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CO-OPERATIVES AND MONOPOLIES

IN

CONTEMPORARY ECONOMIC SYSTEMS

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I N T R O D U C T I O N

CO-OPERATIVES AND MONOPOLIES IN CONTEMPORARY ECONOMIC SYSTEMS

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This discussion took place at the 1967 Meeting of the Central Committee in Prague. A special paper was prepared on the subject on Co-operatives and Monopolies in Contemporary Economic Systems based on suggestions made by Professor Paul Lambert, a member of the Executive Committee of the Alliance, who also acted as rapporteur at the discussion.

This volume includes that special paper and appendix, which is the work of the Research Department of the I.C.A., as well as Professor Lambert's speech of Introduction and the text of the Resolution approved by Central Committee. The publication also includes extracts from speeches made by members of Central Committee.

The I.C.A. will continue its work concerning Monopolies in accordance with the terms of the Resolution now agreed, taking note, in addition, of the views expressed in certain amendments which were not pressed to a vote in Central Committee in order to achieve a unanimous decision.

C O N T E N T S

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CO-OPERATIVES AND MONOPOLIES IN CONTEMPORARY ECONOMIC SYSTEMS

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The question of what to do about monopoly is clearly a political issue in that it depends upon political decisions and legislative or administrative action; but it is not a party political issue. Virtually all political parties in the U.S.A., in Western Europe, in the planned economies and in the developing countries agree in condemning private-profit monopoly. It is, therefore, possible for the International Co-operative Movement to express views on the problem of monopoly and the kind of measures needed to deal with it without involving itself in political partisanship. And it is essential for these views to be expressed, since, as pointed out in the Report of the Commission on Co-operative Principles, Co-operators cannot "profess neutrality or indifference" with respect to "great world issues".

In the western world the Co-operative Movement has been in the forefront of what the Polish Resolution describes as the "struggle against capital monopolies". As Mr. Southern declared at Congress, this struggle is the Co-operative struggle in which Co-operators are engaged "every minute of every day".

The International Co-operative Alliance, too, can claim that it has made a significant contribution to the change in the climate of opinion on monopoly. In the inter-war years in Britain and on the Continent, combines and monopolies were tolerated, sometimes in the name of "rationalisation"; in the post-war period, however, much more emphasis has benn laid on the value of competition. This has been partly due to the authoritative articles published by the I.C.A. drawing attention to the ways in which cartels and combines have raised prices to consumers.

Competition versus Efficiency: The Dilemma in Mixed Economies

Since the Second World War the need for effective action against monopolies has come to be as generally accepted in Europe as in the U.S.A. In Britain, the authority and effectiveness of the Monopolies Commission and the Restrictive Trade Practices Court have been greatly increased; and on the Continent there has been a general firming up and proliferation of monopoly legislation.

On the national level such legislation provides important safeguards to the public interest, i.e., to the interests of consumers by: restraining excessive prices and profits, promoting better quality of goods and services; discouraging misleading publicity; encouraging research, innovation and economic growth; and prohibiting resale price maintenance thereby encouraging enterprises interested in increasing their share of the market through price competition. In many cases such legislation does not prohibit cartels and mergers, but attempts to ensure that they offer consumers better and cheaper goods and services.

On the international level, where national legislation is largely powerless to cope with restrictive international cartels and monopolies, regional legislation, like that in the E.E.C. and E.F.T.A. agreements, can provide an important counterbalancing influence. The superiority of the E.E.C. over other international groups in this field lies in the fact that the E.E.C. Commission, when unanimously supported by the Council of Ministers, enjoys genuine powers of investigation.

Article 65 of the Treaty of Paris (1951) setting up the European Coal and Steel Community and Article 85 of the Treaty of Rome (1957) setting up the European Economic Community are designed to ensure effective competition and prohibit agreements between companies which interfere with competition and are against the public interest. Article 66 of the Treaty of Paris and Article 86 of the Treaty of Rome are designed to prevent mergers leading to the domination of the market by a single company or a small number of companies. The Treaty of Paris authorises rejection of a proposed merger if it would give the merged enterprise the power to fix prices or restrict production or prevent the emergence of effective competition even though accompanied by substantial economies of scale; while in the Treaty of Rome it is not size as such that is objected to, or domination of the market, but the abuse of such power.

The optimum solution, of course, but one which is beset with enormous difficulties of enactment and implementation, would be universally applicable provisions dealing with international restrictive business practices, as foreseen originally in the Havana charter and, later on to some extent, discussed as possible in connection with the G.A.T.T. and O.E.C.D.

Yet, despite growing recognition of the need to curb monopoly power, there has been a clear trend towards increasing concentration and market domination by giant firms, cartels and restrictive agreements. This has largely been the consequence of the technological imperatives which are driving industry to produce on an ever larger scale in order to take advantage of the economies of scale. These include increases in the volume of output and hence the size of market needed to support the most economic scale of production. Also the element of research and the degree of technical complexity are growing to the point where only relatively large specialised firms with heavy scientific and development overheads can achieve success in the market.

These pressures lead to market domination and make competition ineffective - in spite of all the legislative and administrative efforts to the contrary. As successful companies grow in size, they can acquire control over the market in two distinct ways. One is by buying up and merging with their smaller or less successful rivals until a small number of huge firms come to dominate the market. The other is the formation, by a number of moderately-sized companies, of cartels, associations, price rings or other agreements designed to increase their bargaining power, their prices and their profits.

Thus there emerges the dilemma of competition versus concentration, which is the crux of the monopoly problem. The increased size of companies and the association of firms in cartels and similar organisations make an important contribution to increased efficiency whether through the economies of scale, i.e. the elimination of unnecessary duplication of effort, savings on expenses for raw materials and credit, possibilities for large scale research, improved accounting methods, introduction of automated methods, and the advantages of planning. But at the same time they inevitably increase the market power (and profits) of the companies concerned, so that the fruits of technological development accrue more to shareholders than to the community.

The Treaty of Paris and the Treaty of Rome were in part designed to ensure effective competition among the 180 million people of the six Common Market countries. At the same time it can fairly be said that the economies of scale were as much in the minds of those who framed the treaties as the need to maintain effective competition. A major purpose of the Common Market was in fact to enable European companies to operate on the American scale. The giant corporations of the U.S.A. have achieved a size and power greater than those of any other country, so that many European firms feel themselves compelled to merge in order to compete effectively with them.

The big American firms are, on the whole, very much larger than the biggest European firms; and they spend a larger proportion of their earnings on research and development. The largest motor manufacturing company in Europe -Volkswagen - is only 10% of the size by turnover of the biggest American, General Motors. The comparable figures in other industries are: chemicals, 42%; rubber, 35%; electrical, 35%; and steel, 44%. Even the vast Royal Dutch Shell combine is only 63% of the size by turnover of Standard Oil of New Jersey.

The development of the Common Market will enable European companies to become bigger and to compete more effectively with each other and with their American counterparts. If Britain and the other E.F.T.A. countries were to join the Common Market, the result would be a market of nearly 275 million people, substantially bigger than the American domestic market; and this could make it possible for European firms to operate on an American scale and yet maintain conditions in which competition was as effective as in the U.S.A. If Ireland, Spain, Finland and Greece were ultimately to join too, there would be a market of more than 300 million people, half as big again as that of the U.S.A.

To be sure, it is not always the biggest companies that devote the largest proportion of their resources to research and development; and in most industries the economies of scale do not increase indefinitely with size. Moreover, in most industries the economics of scale are achieved by an increase in the size of plants rather than by an increase in the size of companies, whereas increases in the market power of companies are achieved by increases in their size, by the multiplication of the number of plants, and by mergers, whether or not the plants themselves operate on a scale sufficient to achieve the maximum economies. Nevertheless, and in spite of these qualifications, the economies of scale are substantial and many Europeans are inclined to think that increasing the size of European companies should be given priority over increasing the effectiveness of competition between them. There is no doubt that mergers do in many cases lead to genuine economies of scale, while rationalisation agreements very often eliminate duplication of effort and achieve greater productivity.

In theory, agreements and concerted practices are prohibited by the Treaty of Rome as calculated to interfere with or distort competition; but in practice they seem likely to be allowed to a large extent on the grounds that they help to promote technological and economic progress. In theory, companies making such agreements are guilty until they are proved innocent in contrast, for example, to Britain where they are innocent until proved guilty.

Thus there is clearly an underlying contradiction between the increased efficiency which so often results from concentration and the economics of scale and increased market power which can so easily be the consequence of the same process. This poses the basic issue as to how the benefits of competition - i.e. better and cheaper goods and fair distribution of profits - can be achieved when concentration brings important economics of scale and when companies are organised on a capitalist basis.

One promising approach to the problem is suggested by the Common Market legislation. Article 86 of the Treaty of Rome does not condemn the domination of the market as such, but only the abuse of domination affecting trade between member countries. Article 85 of the Treaty prohibits agreements, associations and concerted practices which prevent, restrict or distort competition, but allows those which "contribute towards improving the production or distribution of goods or towards promoting technical or economic progress while reserving to users a fair share of the benefits which result".

Similarly, the British Monopolies Commission has argued that certain British companies engaged in the production of fertilisers, motor accessories, industrial gases, colour film and other products have been paying an excessive return on capital employed - in some cases as much as 50% - and acting against the public interest. But at the same time the Commission has conceded that there may be important economies of scale achieved by a firm which dominates the market; and that in some cases, like that of Kodak, it would not matter if lower prices gave the dominant firm an even larger share of the market provided the benefits of the economies of scale are passed on to the consumer.

So perhaps part of the answer lies in overtly acknowledging the economies of scale instead of ignoring them as in the U.S.A. and the European Coal and Steel Community; seeking to limit concentration in those cases where it cannot be shown to bring important economies; and encouraging measures - particularly Co-operation - which enable the benefits of rationalisation and of scale to be channelled to consumers.

A specialised aspect of this monopoly problem in mixed economies - and one of particular relevance to Co-operators - relates to good distribution. Agricultural production is becoming more specialised, more intensive, more mechanised and larger-scale as a result of a number of factors which are expanding markets for agricultural produce into national, and even international, dimensions; these include increased population, mobility, modern means of transport, refrigeration and lowering of trade barriers.

These changes, in turn, have led to large-scale operation in retail trade, and to chain stores, supermarkets, shopping centres and voluntary buying groups - all of which imply large bulk deliveries of standardised produce. Bulk orders and the need for standardisation, plus the necessity of regularity and reliability in supply, have given the large food retailers an incentive to go backward from the marketing stage into processing and even into primary production of livestock and field crops either directly or via contracts with agricultural suppliers, e.g., potatoes for crisping and soft fruits and vegetables for freezing and canning.

Integrated firms are in a position to offer terms that are attractive to the farmer in the form of guaranteed outlets and/or prices, or technical advice, or credit facilities - but by the same token they reduce his independence and freedom of action, and they also preclude traditional suppliers (including agricultural co-operatives) from an ever-growing segment of the distributive field. This vertical integration, i.e., the combining of separate stages of production and/or distribution under unified control, has greatly enhanced the market power of distributors. At the same time distributive costs for food products have increased spectacularly. These two influences have imposed a serious squeeze on incomes of farmers whose share of the consumer expenditure has been steadily declining. This is another example of the economic pressures away from free (atomistic) competiton toward large-scale operations in the interest of efficiency - coupled with serious threats to the interests of consumers and small producers. And again a major answer would seem to lie in Co-operation, and in greater efficiency involving integration within Agricultural Co-operation.

Competition versus Efficiency: The Dilemma in Planned Economies

Socialists sometimes maintain that the problem of monopoly can only be solved by transforming private monopoly into public monopoly; but the experience of public ownership in the planned economies of Eastern Europe has demonstrated that sometimes public monopoly too entails inefficiencies and creates economic problems. This has proved to be true despite the fact that in large measure it is possible for the state to counteract the negative effects on consumers of monopoly power.

