

Germany Extends Trade Syndication

Steps are taken for after-war industry

Germany's preparations for after-war trade are centering chiefly in the concentration and syndication of industries. Details of some of the steps taken as described by German newspapers are reviewed in an article in the British "Board of Trade Journal," which says:

BOOT INDUSTRY.

"The necessary legal powers for the compulsory reduction of the number of working boot factories in Germany, and for the compensation of the suppressed firms, were created by a Bundesrat order of March 17. The provisions of the order are of interest, being the first example of a novel procedure which it was contemplated would be applied to other industries, and which, in fact, have subsequently been applied to the boot trade and the soap industry, as mentioned below.

"The method adopted was 'compulsory syndication,' a method which had already been applied to dealers in animals for slaughter (cattle trade combines.) As in that case, the effect was to bring the whole business, down to the minutest details, under strict central and bureaucratic control. At the same time, production within specified limits was made compulsory.

"The central authority is a supervisory committee (Ueberwachungsausschuss) of the boot industry, the members of which are appointed by the Imperial Chancellor. A representative of the Chancellor attends its meetings in an advisory capacity, and may suspend its decisions for review by the Chancellor, who must be kept informed of all important events. The supervisory committee is kept in touch with the views of the boot trade and the public by an advisory committee of seven members, selected from the trade and the consumers by the Chancellor. It is a legal person.

PLAN OF SUPERVISION.

"The functions of the supervisory committee include:

"(a) The determination in individual cases whether a firm falls within the rules requiring membership of a compulsory company and of the shares to be taken by each firm.

"(b) The supervision over the companies; appointment and dismissal of their directors; determination of the kind and quantity of footwear to be produced by each member, of the principles governing the purchase prices of the companies, of their condition and prices of sale, and of the distribution of their gross profits between administration costs, dividends, and contributions to the Supervisory Committee's Equalization Fund and general expenses; and examination and approval of their balance sheets.

"(c) The distribution of raw materials and of army and navy contracts. Any disposal made by individual firms of materials supplied by the Committee, or goods made therefrom, is legally invalid, if the permission of the Committee has not been obtained.

"(d) The power to lay under embargo and requisition for a company the plant, materials and finished goods of any bootmaker.

"(e) The administration of an Equalization Fund (Ausgleichskasse), raised by contributions from the companies, from which grants are to be made to those companies whose dividends, when compared with the turnover of the members in the period from July 1, 1913, to June 30, 1914, are in consequence of its measures less favorable than the average for all the companies.

"The expenses of the supervisory committee are met by a levy upon the companies.

"The individual bootmaking firms were compulsorily combined to form companies under the style of 'footwear manufacture and sale companies,' with a capital of 100,000 marks each. Areas were determined by the Chancellor, for each of which a company was formed to include all the firms in the area. Eleven such companies have been formed, and their combined areas of operations appear to cover the whole empire.

"The functions of the companies are to enforce the orders of the supervisory committee upon the individual firms, and to conduct the greater part of the wholesale trade in footwear.

"The individual firms must manufacture footwear as required by the supervisory committee, which determines finally their share in manufacture. They must obey the requirements of their company in the

manufacture of footwear for sale; they are answerable to it for good workmanship, etc., and, subject to an appeal to arbitration, they must sell their output to it at prices fixed by the directorate in the manner prescribed by the supervisory committee. Two per thousand of the monthly output of each firm (at least one pair) is released from this obligation. It is a criminal offense for a person declared to be a member of a company to manufacture footwear except by permission of the supervisory committee, or to destroy or otherwise use contrary to its instructions materials obtained from or through it. Dues must be paid to the directorate in respect of plant, land and buildings employed for other purposes. The surrenderable output is sold by and for account of the company, in the manner and at the prices prescribed by the supervisory committee. Disputes between a company and its shareholder firms or its customers as to delivery of goods are arbitrable before a special standing board appointed for the district by the State government. A company may enforce in the ordinary courts claims for damages against its members arising out of their default.

"The dividends of the companies, including profits from military contracts and grants (if any) from the equalization fund, will, it is stated, be distributed among their members in proportion to their production in the period from July 1, 1913, to June 30, 1914, irrespective of whether or not they are actually at work. It is for this reason that dues are payable for plant and land used otherwise than in the service of the companies. For the protection of firms shut down, footwear sold through the companies must not bear any name or trade mark.

"Compulsory syndication of the German boot manufacturing industry was followed after an interval by the compulsory syndication of the trade in boots, which was effected by a Bundesrat order of July 26. The organization created for the trade was similar to that created for the industry. Dealers were compulsorily formed into companies for the distribution of new footwear, particularly the output of the syndicated boot industry and imported footwear.

"Consideration has also been given to the question of the amalgamation of the German tanneries, but the special circumstances of the industry are understood to have caused serious difficulties.

