

4.—*Cartels and Syndicates in German Industry.*

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[Read Friday, 25th March, 1903.]

IN the second volume of his book on Trust Monopoly (*De l'Accaparement*), M. Francis Laur, former deputy at Paris, expresses the opinion that as regards industrial combinations, Germany affords the most interesting materials for study, and has gone the farthest in practice of all the countries of the world. What is, above all, remarkable about Germany in this respect is that neither people nor government are opposed to them. "Whilst in America, the different States display more or less hostility to Trusts, sometimes attacking them, always legislating against them; whilst in France the existence of Article 419 of the Code, the imprisonment of M. Secrétan, of Copper Corner fame"—and other cases mentioned—"cooled the ardour and daunted the spirit, generally cautious with us, with the gloom of illegality; while in Austria both political parties vied with each other in proposing legislation inimical or at least distrustful towards Syndicates, the German Government, so-to-say, took the *Cartels and the Syndicates under its wing*. Nay more: it joined one itself for its own rock-salt works!" Again M. Laur adds: "And while America was overdoing the business, while France was feeling its way timidly, while England seemed not to know about the great trend towards industrial combination, while Austria muddled it up with the Jew-boycott (*l'antisémitisme*), Germany took the thing quietly, worked it all out, and profited before all the rest from the results of this magical *wen* method, actually under the very aegis of her Government" (*De l'Accaparement*, tom 2, pp. 48-9).

The object of this paper is to give some account of these German industrial organisations, known as Cartels and Syndicates. I am afraid not many of us in this country paid much attention to them until the question of "dumping" became a burning topic in the fiscal controversy. Indeed, the dumping issue is the only new fact that has been adduced to justify a revival of the Protection Cry in England. So, some of us may easily be misled into supposing that a Cartel or Syndicate is created for the express purpose of dumping. No doubt the severe economic depression of Germany during the years 1900-2 (caused by over-production) forced the syndicates into their export policy for the purpose of relieving the congested home-market. But that was an incident, like the blood-letting of an apoplectic patient. The real object of

German Cartels is to proportion production to the market-demand, and so to avoid over-production. In other words, the Cartels exist to do away with the necessity for dumping, as far as human foresight can do it. The dumping is not calculation, it is miscalculation. We must suspend our prejudices, based on the incident of dumping, and endeavour to realise what these industrial co-operative organisations are in themselves. The German people and Government believe in them, and firmly hold that to them the great industrial development of Germany, since 1870, is mainly to be ascribed. Even the French writer, M. Laur, has "no hesitation" in thinking that "le développement économique inouï de l'Allemagne est dû, non-seulement à la situation prépondérante que la victoire donne toujours à un peuple dans le monde, mais précisément aussi à ce développement des Cartels qui sont passés rapidement dans les mœurs allemandes." Peace hath her victories no less renowned than War. And the question arises, which is far more interesting than any involved in the fiscal controversy, whether the Germans, by their methods of industrial organisation, have not lifted their industries on to a higher plane, and discovered the secret by which economic progress may be reconciled with restraint of competition.

As to the name: "Cartel" is the French form of the German word *Kartell*, diminutive of *Karte* (= card). When enemies, in time of war, arrange an armistice, the communication which passes between the two generals, containing the agreement or conditions to be observed during the temporary truce, is called a "Kartell." Its application to an agreement among rival manufacturers who wish to suspend competition is obvious. Being German, perhaps it ought to be spelled "Kartell." But the German plural would be "Kartelle," which sounds unfamiliar to our ears. Hence the French equivalent "Cartel" (plural "Cartels") has come into use outside Germany.