In the immediate post-war years there was an immense amount of reconstruction to be done in the Soviet Union and the priorities were fairly obvious. However, as higher living standards were achieved and a greater proportion of resources began to be allocated to the production of "consumption goods", it was by no means so easy for the State planners to decide what should and what should not be produced. Despite changes in the planning system, considerable quantities of some goods were produced that could not find a market, while there were serious shortages of other items. This is essentially a problem of monopoly. Where there is single producer or when production in an industry is controlled from the centre, it is difficult to forecast changes in demand and to produce the kinds of goods that are wanted and will be sold.

In the early sixties the problems associated with over-centralisation and monopoly began to assume formidable proportions in the Soviet Union. In 1962 Professor Liberman of the University of Kharkhov, Professor Trapeznikov, Professor Nemchinov and others suggested that a greater measure of autonomy should be extended to individual enterprises and that they should be allowed more freedom within the overall plan in obtaining supplies and in marketing their output. It was also argued that the system of financing Soviet industry was sometimes wasteful, since returns on capital accrued to the State (which provided the capital); so that management had relatively little incentive to increase efficiency. Hence, the argument ran, it would be more economic for the enterprise to pay a limited return on capital and to share the balance of earnings among those actively associated in production. There was already some participation by workers in the fruits of increased efficiency, and incentive payments systems had been widespread in Soviet industry since the thirties; but it was held that the new system would not only increase incentive but also lead to more economic allocation of resources by making the profitability of an enterprise a measure of its success.

Following a long period of discussion about the proposed reforms, limited experiments were made in 1963 and on a larger scale in 1964. In 1965 the new system was introduced over a large part of Soviet light industry, and produced such impressive results that it is gradually being extended.

Under the earlier system the residual earnings of an enterprise went to capital, provided by the State. To most of the workers the State was as remote as a capitalist shareholder. Under the new system the return paid on capital is limited, and the workers share in such increases in earnings as may be achieved through greater efficiency - as distinct from increases resulting from other factors. Prices continue to be controlled within the framework of the national plan. Some western observers have suggested that the Soviet economy has been moving in a "capitalist" direction, but this is clearly misleading since there is still no question of undertaking production for the profit of private shareholders. Indeed, it would seem that Soviet industry has been moving in a "Co-operative direction" tather than in a "capitalist direction". The return paid on capital is limited as in all Co-operatives; workers share in residual earnings as in workers' productive societies; and - another characteristic of a Co-operative - the enterprise itself has greater independence or autonomy.

In Yugoslavia, additional reforms have been introduced under the system of workers' self-management, similar in some ways to the system of self-government operated by workers' productive societies in France, Italy, Poland, Czechoslovakia and other countries. In Yugoslavia, too, the movement towards competition has gone very much further than in the Soviet Union or the other countries of Eastern Europe; but in Czechoslovakia, Hungary and Bulgaria, and more recently in Roumania, it has been found useful to introduce policies similar to those advocated by Professor Liberman.

It is surely fair to say that the Soviets have now recognised the value of an element of competition in helping to adapt supply to changes in demand. If the competitive principle is not endorsed with quite the same enthusiastic abandon in the Soviet Union as it seems to be in Yugoslavia, it at least seems to be recognised that the market mechanism has its value and monopoly its dangers in a planned economy based upon the social ownership of the means of production.

Competition versus Efficiency: The Dilemma in International Trade

The monopoly dilemma prevails also in the field of international trade. The same economic and technological pressures which make a virtue of size in domestic markets are operative on the international level; and here too, despite the enormous possibilities for increased output and higher living standards as a result of specialisation and division of labour, there are serious threats to consumers and small producers. Again the threat stems from excessive prices (and profits) achieved either through cartels and agreements or as a result of market domination through sheer size.

In the field of primary commodities the problem has reached such proportions that entire countries have been victimised to the point where they have been characterised as "under-developed regions".

In the classical model of free and competitive international trade, it was assumed that the benefits of technological progress would automatically be diffused to developed and under-developed areas alike. The industrialised countries, by concentrating on capital-intensive manufacture, would benefit from the steady reduction of production costs and increased output. These gains would be shared with the under-developed areas through reduction of prices for the manufactures shipped to them and increases in prices for their food and raw material exports as living standards and demand increased in the industrialised areas.

But the contrary has actually happened: the terms of trade have been moving against the under-developed areas rather than in their favour. This is because there are a number of economic rigidities and distortions which clog the mechanism by which the fruits of technological progress are supposed to be diffused throughout the world. The demand for the exports of the under-developed areas is relatively inelastic, i.e., it does not rise proportionately with incomes in the industrialised countries. It is also restricted by artificial trade barriers, by the development of synthetic substitutes and by technological economies in use of raw materials. Because of monopolistic elements in the developed areas, the gains for technological progress are channelled into higher profits and wages and shorter hours rather than into lower prices; in short, they are retained in the developed areas, not shared with the under-developed areas.

Primary producers in developing countries have had to buy their supplies from huge corporations like Standard Oil of New Jersey, Shell, International Harvester, Ford and Unilever; and they have also had to a certain extent to sell to big corporations - a development which has substantially contributed to the deterioration in the term of trade. At the same time, wages in the under-developed areas are kept at a subsistence level by the population explosion, concealed unemployment on the farms and open unemployment in the cities; surplus labour does not move to less labour-intensive areas of the world as assumed in the classical model. The F.A.O. figures show the world population increasing at a rate of 2% a year, with much larger increases in the under-developed areas. By way of contrast, world food production per head actually declined by 1% in 1963/64. It is estimated that 10 to 15% of the world's population go hungry at the present time, and from one-third to one-half of mankind suffer from under-nutrition, malnutrition, or both.

A particularly stubborn aspect of the problem relates to the fact that agricultural protection is rooted in a very real social need - the need to protect an under-privileged group. The considerable political power of farmers as pressure groups stems from their very great numbers, the essential nature of their product and the inelasticity of demand for food and many raw materials which makes it impossible for market forces alone to keep farm incomes at a tolerable level as compared with industrial wages; hence, the almost universal recourse to state intervention to maintain domestic farm prices at levels usually considerably above those of the most efficient producers in world markets. This in turn makes it tempting to seek insulation from the world market via import restrictions, a move which encourages expansion of output by relatively high-cost producers. Thus enormous surpluses are generated which have depressed "free" world market prices to levels some 10 to 20% below domestic prices. Alternatively, as in the United Kingdom, it may be farm incomes that are artificially supported via deficiency payments financed by taxpayers. In this case, there are no restrictions on imports, but there is still an inducement to high-cost, relatively inefficient production.

Much attention is currently being given to this problem and there is widespread agreement that enormous efforts must be made by the richer countries of the earth to redress the adverse balance of past decades and to finance the fundamental reforms required to reduce and eventually eliminate the disparity in living standards between the have and the have-not nations. The ultimate objective must be to industrialise the under-developed regions. But, in the intervening decades, tremendous amounts of capital must flow from developed to under-developed areas for investment in increased productivity, both in agriculture and in industry, in order to absorb manpower and permit workers to move off the farms without driving down wages.

Thus there is a need for a co-ordinated international economic policy embracing as a minimum, the following elements:--

The under-developed areas must undertake far-reaching social and land reforms, and they must be given a temporary shelter of tariff protection while their export industries are being nurtured;

Measures must be taken to remove obstacles to international trade in the form of customs barriers, import quotas, import monopolies, etc., especially in industrial countries with respect to finished and semi-processed industrial products. Removal of such barriers will eliminate a number of restrictive business practices which thrive in protected branches of industry;

In the interest of social justice and also in order to obtain the necessary support for such a liberal policy, the industrialised countries must at the same time introduce full employment policies providing for retraining and re-employment of workers displaced as a result of increased international competition;

National and international legislation against abuses by cartels and monopolies must be enacted to prevent agreements across national boundaries from nullifying the increased competition which would otherwise result from freer trade; and

Measures must be taken to stabilise the export earnings of less developed countries, for example international commodity agreements and/or compensatory financing to ensure a steady flow of investment capital.

These formidable challenges lie outside the scope of this paper except for the obvious comment that all of these programmes deserve the wholehearted support of Co-operative Movements. In addition, however, it is clear that Co-operators can themselves play a direct and major rôle in tackling what has become the world's number one problem.

The Relevance of Co-operation to the Problem of Monopoly

The goal of any economy - mixed or planned, industrialised or underdeveloped - is to satisfy consumer needs (however measured, whether through the market process or collectively determined). It is not mere output that is to be maximised, but output of those needs which the ultimate consumer most wants and in the quantity that he desires. Hence the "efficiency" of the economy can only be defined in terms of the effectiveness with which it ascertains and satisfies consumer wants.

1. In planned economies

It was noted above that the most recent policy shifts in the Soviet Union and in other Eastern European countries have resulted in a greater measure of competition. At the same time it was stressed that the new policies also represent a move in the direction of Co-operation. Under the old system, residual earnings of an enterprise were paid to capital, but not to capitalists, since it is the State which provides the capital. Under the new system, the Co-operative principle of limited return on capital is applied and the balance of earnings is shared among workers in much the same way as in a Co-operative Workers' Productive Society. Moreover, the pattern of supply is being influenced by the fact that much more attention is being given to consumer requirements as expressed through demands in the shop and reflected in the "profitability" of the enterprise. Meanwhile, Consumer Co-operation continues to play a major rôle in the socialist distributive systems.

2. <u>In mixed economies</u>

Co-operation is equally relevant to the solution of the very different problems created by monopoly in the Western world. Appendix A to this paper includes notes on the specific ways in which certain Co-operative Movements (i.e., those which responded to our circular letter) have attempted to combat monopoly.

For a realistic understanding of this relevance however it is important to recognise at the outset that Co-operatives, like private firms, are business enterprises and are subject to the same economic pressures arising from economies of scale and need for rationalisation. Like their competitors, Co-operatives seek to achieve and maximise control over the market; indeed this is the objective of the planning for structural change which is currently taking place in a great many Co-operative Movements. Co-operatives, too, are seeking to exploit the advantages of concentration which arise from managerial specialisation; more economical buying (cheaper for Co-operative retailers and permits more economical production runs for Co-operative producers); more economical selling (cost reductions through spreading of overheads, standardisation, economies in transportation and handling of goods, central warehousing, etc.); and the fact that these larger units can better afford renovation and conversion of premises, adequate stocks, development of new lines, local processing, etc. Also producer Co-operatives, like private cartels, join together in processing and marketing arrangements designed to increase their bargaining power and secure better prices for their produce - just as trade unions join together to increase their bargaining strength and push up wages, and as private firms join together in cartels or price rings or marketing associations in order to raise their prices. Similarly, members of a consumer Co-operative join together to bargain more effectively with producers and obtain supplies at lower prices.

But there is a major difference between private-profit and Co-operative enterprises, and it is this difference which provides the key to the dilemma of competition versus efficiency. <u>The difference is that Co-operatives channel to consumers and small producers the benefits of larger scale and increased bargaining power; this is in contrast to private-profit monopolists who channel these benefits to owners of capital.</u> This is another way of saying that Co-operatives do not abuse such market power as they may achieve because they use it in the interests of the consumer; in this case therefore concentration is compatible with efficiency. Private-profit monopolies on the other hand <u>do</u> abuse market power by channelling the benefits of concentration into excessive profits, thereby restricting output and increasing prices to consumers; hence they cannot be considered "efficient" in an economic way.

