

selves to restriction of competition and control of prices, and may or may not carry with them economic and other social benefits.

b. *On the continent of Europe* cartels have been developed generally under the supervision of states with strong control over industry. European cartels have been classed, as to purpose, as follows:<sup>a</sup>

- (1.) Agreements on sales price and conditions of sale
- (2.) Territorial division of markets
- (3.) Pooling of profits
- (4.) Restrictions on production

c. *In England*, individualistic in social policy but with a strong central government, cartels, pools and combinations have been restricted because of their monopolistic implications.

d. *In the United States*, individualistic in social policy and with limited control by a central government, pools and combinations of many types have been developed. The history of these pools and combinations is the record, on the one hand, of agreements between enterprises in an individualistic and competitive industrial society to combine usually for some form of restriction of competition for common and individual advantage, and on the other hand, of legislation by the Federal Government to limit combination and preserve competition as a social policy. Pools and combinations in the United States have been classified, as to purpose, as follows:<sup>b</sup>

- (1.) Percentage of division of business
- (2.) Curtailment of output
- (3.) Territorial division of market
- (4.) Centralized sales plans
- (5.) Central purchase of total supply for resale
- (6.) Price fixing
- (7.) Pooling of patents
- (8.) Open price pools

e. *Legislation in the United States* has on the whole tended strongly to limit the powers of pools and combinations, in accordance with a policy of preserving free competition; but recent judicial interpretation of this legislation has made it less restrictive. It must be assumed that public opinion in the United States is strongly in favor of strong limitations to the powers of pools and

<sup>a</sup>Archibald H. Stockder, "Business Ownership and Organization," pg. 280.

<sup>b</sup>Ibid, pg. 266.

<sup>c</sup>Ibid, pg. 439.

combinations. The principal legislation relating to pools and combinations has been<sup>c</sup>

- (1.) Regulating transportation companies

The Interstate Commerce Commission of 1887.

The Elkins Act of 1903.

The Hepburn Amendment of 1906.

The Transportation Act of 1920. (This permits certain combinations of railroads under supervision of the Interstate Commerce Commission.)

- (2.) Anti-Trust legislation

The Sherman Anti-Trust Law of 1890.

The Anti-Trust Amendments to the Wilson Tariff Act of 1894.

The Clayton Act of 1914. (Permits combinations for the conduct of export business.)

The War Finance Corporation Act of 1918. (Special legislation to expire six months after the close of the war.)

f. *Holding companies*, or corporations organized for the purpose of unified control of legally separate enterprises through purchase of creditor or ownership securities of these enterprises, and trusts, or business estates in the custody and under the management of a common trustee, should not be confused with cartels, pools and combinations. The cartel, pool or combination is a federation based on contractual agreement; the holding company is a corporate entity; the trust is a legal trustee.

### C. The Problem

#### 1. Regularization and Stabilization of World Industrial Conditions is Desired

a. This is presumably the desire which explains the current more intense interest in the institution of the cartel, a desire to control by industrial agreements the evolution of industry out of its present condition of disorganization, a desire to avoid the disastrous costs of re-establishment of world economic balances under the play of free competition. At bottom there is undoubtedly the belief that controlled rehabilitation will be socially less costly than uncontrolled rehabilitation.

b. The first question to arise is likely to be whether national policies can be unified to permit establishment of cartels possessing the monopolistic or quasi-monopolistic privileges of a stabilizing nature (division of markets, price agreements, etc.) which have heretofore generally characterized such institutions. This is a question for political rather than economic experts.

c. The second question logically to arise is likely to be whether a formula can be found for cartels (suggested perhaps by the Interstate Commerce Commission Act of 1887 and the consolidation and fair return features of the Transportation Act of 1920) which provides for elimination of the privileges of monopoly and quasi-monopoly, especially autocratic price-control, and which provides a substitute for these privileges which will secure stabilization for industry through reasonable profits and benefits for society through stability and progressive price reductions.

d. The third question logically to arise is whether scientific management is not that substitute; whether the international cartel, organized

in accordance with a formula satisfactory to public opinion in all countries, and administered and managed in accordance with the principles and techniques of scientific management, is not the very agency which will:

(1.) Effect economies in production and distribution which can be shared by members of a cartel through reasonably stabilized sustaining profits, and by industrial society through industrial stabilization and progressive price reductions:

(2.) Provide by its very technique the precise and detail information which will sustain the formula agreed upon; namely, as a measure of effectiveness of administration, economies effected, reasonableness of profits and reasonableness of price.

THE spring meeting, held under the joint auspices of the Taylor Society and the Personnel Research Federation, May 9 and 10 at Washington, D. C., was devoted to the subject of leadership. Following are the impressions carried away by one attendant:

1. Although the concept of leadership is sufficiently definite to permit discussion, we as yet know little about the real nature of leadership. Mr. Tead's excellent paper, printed in this issue, is an adequate summary of present information.

2. While promoted by and usually coincident with status—formal position and authority—leadership is essentially independent of status. It may be manifested by foreman as well as by president, by worker as well as by executive.

3. Such research as has been or is being made pertains primarily to "personnel understanding" as evidence of the presence or absence of leadership; only incidentally to the nature of leadership.

4. Research as to the nature of leadership should be made in terms of conduct—acts done by those to whom are attributed the capacities of leadership.

5. Explanation of leadership in terms of qualities or attributes is not sufficient, but when considered in terms of qualities, leadership manifests, with varying values in combination under different circumstances: imagination or vision—the capacity to see objectives; technical knowledge whether and how objectives may be achieved; suasion, or capacity to generate in a co-operating group the desire to achieve specific objectives.

6. Environment plays a large part in determining the nature of leadership—in determining the weights in combination of the various qualities or attributes characteristic of leadership. Both physical conditions and group habits and inhibitions are vital factors in environment which determine the nature of leadership.