What are Cartels in Germany and Austria, are created inside France under the name "Comptoir;" as, for example, the famous Comptoir Métallurgique de Longwy, formed in 1873, which controls nearly the whole of the pig-iron industry of the north-east of France, bordering on Luxembourg. But there are peculiar legal difficulties to be circumvented by industrial combinations formed in France, and this gives them a special character that cannot be gone into in this paper. However, "Trusts" in America, "Cartels" in Germany and Austria, "Comptoirs" in France, are all phases of the same movement towards *concentration in the control of capital* which has also appeared in the United Kingdom under the more innocent name of "Association" (such as the Calico Printers' Association, Bradford Dyer's Association, etc.), or, more usually, without any tell-tale name

at all (e.g., J. & P. Coats, Limited ; United Alkali Co., Limited ; Fine Cotton Spinners and Doublers, Limited, etc.). A good account of French Comptoirs is to be found in M. George Villain's *Le fer, la houille, et la métallurgie* (Paris, 1900) : the developments in England are best sketched out in Mr. H. W. Macrosty's *Trusts and the State* (London, 1901).

The distinctive feature of the German combinations is not so much their precise form of organisation, but the sobriety and stability with which they have been operated. Germans have shown a faculty for co-operative executorship, for taking concerted action by groups, that has made them highly effective in an age when combinations have largely taken the place of individuals. The very pronounced individuality of English and American "captains of industry" has this awkward result when the business is put upon a co-operative basis, viz., that none feels confident of the continued loyal adhesion of the others. Therefore, in America, "pools," "selling agreements," and such looser forms of combination have to be carried right up to the straight-jacket of the irrevocable Trust, or its later type of the Holding Company, before a permanent organisation becomes effective : and, in that closely-knit form the combination becomes dangerous to the community, knocks up against State or Interstate legislation, and gets landed into the Supreme Court. In avoiding the whirlpool, the Trusts strike upon the rock. Likewise, in England, when 50 to 60 firms join in some Calico Printers' Association or other, the management has to be done by a Board of 50 to 60 Directors : which is as absurdly ineffective in doing business as an army with 50 or 60 generals would be in carrying through a decisive campaign. Is it the educational influence of the drill sergeant, or something in the genius of the race, that enables the Germans to work with conspicuous success, a form of business organisation which is as loosely-knit as a voluntary "selling agreement," but, nevertheless, is loyally maintained by its members for years, even when trade has become stagnant ?

These German combinations are to be ranked into three Classes : (A) Cartels, simply ; (B) Syndicates ; (C) Trusts proper : representing different degrees, or stages, of concentration. I quote now from Mr. Frank H. Mason, Consul-General for the United States, at Berlin, whose Report was dated May, 1900. But substantially the same account was given by Mr. Francis Oppenheimer, British Consul-General at Frankfurt-on-Main, in his Report, dated June, 1903. (Foreign Office, Annual Series, No. 3042) :—

"Class A, the selling agreement, a cartel or convention under which the manufacturers or producers of a certain article or class of products agree not to sell their products below a specified minimum price, agreed upon by all members of the cartel, and changed from time to time in accordance with the varying cost of production and

general requirements of the market. These rather loosely organised combinations were the original type of German trade syndicates, and served their purpose very well in prosperous times, but in periods of depression and diminished demand it was found difficult to hold certain members to the agreement, and it was decided to adopt a more binding form of organisation, and to *put the business of selling under direct control of a central authority.* This led to the creation of

“Class B, known as ‘Sale syndicates,’ in which all members of a cartel pool their products, to be sold through the ministrations of a central committee, which, besides fixing the selling price, apportions among the members orders as they are received, in proportion to the capacity of each, the quality of the merchandise ordered, and the conditions of transport. Examples of this class, which is by far the most numerous and important of the three in Germany, are the sale syndicate of the potash mines at Stassfurt Leopoldshalle, in Prussian Saxony, and the great Rhenish-Westphalian Coal Syndicate, which controls the production and sale of coal in western Germany. In syndicates of this class, the individual firms and companies which it includes, retain their corporate autonomy, pay dividends on their own stock according to earnings, and, unless otherwise agreed in the cartel, purchase independently the raw materials of manufacture.