It has been suggested that it might be possible to escape from the concentration dilemma - the fact that it entails <u>both</u> economies of scale and disproportionate market power - by devising "techniques of control which would be substitutes for or supplements to the forces of competition" (Swann and MacLachan, Concentration or Competition, a European Dilemma? P.E.P. January 1967). We suggest that it is worth considering the rôle of Co-operatives as such a "technique of control" supplementary to the forces of competition. There are three ways in which Co-operatives qualify for such a rôle:-- a. because they directly serve the interests of consumers and small producers; b. because they are capable of combating monopoly and exercising a downward influence on prices; and c. because they are better equipped than any other form of business organisation to represent the interests of the consumer vis-à-vis public authorities.

a. It is hardly necessary here to spell out to members of the I.C.A. the many ways in which Co-operatives directly serve the interests of consumers and small producers by reducing wholesaling and production costs, ensuring quality, providing services of all kinds and returning distributive profits to Co-operative consumers and/or producers. These after all, constitute the reason for embarking upon Co-operation in the first place. The current surge of interest on the part of most member Organisations in rationalising their structures and tightening relations between apex, regional and primary societies is evidence of their firm intention to meet the challenge of national and international chains, cartels and monopolies by steadily improving their performance on behalf of consumers, i.e. by giving them better and cheaper goods and services.

b. Co-operatives everywhere have always taken a strong stand against restrictive practices which counter the interests of consumers and producers; such practices include monopoly, cartels, resale price maintenance, exclusive dealing, boycotts, restrictive agreements, price rings and the rest. This Co-operative campaign is waged on several fronts, via vigorous attacks in the Co-operative press; strong Co-operation representations to Governments in connection with monopoly legislation and in specific instances of restrictive practices; Co-operative ventures into production in order to counter boycotts and/or force price cuts (e.g. flour mills; margarine factories; electric light bulbs; animal foodstuffs; fat supplies, oatmeal; galoshes; cash registers; fertislisers; building materials; soap; laundry materials; and proprietary articles); Co-operative acquisition of a large enough share of retail distribution to be in a position to act as price leaders (e.g., active price policy in Sweden); and agreements between national Co-operative Movements on joint research or even specialisation in production in order to combat international cartels and competition from abroad (e.g. N.A.F. activities in Scandinavia).

Clearly the principle of Co-operative influence over the market goes beyond the combating of monopoly as such to embrace any industrial sector in which a Co-operative active prine policy may have the effect of bringing down prices either by reducing profit margins or raising the level of efficiency.

The argument can be carried even further by pointing out that the wider application of Co-operative principles to productive enterprises might combat monopoly and promote the interests of consumers.

Firstly, it might make competition more effective. Suppose a number of manufacturers form a price ring for the purpose of maintaining a specified price for their products. If they were all committed to the Co-operative principles of a limited return on capital and member participation in earnings through dividend on transactions or immediate price rebates, the artificially maintained "list price" would lose its significance. The real price to the consumer - i.e., the list price minus the rebate or dividend - would depend upon the relative efficiency of the firms, and customers would tend to buy from the most efficient manufactuer who paid the biggest discount. Thus in a real sense competition would become effective.

It may appear paradoxical that the Co-operative principle of consumers' participation in residual earnings could make competition more effective. After all, consumer Co-operative societies in most countries do not compete with each other to more than a marginal extent; they are engaged in distribution and rightly find it fruitful to co-operate closely with each other, as in buying supplies through their own wholesale society. It is nevertheless true that in manufacturing participation by consumers in residual earnings would lead to more competition rather than less. Most of the British Co-operative productive societies share their residual earnings with their customers as well as with their workers. These customers are primarily Co-operative retail societies. The productive societies are associated, in the Co-operative Productive Federation, for publicity and other technical purposes, but presisely because their customers share in their residual earnings there is necessarily competition between them - unlike capitalist companies associated in a cartel.

Secondly, a monopoly situation sometimes arises not as a result of agreements between producers, but rather from the domination of the market by a few giant companies. In such cases, and especially in the case of domination by a single company, competition cannot be made fully effective.

Nevertheless, the primary object of competition - the channelling to consumers of the fruits of technological progress - can be achieved by the application of the Co-operative principle of consumers' participation in residual earnings. As noted earlier, the Treaty of Rome countenances a measure of market dominance by large companies provided their marked power is not abused, and provided a fair share of the benefits resulting from technological and economic progress is reserved for the consumer. Similarly the Co-operative principle of consumers' Participation in the residual earnings of an enterprise could ensure that the fruits of technological and economic progress achieved through economies of scale are passed on to the consumer - thereby fulfilling the basic objective of competition.

In the field of agricultural Co-operation, various forms of "integration" are helping farmers to preserve their independence and flexibility, to increase their share of consumer expenditure, and to respond to the needs of consumers: these include extension of farm Co-operation into retailing and into closer relations with consumer Co-operatives; shifts from single-purpose to multi-purpose Co-operatives; and integration in purchasing, in marketing, and in co-ordination of services (advisory, agricultural extension, credit facilities, accounting and advertising).

c. Co-operatives are the only type of business organisation suited to represent the interest of the consuming public. Because they are not subject to internal conflicts between shareholder interests and consumer interests, they are especially well placed to represent the consumer in all matters of public policy. Thus Co-operatives should be, and be seen to be, the one form of trade organisation which can be relied upon the view issues solely from the standpoint of the consumer. As such, they are eminently fitted for the rôle of a pressure group advocating effective national and international monopoly legislation. At the same time it should be borne in mind that the effect of action taken nationally and internationally by the Co-operative Movement as a pressure group cauld and should be strengthened by collaboration with other organisations which have a similar interest in protecting the interests of consumers and small producers; these include primarily trade unions and farmers' Co-operatives, and on the international level their corresponding top level organisations.

3. <u>In under-developed economies</u>

This too is a subject which has been so widely discussed and written about that it need hardly be reviewed here. The details of the many ways in which Co-operatives can make a basic contribution to the economic and social problems confronting under-developed areas are well documented.

But the major point which merits repetition in this context is the rôle which agricultural Co-operation can play in redistributing to primary producers in these areas at least part of the residual earnings which are now being drained off to owners of capital - in many cases foreign to the countries concerned. This is true right through the whole range of Co-operative activities in less developed regions - credit Co-operatives, purchasing Co-operatives, processing Co-operatives, marketing Co-operatives, joint use of farm equipment and machinery, handicraft Co-operatives and multi-purpose Co-operatives.

The Polish Resolution as the Preclude to a Fundamental Debate

The Polish resolution on the struggle against capital monopolies did not place its main emphasis in the extension of public ownership and nationalisation. Rather it recalled that the I.C.A. Congress had carried a resolution in 1951 which drew attention to the growing menace of monopoly and the way in which companies reached restrictive agreements in order to attain high profits on investments regardless of consumer interests. It called for research, anti-monopoly campaigns and "vigorous counter measures" and "anti-monopoly legislation".

But measures taken under these headings, important as they are, have not been completely effective, partly because of the undoubted economic advantage of the economies of scale and the benefits of agreements which contribute to technological and economic progress. Thus it is necessary to tackle the problem also in other ways. The original Polish resolution printed in the agenda of the 1966 Congress referred not only to "action against monopolies at the state level" but to the need for governments to provide Co-operatives with more financial and other help and to "the establishment of social property in the Co-operative form within those spheres of the economy where it can be adopted".

Enough has already been said to indicate that these broad issues are indeed relevant to the debate on how to deal effectively with monopoly. There has been too much of a tendency for the controversy on monopoly to centre on the administrative and judicial processes for curbing or controlling the power of giant corporations, and not enough on the basic structure and purpose of the corporate form of enterprise. Clearly the possibility of extending the Co-operative principles of a limited return on capital and participation of consumers (and workers) in residual earnings is highly pertinent to such a discussion.

Certainly questions are being raised in the West concerning the nature and purpose of the corporation. In his recent British Broadcasting Corporation Reith lectures, Professor John Galbraith described the shareholder as "a passive and functionless remarkable figure for his capacity to participate without effort or even appreciable risk in the gains of economic growth." He added that "no grant of feudal privilege in British history had ever equalled, for effortless return, that of the American grandparent who endowed his descendants with a thousand shares in General Motors or I.B.M."

Many are asking whether the law should continue to make the earning of higher profits and dividends for shareholders the sole responsibility of company directors; and whether they do not also have responsibilities to their customers, to their workers and to the community. We have noted that the Rome Treaty seeks to ensure that mergers, agreements and restrictive practices which bring economies of scale or contribute to technological or economic progress should "reserve to users a fair share of the benefits which result".

But this is precisely what Co-operative societies accomplish. Co-operators are the proponents of an economic institution through which consumers <u>can</u> be assured of a reasonable share in the fruits of increased efficiency and with much greater confidence than is provided by the pious hopes expressed in the Rome Treaty. Co-operation is a distinctive way of organising production and distribution and the wider application of Co-operative principles would surely be relevant to the problem of ensuring both more effective competition and consumer participation in the fruits of technological progress.

The failure of mixed economies to achieve this is arousing increasing concern in the West and the whole question of the future of the enterprise is being vigourously debated in the U.S. The British Government is pledged in the next three or four years to bring in legislation on the function, purpose and philosophy of the joint stock company; and the French Government is exploring the possibility of making changes in the character of the company in the light of the report of the Mathey Committee.

This debate bears directly on the problem of monopoly and it is one to which Co-operators can make an important contribution. Discussion of the corporation in the West could easily become as interesting, constructive and fundamental as that on the Liberman reforms in the East. It rathers looks as if the Polish resolution is an invitation to Co-operators to join in the debate about the future of the corporation as it affects the problem of monopoly; and the problem of private monopoly is certainly as big a problem in the West as public monopoly and the misallocation of resources ever was in the East.

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In the last issue of CARTEL Thorsten Odhe declared that "particular doubt attaches to the effective application of that section of Articles 85 in which cartels are authorised to avail themselves of restrictive practices provided consumers obtain their 'reasonable share' of the profits achieved through rationalisation". He went on to say that "the profit economy suffers from the weakness that it <u>is</u> a profit economy", and concluded that the Co-operative Movement is "ripe to serve as the single most important instrument for remedying the deficiencies of the private profit economy" and "can supply the corner-stones of an entirely new economic system within which the profit motive will be subordinated to the principle of service to the community".

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CO-OPERATIVES AND MONOPOLIES IN CONTEMPORARY ECONOMIC SYSTEMS

Discussion of Special Paper and Resolution by Central Committee of the International Co-operative Alliance at Prague on 17th September 1967

DR. M. BONOW (President of the I.C.A.):-- I have great pleasure in calling upon Professor Lambert to introduce this subject to us.

PROFESSOR P. LAMBERT (Belgium):-- We must all be grateful to the Polish Organisation for having introduced this subject in Vienna. We did not have the time to discuss the matter in Vienna fully and today we are going to undertake that task. It is thanks to their resolution that it will be easier for us to get a clear view of this strange and difficult problem of monopolies. The written report before you is not my own work alone but that of a number of authors. When the Executive asked me to introduce this report I sent to the Secretariat of the Alliance three studies which I had already written on the subject: one on the abuses of economic power, one on the possibilities and limitations of competition and another which was a commentary on an article by the Russian academician Trapeznikov, where I interpreted the econo-reform in Soviet Russia as a step towards Co-operation; I compared certain these of Trapeznikov with my essays in the Social Philosophy of Co-operation.

The text of the Secretariat is before you, and I consider it to be a very important and valuable document. I have asked the Director of the Alliance to congratulate those who worked on drafting the report, and I should like also to congratulate him for having selected such well qualified collaborators.

My consideration of concentration includes trusts and cartels. I mention monopolies not only as a situation where one undertaking has the entire market to itself but also to cover the numerous cases where a few undertakings share the market, called oligopolies by economists, or cases where one undertaking has such a large share of the market that it can impose its will - in the jargon of economists a "quasi monopoly".

On the one hand we have the mixed economy countries and on the other the planned economy countries. The term "mixed" or "joint" economy is well adapted to the non-Communist area of the world, for the economy in those countries is made up of a capitalistic sector, a Co-operative sector and a private non-capitalistic sector, made up of peasants, tradesmen etc. "Planned economy" is not a term which can entirely cover the situation in Communistic countries but it is difficult to find a better one. We cannot speak of "Communist" economy because the representatives of these countries say that they are in a transitional stage; that they are going towards Communism but that they still do not have a Communist economy. We can also not speak of a "centralised planned economy", for the large majority of the countries in the world have a centralised planned economy. The difference is that the planning is more flexible than that of the "planned economy countries".

