



AHEAD OF ITS TIME  
FOR 150 YEARS



UNIVERSITY OF JYVÄSKYLÄ  
JYVÄSKYLÄN YLIOPISTO

## **The British paper trade and market regulation: from free trade Empire to the Common Market, 1861–1960<sup>1</sup>**

**Timo Särkkä**

*University of Jyväskylä*

*Finland*

---

<sup>1</sup> A paper for World Business History Conference 2014 'State of the art in World Business History - a first review', Goethe-Universität, Frankfurt am Main, 16 and 17 March, 2014.

## Introduction

At the centre of this investigation<sup>2</sup> is the history of the British trade policies from the establishment of a free trade system based on the gold standard in 1861 to the entry into the Common Market in the form of the European Free Trade Association (EFTA) in 1960. The paper is to be conducted in the context of the British paper trade and its business environment. By the paper trade we refer to the manufacture of printing, writing and wrapping paper both for the export trade and domestic consumption. How did the British paper trade evolved over a period of a hundred years and what is its significance in retrospect? These questions will be discussed below.

Since the birth of mechanised and streamlined paper industry in the early nineteenth century Britain, the outlook of the global paper industry has changed dramatically. In the course of the twentieth century Britain was surpassed by its much more competitive rivals in countries like Canada, Finland and Sweden, who became major players in the field of papermaking. On the eve of the EFTA convention Canadian and the Nordic producers (Finland, Sweden and Norway) had gained dominance over the British paper markets.<sup>3</sup>

The EFTA convention abolished trade barriers, tariffs and import restrictions among the member countries, including Finland, Sweden and Norway,<sup>4</sup> then important pulp and paper manufacturing countries, who operated in much more competitive business environment compared to the British producers. Backed by natural advantages, abundant pulp-wood resources, cheap hydro-electric power, and networks of rivers, lakes and ports as

---

<sup>2</sup> The paper is a part of an ongoing investigation conducted in the context of the Academy of Finland research project *The British paper trade and market regulation: from free trade Empire to the Common Market, 1861–1960* (funding decision number 267720; funding period 1.9.2013–31.8.2016). The paper is work in progress and therefore not suitable for quotation. Comments and criticism are however most welcome at [timo.sarkka@jyu.fi](mailto:timo.sarkka@jyu.fi).

<sup>3</sup> Särkkä 2012. The research was conducted within the study *The Evolution of the Global Paper Industry 1800–2050: A Comparative Analysis*, eds. Lamberg, Ojala, Peltoniemi and Särkkä (2012), which endeavoured to analyse the past 200 years of evolution of the global paper and pulp industry and its future challenges from transnational and comparative perspectives. It was motivated by the realisation that analysing the evolution of the global paper and pulp industry using transnational and comparative methods is a very revealing way of exposing the complexities the global paper and pulp industry is facing today and of analysing its future prospects. The study revealed several obvious reasons for an in-depth study of the history of the British paper trade in the changing world. The present investigation builds on these findings.

<sup>4</sup> The original member countries included Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the UK, with the subsequent addition of Finland in 1961.

well as close geographical proximity, the Nordic producers were able to use price policy to further their dominance over the British markets<sup>5</sup>. The collapse of the traditional British export markets in the Commonwealth countries worsened situation of the British producers further.

In the 1960s the British paper market entered a period of stagnation with sharply decreasing demand, which resulted in a wave of mergers and acquisitions as well as closures of mills. As a result of falling demand, declining prices, relative scarcity of cheap raw materials together with high energy and labour costs, British paper markets became the least attractive geographical area for the paper industry. In fact, the first new paper machine to be installed in Britain in more for than thirty years was that at the Aylesford Newsprint in Kent in 1995<sup>6</sup>.

A reorganisation of the global paper industry has occurred at the beginning of the 21st century. An increasing demand of papers of all kinds in quickly developing economies like China has moved the centre of activities away from western markets. The effects have been devastating for the Finnish paper industry as well. Pressure on profit margins has forced the closure of mills all over Finland. Such a dramatic reorganisation of the industry is reminiscent of the dark days of the British paper industry but also poses an important question: what we can learn from the history of the British paper trade in hindsight?

The more specific research questions of the present paper concentrate on trade policies and major historical particularities affecting the paper trade, such as, for example, technological transformation, raw materials and productivity. They illustrate the often troubled road the British paper trade has travelled from the free trade Empire to the Common Market. First, our objective is to conduct systematic research on the history of the British paper trade utilising hitherto less consulted primary sources. To the best of our knowledge there is a notable lack of systematic research on the British paper trade. Thus far the existing literature on British economic development has been produced in the context of the iron and steel and the textile trades,<sup>7</sup> while the study of the British paper trade has been by and large

---

<sup>5</sup> 'Canadian concern at Britain's possible Common Market link', *PTR*, Vol. 156, No. 16, 19 October 1961, 1439–1442.