“Class C, includes the real trusts or closely organised syndicates, which absorb and take up the shares of the original corporations, issue new stock, and consolidate the whole management under the absolute control of a central authority. Of these, there are comparatively few in Germany, except those of international scope, but such as do exist are generally syndicates of large resources and wide-reaching influence. The great steel works of Friedrich Krupp, at Essen, have in this way absorbed the Germania Shipyard at Kiel, a machine shop in Berlin, as well as several coal mines and blast furnaces. Similarly some of the large banks in Berlin have issued trust stock and bought up valuable and long-established banks at Hamburg, Dresden, and other cities, thus creating banking syndicates which exercise a powerful influence over commercial and industrial enterprises, both at home and abroad.” (Special Consular Reports, Washington, U.S.A., Vol. XXI., Part III., “*Trusts and Trade Combinations in Europe,*” pp. 461-2.)

The Syndicate, it will be observed, is the fully-fledged Cartel. It is important to understand the mechanism by which a voluntary organisation of the sort is held together. It is revealed by Mr. Frank Mason in another passage of his able Report. “The organisation is an ironclad compact, in which each contracting party agrees to submit, without conditions, to all rules and measures adopted by the Syndicate, or, in default, to be fined for disobedience. For this purpose *blank acceptances are signed by each member and put in the hands of the Syndicate treasurer. Should a member be fined, the treasurer fills in the amount of such penalty on the signed cheque and puts it into circulation.*” (Id. p. 465). It is obvious that as the Syndicate interrupts all connection between manufacturer and customer, the former, if he quitted the Syndicate, would be compelled to begin all over again!

I may here state that the internal structure and working of these organisations would require a separate paper to explain. For this purpose it would be advisable to take the leading instance and, indeed, the model of them all, namely the

successful Rhenish-Westphalian Coal Syndicate—which bears to Europe much the same relation as the Standard Oil Trust bears to America: it has been given in a publication of the “Musée Social” by M. Edouard Gruner *Aperçu historique sur les syndicats de vente des combustibles dans le bassin Rhenan-Westphalien*, Paris, 1898. An important discourse on the subject, by Herr Kirdorf, President of the Syndicate (who may be described as the J. D. Rockefeller of Germany) has been printed officially in an annual report which I have not had an opportunity of consulting (*Verhandlungen, Mitteilungen und Berichte des Centralverbandes deutscher Industrieller*, No. 89, p. 221 *et seq.*).

The German law of public companies takes no special note of a Cartel or Syndicate as distinct from any other company. Hence there is no centralised official record, and it is impossible to state, at any given date, the exact number of Syndicates which are in active function. The consolidation of existing Syndicates into larger ones is going on, so that the actual number may be smaller, while at the same time the industries of Germany are really syndicated to a greater degree than ever before. The following statistics are due to Mr. Robert Liefmann, a German authority often quoted on this subject, and may serve until the Prussian Government Commission, now investigating the matter, has issued its report. (*Die Unternehmer verbande*, Freiburg, 1897.)

GERMAN SYNDICATES.

THEIR NUMBER.		ANALYSED FOR 1897.	
1870	5	Chemical Industries	82
1875	8	Iron Industries	80
1879	14	Stone and Ores Industries ..	59
1885	90	Textile Industries	38
1890	210	Paper Manufacturers	19
1897	345	Wood Manufacturers	18
1900	290	Coal and Coke	17
1902	450*	Metals (not iron)	15
		Food Products	12
		Leather Manufacturers	5
			345

It will be noticed that the number of these Syndicates begins to swell after 1879, the date when the Bismarckian Protection *regime* began. Some people will see here an indication that the “tariff is the mother of Trusts,” as said Mr. H. O. Havemeyer, of the American Sugar Trust. But as we have plenty of Syndicates to-day in the United Kingdom which were certainly not mothered by a tariff, the indication is not one to rely on. The main effect of the tariff on Trusts

* Mr. Fras. Oppenheimer.

seems to be to determine whether the Trust shall be national or international. Thus Liefmann, in his original treatise (published at Freiburg in 1897) says on this point: "Had Germany not adopted a protective policy there would now be in existence a greater number of powerful international Trusts, and it is very questionable whether consumers would be better off than they are to-day."