Let us first of all consider the countries with a mixed economy. I think we must refer back to the fact that competition tends to create monopolies, that is to say, competition has a tendency to destroy itself because competition leads undertakings to decrease their cost of production - an excellent method of reducing the cost of production is to concentrate and merge with other undertakings of the same type. It is after a certain size has been attained that the undertaking can use better equipment, and only after a certain size does it have better conditions for getting its supply of power. This size also gives it the financial power which enables it to pay the best technicians well and to organise research departments.

We must note in this connection that concentration requires a large market, since it does not allow economies until the large concentrated undertaking can manufacture large quantities and sell them. This explains two points. First of all, that despite the constant progress, concentration has not fully put an end to the small and medium sized undertakings. Here, where there is no large market, the small or medium sized undertaking can survive. It also explains why, if and when the market becomes broader, concentration also progresses. We have seen as a classic example what happened in the Common Market, and the same phenomenon also occurs where there are associations of nations and the market has expanded.

Even when the market is not owned by only one undertaking but shared amongst several undertakings, that is to say, when we are confronted with the situation called oligopoly, the undertakings can keep going, whereas theoretically competition should make them disappear. Let us take the example of a country where there are only three manufacturers of automobiles and all three have very high profits. These high profits should call into being new competitors, so that by extending the number of manufacturers the profits decrease, but this is not the case. The one who is attracted to this sector will say to himself, "I can only compete if I have a very large undertaking at my disposal", and he knows in advance that the market will expand only if he can offer a large amount of products. He says to himself, "These large profits will no longer be available in these conditions", and he does not enter the field.

With regard to the abuses of the monopolistic situation, I should like to illustrate the most important of these. First of all, there is the question of the high profits which, thanks to the price being too high, represent a kind of looting of the purchasing power of the consumer. But there is also a delay in progress. This is not always true, for some monopolies are dynamic. There are also conservative monopolies which do not exploit existing ideas while waiting to depreciate the equipment they already have on hand.

Another practice which has been clarified by a number of investigations undertaken under United States legislation is the making of products with what is called "built in obsolescence", in order to force the consumer to replace them at an earlier date.

The question is a very complicated one, for it would be too simple to believe that in most cases the solution to the problem of monopoly is merely to replace these undertakings by a number of competitors. This would be an illusion, for these medium sized undertakings would have a higher cost of production than the large monopoly, and therefore the consumer would not gain anything and might even lose something. The plurality of undertakings in one sector would give him no profits because the cost of production for them would be higher than if the same product were produced by one undertaking. Obviously the very large undertaking has economic possibilities open to it to which I have referred previously, and on the level of technology it has a number of advantages. It can be very efficient. It has study and research departments which enable a number of new innovations to be introduced. That is why there is no agreement amongst economists on the subject of monopolies.

Here one might refer to several American authors. Some of them are really aggressive when it comes to the question of monopolies; others have praised monopolies. It is a question of the particular monopolies with which one is dealing. Some of them undoubtedly are dynamic.

The Centrosoyus delegation regretted that the report mixed with the question of capitalistic monopolies the problem of total planning, but this link is an inevitable one, as I shall try to show. The solution to the problem of monopolies is frequently not to dislocate the monopoly or to replace it by a number of competing firms but rather to deal with it by way of nationalisation, so that it passes from private to public ownership. But when this solution is applied it still requires two further conditions so that the public may benefit from the change. The public enterprise must be organised in such a way that it is at least as well managed as the former private undertaking. This raises the question of its autonomy if compared to the management of the state and of the selection of managers of the nationalised undertaking. The second condition is that the public enterprise should be organised in such a way that the workers and the consumers can influence its management so that the technical progress is beneficial both to the workers and to the consumers.

Where public ownership becomes the rule we are confronted with the problem of determining whether the new organisation is adapted to the needs of the consumer. You are aware of the fact that since 1962 in the Soviet Union, under the influence of Trapeznikov, Nemchinov and others, a progressive economic reform is being slowly achieved, and the world has been asked to consider both the advantages and the disadvantages of total planning. The economic point of view is the only point that I am considering here. What are the advantages and disadvantages? The advantages have been to ensure a full employment of manpower. The second advantage there has been to accelerate in a remarkable manner the rhythm of economic growth. This rhythm has been greater than in what are known as mixed economies, with the exception of Japan, the country which in the international field has the highest growth rate.

Alongside these important advantages, total planning has revealed a number of disadvantages which are now clearly stated in the economic reviews published in the Soviet Union. First of all, the system created waste. We are all very familiar with the fact that other economies have also experienced waste, and this waste can become colossal in a period of recession or depression; but total planning also has its own problems. Trapeznikov referred to the curious instance of a large undertaking which manufactured nitrogen by decomposing the atmosphere, while not far away a very large undertaking was producing oxygen and eliminating the nitrogen! Other examples were cited and it is not difficult to undertand that such phenomena can occur when planning is done from the top down. When the point is reached at which there is no initiative left, human energy is not fully utilised.

But the greatest disadvantage was in relation to the consumer. When the consumer is confronted with the merchandise produced by only one large undertaking he must buy it, even though the product may be of poor quality. On the other hand, it has been recognised by Soviet commentators in their magazines that quality was sacrificed to quantity. The third point is that the demand of the consumer does not influence production, so that he has no freedom of choice in that sense. The consumer may not wish to buy a specific product, and if he asks for another product he may find that only small quantities of it are available. Before the small quantity product is produced in a large quantity it must first go to the planners and they must decide, whereas, if the undertaking is independent (as in a mixed economy country) it is possible for it immediately to respond to the demand, and thus it can adapt far more easily to changes in demand.

The representatives of Centrosoyus were also amazed at the use of the word "competition" with reference to their new system. Nobody means competition which is similar to that existing in mixed economies. However, the new system has to have within it a re-birth of competition, for as soon as it is said that the undertakings will be independent to a great extent and that the main measure of efficiency will be the question of the profits of the undertaking, there is recreated the atmosphere of competition, because the independent undertaking can select from among the suppliers, and this will work even though the prices (as is the case in the Soviet Union) are still determined by higher authority. The source of energy may be different. Some may prefer fuel to coal or prefer one supplier to another on matters of quality, speed of delivery, etc., and the independent undertaking therefore does create some measure of competition. This has not been denied in Yugoslavia, a country which has gone far beyond what is done in other democratic republics. The Yugoslavs say that their system is an original combination of flexible centralised planning and of independent undertakings managed by workers' councils, and competition.

Our friends from Centrosoyus would have been pleased by the interpretation of the new Russian experiment as reflected in the report, for it is true that those who say that this experiment is "going back to capitalism" have misunderstood the matter completely. What we can say is that the present economic reform borrows a technique from capitalism - the technique being that profit is the principal measurement of efficiency. But there is no private capitalist who then takes this profit and makes it his own, and if those is an increase in efficiency the benefits are derived by the workers.

I understand the new experiment (as do the authors of the report) as a step towards Co-operation, because the capital applied by the state will be capital with interest, which is the practice also in the Co-operative world, and the benefit or profit will be distributed to the worker, which is the practice in the producer Co-operatives. Finally, the undertaking will be independent, another characteristic of the Co-operatives.

I am convinced that our friends from Centrosoyus are interested in the experiments in their own country and that they will influence the future development. This important reform should not remain in the political field, for the system, though far superior to the previous one, has still a number of inherent dangers, in particular an unfairness in distribution. That is not to say that it is necessary to fall into the trap; it is necessary, however, to be aware that the danger exists.

Undertakings never have the same situation. Some are more favoured than others by their geographical location. Some have greater technological development than others, or a greater facility for this. If special measures are not taken it can occur that profit is greater in some undertakings than in others, so that a worker who has supplied the same task may receive more if he is in sector A than if he is in sector B. We must not underestimate this danger, and in so far as our friends from Centrosoyus are aware of it they will be able to take the necessary measures to overcome this danger.

When we come to the field of international trade, I can be very brief, for at the Bournemouth Congress we had a remarkable report from the late Thorsten Odhe. That report explained clearly the nature of the optimistic illusions of those who stated that technological progress would spread its advantages equally among the nations thanks to international trade. On the contrary, the position is that the developing countries are having to provide more and more raw material in order to obtain one machine. How did this come about?

First of all, in industrialised countries the increase in productivity is not accompanied usually by a decrease in prices but rather by an increase in salaries. This is a consequence of the strength of trade unions. From the point of view of the developing countries the situation is most unfortunate, for it means that they must pay increasing prices for their equipment whilst at the same time the price of their own primary products is decreasing. The price of their raw materials is decreasing because the demand for them is not expanding at the same rate as in indstry. Technical progress in industry enables savings to be made in the quantities of raw materials necessary for a specific type of production. To this must be added the fact that some industrialised countries are large producers of agricultural products and raw materials. There is thus a latent over-production which has a repercussion on the prices of developing countries, and this is a very serious problem which must find a solution.

It has sometimes been said that the solution might be the total removal of any obstacles to international free trade. Of course, we are very happy to see that these obstacles have started to be removed since the end of the Second World War, for very often protectionism allowed national monopolies to cheat the national consumer. However, I do not think that the solution would be the total suppression of all obstacles. If we agreed to this theory it would involve also the suppression of the state monopoly of foreign trade in coutries with a planned economy, for it is obvious that this system is a far greater obstacle than any tariffs or customs barriers, and they might state that such an elimination would endanger their plans. Secondly, we all agree that the newly developing countries will have to protect their infant industries, so that completely free exchange would be bad for them; in particular they have to catch up in the training of their technicians. Thirdly, there can be no question that agriculture should be left purely to the free play of international trade. I would refer here to an English economist, Davenant, who has stressed that very frequently in the field of agriculture a good harvest has provided the farmer with a lower income than a poor harvest. In a good harvest prices decreased. That is why in a number of countries special measures are taken, such as the setting of a minimum price for agricultural production; the buying of surpluses by the state, etc. That is the reason for so many countries protecting their agriculture. This is not to say that the system is perfect and that there are no abuses; very often a large operator can benefit in circumstances which can become scandalous. If there were totally free trade and if all measures for the protection of agriculture were eliminated, agriculture itself would be eliminated from a number of countries, consequently the world production of agricultural products would be weaker than at present, and the threat of hunger would be that much more serious.

For these reasons I do not think that the total elimination of all kinds of protection is the solution for our international problems. I am convinced of the necessity for a world plan which ensures better prices for developing countries and which impedes at the same time over-production of useless products leading to a needlessly high reserve.

The countries at a higher stage of development must regularly produce a surplus which permits the feeding of populations suffering from hunger, and this must be under a system which does not discourage agricultural production in developing countries themselves.

I am convinced also of the necessity of internal reforms which will put an end to the power of large landowners, which only retards development. Co-operatives should be developed very rapidly in those parts of the world. This would enable the people to make use of irrigation and fertilisers and increase their production and therefore lead to improved living standards. In this respect again action against monopolies is necessaay.

We must carefully go over the strict application of anti-trust legislation. It would be wrong to believe that this legislation does not serve any useful purpose. It has permitted the termination of abuses and frequently, due to the fear of enquiry, somebody who wanted to set up a monopoly has been prevented from doing so. Furthermore, I am sure that in several places the ownership of the large monopolies has passed from private persons to the public. To the extent that this is carried out, and the large undertakings are already part of the public sector, it is necessary to ensure the right form of administration, leading to a larger representation of the workers in management. This is the idea of a co-operativisation of the public sector. The well-known French Co-operators, Ernest Poisson and Bernard Lavergne, have spoken of it. The Co-operative Movement, in relation to the form of various undertakings, must stress the necessity for joint action, so that we may avoid having decisions taken by irresponsible managers or directors. This may not satisfy the pure ideals of the Co-operative Movement but may serve as a transitional stage which is preferable to the simple domination by capital.