<sup>6</sup> Owen 2000, 1. Aylesford Newsprint is an illustrative example of investing in recycling technology to create new business opportunities. Today, it uses 100% recycled fibrous materials to produce 400,000 tons per annum. Refer to URL: <http://aylesford-newsprint.co.uk/index.php>

<sup>7</sup> E.g. Elbaum and Lazonick 1986.

neglected.<sup>8</sup> The lack of earlier research invites in-depth study of the British trade policies in the context of the paper trade.<sup>9</sup> Second, our objective is to introduce new ways of reading primary sources. The research so far has firmly advocated paper firm-specific or paper industry-specific histories. More recently, a more global perspective has evolved from the realisation that the main aim of business history is to study and explain the behaviour of firms over long periods of time, and to place the conclusions in a broader framework composed of markets and institutions in which that behaviour occurs.<sup>10</sup> Such global perspective invites to analyse British paper trade from a global point of view.

The subject matter included in British economic and business history has ranged from big business to family firms, from technology and innovation to corporate governance and from entrepreneurship to the roles of the State.<sup>11</sup> At first business historical study firmly advocated firm-specific histories until Chandler<sup>12</sup> pioneered the use of firm-specific histories to develop theoretical frameworks of relevance to the corporate economy. Chandler's work prompted the development of a comparative approach to business history and showed that business history can provide a powerful insight into the evolution of capitalism, thus

---

<sup>8</sup> In contrast to the detailed examination of the pre-1861 history of the British paper industry by Spicer (1907) and Coleman (1958), the more recent developments have been less studied by modern paper industry historians. The most comprehensive investigations of papermaking in the UK business environment are those by Shorter (1971) and Hills (1988), which provide an overview of the industry from the foundation of the earliest English mill on the River Lee, near Hertford, in 1488 to modern times. Magee (1997a; 1997b) covers the years from 1860 to 1914 and Owen (2000) includes a chapter on the paper industry within a framework of a broader post-Second World War analysis of British manufacturing industry. Further, company and business family histories provide powerful insights into the lives of the manufacturers behind the development of the industry. The Wrigley (Tillmanns 1978) and Bowater (Reader 1981) family business histories can be mentioned as illustrative examples. The British paper trade development during the turbulent inter-war years is particularly understudied period, and so is paper trade within the Empire context. My ongoing study focuses on these two particular temporal and spatial focal areas of research.

<sup>9</sup> The Board of Trade and related bodies concerning government responsibilities for trade and industry illustrate the national level policy choices. The British Paper Makers' Association represents sales organisations' concerns.

<sup>10</sup> Wilson 1995, 1–2.

<sup>11</sup> Jones & Zeitlin eds. 2007.

<sup>12</sup> Chandler 1962; 1977; 1990. In the UK context, for example, Hannah (1976) has investigated how the relationship between government and business explained the growing industrial concentration in Britain during the interwar years. Elbaum and Lazonick (1986) showed how particular industries in the British economy such as textiles and iron and steel industries have influenced national economic performance.

advancing the use of business history methods as part of broader economic history analysis. Recently methodological issues have become a subject of lively debate among economic and business historians.<sup>13</sup> However, the importance of historical context for studying business behaviour has retained its prominence because the nature of economic and business history research requires in-depth investigation based on primary sources.<sup>14</sup>

To analyse, discuss and answer the research questions, the extended hundred-year research period is divided as follows in the British paper trade. The introduction of the free trade principle in October 1861 signified the birth of the world's chief free market for paper leading to the increase of imports. After the First World War, Britain failed to take part in the world boom of 1925–1929 and then sank, with the rest of the world, into the depression. The protectionist era in the British paper and board industry was inaugurated in 1932. The end of the free trade era also signified the establishment of the Sterling Area in the form of the imperial preference system. The Second World War from 1939 to 1945 caused a violent disruption to the British production capacity, and it was not until 1950 that raw material rationing was repealed. The Korean War led to a continued boom in the paper market in the 1950s. Finally, British entry into the EFTA in 1960 subjected the British paper industry and its domestic markets to the Nordic competitors.

### **The Era of the Free Trade Empire – from 1861 to 1913**

In the first part of the nineteenth century, Britain was the world's largest and lowest-cost producer of paper.<sup>15</sup> It was also the first country in the world to possess the capital, the enterprise and the skill necessary to develop industrial mechanisation in the field of mechanical papermaking. The reasons behind this early industrial success were mostly related to the improvements in papermaking technology, namely the invention of the Fourdrinier papermaking machine. The experiments with the papermaking technology made by the Fourdrinier brothers at Frogmore Mill on the River Gade, near Hemel Hempstead in Hertfordshire, where their first papermaking machines were installed in 1803, started the slow emergence of the mechanical papermaking in Britain. Despite this early impetus, it was

---

<sup>13</sup> Eloranta, Ojala and Valtonen 2010.

<sup>14</sup> The current status of the leading journals has recently been evaluated by the editors. The editors of *Business History* (Wilson and Toms 2011) and *Business History Review* (Friedman and Jones 2011) have maintained that business history is an independent discipline in its own right and has as its distinguishing characteristic the focus on primary source materials.