His recent pamphlet on "Protective Tariff and Cartels" (*Schutzzoll und Kartelle*, 1903) I have not seen. That international Trusts exist is certain, and the most powerful of them (such as the Nobel Dynamite Trust, Borax Limited, and others) are financed and managed from London. According to Mr. Frank H. Mason international selling agreements with various countries (Germany, England, France, Belgium, Switzerland, and Austria), regulating the selling price as between two or more countries, now cover the following 31 articles, viz: "Carbonate of ammonia, borax, uranic colours, muriatic acid, milk sugar, hydrate of chloral, soda, Thomas meal, alizarin, oxalic acid and potash, iodine, strontium, bromine, certain fertilizers, chromate and other salts of potash, saline products, dynamite, glanz gold, sporting ammunition, rails, billets, wire, gas pipes, wood screws, cement, mirror glass, coke, raw zinc, bismuth, lead, and copper. The Austrian writer, Dr. Josef Grunzel, devotes a section of his book, *Ueber Kartelle*, to an account of these International Cartels.

The iron industry has afforded the principal illustrations of dumping that have attracted notice in England. So it may be well to give a skeleton sketch of the group of combinations which control it in Germany. The German iron trade Syndicates in 1900 were six in number, viz.:—1. The Pig-iron Syndicate; 2. The Ingot and Steel Billet Syndicate; 3. The Girder Syndicate; 4. The Drawn-wire Syndicate; 5. The Plate Syndicate; 6. The Wire rod Syndicate. The Pig-iron Syndicate has its main offices at Dusseldorf, and was formed in 1897 by a combination of three subsidiary Cartels, viz: the Rhenish-Westphalian, the Comptoir of Lorraine and Luxembourg, and the Pig-iron Syndicate of the Siegerland (the Iron-ore region east of the Rhine at Bonne.) The Ingot and Steel Billet, known in Germany as the "Halbzeng Verband" (association of half-finished products) was also formed at Dusseldorf, in 1897, from a selling association, and now represents the steel works on the Rhine, the Moselle, Luxembourg, the Saar, and in Westphalia. The Girder was organized in 1899 to comprise three groups, viz., the old South German Girder Syndicate of 1884, covering the Saar district and Luxembourg; the Lower Rhine and Westphalia Girder Syndicate; and the Peine Girder Works at Hanover. Its head office is likewise at Dusseldorf. The Drawn-wire Syndi-

cate of 1899 has a head office for export business at Hamm, in Westphalia, and four branch offices handling the German home trade are located at Berlin, Dresden, Mannheim, and Breslau. The Wire-rod Syndicate, founded 1896, is centred at Hagen, in Westphalia. The Steel and Iron Plate Syndicate of 1898 has its headquarters at Essen, the seat of the Krupp Steel Works which, since the death of Friedrich Krupp, has been floated as a Joint-Stock Company with £8,000,000 capital. These particulars are derived from a much-quoted article in Kuhlow's *German Trade Review and Exporter*." (Berlin, May 16, 1900).