We also have our own problem of modifying our structures and concentrating our undertakings. This question has been the subject of a remarkable report by our colleague Mr. A. Korp. It would, however, be childish to talk of Co-operative mergers and the mergers of capitalist undertakings on the same basis. The concentration of merging of Co-operatives would not lead to a lessening of the satisfaction of consumer demands. On the contrary. Such concentrations would never exploit the consumer. Such concentrations would permit the agricultural sector to obtain much better conditions of operation. We must not be afraid to progress in this respect, for in the majority of countries the agricultural income up to now has been lower than that of the industrial worker.

It is true that, theoretically speaking, some abuses might occur. The consumer could, theoretically speaking, abuse his power and demand that the producer deliver products at prices which would only leave a ridiculously small margin for the producer. On the other hand, Co-operative agricultural mergers or concentrations could become so powerful that they might be tempted to impose an excessive price on the consumer. It is for this reason that I believe that the solution to the problem is to be found in Co-operation of an organic character between the consumer Co-operatives and the producer Co-operatives. Thus by negotiation, and by a comparison of the income of both partners, a just remuneration for work or labour might be obtained and just prices achieved. I do not see any other solution - unless there is an increase in the power of consumer Co-operatives as well as of the agricultural producer Co-operatives resulting in some form of permanent contact or negotiation.

As to our rôle as Co-operators in the struggle against monopolies by our own undertakings, there are numerous cases where Co-operative undertakings have prevented abuse by monopolies. In Finland and Sweden in particular the results have been remarkable. At an international congress on public and Co-operative economy, Mr. Lars Eronn has reported on the actions of the Swedish Co-operative Movement. K.F. is the watchdog of the market, so to speak. If there is an abuse of power somewhere resulting from a monopoly situation, K.F. comes into action. It calculates at what price it could produce the same product and then negotiates with the private producer. If the abusive practice continues, competition is started. The result is remarkable, for K.F. has virtually been able to eliminate monopoly in this manner. If there are several producers of a particular product and one of them represents the consumer Co-operatives, the overall situation is not one leading to monopoly. Private monopolies can be forced to adjust their prices to those of consumer Co-operatives, consequently the abuse does not take place. Unfortunately, we have not always had sufficient power to take action along these lines. Nevertheless, what has been achieved in Sweden serves as a very great example for us all.

We should use our influence everywhere on the international level as well as on the national level so as to mobilise the forces which are close to our own thinking: the trade unions, for example, will be prepared to co-operate with us.

There is nothing basically new in this. As Mr. Southern has put it, the struggle against monopolies is our day-to-day life. The report on monopolies helps us to have a better understanding of monbopolies, and this better understanding is essential if we are to act more effectively. Consequently, Co-operators all over the world, represented in the Alliance, ask you not only to undertake action against monopolies but to continue to gain new insight, and also to gain new heart for the successful waging of a struggle we have inherited from our ancestors in the Movement.

RESOLUTION

"Central Committee, having reviewed and discussed the effects of monopolies throughout the world, as reported by their affiliated Organisations and by the I.C.A. Secretariat,

REAFFIRMS the support of the International Co-operative Movement for the Resolution on Monopolies carried by the 18th Congress of the I.C.A. in 1951 and welcomes the Polish initiative at the 23rd Congress in 1966 which provided this opportunity to bring the 1951 Resolution up-to-date;

RECOGNISES the value of recent tariff reductions and of national and regional measures against price rings, market sharing and other monopolistic and restrictive practices during the last sixteen years;

DECLARES that the danger from monopoly is as great today as it was then, especially for developing countries, and calls upon affiliated Organisations, national Governments and international Organisations to undertake or support research into the problems of monopoly, to create awareness of its dangers and to take such measures as may be possible to combat its ill effects;

PROCLAIMS that the further growth and development of the Co-operative Movement, of international Co-operative trade and of Co-operation between Co-operative Organisations is an essential feature of effective action against monopoly;

AFFIRMS the value and significance not only of legislative and other measures to make competition more effective, but also of the wider application of Co-operative Principles and changes in the internal structure of the enterprise in ensuring that consumers, producers and employees share fairly in the fruits of technical development;

WELCOMES the discussion and exchange of information on the future of the various forms of enterprise going on in all types of economy;

EMPHASISES the importance of the Co-operative contribution to these discussions and the relevance of Co-operative Principles in achieving the basic objective of all legislation against monopolies - the protection of the public against exploitation;

URGES Co-operative Organisations to demand the full enforcement of anti-monopoly legislation, paying special attention to supranational organisations or goups of nations accentuating the tendencies to monopoly;

STATES that discrimination against Co-operatives is detrimental to consumers and producers and in favour of monopoly; and, WELCOMES the establishment of social ownership in Co-operative form in all those sectors of the economy where it can be adopted".

DR. M. BONOW (President of the I.C.A.):-- Your colleagues of the Central Committee, Professor Lambert, have already expressed their very great enthusiasm for the excellent survey you have given of this very intricate and complex problem. I wish to thank you for the masterly way in which you have presented the report as a basis for discussion. You have done it in a most objective and scientific way. Thank you very much indeed.

I will now call on Mr. Sobieszczański from Poland, who will read the statement which Mr. Janczyk had prepared but which unfortunately, because of his illness, he is unable to give to us.

MR. J. SOBIESZCZANSKI (Poland) said that the interest aroused by the introduction of the question of monopolies at the 23rd Congress fully justified their decision to call for a consideration of this question. He said that they had observed the constant concentration of capital leading to the formation of large monopolies aiming to control the market. The detrimental activity of monopolies could be seen clearly in the economy of developing countries where monopolies, by controlling raw materials on the one hand and finished products in industrialised countries on the other, were able completely to dominate the market, and particularly to exploit small farmers. He named Unilever (operating through the United African Company), the Compagnie Française de l'Afrique Occidentale, and the United Fruit Company as examples of the organisations he had in mind. Mr. Sobieszczanski also commented on the political influence of such companies in developing countries, which he said was used to support régimes prepared to collaborate with them.

Mr. Sobieszczański said that in Poland Co-operatives had a market share of about 52% of retail trade, and 65% to 85% in the purchase of agricultural products. This showed that it was wrong to suggest that the monopolistic position of the State in socialist countries limited the development of the Co-operative Movement representing the interests of consumers and small producers.

Mr. Sobieszczański welcomed the decision to ask the I.C.A. Central Committee to pass a Resolution on Monopolies, and said the text before them was unanimously accepted by the Executive, but did not include some proposals suggested by the Polish Co-operators. Nevertheless, the Polish delegation was voting for this Resolution. The efficiency of the Resolution would depend on its execution and realisation, and this was why they proposed to put into the record an obligation on the Director of the I.C.A. to prepare practical methods of anti-monopoly action by the I.C.A. and its member Organisations.

Mr. Sobieszczański then suggested the following actions:--

First, to put to the Conference on Trade and Development (UNCTAD) the proposal to make enquiries about the influence of monopolies on the development of trade in the developing countries. Second, to put to FAO a proposal for the examination and disclosures of the degree to which monopolies hinder the development of agriculture in the developing countries. Third, to put to the United Nations Industrial Development Organisation an appeal to support all Co-operative forms of small scale production in the developing countries as well as to oppose the expansion of monopolistic capital in them. Fourth, to examine the activity of monopolists, especially taking into consideration their influence on Co-operation, and to arrange a Co-operative school in the near future for the study of the dangerous activity of monopolies. To propose in the years 1969 or 1970 to put the problem of monopolies on the agenda of one of the meetings of the Central Committee in order to review the anti-monopolistic activity of the Co-operative Organisations in various countries and the I.C.A. itself.

MR. E. GROES (Denmark) said that the paper before the Central Committee was for the practical use of Co-operators and provided a background for discussion and for the Resolution. He could only speak on monopolies in mixed economies and knew nothing of monopolies in planned economies. He expressed the hope that colleagues from Soviet Russia and Eastern European countries, for the same reasons, would abstain from discussing monopolies in mixed economy countries.

Mr. Groes said that monopolies in mixed economy countries were not always as black as they were painted. For example, they were concerned about their public image and were often well directed by their managements. In particular, their attitude to shareholders was not always to maximise distributed profits but to pay shareholders in dividends such amounts as would keep shareholders quiet and use the remainder for the development of the business. In this respect their policies were similar to our own.

Mr. Groes referred to the manner in which legislation now existed for the control of monopolies in market economy countries, and this covered a very wide field of restrictions and sanctions. So far as international trade was concerned, while accepting that big companies may be guilty of shortcomings in relation to developing countries, this was not always the case. He referred to a severe drop in the price of sisal which had had a catastrophic effect on the economy of Tanzania and East African countries. Yet, this was due to a decline in the use of sisal for binders in Europe and the United States, and the substitution of synthetic material instead. Mr. Groes concluded by saying that in market economy countries Co-operatives sometimes collaborated with monopolies. For example, we sold their products and sometimes, by giving up minor productive activities, it was advantageous to substitute products from monopolies.

While it was necessary for Co-operatives to fight efficient large companies in order to survive, it was unrealistic to think that we were fighting all monopolies at the same time. The right course was to get the strength to fight in an aggressive way and select monopolies one at a time. He referred particularly to international collaboration between Co-operatives and mentioned Eurocoop and the Co-operative Wholesale Committee of the International Co-operative Alliance.

MR. C. MATEESCU (Roumania) said he was surprised that the paper before Central Committee made an analogy between the socialist state and the capitalist monopolies. There was a fundamental difference as regards structure, and also as to aims and actions pursued. Monopolies represented the interests of a restricted circle of large stockholders. Profits were handed to stockholders in the form of dividends. The socialist state represented the interests of the whole people, and working people shared in the results of economic activities of the socialist state because the state used the greater part of the national income for the continuous development of the national economy for the benefit of the whole people.

Mr. Mateescu referred to the enormous waste throughout the world resulting from expenditure on armaments, and pleaded that if only a small percentage of military expenditure could be allotted for economic and social improvement of the developing countries, this would contribute to eliminate backwardness in vast areas of the world.

Mr. Mateescu said that the I.C.A., as well as continuing with publications, should co-operate more intensively with UNCTAD, FAO and ECOSOC, and other international bodies in studies on the influences exerted by monopolies on the incomes of small producers and on the kind of action which could be undertaken to counter this harmful influence.

MR. J. SZIRMAI (Hungary) said that in his opinion those who believed it possible to improve monopolies did not understand the essence of monopolies. Monopoly meant having an exclusive field of activity which permitted an enterprise to have a dominant position in production and in the sphere of distribution. This enabled it to maintain or increase prices to ensure extra profit in the interests of the capitalists.

MR. G. JORDANOV (Bulgaria) rejected analogies between monopolies in capitalist states and those in socialist countries. He said the Resolution did not satisfy the majority of Co-operators and favoured the addition of the texts of the Soviet and Polish delegations.

MR. S. NAKABAYASHI (Japan) said that in Japan anti-monopoly law had been mutilated year by year. Monopolies policy had a disruptive effect on the lives of their people. Money was taken for sales campaigns and for the construction of the munitions industry in Japan. They had already sent a report on the anti-monopoly movement in Japan to the I.C.A. and member Organisations. He hoped that this report would help in studying the present situation in Japan. He supported the Resolution.

MR. S. MIANA (Italy) said that the situation and trend of development of monopolies in Italy and capitalist countries corresponded in general with those described in the special paper, and illustrated by Professor Lambert. We were witnessing the establishing of giant private monopolist concentrations both at the financial and political levels. He referred to the spread of monopolist groups over a wide area, and mentioned the Fiat Motor Organisation in Italy which now controlled a chain of departmental stores and large supermarkets. Other monopolist groups influenced the creation of collecting and merchandising centres for agricultural produce, while several Italian enterprises had been taken over by large American or West German groups. In Western Europe monoplies were becoming supra-national. Mr. Miana said that both internationally or at least regionally, Co-operatives must act more effectively. They did not request special protection from the State, but strongly requested participation of Co-operatives in the economic planning of the country. He also favoured alliances with trade unions and other anti-monopolistic social and political forces, particularly as regards agriculture, distribution, house building and other services.