<sup>15</sup> For a more detailed analysis refer to Särkkä 2012, 168–176.

not until the 1830s that mechanisation became truly widespread in the paper industry in Britain, owing to capital costs that were too heavy for many manufacturers<sup>16</sup>. The stimulus given by this early mechanisation revolutionised the whole process of paper manufacture, and by 1860 the world of mechanised papermaking was established in Britain. Further, compared to the other European countries, the manufacturers in Britain were operating with other significant advantages on their side, including a supply of cheap and accessible coal, craftsmanship, a relatively orderly society and an efficient transport system<sup>17</sup>.

In the domestic markets there was an increased effective demand for paper caused by the growing population. The census of 1861 showed that the population of the British Isles was 29 million, the total having almost doubled just in sixty years.<sup>18</sup> The growth of the industry indirectly and the increase in the population directly increased the demand for papers of all kinds, both for domestic consumption and the export trade. New patterns of social intercourse, increased literacy and heightened social consciousness are all included in the important reasons for the increased demand for paper. The numbers of literate people were rising rapidly after the introduction of national education in England and Wales under the Education Act of 1870. Hundreds of millions of letters went through the Post Office every year. Penny and halfpenny newspapers, journals, magazines, reviews and cheap editions of books came within the reach of the very poorest. In the colonial Empire journals and newspapers were equally important signs of emerging civil societies but also means of colonial rule and control. In indirect ways the mechanisation of industry gave people and institutions more reason to need paper. The early growth of mass communication through new forms of cheap publications was made possible by mechanical printing and papermaking. Without the paper manufacture many of these cheap publications would have been impossible to bring into existence.<sup>19</sup>

There were, however, serious difficulties in raw material production, which threatened increased domestic consumption. The failure to supply rags, the raw material of the day, for papermaking to keep up the growing demand for paper recurred at various times up to the 1861. There were two developments that helped to alleviate the raw material shortage: the continued expansion of textile industry in Britain and an early nineteenth century invention,

---

<sup>16</sup> Coleman 1958, 179–183.

<sup>17</sup> Refer, for example, to Mokyr 1990.

<sup>18</sup> Census records for England and Wales; Scotland; Ireland in 1861. Refer to URL:

<http://www.histpop.org/ohpr/servlet/Show?page=Home>

<sup>19</sup> Coleman 1958, 210–211. Coleman refers here solely to the domestic markets.

the introduction of chlorine bleaching, which made coloured rags suitable for papermaking. However, Britain continued to need to import rags to meet its raw material requirements from 9 to 20% of its total rag needs. By the 1860s, rag was imported to Britain from various overseas ports. This was not the most-cost-efficient way to obtain raw materials, since many papermaking nations increased their existing export duties on rags. Owing to increased demand for paper and raw materials, the price of rags doubled between 1848 and 1855.<sup>20</sup>

In the paper trade, over half of all running costs were accounted for by raw materials. It was thus regarded as essential for the successful introduction of a substitute for rags that the substance should be cheap and available in abundance. In addition, it should be rapidly cleansed and bleached and yield a strong, pliable fibre which would produce paper possessed of permanent whiteness. It was the introduction of esparto grass for papermaking that first offered a solution to the raw material shortage in Britain. Since the first and fundamental utilisation of esparto grass in the paper industry by Thomas Routledge, who took out a patent in 1861, esparto was used especially by the British mills for papermaking. Owing to cheap freight, it was possible to import esparto cheaply for the British paper mills. Except for the use of more chemicals, there was little cost difference in processing paper from esparto or from rag. Together these factors, especially the cost difference in favour of esparto over rags, led to increased export of esparto and to the opening up of new mills. The import of esparto reached its peak in 1888, with 249,000 ton compared to 41,000 ton of rags.<sup>21</sup>

Despite these developments, the demand for raw materials was in no way satisfactorily met. By the early 1880s, international breakthroughs in the production of chemical wood pulp made the raw material available for the British manufacturers. Wood pulp began its steady rise to prominence in Britain at first at the expense of esparto but then later of both esparto and rag<sup>22</sup>. The imports of wood pulp to Britain increased accordingly. According to trade returns<sup>23</sup> presented in the table 1, in 1913 British raw material imports totalled about 1.23

---

<sup>20</sup> Hills 1988, 128, 131; Coleman 1958, 214, 338, appendix IV; Spicer 1907, diagram III, 32; Magee 1997, ch. 4; Shorter 1971, 113–115, 139.

<sup>21</sup> Spicer 1907, Diagram V, Export of Esparto, 13–17, 35, 89–90; Magee 1997, 118–127; Shorter 1971, 141–142. Esparto grows on rocky and dry mountainous districts of southern Spain and North Africa, within the area known as the Esparto Zone (between 32° and 42° latitude north). After being dried like hay, sorted into different qualities and baled up, the grass was ready to be transported to the paper mills.

<sup>22</sup> Coleman 1958, 342–343; Hills 1988, 150–153; Shorter 1971, 114.

<sup>23</sup> The most valuable trade returns for the present purposes can be found from the *Accounts Relating to Trade and Navigation of the United Kingdom* (1882–1964), which focus on import-export trade.

million tons. The share of wood pulp of the total import of raw materials was 79.6%, while the imports of esparto constituted only 16.7% and rags 2.4%.