The plan of organisation of all these great Syndicates is the same. Having come to a general agreement and signed a contract binding all members to sell their entire output to the central committee, an expert commission goes round to visit all the works, note carefully their capacity, quality of principal product, and location with respect to transport, local markets, and facilities for export. All orders are received by the general manager of the Syndicate, and apportioned among members according to the capacity of their works and the special requirements of each case. Orders for export are naturally given to works nearest the frontier, and when, for such or other reason, one of the associated plants receives more than its due quota, the excess is deducted in the apportionments of the next quarter. At the close of the year, all accounts are balanced and a general compensation of the excesses and deficits of production arrived at, in which each plant is credited with the quota assigned to it in the scheme of allotment. Those who are familiar with Mr. and Mrs. Sidney Webb's *History of Trade Unionism*, will find a singularly close parallel to this organisation in their account of the working of an English modern-type "Amalgamated" Trade Union. The resemblance to a Raiffeisen Co-operative Society is also obvious.

The agreement for one of these iron Syndicates usually runs for 3 years, after which period a firm may reconsider its position before renewing its adhesion. Consequently the agreements made in 1900 should have lapsed in 1903: but an extension of time was agreed to, pending reorganisation. At the present moment momentous events are happening in this connection in Germany. March 1904 is destined, I believe, to be an epoch in German industry, owing to the shape which this reorganisation has now taken.

A Trust has been described as a company of companies. The great United States Steel Corporation was something more, for it was a trust of trusts. It marks an epoch. Its analogue in Europe has just made its appearance in the Steel Works Association for the whole of Germany, which, after months of negotiations, has now been formed. It is a

Syndicate of Syndicates, and it is worth our while to appreciate its true significance.

The underlying factor which made the United States Steel Corporation possible, was the vital importance of arranging for the exploitation on a mutual basis of the Lake Superior iron ore deposits, the greatest source of steel-making ore in the world. What has brought about the German Steel Works Association seems to have been the necessity of *doing away with the dumping policy of the syndicates controlling raw materials* (coal, coke, pig iron, and half-finished steel products) by which German home manufacturers of finished iron and steel goods have been placed at a disadvantage as compared with foreign firms in the exploitation of the mineral resources of Germany.

When the large Syndicates were formed in 1897 they entered on three years of great prosperity. But from 1900 to 1902 Germany has passed through a very trying time. The demand fell off to an extent quite unanticipated. A vast over-production of iron products has strained the whole policy of syndication very severely. "Those who had predicted that the Syndicates would not be able to weather the times of receding trade," writes Mr. F. Oppenheimer, "have proved themselves bad prophets. During these times the Syndicates undoubtedly strengthened their position by a strong price policy, which is characterised by two features: (1) of granting private export bounties, and (2) of reducing the very considerable stock on the home market by sales at any price abroad, a procedure in which the prices charged to home customers left still sufficient margin for profit." (Foreign Office Annual Series, No. 3042).

He might have added that these two are inconsistent. The latter feature is that termed "dumping." In April, 1902, M. André E. Sayous was despatched by the "Musée Social" of Paris on an economic mission to investigate "La Crise Allemande de 1900-1902." His little book, bearing that title, was published last year. Our Board of Trade Blue Book on the fiscal question has made us familiar with that part of it which shows up the injury done to German home industry by dumping. Mr. Oppenheimer has used the same source for his account of the other feature of the "strong price policy" of the Syndicates. This export bonus system dates from 1897, and applies to such goods the exportation of which could be proved beyond doubt by the production of bills of lading, invoices, &c. It was a deliberate policy adopted to widen the foreign market for German products, and "in principle the bonus was only to be paid to unions which offered a guarantee that by these premiums the world's market price would not be lowered beyond the limit established by foreign competition." Of course the later developments of

dumping completely nullified all this: as is shown in Professor Dietzel's remarkable book, *Sozialpolitik und Handelspolitik*. (See also M. Vergne's study of the "seamy side" of German cartels in the *Reforme economique*, 1902.)