Mr. Miana said that since Co-operation could not stand as the sole alternative to monopolies, he believed that all Co-operators must support the expansion of public enterprises and support also measures of public intervention and of nationalisation of monopolies.

DR. L. MALFETTANI (Italy) said that the report submitted by the I.C.A. was a valuable document and he was particularly concerned with the sale and distribution of agricultural produce. The report stressed the introduction of monopolies in the field of distribution and in many cases they also dealt with processing and contract farming. This made it difficult for farmers to exploit their full contractual capacity. Differences between the income of urban workers and farmers were serious, especially in those countries where agricultural productivity was already sufficiently high.

Dr. Malfettani spoke of the reference to maintaining prices at artificially high levels in relation to world market prices, but insisted on price control for agriculture with the help of the state. Unlimited competition was not sufficient to protect the interests of the small producer and the consumer. He deprecated the tendency in the Common Market to try to put agriculture, industry and trade on the same level. He favoured vertical integration of Co-operatives with increased possibilities for processing and sale of products without the necessity of having to operate through monopolists.

Dr. Malfettani said no mention was made in the report of the difficulties which Co-operatives met when confronted by state monopolies or when the state interfered in their economic activities. In his opinion state monopolies were sometimes more dangerous than private monopolies because of the reluctance of the Government to intervene. He said that following the nationalisation of electricity a number of

Co-operative community services had been absorbed, and in agriculture the state had interfered with Co-operatives when trying to control and finance these institutions.

MR. L. ERONN (Sweden) said that what was mainly wrong with capitalism, from the consumers' point of view, was its tendency to restrict competition. In Scandinavia, Co-operation had been aware of this and had achieved something in correcting tendencies to restrict competition. This was done mainly by direct action through consumer-owned and consumer-directed enterprises, which had broken the powers of private cartels to influence public opinion and legislation about restrictive practices. The result was that they had a private capitalism that was better than it would otherwise have been without those efforts by the Co-operative Movements in Scandinavia.

MR. J. PODLIPNY (Czechoslovakia) said that it did not seem adequate to limit the nature of monopolies in th eir function to the economic sphere alone and to study their impact on competition without mentioning the political influence of monopolies both nationally and internationally. As regards economic functions it was not only a question of competition which gave an increase of quality or decreased prices, we must also bear in mind that the increased pressure of monopolies accelerates the process of centralisation and of concentration which eliminates weaker partners both in trade, production and crafts and services. It also made the life of the farmer more difficult and Co-operatives, which were social organisations, could meet these situations by combining their strengths. To some extent the concentration of Co-operatives had been forced by monopolistic pressure. Mr.Podlipny said that the difference between capitalistic monopolies and the so-called monopolies in socialised countries was evident from the aims they pursued. A capitalistic monopoly strove to increase profits whereas so-called monopolies in socialised states oriented all their activities in order to benefit society as a whole.

MR. T. TAYLOR (Great Britain) referred to the strong powers which already existed by way of legislation in market economy countries to restrict and restrain monopolies, and gave illustrations of the use of these powers recently in Great Britain. He said that been before steel was nationalised recently in Britain, 40% of total investment in the British economy was from state enterprises and with the addition of steel it was probably 45%. The result was that when we spoke of mixed economies it was not the classical capitalist economy as described by Karl Marx in the middle of the 19th century, but an entirely different type of economy. Even in the United States, which was regarded as the last surviving capitalist country, the degree of state planning of the economy would surprise many delegates. If anyone wished to be informed of such matters, he should read John Kenneth Galbraith.

Mr. Taylor underlined what Mr. Groes had said about the deterioration in the terms of trade affecting under-developed countries. He said that from his travels in Africa he was convinced that the great problem in many of these areas was to attract investment to raise the standard of living of the people there. He thought it irrelevant to the general discussion on monopolies to introduce the very specific problem of under-developed areas, which was a special case. Mr. Taylor was somewhat wary of protecting new industries by tariff barriers as these could readily mean inefficiency and unnecessary industries which would not raise the general level of living standards of the people. Mr. Taylor, however, agreed that a greater degree of stability in marketing and prices of agricultural products was desirable and in that field Co-operatives could make a contribution.

Mr. Taylor sought to rebut suggestions by representatives of the U.S.S.R. that living standards had not risen under the capitalist system. He referred to page 4 of the document circulated by Centrosoyus on this subject, and said that it was a fallacy to suggest that in capitalist countries only a small handful of monopolists were enriched while masses of the working people were impoverished. That was what Karl Marx had said in the year 1844, but it was demonstrable untrue in 1967, and the establishment of the joint stock company did not mean that there was a greater concentration of wealth in fewer hands. On the contrary, there was a wide diversification in the distribution of wealth.

Mr. Taylor concluded by emphasising the great problem of controlling state monopolies in Britain and elsewhere once the market and the control of the market were abolished. Establishing a state monopoly did not necessarily solve all problems.

MR. GUDKOV (U.S.S.R.) said that in the capitalist world the power of monopolies was increasing, and so was their influence on working calss institutions, including Co-operatives. The memorandum circulated by Centrosoyus was positive, but the background paper prepared by the I.C.A. was less so. The authors of this paper represented a definite ideology and their report lacked objectivity. For example, the author distracted the main attention of a Co-operative from the most important question concerning capitalist monopolies. Mr. Gudkov said there was no problem of monopoly in socialist countries and there never had been. In the Soviet Union there was complete unity between state and Co-operatives, and this was the basis of their planned socialist economy. To combine the so-called problem of monopoly in socialist countries with monopoly in capitalist countries was to falsify the facts.

Mr. Gudkov said he did not wish to claim that the socialist economy had already reached perfection or that it had no drawbacks. They were carrying through a number of economic reforms aimed at further perfection of economic planning, better management of enterprises, as well as incentives for workers. These reforms were bringing a faster rate of increased production.

Speaking of collaboration with the trade unions, Mr. Gudkov said it was unfortunate that the I.C.A. had not always established close contact with trade unions. Also the I.C.A. only adopted resolutions, whereas it is the result of these that is of particular importance. Mr. Gudkov said that in order to come to a unanimous decision the representative of Centrosoyus would be in favour of the proposed resolution to enable the I.C.A. to go one step further, but they felt that the resolution would be better if they could include the suggestion that the Central Committee recommended to Co-operative Organisations to request the state in its policy towards Co-operatives to help them financially, and grant them other advantages in their struggle against monopolies. They would also like to add that the Co-operation between trade unions and Co-operatives must be intensified. Centrosoyus had a number of other amendments to submit to the draft which it would like included in the Minutes if they could not be included in the actual text which was to be voted upon later.

MR. B. TRAMPCZYNSKI (Poland) also referred to the position of small producers and the situation of developing countries in their struggle against monopolies. He said that in the period from 1960 to 1965 the national mean income of developing countries was $2 per capita, whereas in the developed countries it was $60. The most important reason for this difference was the activity of the monopolies. He referred to the enormous profits made by monopolies in developing countries and transferred to their home countries which were approximately 3 billion dollars per annum.

MR. M. IVANOVIC (Yugoslavia) said that he could not agree with page 12 of the text of the special report, where mention was made of the system in existence in Yugoslavia. It was said there that this system was similar to that in use in the productive Co-operatives in France and Italy. Perhaps the technique of organisation was the same but it must be borne in mind that the means of production are nationalised in Yugoslavia and we must also remember how the proceeds of the undertaking were shared and distributed.

MRS. Z. STAROS (Poland) said that in Poland the national economy had grown by 6% annually over the last few years. Industrial production was up by 9% and agricultural production had increased by 3½%. These were not record results, and other socialist countries could probably show better figures, but they were, nevertheless, good results, and proved that the economic development of Poland continued. There was a continuous improvement of economic methods in Poland, with changes in the system of administration and management, and everything was being done to increase and improve this activity.

DR. A. F. LAIDLAW (Canada) said that in Canada they had a restrictive trade practices commission of the Federal Government to which Co-operatives frequently made representations. This commission was a continuous Government institution investigating monopolies and unfair trade practices of all kinds. It had an expert staff and in the last year had

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investigated everything from beer to bread. It was to that kind of commission that Co-operatives should make their representations. Co-operatives should use their influence at this point and not allow monopolies to gain control.

Dr. Laidlaw said there were good and bad monopolies. In the Western economies they recognised a need to take over certain areas of the economy in the form of public ownership. For example, in the provision of electric power, transport and communications. He did not oppose monopolies because of their size. Very often size was necessary. Bigness was not necessarily a vice. Smallness was not necessarily a virtue. On the question of protecting small producers, he said that some people who spoke with emotion about the small producer merely wanted to see him continue for some reason or another. He preferred to see the larger independent farmers developed as the basis of agriculture, rather than small producers, especially the inefficient producers. Dr. Laidlaw said that there was one form of monopoly in Canada which he must defend. This was the monopoly enjoyed by what they called Marketing Boards legally set up with power to control prices and conditions of sale of certain products. This was an agricultural policy to which all farmers in Canada were committed, including members of Co-operatives. For example, 60% of all wheat sold came through Co-operatives, and 100% through a marketing board. This was an efficient monopoly, not maintained to exploit consumers, but to nationalise sales and guarantee a proper income to farmers as well as stabilise the price of wheat.

<u>DR. R. KOHLER</u> (Switzerland) said that he did not think that capitalistic monopolies would be very frightened by what had been said in Central Committee today. The question had been dealt with mainly from a political point of view, and not sufficiently from an economic point of view. The success of monopolies was a matter of their economic efficiency, and we had to look at the whole Co-operative Movement in that context. Co-operatives had failed in their fight against monopolies because they had insufficient capital to build their undertakings. Co-operatives had used the wrong type of manpower and had not themselves been able to co-operate more intensively at national and international level. Co-operatives had thus to put their own house in order so that they can be as expansionist as possible, while at the same time drawing attention to the need to struggle against monopolies.

Dr. Kohler said that in Switzerland the Co-operatives did not ask for privileges from the state to help them against monopolies. Switzerland had cartel or anti-trust legislation, but this did not prohibit mergers into larger units because it was felt that such mergers would benefit the consumers. Their legislation was to secure the elimination of results which were unfavourable to consumers.

<u>MR. N. PURI</u> (India) said that he felt the resolution before them was the best that could be produced in the circumstances. While the documents sent to them were mostly confined to conditions in Europe,

they had to contend with monopolies which were a legacy of the past as well as monopolies which had developed since India attained independence. These monopolies were retarding development of the agricultural sector. Mr. Puri said that conditions in India did not favour large scale agriculture, and indeed they relied to some extent on small scale operation to absorb surplus labour. Co-operatives have been successful in their challenge to monopoly in the jute and sugar trades, and he referred to assistance from American Co-operative friends in establishing a very large factory for the production of fertilisers which when it came into production in the next two or three years would reduce the price of fertilisers by about 30%.

MR. G. A. ONAGORUWA (Nigeria) said that the combination of inflation and adverse terms of trade were having a most serious effect on the economy of developing countries. As a result they were having to give more and more of their primary products for less and less manufactured goods. In the face of this it was impossible for them to raise the standard of living in developing countries. He felt it to be the duty of the I.C.A. to use its ifnluence on, say, the FAO to see that developing countries got a fair deal with their products. He supported the resolution, but wished the I.C.A. to identify itself with the needs of many millions of Co-operators in under-developed countries who were producers of primary goods.

