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The Rhenish-Westphalian Coal Syndicate

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until November, 1902, when it dropped to 11d., and a period of corresponding cheapness, with prices between 10d. and 11½d., and only once touching 1s., set in and lasted till March, 1905. During the summer of that year the price was generally 1s., and in the following winter 11½d. From April, 1906, it rose gradually to 1s. 0½d. and 1s. 1d. From January to April, 1907, it was 1s., and thereafter almost invariably 1s. 1d. until November, when it declined, and during the first half of 1908 stood at 11d. or 11½d. In July it rose to 1s., and in September to 1s. 1d., but in November gradually dropped to 11½d., the price going back to 1s. in March, 1909. In May it rose to 1s. 1½d., and in July to 1s. 2d., and to 1s. 2½d. in September. Again it dropped as winter approached to 1s., and during the first half of 1910 shifted a good deal between 10½d. and 1s. 1d. At the end of August of that year it touched 1s. 3d., its highest point during the whole series of years. Since then the price has usually hovered between 1s. 1d. and 1s. 2d., but a decline has set in, and the present price is 11½d. A general tendency has asserted itself of late years for bacon to be dearest at the end of summer and cheapest during the winter months.

Thus there appears to have been no marked rise of late locally in the price of fresh meat (which for the most part is killed in the town itself). The upward movement was chiefly in evidence between 1902 and 1905. The principal rise has been in pork, which went up 25 per cent. between 1901 and 1907, but has since remained steady. Next to pork, bacon has risen most. Pressed beef has risen within the last three years from 1s. 1d. to 1s. 3d. the 2-lb. tin. Butter has remained at a high price longer than usual during the last few months. Other changes have not been marked.

C. H. D'E. LEPPINGTON

*January, 1912.*

#### THE RHENISH-WESTPHALIAN COAL SYNDICATE.

THE Rhenish-Westphalian Coal Syndicate, the combination of colliery firms, which since 1893 has controlled almost the whole of the coal, coke, briquettes and bye-products produced in the "Ruhr District" (Germany's chief coalfield) is, without doubt, one of the most remarkable organisations in modern industry. Unique in many respects, it has been rightly termed "the largest and most effective combination in Europe, if not, indeed, in the whole world. . . ." <sup>1</sup> The very existence of such a combination

<sup>1</sup> *U.S. Industrial Commission Report*, Vol. xviii. Introduction and Chap. v.

is indeed a source of considerable wonder to those acquainted with the "fighting trade" prevailing throughout the English coalfields, and the inglorious career of combination schemes therein, ever since the dissolution of the Newcastle Vend in 1844. The difficulties to be encountered are only too well known to those connected with the English trade.

The agreement upon which the Rhenish-Westphalian Syndicate is based expires in 1915, and for some time already, coal producers, and the general public in Germany as well, have been anxiously discussing the prospects of its renewal. Their anxiety is all the greater owing to the uncertainty as to the renewal of the Stahlwerksverband, which expires in 1912; for it is believed that both syndicates must stand or fall together. The *débâcle* which would follow the dissolution of either has drawn the attention of the Government to the matter. It is openly maintained by prominent coalowners that the Government will insist upon the renewal of the Coal Syndicate, as an organisation essential to the welfare of the industry and those dependent upon it. The Prussian Secretary of State for Commerce has stated that the Government was even ready to become a member of the Syndicate, provided it received sufficient guarantees for the protection of the interests of the public; and that its renewal was desirable on grounds of common economic interests, since its dissolution would greatly affect the position of German industries, workmen, individual communities, and even the revenue interests of the State."<sup>1</sup> The Government has already compelled the renewal of the Potash Syndicate (of which it is a member), and this precedent is being freely quoted. Of late years the Syndicate has been strengthening its position, and its policy as regards output and prices has received considerable attention. Whatever its future may be, the present juncture seems convenient for some indication of a few general conditions which have determined its successful development up to the present.

The events which led up to its formation are briefly as follows. The colliery firms of Rhenish-Westphalia had suffered very severely from their mutual competition and consequent irregularity of production. Increasing prices greatly stimulated production; with the receding tide producers undercut each other recklessly, and reluctant to reduce output, aggravated the ensuing depression. This led to a period of experiment with various forms of com-

<sup>1</sup> Cp. *Diplomatic and Consular Reports, Germany, 1911*, Cd. 5465—166, pp. 13, 16 and *passim*.

bination from 1877 onwards. Finally in 1893 (a time of severe depression), the Rhenish-Westphalian Coal Syndicate was established to combine all the colliery firms in Rhenish-Westphalia. In 1903 the Syndicate was renewed upon a much firmer basis to continue until 1915, the Coke and Briquette Syndicates being merged with it.