However, on June 20, 1902, the four great Syndicates that paid these "private export bounties" took a remarkable step. The Rhenish-Westphalian Coal Syndicate, the Pig Iron Syndicate, the Half-finished Goods Union, and the Steel Girder Union joined together to establish at Dusseldorf a central office under the style of "Clearing-house for Export" (*Abrechnungsstelle für die Ausfuhr*). It is remarkable as the first overt step towards common action taken by distinct Syndicates. The object of the new institution was declared to be "the settlement in common of bounties upon export." The amount of the bounties, to be fixed quarterly, was started at the following rates: 1 mark 50 pf. per ton of such coal and coke as is used for manufacture of export goods (coal calculated as yielding 70 per cent. of coke); 2 marks 50 pf. for the ton of pig-iron, *exclusive* of the bonus upon coal; 10 marks per ton half-finished goods and 10 marks per ton girders, both *inclusive* of the bonus granted on coal and pig iron. All requests for bounty, says M. Sayous, are to be addressed to this office, which will check them over and pay them. But payments pass only from one Syndicate to another. Manufacturers are to furnish their claims through the Syndicate concerned. "Whilst formerly the bonus was paid over on mere proof that the goods had been sold and exported, it is now necessary that the transaction shall have involved a sacrifice, *i.e.*, a loss relative to the price ruling in the home market." (*La Crise Allemande de 1900-1902*, p. 287.) M. Sayous quotes some of the criticisms levelled at this new departure; he had not, at the time of writing, made up his mind what it all meant. But it was a new departure which, in less than two years, has culminated in the German Steel Works Association. A somewhat fuller account of this Clearing-house for Export is given in M. Arthur Raffalovich's *Trusts, Cartels, et Syndicats* (Paris, 1903).

As the effect of this great combination will be to put a stop to British manufacturers, among other foreigners, continuing to profit by the low price of German materials, the negotiations, extending over a year nearly, have hardly received enough attention in the English press. The Berlin correspondent of *The Economist*, during the months January, February, and March, 1904, has told us something about it all. The great difficulty in the way of such syndication is the "allotment," or quantum of the whole output that each firm is to be allowed to undertake. Hence, certain great firms, without whom the Syndicate would be futile, stand out to the last minute for better terms. But there is a perfectly settled

conviction among all German manufacturers that organisation of this kind for the regulation of the output is absolutely indispensable, and they all mean to be "in it," if they can secure their proper "allotment;" twenty-eight great groups of interest entered into these negotiations which originated from Rhine-Westphalia. On February 5th last, it seemed certain that eight would be irreconcilables; and these eight were all giants, like Krupp and the two Steel Companies of Bochum, or geographically important, like the Upper Silesia group. The only prospect seemed then to be a war of rates conducted by the twenty against the eight. But by the commencement of the present month all the firms or groups had signed the Syndicate contract except two. The Westfälische Stahlwerke of Bochum, and the great Phoenix Company of Laar, near Ruhrort, still stand out. But the whole Silesian group, the Bochum Cast Steel (Guss-Stahl) Company, and Krupp had been roped in. Krupp asked too large an allotment; but compromised by taking a gradually increasing allotment which will reach 700,000 tons by April 1, 1907.

"The Syndicate is to run till June 30, 1907. It displaces a number of syndicates that have hitherto existed in the iron trade, and it is expected to have a beneficial effect in regulating production and prices. The smaller concerns, which manufacture something like 1,500,000 tons yearly, will hardly count, as they are more or less dependent upon the members of the Syndicate. The latter covers, for the present, the various forms of crude iron, puddled iron, rolling mill products, like blooms, billets, merchant bars, plates, sheets, structural forms, steel rails and girders, also tubing, and some others." (*Economist*, March 5, 1904). "All sales abroad will hereafter, be made at uniform, fixed prices. . . . The policy of dumping is to cease. . . . The Association has chosen Duesseldorf as its seat, and the selling agencies of the various branch organisations, hitherto scattered, are being transferred to that city." (*id.* March 12). "In compliance with a suggestion of the new Steel Works Association, the Coal Syndicate has just decided to discontinue giving an export bounty on steel and iron for export made by works outside the Association. . . . The works in the Association, according to the latest reports, have 83.5 per cent. of the entire steel production. It is still hoped that the Phoenix and the Westphalian Steel Works will enter the Association, which would bring up its output to 85.5 per cent. of the country's production. In other words, it would produce 7,750,000 tons of the 8,820,000 tons made in Germany. . . . The establishments in the Rhine country have 52 per cent. of the allotments, those of Lorraine 34½ per cent., and those of the Saar and Silesia 13½ per cent." (*id.* March 19.)

