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Industrial Combination. by D. H. Macgregor

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Journal of the Royal Statistical Society, Vol. 70, No. 2 (Jun., 1907), pp. 340-344

Published by: [Wiley](#) for the [Royal Statistical Society](#)

Stable URL: <http://www.jstor.org/stable/2339674>

Accessed: 28/06/2014 18:35

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stated that the business acquired comprised about 85 per cent. of the calico printing industry in Great Britain. The Association included nearly every leading house in the trade, and the directors "emphasized their opinion that as the outcome of the amalgamation far different and more profitable results may be confidently expected in the near future than have been realised for many years past."

At the first annual meeting, the Chairman was discouraging. "It took many months before they fully realised the magnitude of the task of organising so large a company on suitable lines." . . . "In plain English (the directors) were not equal to the task" . . . "The situation created . . . was so novel that . . . serious mistakes had been made." Finally, the results became so bad that a committee of investigation was appointed, and a new board of directors was elected to carry out their drastic recommendation of reform. Thenceforward the organisation for three years paid $2\frac{1}{2}$ per cent. on its ordinary capital and 4 per cent. in 1905-06. "It must not be concluded," says Mr. Macrosty, "that the higher dividend is proof of an essentially stronger position. . . . The works in the Association have to bear the burden of practically paying the closed works not to compete."

On the other hand, there are organisations, such as those of Messrs. S. and P. Coats, who seem to have followed a particularly judicious policy from the beginning. They combined only the strong competitors, and trusted to their superior efficiency and to the economies of concentrated manufacture to reduce the competition of outsiders to a negligible quantity." Their system of working enabled "every half-penny stamp to be traced," and under the circumstances it is scarcely surprising to read of net profits approaching 3,000,000*l.* on a capital of 12,000,000*l.*, and of a reserve fund of 4,500,000*l.*

The problem of the relationship of the State to these strong combinations is one that Mr. Macrosty considers not yet to be ripe for treatment, and his view is probably accurate, though it would be well perhaps for the State to hold a watching brief, and at all events to be familiar with every turn in the affairs of these industrial organisations. "The position of the British combination in regard to the interests of the community may be summed up as not at present dangerous, but containing, like every new development, great and unknown possibilities alike for good and evil."

Altogether Mr. Macrosty is to be cordially congratulated on the noteworthy contribution to historical knowledge that he has made. Much discrimination has been shown in the choice of material, which has evidently been collected with indomitable industry. But Mr. Macrosty has probably quite enjoyed the task, for he tells us "hunting down an association is quite an exhilarating sport: there is no cover so unlikely in which the game may not be started." O.F.

8.—*Industrial Combination.* By D. H. Macgregor, M.A. 245 pp., 8vo. London: George Bell and Sons, 1906.

From the detached ground of English soil "where trusts and cartels have not yet become a matter of public agitation," from

the still more detached atmosphere of Trinity College, Cambridge, where the fierce shouts of the conflict of the world's industrial armies can only distantly be heard, comes this calm and acutely reasoned analysis of the present situation.

Industrial combination—in Mr. Macgregor's view—is not monopolistic. To allege that combination has superseded competition, urges Mr. Macgregor, is “untrue both in fact and in analysis.” The strongest industrial combination, in order to hold its position, “requires to maintain the strongest competitive force within its own structure,” and “in the external market it employs against its rivals competitive methods of exceptional severity. There is no competition like that between one or two great organisations.”

Moreover, it is pointed out that combination does not necessarily affect the ethical duties of man to man. As in independent competition, such practices as rebates, boycotts, and discriminated prices flourish, and combination—or as it might perhaps more accurately be termed, associated competition—tends to accentuate these practices. Combination is not necessarily more moral nor less moral than individual action. It is only more powerful either for moralisation or for extortion. This is in a sense true, but perhaps gives hardly sufficient allowance to the spirit of comradeship and human sympathy which grows up between the workers in all large industrial organisations that sometimes tends to modify for a time the strict scientific working of the law of economic necessity.