**Table 1.** Imports of raw materials 1913–1949 (tons<sup>24</sup>)

	Rags	Esparto	Wood pulp	Other fibrous materials	Total
1913	29,538	204,932	977,957	16,927	1,229,354
1919	6,525	70,624	937,920	1,242	1,016,311
1929	19,699	312,711	1,638,247	9,584	1,980,241
1939 <sup>25</sup>	15,232	221,409	1,129,873	15,485	1,381,999
1949	20,389	360,624	1,305,137	20,253	1,706,403
Total 1913–1949	91,383	1,170,300	5,989,134	63,491	7,314,308
% from total	1.2	16.0	81.9	0.9	100.0

Source: *Accounts Relating to Trade and Navigation of the United Kingdom*

While Britain led the field of papermaking technology, the momentum of being the first nation successfully to mechanise the production of paper was gradually lost to the overseas competitors in the course of the nineteenth century. On the eve of the First World War, British industries had come to increasingly depend on exports to maintain their rate of growth.

In overseas trade, Britain was committed to mercantilism between 1800 and 1860. The domestic industry was protected by tariffs and the little that was exported went to her overseas colonies. In an evolving business environment mercantilist policies seemed not only unnecessary but even harmful to an export industry that needed to access a wider range of markets than the British colonies could offer. Furthermore, the more economic methods of manufacture and larger output to meet larger demand led to a serious raw material shortage threatened to cripple the British paper trade development.

The introduction of the free trade principle in October 1861 signified the establishment of the world's largest free market for paper and raw materials. It also caused the paper industry for the first time to become an object of general public discussion in Britain and brought the British Paper Makers' Association into being. Its aim was to set prices at a generally profitable level and to bring a greater degree of stability in times of falling prices and intensifying competition<sup>26</sup>. The British manufacturers had traditionally supported import duties to compensate foreign export duties on rags, the raw material of the day, and opposed

<sup>24</sup> In Britain, 1 ton equals to 2,240 lb avoirdupois or 20 cwt (about 1,016 kg).

<sup>25</sup> Eight months ended 31st August.

<sup>26</sup> Weekly trade journal *The World's Paper Trade Review (PTR)* illustrates industrialists' concerns in Britain.

the excise duty on paper. The influential campaigners for the abolition of excise included *The Times*, connected with influential papermaking families, and *Economist*, which deplored that the industry had not grown to be a major national industry like that of cotton manufacture due to the repressive ‘Taxes on Knowledge’. The papermakers saw themselves as being sacrificed to the dogma of free trade as they were forced into the ironic position of opposing the repeal of excise against which they had been campaigning for one hundred and fifty years.<sup>27</sup>

As it turned out, the British paper industry was not ruined by the removal of the protective tariff barrier. However, foreign competition became a major feature of the paper trade. As can be noted from table 2, by 1913 the imports into Britain totalled 0.64 million tons of paper and board. Census of production report of the year 1912 reveals that the total paper and board production in the UK was 1.018 million tons<sup>28</sup>.

**Table 2.** Imports and exports of paper and board (thousand tons)

	1913	1919	1929	1939 <sup>29</sup>	1949	1959
Imports	644.1	381.1	996.7	823.5	463.9	1,203.7
Exports	175.0	46.8	252.4	118.7	188.5	244.7

Source: *Accounts Relating to Trade and Navigation of the United Kingdom*

By 1913 the biggest importers of paper and board as well as printing and packing paper were the emerging pulp and paper producers in Canada and the Nordic countries, which could best utilise wood pulp as raw material. The passage of the Underwood Tariff Act in the United States in 1913 eliminated duties on newsprint and helped to boost newsprint industry in Canada<sup>30</sup>. Due to large and profitable markets in the United States especially, newsprint became Canada’s most valuable export commodity by 1939. Further, favourable tariff policy within the free trading British Empire, created profitable secondary export market for Canadian producers<sup>31</sup>. The removal of the tariff barrier in Britain did not lead to similar

<sup>27</sup> *Economist*, 10 March 1860, 253; 12 May 1860, 502–503; 19 May 1860, 529–530; 2 June 1860, 585–586; 4 August 1860, 838; *The Times*, 17 Feb 1860, 9.

<sup>28</sup> *CP*, 1912.

<sup>29</sup> Eight months ended 31st August.

<sup>30</sup> Kuhlberg 2012, 110.

<sup>31</sup> Kuhlberg, 2012, 111. The Canadian Pulp and Paper Association was formed by a group of industry executives in March 1913. In 1903 established *Pulp & Paper Magazine of Canada (PPMC)* illustrates industrialists’ concerns in Canada.

decisions elsewhere in Europe. Protectionist trade policies continued to be enforced throughout Western Europe. As a result the British orientation to the Empire countries in paper trade remained strong. By the outbreak of the war over 70% of the total exports went to the British colonies and dominions, countries like Australia, the Union of South Africa, British India and New Zealand.<sup>32</sup>