The syndication of the iron industries has claimed, perhaps, undue importance in this paper, because their dumping policy has fixed attention in England upon these examples. But precisely the same type of Syndicate is applied to every branch of German industry, except agriculture. In stone, bricks, tiles, earthenware, and cement; in porcelain, bottles, and plate-glass; in cotton, linen, woollens, jute, and silk; in paper, leather, and linoleum; in dairy products, flour-milling, sugar-stuffs, whiskey and beer; in all the great chemical industries for which Germany is so renowned; and not least in the machine industries (sewing machines, scientific instruments, and electrical apparatus of every variety): the whole field of manufacturing industry seems to be cartelised, if not syndicated, in Germany. It is quite as universal in Austria-Hungary, though there the organisations have not been as conservatively and prudently conducted as in Germany.

For the detailed facts, in Germany, I may refer to the second volume of *De l'Accaparement* (1903), by M. FRANCIS LAUR (which contains "Une Etude des Cartels dans chaque ville allemande" running into 400 pages). For the detailed facts in Austria-Hungary, we have the thoughtful treatise *Ueber Kartelle* (1902), by Dr. Josef Grunzel, who, besides being a professor at the Consular Academy at Vienna, is the General Secretary of the Association of Austrian Industries (a Protectionist League). His book gives the best account of the knotty problem, how to legislate for the public supervision, not to say control, of syndicates, including an analysis of the Austrian legislation proposed with this object. As a writer friendly to Cartels, though not opposed to legislation ("Ich gelange auf diesem Wege zu dem Resultate, dass die Kartelle als solche—also nicht bloss einige derselben—eine durchaus berechtigte und notwendige Organisationsform der modernen Volkswirtschaft sind. Deshalb lehne ich aber staatliche Eingriffe keineswegs ab, da ich der Ueberzeugung bin, dass gerade die unsichere rechtliche Stellung der Kartelle Missbrauche zeitigt, in noch viel hoherem Masze aber den Glauben an solche gezuchtet hat."—Preface),—his views are caustically criticised by M. Raffalovich, in the book above-mentioned, and by the German economist Gotheim, Member of the Reichstag, in a review printed by *Die Nation*.

The indignation created in Germany by the syndicates selling raw materials and half-finished goods to foreigners at lower prices than they sell at home, has led to frequent debates in the Reichstag, and under pressure the Government has instituted a Commission of Inquiry into the whole question. The preliminaries of this Inquiry were settled at a meeting on November 14th, 1902. In addition to representatives from the Imperial Offices of the Interior, of Foreign Affairs, and of Justice, and from the Prussian

Ministries of Commerce and Industry, of Home Affairs, and of Justice, the Commission includes seven Members of the Reichstag, four Professors (Brentano, Conrad, Francke, and Schmoller), and seventeen of the most prominent men connected with important syndicates in Germany. As the first chairman, Count de Posadowsky, expressed it, there is to be "a contradictory investigation on impartial and objective lines," into German Cartels. This Commission has been at work during 1903, sittings having been held 26th and 27th February, 26th and 27th March, 12th and 13th May: and in our Board of Trade Blue Book on the fiscal question, a summary report of its proceedings is printed. The whole report has been issued in three parts (800 pages) by Siemenroth under the title *Kontradiktorische Verhandlungen über Deutsche Kartelle*.