Its avowed objects are the cessation of price competition, the regulation of production between the members, and the attainment of lucrative if moderate prices whereby fluctuations of output and prices may be minimised. So far, these aims have been realised to a surprising degree. The "Ruhr District" produces about 60 per cent. of Germany's coal output; in 1910 its production was 86,846,599 tons, of which only 5,492,257 tons came from non-syndicated mines—fiscal and private.<sup>1</sup> The increased coal export falls largely to the credit of the Syndicate.<sup>2</sup>

The organisation by which the aims of the Syndicate are attained may be explained briefly thus. To eliminate mutual competition, the Syndicate acts as a corporate sales agency for all the products put on the market by member firms. It is registered as a joint stock company, with a nominal capital of 900,000 marks (in shares of 300 marks each), held exclusively by the combined firms, and invested for the most part in a transport undertaking. From its palatial headquarters at Essen the Syndicate carries on the purchase and sale of coal, coke and briquettes, the acquisition of mining land and shares, and the operation of any enterprises concerned with the storage, sale, transportation, or extended production of mining products.<sup>3</sup> It has the ordinary organs of the "Actiengesellschaft"—the General Assembly, Supervisory Board, and Executive Committee, each with the usual powers and functions. By a contract with the member firms, individually, it undertakes to purchase and sell the whole of their products under agreed terms. Purchases can be made from firms outside the combination should necessity arise.

The "General Assembly" elects annually a third of the Supervisory Board composed of nine members, each 300 mark share carrying the right to one vote. This Board appoints the Executive Committee, and exercises general supervision over the Syndicate's operations. The latter committee, consisting of four members, carries out the chief functions of the Syndicate, *e.g.*, the purchase and sale of the members' products, the determina-

<sup>1</sup> *Diplomatic and Consular Reports for Germany*, 1911, Cd. 5465-166, pp. 68-72.

<sup>2</sup> *Ibid.* p. 71.

<sup>3</sup> Regulations of the Syndicate.

tion of accounting prices for purchases, and actual selling prices, the auditing of the accounts of member firms, and the proposal of fines for detected breaches of agreements; also the suggestion of levies upon the member firms to cover the expenses of the Syndicate, which has no profits or losses in the ordinary sense.

For the organisation of sales the Syndicate is divided into four departments, each controlling specified areas. A special selling agency deals with all orders under 6,000 tons, according to the locality. The wholesale dealers in competitive districts are organised by the Syndicate into "Kohlenkontore," and given exclusive rights over the Syndicate's products, conditionally and under its direct control. Such companies are located at Dortmund, Bremen, Cassel, Hannover, Magdeburg, Utrecht, and at Düsseldorf for the Rhine trade. Price-cutting among the wholesale dealers and middlemen is prevented, for the Syndicate prescribes minutely the conditions under which they shall deal in its products, and thus regulates their distribution completely.

The combined collieries contract to sell all their products to the Syndicate, and to join with it for the maintenance of certain organisations, and regulations for carrying on the trade, which are to receive implicit observance. The former comprise a General Assembly of mineowners, which meets monthly and elects annually two executive organs—an Advisory Council and a "Commission" for fixing the allotments of member firms out of the total output. The General Assembly also fixes the total volume of production, and the compensation or fines for members who fall short of or exceed their allotted quotas, and manages the holding of shares in the Syndicate. One vote is allowed for every 10,000 tons of production.

The mineowners elect the members of the Advisory Council—one member for every 1,000,000 tons of output. This body finally determines the assessment of levies and penalties suggested by the Executive Committee of the Syndicate, fixes the general price policy, hears appeals from mineowners, and suggests the members of the "Participation Committee." This latter Committee consists of two technical experts, a merchant, and a member of the Executive Committee of the Syndicate, and it allots to the member collieries their shares in the total output determined by the General Assembly of the mineowners.

To guide the organs of the combination in their general policy a series of specific regulations are observed.

First as to the penalties for breaches of agreements by the members, there is a maximum of 1,000 marks

for all save evasions of the selling agreement, for which the fine is 50 marks per ton. The selling mines are responsible for the supply, weight, and quality of coal, &c., contracted for. The assessment of levies to meet current expenses is made according to a fixed scale of outputs. All accounts are settled monthly. "Normal" prices, fixed by the Advisory Committee, must guide the Syndicate's Executive in fixing the prices at which it buys from the collieries and effects sales. Excess of the selling prices over purchase prices goes to the mine supplying the products. Losses on coal sold cheaply in competitive areas are met by general levies.

