
[24] *Census*, (1963), 79, Table 5.
[25] *Census*, (1968), 102, table 1 and (1971), PA415, table 1.
[26] *Census*, (1972), PA415, table 1
[27] In moving from the *Census of production* to an industrial survey under the *Business monitor* series in 1970 government data changed the measurement of quantity data from output measured in weight to yardage making direct comparison impossible.
[28] Polypropylene output in 1972 amounted to 196,681 sq.yds. compared to total yarn and cloth output of 231,997 sq.yds. *Census*, (1972), PA415, table 7.
[29] *Guildhall Library (hereafter GL), Stock exchange yearbook*, 1950, p.2449.
[30] GL, *Stock exchange yearbook*, 1967, p. 2650.
[31] Low & Bonar, Company announcements, Dundee University Archive, (hereafter DUA), MS 24/1/7/1/5, 8 July 1981.
[32] Low & Bonar, Company brochure, DUA, MS 24/1/7/3/1, c. mid 1950s.
[33] W. S. Howe, *The Dundee textiles industries 1960-77: decline and diversification,* (Aberdeen, Aberdeen University Press), p.74.
[34] C. Craig, J. Robery, R. Tarling and F. Wilkinson, 'Abolition and after: the jute wages council', *Department of Applied Economics University of Cambridge, Research Paper No.15*, 1980, p.9.
[35] *Sidlaw News*, February 1972,DUA, MS 66/10/15/1/1.
[36] Sidlaw Industries, 'Background history 1972', DUA, MS 66/10/1/12.
[37] DUA, MS 24/1/7/1/3, 10 May 1979. Low & Bonar continued to invest in the Flotex carpeting company, which it stated was 'one of the few in the industry to have traded profitably'. 4 May 1982, DUA, MS 24/1/7/1/6,.
[38] Low & Bonar, Employee reports and newspapers, 'Report '79 – A report for everyone in the Low & Bonar group' and 'Report '80 – A very difficult year'. Also see *Bonar world*, Vol. 4, No. 2, May 1984, DUA, MS 24/1/8/5/1.
[39] Low & Bonar, Employee reports and newspapers, '1978 – a year of improvements', DUA, MS 24/1/8/5/1.
[40] Ibid.
[41] Low & Bonar, Company announcements, DUA, MS 24/1/7/1/4, 29 January 1980.
[42] Ibid, 22 August 1980.
[43] *Bonar Business News*, Vol. 1, No. 3, June 1986, DUA, MS 24/1/8/5/1.
[44] Ibid.
[45] W. Lazonick, *Business organisation and the myth of the market economy*, (Cambridge: Cambridge University Press, 1991).
[46] This involved the sale of 240,000 'B' Ordinary Shares of £1.00 each (40%) in Polytape Ltd, Dundee, 260,000 4.2% Non-Cumulative Preference Shares of £1.00 each (50%) in Synthetic Fabrics (Scotland) Ltd, Forfar, and 6,000 'A' Shares of B.Frs. 1000 each (25%) N. V. Fibrilo S.A., Belgium. Sidlaw Industries, Company Announcements, 13 June 1977, DUA, MS 66/10/15/2/1. Also see Low & Bonar, Company press release, 13 June 1977, DUA, MS 24/1/7/1/1.
[47] Sidlaw Industries, 'Stanley Mills', Company announcements, DUA, MS 66/10/15/2/1, 29 January 1979.
[48] Ibid, 18 February 1985.
[49] Ibid, pp.65-100.
[50] Sidlaw Industries, 'Background history, 1972' DUA, MS 66/10/1/12.
[51] Other possible choices were 'Meadowplace Industries Ltd' and 'Meadowside Industries Ltd', Jute Industries (Holding), General committee minute book, 28 January 1971, DUA, MS 66/10/1/2/19.
[52] *Ibid*, April 1972.
[53] Sidlaw Industries, Company announcements, DUA, MS 66/10/15/2/1, 22 June 1984.
[54] HPC also produced items to customer specification for the health and pharmaceutical industries as well as the printing of high quality firm for mail wrappers and printed bags for motor parts. The company was also a wholesaler of a wide range of workwear and protective clothing including medical gloves, books,

headwear and uniforms. Sidlaw Industries, Company announcements, 18 January 1989, DUA, MS 66/10/1/12.
[55] Sidlaw Industries, Company announcements, DUA, MS 66/10/15/2/1.
[56] Ibid, 9 November 1989.
[57] Ibid, 31 May 1990.
[58] Low & Bonar, Company announcements, DUA, MS 24/1/7/1/4, 7 January 1980.
[59] Low & Bonar, Company announcements, DUA, MS 24/1/7/1/5, 16 February 1981.
[60] Low & Bonar, Company brochure, c. mid 1950s, DUA, MS 24/1/7/3/1.
[61] Ibid.
[62] Low & Bonar, Company announcements, DUA, MS 24/1/7/1/1, 26 August 1977.
[63] A. Booth, *The British economy in the twentieth century*, (Basingstoke: Palgrave, 2001), p.87.
[64] Howe, *Dundee textiles*, p.96.
[65] S. McDowall and P. Draper, *Trade adjustment and the British jute industry: a case study*, derived from *Board of Trade Journal*, (1978).