Mr. Macgregor rightly insists on the view that industrial combination is not a new form of organisation that has sprung up and supplanted the “natural system of competition.” Competition, he urges, is the essence of any and every economic system. It has various methods of working—“the independent or the combined method or mixtures of the two.” “Industrial competition . . . is a competitive method based on that foresight by which the Darwinian Law is qualified in the sphere of human activity . . . The type which survives and is representative of its period owes its position to its strength as a competitor, on its power to take as well as on its power to give advantage.”

The factors of competing strength are analysed under the heads of “productive efficiency,” “risk,” “bargaining strength,” and “resource,” in four carefully argued chapters.

The causes which operate in the formation of trusts and cartels are then examined, and it is pointed out that in over-capitalised industries the absence of agreement among the producers will, under conditions of decreasing cost, lead to a price-war in which business is conducted by many firms at a loss; . . . or, again, in a rising market, each individual firm may be afraid to raise its prices lest the others do not follow. . . . The ups and downs, the fluctuations and uncertainties so created, will suggest to producers the remedy of agreement or association to regulate price and output, and avoid wasteful competition.

To form an effective trust or cartel the following conditions are thought to be necessary :—

1. The parties should be few enough in number to come to terms readily.
2. They should be near one another.
3. There shall not be great differences in the competing strength of the firms which combine.
4. There should be some degree of uniformity in the products of the firms.
5. Previous opportunities for communication between the combining parties are held to facilitate the process of formation.
6. In early stages the help of capital is required.

A good deal of attention is given to the question of the influence of tariffs on industrial combination. He distinguishes between a protective tariff and an over-protective tariff. A tariff is held to be simply protective when it does no more than enable the protected country to become the producer of certain goods. It is held to become over-protective when it does more than establish these producers and affords them a margin for raising their prices above full cost price. He is inclined to the view that "simple protection" is comparatively harmless, but through economies peculiar to the protected parties it may result in over-protection, which does not always conduce to the benefit of a country. "Although it is important not to exaggerate the influence of tariffs," holds Mr. Macgregor, "yet they have a strong influence whose theoretical basis is plain, and which spreads further than is at once apparent. . . . Combination which is based on the tariff, or on objective conditions created by human institutions, is liable to be rendered unstable as these institutions are continually modified and revised."

In these days of steadily-increasing prices of commodities, it is interesting to read Mr. Macgregor's views of the effect of these industrial combinations upon prices. When the causes contributing to the combinations are reasons of defence or aggression, the effect will appear in a *régime* of higher prices. "Prices will rule high, not only in relation to the abnormally low prices due to excessive competition, but with reference to normal conditions."

But high prices, even if steady, are not necessarily an advantage. To ascertain their real effect it becomes necessary to trace their effects on industry generally. Their effect is to reduce the consumer's purchasing power for other foods, and to lead elsewhere to crisis from under-consumption. In such a condition of affairs the "other industries" may cartel themselves and make their prices in turn higher and steadier. The result is a higher level all over the market. Mr. Macgregor shows how, by the interplay of forces, this result is almost inevitable. He holds, however, that it should be within the power of combination to steady prices without the quite inconsequent operation of putting them up. Steadiness is thought to have little economic meaning if it goes with a higher level of prices.

Mr. Macgregor goes on to discuss the economic effect upon the producer of the policy of selling in foreign markets at a loss, and he concludes that this may not be good if, in a national market controlled by strong combinations, the point of greatest profit is reached before the full tariff is made effective on price. "But if the limit allowed by the tariff is reached first, so that prices cannot vary upwards, the consumers may possibly gain, as well as the combination, by this policy if pursued under conditions of decreasing cost."

In so thoughtful a book as this, especial interest attaches to the author's analysis of the relationship of the State to industrial combinations.