### **The End of Free Trade Era – 1914 to 1931**

The dominant belief system in the late nineteenth century British society was classical liberalism, which asserted that the economic sphere within civil society could be left to itself. For the most part of the nineteenth and the early twentieth century, the economic arguments based on the doctrine of free trade remained in essence similar to those already expressed by Cobden and Mill. By the late 1880s, a varied protest was being made against the sort of civilization that was emerging under free market competition and mechanized capitalism. Once Socialists had questioned the efficacy of the market as a deliverer of justice, wealth, peace and happiness, they had to redefine the value of liberty. The leading figures in British Socialism turned to the State to correct the failings they believed were inherent in the market economy. To them the State became a vehicle for promoting liberty.<sup>33</sup> As it turned out, the Liberal's defence against socialism was social legislation rather than trade or financial policy measures. The clearest indicators of the altered relationship between the individual and the State were the new social programmes which the Liberals introduced between 1906 and 1914.<sup>34</sup>

The nineteenth century beliefs in free trade and in an unlimited expansion of markets parallel with the expansion of productive capacity were shattered by the experience of the First World War.<sup>35</sup> Before the war Britain had been the world's chief free market, but in 1931 was forced to abandon the free trade principle which had been close to a national ideology for 70 years<sup>36</sup>. During the inter-war period regulation in the form of tariffs, quotas and price-fixing agreements spread widely to the paper industry. As a consequence free competition, which had hitherto characterised the paper trade, nearly disappeared from the British business scene. Britain had been formally off the gold standard since March 1919 (*de facto* from the

---

<sup>32</sup> Magee 1997b, 239–245.

<sup>33</sup> Refer, for example, to Bevir 2000, 336–344.

<sup>34</sup> Trentmann 2000, 30; For a more detailed discussion see Emy 1973, chs. 5, 6 and 7.

<sup>35</sup> For a more detailed analysis refer to Särkkä 2012, 176–178.

<sup>36</sup> Trentmann 2008.

outbreak of the war), but by April 1925, the pound had reached its pre-war parity with the dollar, and it returned to gold. It has been estimated that the pre-war parity was over-valued to the extent of 10%. Such a significant price differential encouraged imports while it handicapped the export trade<sup>37</sup>. It can be termed from table 2, the imports of paper and board increased 161.5% from 1919 to 1929. Canadian paper especially was increasingly exported to Britain.

Another permanent threat came from Finnish papermakers, who were aggressively searching new markets. Finnish forest industry enterprises established their central association, the Central Association of Finnish Forest Industries soon after independence in 1918 to co-ordinate interests of forest industry companies and of the associations formed by them<sup>38</sup>. The collapse of the Russian Empire and the continued Allied blockade of trade in the Baltic blocked Finnish producers' traditional export markets in Russia and Germany, leading to efforts to open up western markets for their products. Devaluation of the Finnish Mark in 1919 gave Finnish producers an advantage over Norwegian and Swedish producers in the British markets, forming thus the main market area for Finnish producers.<sup>39</sup>

Intensified competition in the British markets led to the quest for new trade policy in the UK. Protection was first extended for wrapping and packing paper grades, on which import duties were imposed in 1926 under the Safeguarding of Industries (Customs Duties) Act. This was a defensive tariff intended to grant protection to British industries if imports compared with British products enjoyed unfair advantages such as subsidies or bounties or if imported goods were sold below the cost of production<sup>40</sup>. Then, following the economic upheaval of 1931, the Abnormal Importations (Customs Duties) Act was passed to prevent an inrush of imports in anticipation of later duties, and in February 1932, the Import Duties Act inaugurated the protectionist era in the British paper and board industry<sup>41</sup>. The only exception was newsprint, which was among the manufactured articles exempted from duty, subject to limits on quantity.

---

<sup>37</sup> Pollard 1962, 214, 218–221. Refer also to Youngson 1967.

<sup>38</sup> The Central Association corporate members included joint sales associations named The Finnish Paper Mills' Association (Finnpap, founded 1918), cellulose The Finnish Cellulose Union (Finncell, founded 1918), Finnish Board Mills Association (Finnboard, founded 1942) and Converta (founded 1944). *The Finnish Forest Industries*. 1988, 16–17, 23.

<sup>39</sup> Heikkinen 2000, 58–67.

<sup>40</sup> HC Deb, December 5, 1927 vol. 211 cc956–7.

<sup>41</sup> Pollard 1963, 192–195.

## The Forming of the Sterling Area – 1932 to 1959

The end of the free trade era signified the establishment of the Sterling Area<sup>42</sup> in the form of the imperial preference system, aimed at expanding trade among the members of the British Commonwealth in a world of shrinking commerce and rising trade barriers.<sup>43</sup> Imports from the countries of the Empire were exempt from the original tariff of 1932, and in an Imperial Economic Conference assembled in Ottawa in July–August 1932, it was hoped to expand trade among the members of the British Commonwealth. However, the pre-1861 mercantilist conception of an industrialised mother country linked with primary produce countries had become grossly anachronistic by 1932. Dominions were determined to protect their industries even against Britain. The introduction of the imperial preference system did not increase trade volumes as such but rather directed trade to the Empire.<sup>44</sup>

During the inter-war period, newsprint manufacture was largely responsible for leading the industry with ever wider and faster machines and increased production. This was a logical development because newsprint was one of the cheapest paper grades made, and because it was required in large quantities. By the early twenties, British-owned mills independent from newspaper groups had become rarities, and the British paper industry was on the whole dominated by newspaper owners. Established papermakers like Albert E. Reed, along with newcomers like Eric Bowater, built large newsprint empires by the end of the 1930s. In Scotland, large producers included Inveresk Paper Company and Tullis Russell. In 1928, the total production capacity of newsprint mills in Britain had exceeded 650,000 ton, but only about 100,000 ton was produced by newsprint manufacturers independent of the publishers<sup>45</sup>.