With a view to defending their interests against political attack, representatives from nearly 100 syndicates assembled in Berlin in April, 1902, and formed the "Central Union of German Manufacturers," which is joined by over 300 syndicates. Their newspaper organ, "*Deutsche Industrie Zeitung*" is ably edited by the economist, Arnold Steinmann-Bucher, author of the work *Ausbau des Kartellwesens*, Berlin, 1902. It is probable that we shall soon have available regarding German Cartels as voluminous and as "contradictory" a body of evidence as the Industrial Commission at Washington, D.C., has supplied us with regarding the "Trusts and Industrial Combinations" of the United States. (For above events see the work of M. Raffalovich, referred to.)

But it is not to be understood that the German people are hostile to Cartels. I think the best opinion in Germany would agree with the impressive testimony given by Professor Dr. Ernst von Halle, author of a well-known work, "Trusts in the United States" (Macmillan, 1895), who in reply to an application from Mr. Frank H. Mason, wrote as follows:—

"I do not hesitate to say that, according to my opinion, Germany would be already (1900) in the midst of a dangerous industrial crisis but for the modifying and regulating influence of our Cartels in most branches of production and distribution. The country, with its dense population and increasing capital that seeks employment, could not stand the reckless speculation that would result from unrestrained competition. Modern production, by means of steam-driven machinery, cannot stand unlimited competition, which too often leads to the destruction of the value of large capitals. Machine production requires close technical regulation, and does not admit of economic anarchy. So the effects of Cartels seem to have been to initiate a more harmonious industrial system, permitting promoters to invest their capital in many instances with ease and safety where, without combination, they might have been too timid to assume the risks of unlimited competition. The relatively low quotation of German consols and other public securities may be partly attributed to the great number of safe investments in cartelized industrial undertakings." (Special Consular Reports, Washington, U.S.A.. Vol. XXI., Part III., p. 469).

We have also to recollect, in any estimate of their syndicates, the traditions and character of the German people. "They are," says Mr. Mason, "conservative in all that relates to matters of business. They are believers in thorough education; careful, scientific processes, and steady, solid, legitimate development of business enterprises. They are therefore, with few exceptions, opposed to speculations, and the taking of large risks for the chance of suddenly acquiring wealth. . . Employers and employed, alike, realise that the present and future greatness of Germany are largely dependent on the virility and growth of her foreign commerce, and they have thus far submitted, for the most part patiently, to the inevitable burdens and inconveniences of a commercial and industrial system, which, as they believe, contributes to that result."

5.—*Scottish Private Bill Legislation in Working.**

BY ARTHUR W. SAMUELS, K.C.

[Read April 21st April, 1904.]

WERE it not for the fact that a Private Legislation Reform Bill for Wales, passed unanimously on the 25th March, 1904. its second reading in the House of Commons, and that not a single Irish Member brought forward the case of Ireland or claimed extension to this country of a similar measure, I should have to apologise to the Society for bringing the subject of Irish Private Bill Procedure Reform again before it. There is no necessity to prove how much it is wanted. Every one admits it is wanted. There is no necessity to prove how much Ireland suffers under the existing system. This will not bring about a reform. It pays certain politicians to have a grievance, and as the removal of the grievance would only be a hum-drum piece of practical legislation it does not pay other politicians to trouble themselves to remove it. Business men and men anxious for industrial advancement, and municipal rate-payers in Ireland, and others indulging but little in the higher politics, and concerned chiefly about developing the resources of their country. have no representation in Parliament; quiet-going people, as they are, make but little noise outside. Parliament. They have learned by long experience that in their case the "agitate, agitate" advice has never had the slightest effect when followed, in bringing about any mere business-matter reform. A measure that would enable an Irish city to get powers to make a main

* On July 7th, 1904, the Report of the House of Commons Committee on the Private Legislation Procedure (Wales) Bill was published. The successful working of the Scotch Acts is testified by Lord Balfour of Burleigh, the Right Andrew Graham Murray, Secretary for Scotland, and many others