MR. W. BRIGANTI (Italy) said that the resolution on monopolies summarised the ideas expressed by Professor Lambert, as well as those of various Co-operative Movements. This resolution was a guideline for Co-operatives throughout the world. It was, therefore, necessary to give the text the necessary scope and force to enable it to express the wishes of the world Co-operative Movement. In this spirit he desired on behalf of his Organisation to suggest three amendments. These were to insert at the third paragraph: "Recognises the value of economic planning, of directing investments and credit to the benefit of non-monopolist enterprises such as ...", and to follow on with the existing text of paragraph 3. To insert between the fifth and sixth paragraphs of the resolution the words "Considers the necessity for Co-operation to participate as an autonomous force in the economic and territorial planning both in the elaboration and execution of the plans" and lastly to add at the end of the penultimate paragraph of the resolution the words "Including the exclusion of Co-operators from supra-national bodies where other economic forces are represented".

Mr. Briganti said these amendments had the agreement of the other Italian Organisation, although Dr. Malfettani was going to submit another amendment.

After clarification by THE PRESIDENT and verbal translation by interpreters the above amendments were then put separately, and each was declared lost by the President, on a show of hands' vote, with two abstentions in each case.

DR. L. MALFETTANI (Italy) said that he was concerned about the final paragraph, because whereas in the English text the words "social ownership" were used, in the French text it referred to "propriété publique". He suggested the following text for the last paragraph. "The Central Committee urges the development of social co-operative ownership in the field where it can be adopted with economic advantages for the members of the collective organisation".

Following an exchange between Professor Lambert and Dr. Malfettani, PROFESSOR LAMBERT said that all amendments should be resisted as they stand because the original text was the work of a drafting committee and was done in such a way that Mr. Janczyk had made suggestions for Poland as well as for Centrosoyus, and these were taken account of as far as possible. Amendments submitted by Centrosoyus to the Director should be included in the Minutes but not as part of the resolution, and could serve as guidelines to the Director for his future activity. In view of the fact that they had managed to reach agreement on a difficult subject it was obvious that amendments arising now would require careful study and need another drafting committee to deal with them adequately. This would only delay our work still further. So far as the final paragraph was concerned, he felt that this could be amended to read "Welcomes the establishment of ownership in Co-operative forms in all those sectors of the economy where it can be usefully adopted". If this were done he felt that they could reach unanimous agreement.

MR. KRASHENINNIKOV (U.S.S.R.) then tabled the following amendments which he said they would have liked included in the official resolution but as these two amendments might require more discussion or commentary the Centrosoyus delegation agreed that these amendments be included in the Minutes of the Meeting only. This offer was accepted by the Central Committee. The Centrosoyus amendments are as follows:--

After the third paragraph insert:--

"Recommends Co-operative Organisations to demand from the Governments protectionist policy with regard to Co-operatives and promotion of their development and financial aid as well as giving privileges for Co-oprratives in comparison with the monopolies.

"Urges wider collaboration of Co-operative Organisations with trade unions and other mass Organisations of working masses, co-ordination of their efforts in the struggle against monopolies".

Although DR. MALFETTANI was not entirely satisfied with the revised wording of the final paragraph sugfested by Professor Lambert, the Central Committee agreed that, with the declaration made by Professor Lambert being recorded in the Minutes, the original text as it stood in the final paragraph could be accepted.

Thereafter the Central Committee agreed unanimously to accept the resolution as originally presented, and THE PRESIDENT declared it carried.

APPENDIX TO PAPER ON

CO-OPERATIVES AND MONOPOLIES IN CONTEMPORARY ECONOMIC SYSTEMS

INTRODUCTION

For the preparation of a paper on monopoly we have received a considerable amount of valuable material from Co-operatives in various countries. We should particularly like to mention the comprehensive documents received from Kooperativa Förbundet, from Norges Kooperative Landsforening, from Kulutusosuuskuntien Keskusliitto and from the Japanese Consumer Co-operative Societies.

With the help of material from these and other Co-operatives we have prepared some background notes on the problem of monopoly. They do not, and are not intended to, provide more than a general picture of the problem - various kinds of restrictive practices, and the measures taken by different countries' governments to deal with them; the difference between the American and the European approach to the problem; and the record of the Co-operative Movement in fighting monopoly. By their nature background notes of this kind can give only the briefest summary of action taken against monopoly in various countries; nevertheless, the much fuller information received from certain countries makes a valuable addition to the I.C.A. records on this problem. In preparing these notes we have found particularly useful a new book called "Control of Cartels and Monopolies: an International Comparison" by Mr. Corwin D. Edwards (Oceana Publications, Dobbs Ferry New York USA 1967). We could recommend this book to Co-operators wishing to make a detailed study of the problem of monopoly and the many differences in legislation in different countries.

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Monopoly legislation is a subject of great complexity and in any consideration of the problem it is useful to have a clear idea of the different kinds of restrictive practices and the different ways in which the problem has been tackled in the different countries. Of particular interest is the part which the Co-operative Movement has played in various countries in fighting monopoly.

Monopoly power arises in two distinct ways: firstly by the development of large-scale industry so that a few giant corporations are able to dominate the market; secondly, by the negotiation of agreements, arrangements and concerted practices between producers which undermine competition and raise prices to consumers.

Legislation against monopoly has been in force much longer in America than in most European countries and dates from the Sherman anti-trust legislation of 1890. In more recent years and particularly since the Second World War, similar legislation against monopoly and restrictive practices has been introduced in most European and other industrial countries; it has however differed in important ways from the American legislation.

In America the aims have been to make competition more effective through legal process and to prevent the concentration of economic power. In Europe, on the other hand, the objectives are to regulate and control agreements rather than to prohibit them, and to prevent the abuse of the domination of the market by large firms rather than the concentration of power as such. The American legislation derives from the teaching of economists about the value of competition in providing an incentive to efficiency and in keeping prices down; whereas in Europe the objectives of legislation have tended to be stability and fairness.

The emphasis in Europe is more on the need to distribute fairly what is produced than on the need to increase production; also socialist ideas about public control are more generally accepted.

Legal processes in America tend to take longer to produce results than the discretionary powers vested in public agencies in Europe. So far legislation in America is tougher and more sweeping than in Europe, but European legislation is being strengthened. The regulations of the Common Market and of the European Coal and Steel Community are, on the whole, more effective than the national legislation in the various states belonging to the Communities.

In the U.S. agreements are not reported or registered, whether legal or illegal. It is a question of criminal or civil proceedings and cease and desist orders. Individuals found guilty may be sent to gaol or fined up to$50,000 and companies may be divested of their property.

In Europe, on the other hand, the usual procedure is for agreements to be registered with a public agency. A general prohibition may be imposed with exemptions for agreements which are considered to be in the public interest; alternatively agreements may be accepted as being in the public interest provided they are subject to a measure of public regulation and control. Sometimes, as in Britain's Restrictive Practices Court and in Scandinavian countries, investigations into agreements may be in public; at other times they are in private. Mergers are not condemned simply because they result in the concentration of power and the domination of an industry but rather on the ground of the abuse of a dominant position.

Every purchase or sale is an "agreement" of a kind; and many companies make thousands of agreements, the vast majority of which are harmless. Licensing and information agreements for example, are accepted in the U.S.A. where the objective is <u>informed</u> competition. In general "restrictive" agreements can be divided into three kinds:- a. price fixing agreements which undermine competition and lead to higher prices; b. rationalisation agreements which avoid duplication and interfere with competition to only a limited extent; c. and exclusive dealing and market sharing agreements which can easily be monopolistic, but are not necessarily so. There are other variations which can be classed with c. so as to form three broad categories of restrictive agreement.

Price Fixing Agreements

Anti-monopoly legislation is primarily directed against cartel agreements between producers designed to increase prices and profits. In the U.S.A. these are illegal without exception. In most European countries they are prohibited but exemption may be granted if they are considered to be in the public interest. In some European countries, agreements are registered and controlled instead of being prohibited subject to exemptions. There may be controls over profit margins or mark-ups, or reserve powers of price control as in Norway and Sweden. In Holland and Denmark agreements may be approved if they do not result in excessive profits - which raises the question of what kind of profits should be regarded as "excessive".

There may also be agreements which take prices into account but which are not directly price agreements. For example, trade associations in Europe commonly make agreements about terms of sale which do not directly involve price; these are regarded as useful to the retailer just as standard packaging is regarded as useful in the U.S.A. in helping customers to make a free and informed choice. There may also be discount agreements under which suppliers undertake to offer their customers certain discounts for bulk orders; these are widely regarded as acceptable so long as they do not discriminate i.e., are available to all customers and not only to singatories of the agreement.

One of the more important kinds of price agreement is the agreement by a ring of producers to tender the same price when bidding for a contract. Another is the collective agreement for resale price maintenance under which manufacturers agree to maintain the prices at which their products will be sold by retailers. Collective retail price maintenance is open to the same kind of objections as any other kind of ring and is prohibited in the U.S.A. and in most European countries.

Individual resale price maintenance agreements between a manufacturer and distributors are less objectionable and are allowed in half the states of the U.S.A. On the whole, these are regarded with more tolerance in the U.S.A. than in Europe. In many states the manufacturer is allowed to make agreements with distributors about the prices at which his products are sold - so long as he makes no agreements with other manufacturers about prices which would undermine competition and imposes no stipulations on distributors about their not stocking competing products.

Rationalisation Agreements

There may be agreements between producers which do not involve any kind of agreement about price, but are concerned with technical Co-operation; these are generally regarded in Europe as desirable. They are usually described as "rationalisation" agreements or agreements designed to increase technical efficiency; but there is no consensus as to what agreements should or should not be included within the scope of this definition.

For example, there are specialisation agreements under which a number of producers get together and agree that they should each specialise in different products. Such agreements are positively encouraged in France and it is clear that in many industries specialisation and longer runs can result in important economies of scale. These economies may not increase indefinitely with specialisation and they are sometimes associated with arrangements for concerted practices on prices. Nevertheless, specialisation agreements are widely approved.

Secondly, there are standarisation agreements in which manufacturers agree on uniformity of components. These can clearly help to benefit the consumer without interfering with competition. Indeed, they can help to make competition between producers more effective - as, for example, when a variety of competing motor car components are so designed that they can all be fitting to competing makes of car. In a similar way the standardisation of packages helps the housewife to compare one product more easily with another. Standardisation agreements are approved in America as in European countries - so long as there is no question of price standardisation.

Thirdly, there are research agreements. A number of manufacturers may get together to undertake research projects, thereby avoiding duplication. The results of such research are made available to them and it is up to the participants to make use of them in the most effective way. The manufacturers are still competing with each other.

Fourthly, there are technical information agreements. In order to compete effectively manufacturers need to be informed on the types and the extent of their competitors' capacities. If General Motors announce a tremendous new expansion programme as a demonstration of their faith in continuing prosperity, other motor manufacturers in the U.S.A. and other countries have to take this into account in making their own plans. Most trade associations have their own journals which help to keep members informed about what is happening in the industry as a whole. In America the objective of the Federal Trade Commission Act is to promote <u>informed</u> competition; and it is only when information agreements start giving information about prices and prospective price changes that they are considered to merge into price agreements and to endanger competition. Even when formal price agreements have been abandoned, it is not difficult for manufacturers who know eachother well to enter into informal understandings about prices. In America, some price information agreements providing general information on price trends have been allowed; but in Britain it is probable that information agreements will be brought within the scope of the Restrictive Practices Court.

There can also be advertising and publicity agreements and joint marketing or joint purchasing agreements which do not interfere with competition on price. It is wasteful competition for rival dairymen to follow each other down the street; but there is no real difficulty about allocating territory to different vehicles provided each is allowed to carry milk from competing dairies. In some two hundred Dutch towns milk is delivered through a rationalised distribution system under which customers can still choose between milk from at least three suppliers. Manufacturers may join forces in buying raw materials and still compete in selling their merchandise. They may even share a distribution network and still compete on price and quality.

All these can be described as rationalisation agreements; but they verge on the category of exclusive dealing and market sharing agreements to which we now turn.