No mine can increase its "participation" unless trade conditions allow a general increase, or those of other mines are "bought out." Voluntary reduction of participation is allowed on one month's notice. The cost of extending the interests of the Syndicate by the purchase of virgin coal measures, transport rights, mining shares, &c., are met by general levies.<sup>1</sup>

The fact of vital importance is that the various agreements of the Syndicate are legally recognised and enforceable. They are therefore actually binding and effective, not merely nominal as in many English temporary combinations. This circumstance, the strict definition of rights and obligations, and the provision made for every conceivable emergency contribute to the efficient restriction of competition.

So far, the operation of the Syndicate has been very successful. Its price policy varies in competitive and non-competitive regions. In the former, *e.g.*, Holland, Belgium, Baltic and Mediterranean ports, it is mainly determined by the state of foreign competition. In the latter areas, the price policy is determined according to the industrial "conjunctur" of Rhenish-Westphalia. The prices fixed by the Syndicate are, in the main, the official prices throughout the coalfield, and owing to its predominant influence they do not follow the fluctuations of industrial activity as closely as do coal prices in England. Its power over coke and briquette prices is a valuable asset.

As regards output, the Syndicate's policy is determined according to industrial demands, the state of imports and exports, and the weather. The "participations" of the member firms are allotted according to their productive capacity; their actual production is regulated proportionately, according to the state of

<sup>1</sup> This has tended greatly to increase the community of interest between the syndicate firms. It really creates an element of permanent union and holds members together.



trade. The Syndicate aims at that production which is "profitably," rather than what is "technically" possible. The fixing of participations involves the principle of restricting supply according to demand, although most admit that the supply has been adequate so far.

The policy of the Syndicate has been favourable to the development of the industry generally. The "Ruhr District" is second to none in technique, in organisation of production and distribution, in economical development of resources, in export trade, &c.

Originally the Syndicate had little connection with questions of labour. Of late years much joint action has been taken in such matters. Large expenditures are made for providing dwellings, washing arrangements for the workmen, as well as for meeting the various social burdens—insurance, "Knappschaft," contributions, &c. The Syndicate has recently established "Labour Exchanges," through which alone miners are engaged, for the purpose of checking irregularities on the part of workmen. It is significant to note that wages, conditions of employment, and living are higher in the "Ruhr" than in any other coalfield in Germany.

The conditions which have undoubtedly favoured the development of the Syndicate are various. The natural location of coal measures in Germany is highly favourable. Coal is worked chiefly in three districts, all situated in Prussia, viz., Rhenish-Westphalia, Upper Silesia, and the "Saar" District (South-West Rhine Province). Small deposits are mined in Saxony, Lower Silesia, and the "Aachen District." Coal is not distributed over a large number of important coalfields as in England, where one can compete with another according to the trend of prices. The "Ruhr" is practically independent of competition from the other coalfields of Germany, supplies the bulk of the local demand from industries in Prussia, and holds the greater part of the export trade.

Moreover, the Ruhr coalfield is very much concentrated in area, and the measures are fairly uniform in character. Consequently the colliery firms are not only in close touch with one another, but their conditions of production and distribution are much alike. The determination of a satisfactory basis of agreement is thus greatly facilitated.

The quality of the "Ruhr" coals gives producers in this district a further advantage in the market. They are of greater value for steaming, manufacturing, or gas purposes than those of other districts. These "protective advantages" are increased by the

position of Ruhr producers in the matter of transport. Their proximity to the chief centres of consumption, and also to those important means of distribution—the Rhine for Swiss, internal, and coastwise trade, and the Dortmund-Ems Canal for Baltic and North Sea trade—is a further differential advantage. The interests of the Syndicate in transport companies, its monopolistic control over the wholesale trade, and the favourable rates granted to Ruhr coals by the State railways, further increase the natural advantages it possesses as regards transport facilities.

The firms in the Syndicate are favourably situated as regards both “potential” and “actual” competition. By means of levies upon the members, it has purchased controlling interests in unworked measures. The restriction of production checks the rash development of new properties beyond market needs and to the loss of existing firms.

The existing colliery firms are comparatively few in number. For many years a process of consolidation has been reducing their number, and increasing their size. This is partly the result of the natural tendency towards the centralised production of coal made necessary by modern conditions of the industry; partly the result of the consolidation of interests which has been resorted to by large firms to increase their participations, those of small firms having been “bought out.” The extension of Syndicate interests by means of joint levies has led to such a fusion of interests, that even were the Syndicate dissolved, a strongly placed union of mining interests would remain.

Not only are the Ruhr firms few in number, but production is highly concentrated between them. Twenty firms produce close upon 2,000,000 tons apiece, six of the largest produce over 29,000,000 tons of coal between them.<sup>1</sup> The total production in 1911 was 86,846,599 tons; the important firms in the Ruhr number about sixty-five, 93·5 per cent. of the output coming from Syndicate firms.<sup>2</sup> Another very favourable condition for effective combination is thus fulfilled.