A Bundesrat order of June 9 and an order of the Chancellor thereunder of the same date, established the compulsory syndication of German manufacturers of fatty washing materials (which alone may be described as 'soap'), of the same general character as the compulsory syndication of the boot and shoe manufacturers. The orders had effect as from July 1 last.

"By fatty washing materials are meant washing materials containing oleic, fatty or resinous acids, their salts or other organic acids which, either as acid or salts, have a cleansing or purifying effect.

"All the above-mentioned raw materials are controlled by the War Committee for Vegetable and Animal Oils and Fats, and since last August only the larger soap factories have been supplied, smaller concerns being left to find what compensation they could in the sale of soap supplied to them on special terms by the larger concerns.

"The new syndicate consists of only one company, under the style 'Soap Manufacture and Sale Company.' Its headquarters are at Berlin. The capital is 40,000,000 marks. All soap manufacturers established before August 1 are compulsory members unless they are exempted by the supervisory committee. The Chancellor may allow other manufacturers to join on application from the State governments. The constitution of the syndicate is bureaucratic.

IRON AND STEEL INDUSTRIES.

"The German Pig Iron Union, which was due to expire at the end of 1920, was reconstituted at the end of July last.

"The Steel Works Union was due to expire on July 30 last, and the question of its renewal was expected to give rise to serious difficulties. It was anticipated, however, that in the last resort the Government would intervene to prevent the union from being dissolved.

"In the iron and steel industries, the tendency to establish big mixed concerns, to combine coal mines

with smelting and steel works, and steel works with rolling mills, has recently again become prominent.

"It was reported on June 22 that a number of associations had been formed in the tool industry. The goods manufactured by these associations include files, saws, knives, tools, large tools and sets, swages, knife-plates and agricultural machinery. All these associations have formed a conjoint organization, under the style of 'Werkzeug-und Stahlortor G.m.b.H.' in Remscheid, which looks after the purchase and distribution of raw materials, especially steel.

A report appeared in the German Press about the middle of July to the effect that a request, supported by official authority, was to be made to the German fine iron plate works to consider the question of a combine.

"Negotiations have taken place among the gas and heating tube works for the purpose of deciding whether to convert the existing convention into a syndicate. In this instance also the impetus came from a section of the War Department which has been striving for further syndication in the iron industry.

"Reference is made to the expanding activities of the firm of Krupp. Not only has this firm purchased a large site for new factories at Munich, but it is systematically aiming at independence in respect of raw materials, such as iron ore, copper and coal, by acquiring other concerns.

GRAPHITE AMALGAMATION.

"A Bundesrat order of August 4 last, which came into force immediately, inter alia, authorized State governments compulsorily to combine owners of graphite mines and graphite preparing establishments into companies, with a view to the common administration of their graphite mines and works, the supply of their works with electric power, and the regulation of their sales.

"At a recent meeting of a number of German organizations interested in the brick industry it was agreed that in order to abolish after the war the unhealthy conditions prevalent in the past, and largely due to over-production, the establishment of new works and the extension of old ones should be allowed until the removal of the present distress, but only so far as there is a real need for them. In a discussion at the Ministry of the Interior on the situation a representative of the Government admitted that the condition of the brick industry, bad as it was already before the outbreak of the war, has since then become even worse. There are sufficient brick kilns in the country to satisfy the full demand, and it was stated that unless some check was imposed the old chaos would reappear. The Government therefore supported the demand of the meeting for compulsory syndication. The proposed syndicates will regulate both price and output.

"The combination of the two large German shipping companies, the Hamburg-America line and the Norddeutscher Lloyd, with a number of smaller companies already more or less dependent upon them, to form a big shipping pool, was reported in the German press at the end of August. The combine had not then been officially announced, but was stated to be 'substantially completed.' The formation of the shipping pool is said to have been supported by the banks and the Rhenish-Westphalian industries.

"Associations have been established at Hamburg, Bremen and Berlin for the protection of import trade after the war. A parallel movement is the Central Association of German Wholesalers in Berlin, with branches throughout the country.

"At a recent conference at Leipzig the Association for the Maintenance of the Common Interests of the Toy Industry and the Association of the German Toy Industry agreed to combine to form one association, under the style of the 'German Toy Union,' which will embrace the whole of the toy industry and trade.

"Many fusions and acquisitions similar to those noted above have taken place in the mining industry, as well as in the motor vehicle industry. It is held that a strong demand for cars and lorries will make itself felt after the war, first to replace the vehicles handed over to the military authorities, and secondly because an increase in motoring is expected. A tendency towards concentration has also been manifested in the machinery industry."

"The most outrageous show I ever had getting a fee," said the lawyer, "was when a client came to me with no other asset than a watch without any works in it."

"I suppose you took the case," was the rejoinder.