After the slump of the 1930s, the living standards started to rise, and there were plenty of potential customers. Between 1930 and 1937, the *Daily Mail* was ousted from first place among the dailies both by the *Daily Express* and the *Daily Herald*. By 1937, each of these three papers reported circulation figures above two million. Among the Sunday papers, the *News of the World* and *The People* reached over three million readers. The British acquired a reputation as the keenest newspaper readers in the world<sup>46</sup>.

---

<sup>42</sup> The term Sterling Area was first officially used in 1940 to describe the association of sterling as an international financial medium.

<sup>43</sup> For a more detailed analysis refer to Särkkä 2012, 178–180.

<sup>44</sup> Pollard 1963, 196–197.

<sup>45</sup> Ahvenainen 1976, 44, 101.

<sup>46</sup> Reader 1981, 86.

In 1935, British production of newsprint stood at 857,300 ton, which furnished 38.1% of the total production of paper and board (2.25 million ton) in that year. The newsprint imports were, in 1935, 366,000 ton and exports 70,400 ton. The total of 1.15 million ton of newsprint was available for use in the UK<sup>47</sup>. With that figure, more newsprint was being consumed per head of the population in the British Isles than in any other country of the world<sup>48</sup>. The war changed it all, and in 1950, the consumption of newsprint in Britain was 46% less than in 1939.<sup>49</sup>

In spring 1940, the Germans conquered Norway and blocked all trade between Scandinavia and Britain. Wood pulp and newsprint imports ceased from that direction until Germany was defeated, and all future imports of both commodities would have to make the long, hazardous passage across the North Atlantic. During the Second World War, the price and quality of raw materials, being under government control, were not open to negotiation. Above all, output was severely restricted. The British paper mills experienced a number of difficulties in the years during and following immediately after the war. A rising demand for paper was frustrated by the weakness of the economy. There was no adequate source of domestic raw materials, and lack of dollars prevented the import of either of raw materials or of newsprint. In the world market, there was a general shortage of pulp. There was also a general shortage of coal and labour. Paper control measurements continued until 1950 when the paper industry could determine its own selling price<sup>50</sup>.

The Empire dominated the geographical horizons of British trade after the Second World War. Paper and board imports rose from 1949 to 1959 159.5% (table 2). The major importers were Canada, the global leader in newsprint production<sup>51</sup>, along with the Nordic countries (table 3).

---

<sup>47</sup> CP, 1935.

<sup>48</sup> Clapperton and Henderson 1947, 255.

<sup>49</sup> Reader 1981, 171.

<sup>50</sup> Ahvenainen 1976, 73-77; Reader 1981, 159, 162.

<sup>51</sup> 6.096 million tons or 44.9% of the world's total newsprint production in 1958. *Pulp and Paper Manual of Canada 1959*, 10.

**Table 3.** Imports of paper and board by country in 1959 (cwt and %)

	cwt	%
Canada	8,736,846	36.3
Other Commonwealth countries and the Irish Republic	475,206	2.0
United States	3,274,843	13.6
Finland	3,675,145	15.3
Sweden	3,609,334	15.0
Norway	1,445,781	6.0
W. Germany	193,204	0.8
Netherlands	2,338,025	9.7
Belgium	51,452	0.2
France	57,330	0.2
Austria	52,684	0.2
Other foreign countries	163,832	0.7
Total	24,073,682	100.0

Source: *Accounts Relating to Trade and Navigation of the United Kingdom*

The main bulk of the paper and board exports went to the English-speaking world. In 1959 the major export countries were Australia (33.4%), New Zealand (11.7%), the Union of South Africa (9.1%) and the Irish Republic (5.9%) (table 4).

**Table 4.** Exports of paper and paperboard by country in 1959 (cwt and %)

	cwt	%
Commonwealth countries	3,705,220	75.7
Ghana	77,282	1.6
Nigeria	181,382	3.7
Union South Africa	445,862	9.1
Rhodesia and Nyasaland	76,677	1.6
Tanganyika	14,948	0.3
Kenya	58,260	1.2
India	71,747	1.5
Pakistan	27,777	0.6
Singapore	38,384	0.8
Federation of Malaya	48,403	1.0
Ceylon	92,407	1.9
Hong Kong	30,903	0.6
Australia	1,633,640	33.4
New Zealand	570,934	11.7
Canada	38,489	0.8
Jamaica	57,460	1.2
Trinidad	47,690	1.0
Others	192,975	3.9
Other English-speaking countries	391,182	8.0
Irish Republic	291,175	5.9
Egypt	4,846	0.1
Burma	14,083	0.3
United States of America	81,078	1.7
Continental Europe	493,714	10.1
Sweden	74,130	1.5
Norway	21,586	0.4
Denmark	58,851	1.2
W. Germany	67,650	1.4
Netherlands	95,778	2.0
Belgium	73,914	1.5
France	51,983	1.1
Switzerland	18,625	0.4
Italy	31,197	0.6
Argentine Republic	25,050	0.5
Other Foreign Countries	277,926	5.7
Total	4,894,092	100.0