The admirable organisation and impartial administration of the Syndicate have greatly assisted its effective development; the natural faculty of the Bergwerksdirektor for organisation seems well adapted to their intricacies. The legal guarantees for strict observance of agreements have created a feeling of general con-

<sup>1</sup> *Die Bergwerke u. Salinen im niederrheinisch Westfälischen Bergbaubezirk* pp. 4 and 5.

<sup>2</sup> *Ibid.*, and *Diplomatic and Consular Reports for Germany*, 1911, Cd. 5465-166 p. 72.



fidence in the working of the Syndicate; mutual suspicion and consequent disruption are prevented. Thus it has been able to steer clear of the reefs upon which so many temporary combinations in England and the United States have been shattered—mistrust between members as to the observance of agreements which lack legal sanction. The Syndicate can exercise its wide authority almost as promptly and vigorously as a single company or an amalgamation of firms.

The existence of preferential clauses in the contracts for exclusive customers, enables the Syndicate to utilise for the maintenance of its position the system of “deferred rebates,” which has been so powerful a weapon of the Shipping Conferences. Customers are retained and outside firms are boycotted.

Moreover, various circumstances have compelled the Syndicate firms to keep together, if only in sheer self-defence. The existence of Kartels in the various industries consuming coal, necessitates combined action on the part of the producers. This is all the more necessary in that recent years have witnessed a remarkable growth in the “coal-consumers’ associations” formed to exact favourable conditions in the purchase of coal. The aggressive attitude of the miners’ organisations has convinced the colliery firms that it is only the determined and united policy of the Syndicate in maintaining stocks of coke and regulating the terms under which miners are engaged, and so forth, that thwarts the avowed designs of miners for a general stoppage.

The burdens placed upon mining enterprises by legislation, *e.g.*, compulsory maintenance of mining schools, insurance schemes, &c., make joint action on the part of colliery firms a necessary and profitable procedure.

Most of the Ruhr collieries possess “briquette” or “bye-product” coking plant; and if it were not for the Syndicate they would meet in disastrous competition at many points. The chemical industries of Germany make a heavy demand for chemical bye-products, and the demand for briquettes is also increasing. The combined action of the mines enables them to exploit these demands to the full.

The conviction that the Syndicate is essential for effective resistance to foreign competitors in the world’s markets, and for maintaining the German export trade, has proved a valuable asset to the Syndicate. Its remarkable success in this connection has been very conducive to its popularity. Moreover, all the leading producers realise that whatever the defects of the Syndicate, the present conditions are infinitely preferable to the *débâcle*

of a "fighting trade." These convictions, coupled with the general confidence of industrial leaders in Germany in the Kartelle system, have produced an atmosphere very favourable to the Syndicate. Its remarkable success, and the extension and consolidation of its interests during the last eighteen years, furnish practical proofs in its favour.

Although the possibility of any scheme of combination in the English industry generally appears as remote as ever, the prospects of the renewal of the Westphalian Syndicate seem to be constantly increasing, in spite of the fact that it is faced with several difficult problems—the participation, for example, due to colliery firms who also produce iron or steel (the Hüttenzechen), the regulation of the output of coking coal, the inclusion in the Syndicate of collieries in the Saar District (South West Rhineland), the provision of sufficient guarantees to secure the inclusion of the fiscal mines, the general readjustment of participations, &c.

However, the very favourable attitude of the leading colliery firms and above all of the Government, and the resumption of negotiations between the Syndicate, the non-syndicated mines, and the coal consumers' associations, are circumstances of the utmost significance.

On all sides, especially in the markets for mining shares, one meets with frank expression of the disasters which must ensue should the Syndicate be broken up.<sup>1</sup> Hence arises the threat of the Government to reconstruct and join the Syndicate, possessing itself, at the same time, of a right of veto in the question of prices. The expenses of the fiscal mines are notoriously high, so that their lowest price limit must always leave the Syndicate firms a fair margin.

The strategic position of the Syndicate is very strong, both as regards its practical and moral powers, and it seems highly probable that in the long run these must tell in favour of its renewal.

G. R. CARTER

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OFFICIAL PAPERS.

*Report upon the Operations of the Paper Currency Department of the Government of India during the Year 1910-11.*  
(Calcutta. 1911. Pp. 55.)

MR. R. W. GILLAN, the new Comptroller-General and Head Commissioner of Paper Currency in India, has lately issued a

<sup>1</sup> Cf. *Diplomatic and Consular Reports*, 1911, Cd. 5465-16, p. 67.