He is impressed with the evident dangers. "A strong combination for the production of a staple commodity gives to a few men, who may have no other motive than private interest, an invidious power over national life and work." "It is an evil thing when trade influences creep into the legislature, and private interests are made cumulatively stronger by their power to obtain secret or open protection or concession." "The domination of industrial magnates is felt to endanger the virility of social life, and to relax the standards of every-day morality." Public opinion is not an adequate safeguard, and a new measure of active attention is required from the State.

The State may act as consumer, producer and legislator. As consumer, its powers of regulation are held to be only slight. On the question of organised State production, he does not admit the public ownership of commodities like water, gas and electricity constitutes a precedent, as these goods, though theoretically transferable in character, actually are non-transferable, as they need "a prepared way to be laid out over the whole area supplied," which way "is of no use to carry any commodity except one, so that its whole cost falls on the producer of that commodity." This condition of things "leads to narrow markets, and a strong tendency to decreasing cost within those markets." "The price of gas in Bristol would have to rise very high before it would be worth while to pack it in cylinders and send it from London." The whole market becomes, therefore, split up into local and non-competing monopolies.

These special considerations are held not to apply to goods which move freely over national or international markets. With regard to their industries, he finds himself confronted with a dilemma, "either the State must take them over one by one as economic forces consolidate them, but in this case the dangers of municipal trade, the influencing of public officials on behalf of private interests affected, will appear on a national scale—or it must wait until the industry least liable to combination is combined." This he feels to be impracticable. Grave difficulties would, in his judgment ensue, if public policy were to regard combination as antecedent to socialisation, but it is from the foreign relations of governments that his final attitude towards a socialist development of economic combination is derived. "There

is no time, so long as the international stress lasts, and occupies the best energies of legislatures, for industrial socialism." The burden of government would be intolerably increased if new officials were answerable to the legislature for all the complications of the conduct of national industries." He submits finally that "neither inductive nor deductive reasoning can be used fairly to assimilate the industries in which the problems of combination are pressing to those which already have silently come into the hands of public authorities."

He then considers what measures, short of ownership, the State can take, and, after consideration of the arguments, concludes that the State cannot without danger either forbid, or circumscribe, or by special inquisitorial registration sanction, the combination movement. "There is then left for it only the duty of ensuring that the movement will owe its success or failure to the action of the openest competition with other methods," and the author closes a book—wherein nearly every word has a measured value—with the following opinion: "If the combination movement comes to realise itself fully in time, so that industry concentrates to a high degree its strength, its risks, its powers for good, and its powers for harm, then, to revert to the metaphor of leadership, a nation's best hope is 'that a better conception of the place and dignity of industry may induce the best men of the nation to become captains in this war.'"

O.F.

9.—*Le Condizioni Generali della Classe Operaia in Milano: Salari, Giornate di Lavoro, Reddito, ecc.* (Pubblicazioni dell' Ufficio del Lavoro della Società Umanitaria, Numero 15). 254 pp., 4to. Milano, 1907.

This volume contains the belated results of an investigation, instituted in the summer of 1903, into the general conditions of the working classes of Milan. This inquiry was undertaken by the Labour Department of the Humanitarian Society, at the instigation of the Trades Council, who desired to obtain statistical details as to wages, hours of labour, piece work, &c., for the use of the various labour organisations represented on the Council, while the Humanitarian Society sought at the same time to procure precise information as to the extent of the dearth of employment as a guide in the adoption of measures for the relief of the unemployed. As the Municipal Council of Milan had also decided to make an inquiry into the housing and sanitary accommodation, arrangements were made for the simultaneous delivery and collection of the schedules of questions relating to both inquiries. The persons to whom the schedules were distributed were asked to make their answers relate to 1st July, 1903. At the end of June meetings were held in the working class districts to explain the objects of the investigations, and circulars were issued intimating that authorised persons would attend on certain evenings at the local schools to complete the schedules for those who were unable to understand them.

The schedule issued by the Labour Department contained sixteen questions, in which the worker was asked, *inter alia*, to state his