Source: *Accounts Relating to Trade and Navigation of the United Kingdom*

Imports of raw materials rose also rapidly. In 1919 the total imports of raw materials were about one million tons but doubled in quantity by 1929. The share of wood pulp imports of the total imports of the raw materials were constantly over 80% (table 1). The biggest importers of wood pulp were the Nordic countries. For instance, in 1929 1.3 million tons of wood pulp or 80% of the total raw material imports were imported from the Nordic

countries<sup>52</sup>. Domestic wood pulp production stood at 209,000 ton in the same year<sup>53</sup>. By 1959, the British papermaking industries imported over two million tons of raw materials<sup>54</sup>. For instance, within the Bowater Organisation, the sources of supply were in Scandinavia for mechanical pulp and in Newfoundland for pulp wood and sulphite pulp<sup>55</sup>. The early esparto and wood pulp preparation plants established in Britain during the interwar period did not survive the post-war period but were closed down by the end of the 1950s as they could not operate economically<sup>56</sup>. By 1960 the paper mills in Britain depended for survival almost entirely on foreign imports of wood pulp.

### **Into the Common Market – 1960**

In 1960 formed Common Market in the form of EFTA abolished import restrictions among the member-countries, who however retained their autonomy in deciding their separate national tariffs against imports from the rest of the world. Compared to the removal of protective tariffs a hundred years earlier in 1861, the situation was more serious for the British papermakers, because the Nordic producers operating in the Common Market were now in a much stronger competitive position compared to them. British paper companies were under great price pressure due to the increased imports by the Nordic paper producers. Consequently, there was great deal of rationalisation and mill closure in the 1960s as producers lost their faith in their business environment. There was no single reason for the closures; they were due to intensified competition in the domestic markets, diversification of the production, the lack of abundant domestic raw material as well as factors arising from the global market situation.

In an attempt to maintain its competitiveness against overseas producers, the British paper industry was forced to operate on low-profit margins. This prevented major investments in new plants and machinery suitable for reprocessing greater proportions of waste paper until the 1990s. Further, the need to modernise the industry was delayed by the continuation of protection for the first 15 post-war years, and this proved too overwhelming for the survival of the British-owned paper industry in the changed global business environment.

---

<sup>52</sup> *TN*, 1929.

<sup>53</sup> *LN*, 1938–1939.

<sup>54</sup> *TN*, 1959.

<sup>55</sup> Reader 1981, 209, 245.

<sup>56</sup> Hills 1988, 142.

## References

- Accounts relating to trade and navigation of the United Kingdom.* (1911–1959)
- Ahvenainen, J. (1976). *The History of Star Paper, 1875–1960*. Studia Historica Jyväskyläensia 13. Jyväskylä: University of Jyväskylä.
- Bartlett, J. N. (1980). 'Alexander Pirie & Sons of Aberdeen and the expansion of the British paper industry, c. 1860–1914'. *Business History*, 22(1), 18–34.
- Bevir, Mark, 'Socialism, Civil Society and the State in Modern Britain. (2000)' In Frank Trentmann, ed. *Paradoxes of Civil Society: New Perspectives on Modern German and British History*. New York and Oxford: Berghahn Books, 332–350.
- Census records for England and Wales; Scotland; Ireland* (1861). The Online Historical Population Records (Histpop).
- Chandler, A. D. (1962). *Strategy and Structure. Chapters in the History of the Industrial Enterprise*. Cambridge, Massachusetts: MIT.
- Chandler, A. D. (1977). *The Visible Hand: The Managerial Revolution in American Business*. Cambridge, Massachusetts: Harvard University Press.
- Chandler, A. D. (1990). *Scale and scope: The Dynamics of industrial capitalism*. Cambridge, Massachusetts: Belknap Press of Harvard University Press.
- Clapperton RH, Henderson W (1947) *Modern paper-making*, 3rd edn. Basil Blackwell, Oxford.
- Coleman, D. C. (1958). *The British paper industry, 1495–1860*. Oxford: Clarendon Press.
- Deane, P., & Cole, W. A. (1969). *The British economic growth 1688–1959*, 2nd ed. Cambridge: Cambridge University Press.
- Economist*.
- Elbaum, Bernard & Lazonick, William. (1986). *The Decline of the British Economy*. Oxford: Oxford University Press.
- Eloranta, Jari, Ojala, Jari & Valtonen, Heli. (2010). 'Are Business Historians qualitatively illiterate?'. *Management & Organisation History*, 5(1), 79–107.
- Emy, H. V. (1973). *Liberals, Radicals and Social Politics 1892–1914*. Cambridge: Cambridge University Press.
- Final report on the census of production of the United Kingdom (CP)*. (1924, 1930, 1935, 1948, 1951).
- Finnish Forest Industries*. Central Association for Finnish Forest Industries 1988.
- Friedman, Walter E. & Geoffrey Jones. (2011). 'Business history: Time for debate'. *Business History Review*, 85, 1–8.
- Geoffrey Jones & Jonathan Zeitlin, eds. (2007). *The Oxford Handbook of Business History*. Oxford: Oxford University Press.
- Hannah, Leslie. (1976). *The Rise of the Corporate Economy*. London: Methuen.
- Heikkinen, Sakari (2000). *Paper for the World. The Finnish Paper Mills' Association – Finnerpap 1918–1996*. Helsinki: Otava.
- Hills, R. L. (1988). *Papermaking in Britain 1488–1988. A Short history*. London and Atlantic Highlands, NJ: Athlone Press.
- House of Commons Debates (HC Deb), 5 Dec 1927, vol 211 cc956–7.

