

# Economies of scale and a featherbedding cartel?: a reconsideration of the interwar British coal industry<sup>1</sup>

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<sup>1</sup> This paper is based on Evans and Fine, 'Economies of scale', where full presentation of the statistical results is to be found, and on other research done with Steve Martin. See also Fine, *The coal question*. At various times, research has been funded by the S.S.R.C, the Nuffield Foundation, the Leverhulme Trust, and the Central Research Fund of the University of London. I wish to thank anonymous referees and the editors for many helpful suggestions.

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## *Economies of scale and a featherbedding cartel?: a reconsideration of the interwar British coal industry<sup>1</sup>*

By BEN FINE

Two classic propositions have dominated the economic historiography of the interwar British coal industry. One offered by Buxton<sup>2</sup> claims that mechanization of the industry was important and, to some extent, deficient but that there were no economies of scale; the other, from Kirby, claims<sup>3</sup> that the formation of statutory cartels in the 1930s impeded amalgamations by featherbedding inefficient producers (and so, paradoxically, depends on rejecting the Buxton hypothesis).

In this paper, by a more careful and fuller consideration of the readily available evidence, I attempt to show that both of these propositions are in doubt. By doing so, I wish to question the standard historiography. What has to be explained is the failure to reap economies of scale, but this cannot be done on the grounds of the stifling effect of the state-organized cartel. There is no reason to take Buxton and/or Kirby as an analytical starting point.

This is especially true of studies undertaken at a more disaggregated level, which have come increasingly to challenge the traditional approach.<sup>4</sup> For many objections can be made to aggregate statistical exercises, including those to be described in this paper, although it can be argued that they are

superior to those of Buxton and Kirby which are casual at best. Indeed, my intention is not so much to provide robust cliometric estimates for the interwar industry as to show that the statistical methods that have previously

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<sup>2</sup> See, especially, Buxton, 'Entrepreneurial efficiency'.

<sup>3</sup> See, for example, Kirby, 'The control of competition'. Note that I do not enter into the debate over the meaning of amalgamation, rationalization, etc., between Buxton, Kirby, and others in this journal in 1972. It is not clear that these distinctions can usefully be made in coalmining where, for example, so much uncertainty is associated with production that multiple ownership of mines allows faces or pits to be held in reserve according to the vagaries of either market demand or geological faulting. By 'mechanization', I usually refer to coal cutting by machine.

<sup>4</sup> See the emphasis on cartels through finance in Boyns, 'Rationalisation in the interwar period'; the attention to marketing in Dintenfass, *Industrial decline*; and for an overall view, Supple, *British coal industry*.

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