- Jensen-Eriksen, N. (2008). A Stab in the back? The British Government, the paper industry and the Nordic threat, 1956–72. *Contemporary British History*, 22(1), 1–21.
- Kuhlberg, Mark, ‘An Accomplished History, An Uncertain Future: Canada’s Pulp and Paper Industry Since the Early 1800s’. In Lamberg, Juha-Antti, Ojala, Jari, Peltoniemi, Mirva & Särkkä, Timo, eds. (2012a). *The Evolution of the Global Paper Industry 1800–2050: A Comparative Analysis*. Dordrecht: Springer.
- Lamberg, Juha-Antti, Ojala, Jari, Peltoniemi, Mirva & Särkkä, Timo, eds. (2012a). *The Evolution of the Global Paper Industry 1800–2050: A Comparative Analysis*. Dordrecht: Springer, 101–133.
- Lamberg, J-A, Ojala, Jari, Peltoniemi, Mirva & Särkkä, Timo (2012b). ‘Research on the Evolution and the Global History of Pulp and Paper Industry: An Introduction’. In J-A Lamberg, Jari Ojala, Mirva Peltoniemi & Timo Särkkä, eds. *The Evolution of the Global Paper Industry 1800–2050. A Comparative Analysis*. Dordrecht: Springer, 1–18.
- Magee, G. B. (1997a). Technological divergence in a continuous flow production industry: American and British paper making in the late Victorian and Edwardian era. *Business history*, 39(1), 21–46.
- Magee, G. (1997b). *Productivity and performance in the paper industry. Labour, capital, and technology in Britain and America, 1860–1914*. Cambridge Studies in Modern Economic History 4. Cambridge: Cambridge University Press.
- Mokyr, J. (1990). *The Lever of riches. Technological creativity and economic progress*, Oxford: Oxford University Press.
- Owen, G. (2000). *From Empire to Europe. The decline and revival of British industry since The Second World War*. London: HarperCollins.
- Pollard, S. (1963). *The Development of the British economy 1914–1950*. London: Edward Arnold.
- Pollard, S. (1965). *The Genesis of modern management. A Study of the industrial revolution in Britain*. Edward Arnold: London.
- Pulp & Paper Magazine of Canada (PPMC)*.
- Pulp and Paper Manual of Canada*. National Business Publications. Gandenvale, Que. 1959.
- Reader, W. J. (1981). *Bowater. A History*. Cambridge: Cambridge University Press.
- Reich N (1927) *The pulp and paper industry in Canada*, vol 7, McGill University economic studies. St Martin’s House, Toronto.
- Shorter, A. H. (1971). *Paper making in the British Isles. An Historical and geographical Study*. Newton Abbot: David & Charles.
- Dykes Spicer, A. (1907). *The Paper trade. A Descriptive and historical survey of the paper trade from the commencement of the nineteenth century*. London: Methuen.
- Statistical year-book of the League of Nations (LN). (1938–1939)
- Särkkä, Timo (2012). ‘The British Paper Industry, 1800–2000’. In J-A Lamberg, Jari Ojala, Mirva Peltoniemi & Timo Särkkä, eds. *The Evolution of the Global Paper Industry 1800–2050. A Comparative Analysis*. Dordrecht: Springer, 167–190.
- Thomson, A. G. (1974). *The Paper Industry in Scotland, 1590–1861*. Edinburgh: Scottish Academic Press; London: Chatto and Windus.
- Tillmanns, M. (1978). *Bridge Hall Mills. Three centuries of paper and cellulose film manufacture*. London: Compton Press.

*The Times*.

Trentmann, Frank, 'Introduction: Paradoxes of Civil Society'. In Frank Trentmann, ed. *Paradoxes of Civil Society: New Perspectives on Modern German and British History*. New York and Oxford: Berhahn Books, 3–46.

Trentmann, F. (2008). *Free trade nation. Commerce, consumption, and civil society in modern Britain*. Oxford: Oxford University Press.

Youngson, A. J., (1967). *Britain's economic growth, 1920-1966*. London: George Allen & Unwin.

Wilson, J. F. (1995). *British business history, 1720–1994*. Manchester and New York: Manchester University Press.

Wilson, John & Toms, Steven. (2011). 'Business History: sustaining excellence'. *Business History*, 54, 1–5. *The World's Paper Trade Review (PTR)*.