Exclusive Dealing and Market Sharing

Manufacturers do not usually directly sell to the public but more often through wholesalers and retailers. They may sometimes agree with a retailer to distribute only through him over a certain area; and the retailer may agree not to stock competing products. In such circumstances the retailer whill have something like a monopoly in his own area.

When a limited number of producers dominate an industry they may reach a market sharing agreement among themselves. Any arrangement of this kind is as destructive of competition as a horizantal price agreement between producers.

Nevertheless there may still be competition if one manufacturer gives a dealer an exclusive dealing franchise over a particular area while another manufacturer producing a similar product gives such a franchise to another dealer. In Britain and elsewhere it is common for petroleum companies to give certain dealers exclusive dealing rights in a particular area; the companies nevertheless compete fiercely with each other even though differences in price may be marginal.

A manufacturer who develops a new idea may patent it and acquire exclusive rights to the process for a period. He may allow other manufacturers to use the process under licence. There are a huge number of licensing agreements, for it is often easier for a manufacturer to sell his idea to a company in another country and allow production under licence locally than for him to export the product himself. The local manufacturer producing under licence is thus in a similar position to the trader with exclusive dealing rights.

There are many types of exclusive dealing and market sharing agreements, some of which are more objectionable than others. Reciprocal collective exclusive dealing arrangements under which a group of manufacturers agree to deal only with a group of distributors are generally regarded as objectionable because they destroy effective competition. But individual exclusive dealing contracts, like individual resale price maintenance agreements, are less objectionable because they do not limit competition to the same extent - provided they do not extend to prices or prevent a distributor from stocking competing products.

Again, producers may get together and seek to restrict new entrants into their industry. This may be done on the ground that it is necessary to safeguard standards. This may be defended as a kind of "rationalisation" agreement for the maintenance of standards; but such agreements are exclusive and give established producers greater bargaining power.

Sometimes manufacturers draw exclusive lists and supply only people who are on such lists. Sometimes they refuse to sell to certain kinds of customers, for example, Co-operatives have sometimes found themselves subjected to such boycotts. The witholding of supplies is, on the whole, regarded more unfavourably in Europe than in the U.S.A.

Sometimes quotas will be allocated to customers and there will be restrictions on sales. Or agreements may be reached which restrict production or methods of production, though these have been much rarer in the post war years than in the thirties. Sometimes a new and superior process will not be used because of the large amount of capital tied up in existing processes.

There may be tying clauses in agreements, or conditional sales - attempts by manufacturers to make the purchase of one product conditional upon the purchase of another which is not really wanted. Such agreements merge into unfair trading practices which are forbidden in the U.S.A. by the Federal Trade Commission Act and by consumer protection legislation in Europe. All exclusive and discriminatory agreements tend to interfere with competition to some extent; but some do so much more than others.

A cartel agreement between producers may incorporate many different kinds of agreement. It may maintain prices, provide for market sharing and joint selling; and at the same time include provisions about specialisation, standardisation, research and publicity; and there may be parts of any agreement that are more objectionable than others. They can nevertheless be divided into three broad types: price fixing agreements, rationalisation agreements and market sharing and other discriminatory agreements. The domination of the market by a few large corporations can have the same kind of result.

The Dominant Company

The other important way in which producers can get together to exploit the consumer is by merger. In America horizontal price agreements and market sharing agreements are against the rules; but companies may be able to achieve the same results by merging. Mergers which result in the domination of the market by a giant corporation are prohibited by the Sherman Act, and a company taking over another may be required to divest itself of its acquisition; but the market is so large that companies can grow to a huge size without being held to be in a dominant monopoly position.

In Europe, the merger of the Rheinrohr steel company and . Phoenix and Auguste Thyseen Hutte was at one time regarded by the High Authority of the European Coal and Steel Community as being restrictive. But later it was decided that the merger would allow the Common Market company to compete more effectively in world markets and so it was allowed. In the early sixties Grundig, the German manufacturers of tape recorders and other electrical appliances, signed an agreement with Costen the French distributors of their products which gave Costen exclusive distribution rights. The Common Market Authorities decided that the agreement was in violation of Common Market regulations but Grundig later solved the problem by taking over Costen.

In general legislation and regulations about dominant firms are less stringent and less effective than those concerning price and market sharing agreements. The Common Market regulations, for example, do not prohibit the domination of the market by a single firm or a small group, but only the abuse of a dominant position. Only companies trading in more than one of the Common Market countries are affected by its regulations and there has been a tendency in the Common Market and in Europe generally to encourage mergers which bring economies of scale in order that European companies may compete more effectively with giant American corporations in world markets.

Domination of the market is defined in different ways in different countries. In Austria a dominant enterprise is one that possesses 30% or more of the market, or 50% if there are more than three competing firms. In Norway an enterprise is required to report if it has 25% of the market. In Britain a company is regarded as being in a dominant position if it has a third of the market. In Germany firms were required to report if they had more than 20% of the market, but since 1965 they have been required to do so if they have more than 10,000 workers or sales of more than DM 500 million or assets of more than DM 1,000 million.

National Legislation

America

American legislation against monopolies is based upon three basic federal laws, all more than fifty years old: the Sherman anti-trust Act of 1890, the Clayton Act of 1914 and the Federal Trade Commission Act of 1914. The Clayton Act was amended by the Robinson Patman Act in 1936 and by the Celler-Kefauver Act in 1950 and there have been numerous minor changes in the law. Later developments have been directed to making existing law more effective rather than introducing any new principle.

The Sherman Act prohibits all agreements and combinations which have the purpose or effect of restraining competition or limiting interstate or foreign trade. All kinds of price fixing, market sharing or conditional selling come under the ban, as do concerted arrangements without formal agreements and mergers which lead to the domination of the market and monopoly. Those violating the Act may be sent to gaol, fined $50,000 for each offence, divested of their property and subjected to criminal or civil proceedings. In private suits they may be required to pay threefold damages to those affected by their restrictive practices.

The Clayton Act is designed to protect the small businessman against his larger competitors. It is designed to ensure that he can buy supplies at prices comparable to those paid by competitors, and is concerned with agreements which affect competition indirectly rather than directly. It outlaws total requirement contracts, tying arrangements and conditional sales, malicious price cutting, interlocking directorships and some exclusive agreements.

The Federal Trade Commission Act is concerned with unfair and deceptive conduct and is designed to ensure a free and informed choice by consumers. It prohibits such practices as false advertising, misleading representation and fradulent guarantees. The Commission has power to issue cease and desist orders and to impose fines of up to $5,000 a day.

Exclusive dealers may be appointed by manufacturers; but the contract may not prohibit them from dealing also in competing products. The purchase of a specified quantity may not be made a condition of sale and though wholesalers may be offered goods at lower prices than retailers, competing customers may not be offered goods at different prices. Large companies have to be careful about allowing subsidiaries to run at a loss and be subsidised by other activities since this may be interpreted as malicious competition and subsidised predatory price-cutting. Buying up significant and successful competitors may also be in violation of the Sherman Act. In recent years conglomerate mergers of unrelated businesses have become harder to justify to the Department of Justice.

The underlying concept is that restrictive price and market sharing agreements are a crime to be punished and not merely developments which may operate against the public interest and therefore need to be regulated and controlled.

Europe

The toughest legislation against restrictive practices in Europe is found in the larger countries, particularly in Germany and in Britain. The smaller countries were generally earlier in bringing in effective legislation in the post war years, but more with the purpose of regulating and controlling restrictive agreements and the activities of dominant firms rather than prohibiting them.

Restrictive agreements were first required to be registered in Sweden as early as 1946; and in 1953 comprehensive legislation was introduced prohibiting resale price maintenance and bidding agreements and subjecting other agreements and the activities of dominant firms to registration, investigation and control. As a last resort the King has power to fix maximum prices.

In the United Kingdom, a Commission was established in 1948 to investigate monopolies and restrictive agreements and the Government was given remedial powers. In 1956 the Restrictive Practices Court was established. Companies were required to register agreements which became void if found to be against the public interest. Collective resale price maintenance was abolished in 1956 and individual resale price maintenance, with provision for exemptions, in 1964. Large mergers were subjected to control in 1965.

In Denmark, an investigating Commission was established in 1949 but abolished ten years later. In 1955 restrictive agreements and dominant enterprises were subjected to registration and corrective orders and it was stiuplated that resale price agreements could only be enforced if approved. Price controls were introduced in 1957 and powers of investigation extended in 1963.

In Austria, the registration and regulation of agreements was introduced in 1951, strengthened in 1958 and extended to dominant firms in 1962.

In Norway, legislation against monopolies was first introduced in 1926. The comprehensive legislation of 1953 requires the registration of restrictive agreements and dominant firms. The King has power to control restrictive agreements. Resale price maintenance, with exemptions, was forbidden in 1957.

In France, agreements to fix minimum prices and discriminatory agreements were forbidden in 1953, as were agreements to maintain prices, with exemptions. Legislation to control dominant firms was introduced in 1963.

In Ireland, a Commission to investigate restrictions and formulate fair trading rules was established in 1953. A Minister was empowered to issue corrective orders and his powers were extended in 1958 and 1959 to include control over prices.

In Germany, the legislation of the occupying powers on monopoly was replaced by new legislation in 1957. Restrictive agreements were broadly forbidden, subject to exemptions, and individual resale price maintenance and exclusive dealing permitted subject to exemptions. Larger mergers had to be reported and abuses of a dominant position subjected to control. In 1965 new legislation facilitated the exemption of specialisation and standardisation agreements and modified the law on exclusive dealing, resale price maintenance and the practices of dominant firms.

In the Netherlands, 1958 legislation required confidential reports on restrictive agreements and dominant firms and they were made subject to public control and where necessary to publicity. The legislation was strengthened in 1962 and in 1964 collective resale price maintenance and individual resale price maintenance on certain categories of goods were forbidden.

In Finland, 1958 legislation required the reporting, when demanded, of restrictive agreements, banned concerted bidding unless authorised and subjected resale price maintenance to discretionary prohibition. Control over restrictive agreements was strengthened by further legislation in 1964.

In 1960, Belgian legislation gave a Commissioner power to investigage agreements that distort competition and the abuse of a dominant position in themarket. Recommendations by a Minister may be followed by publicity and orders by the King, the violation of which is punishable by fines or imprisonment.

In Switzerland, in 1964, collective discrimination was forbidden subject to exemptions and provision was made for the investigation of cartels and the judicial annulment of practices impeding competition. In Spain, restrictive agreements and the abuse of domination of the market were broadly forbidden in 1963. Italy still had no legislation on restrictive practices in the spring of 1965.

<u>Other Countries</u>

Agreements and mergers to establish or maintain monopoly were forbidden in the Argentine in 1946, including tying and market sharing agreements and those interfering with competition.

In Japan, legislation against restrictive practices in 1953 was weaker than the decrees under the military occupation. Rationalisation agreements and certain resale price maintenance agreements were exempted and further exemptions were granted between 1953 and 1959. Interlocking directorships are controlled; but the public interest is broadly interpreted by the Fair Trade Commission.

In South Africa, restrictive agreements were subjected to investigation, negotiation and corrective Ministerial orders in 1955. Corporations may be dissolved and associations and agreements may be terminated under such orders.

In New Zealand, the registration of restrictive agreements was required in 1958; and corrective orders to prevent excessive profits or any unreasonable reduction of competition were introduced.

In Israel, the registration of restrictive agreements was required in 1959 and a public board was empowered to prohibit or amend them if against the public interest. In addition ministers were authorised to control prices in order to cope with monopolies.

In Colombia, in 1959 restrictive agreements fixing prices were prohibited subject to exemption. In Brazil, in 1962 restrictive agreements and dominant enterprises were subjected to prohibitory orders or dissolution or government administration. And in Australia, in 1965 collusive bidding and tendering were forbidden and restrictive agreements subjected to registration and to prohibition if against the public interest, with other practices also subject to control.

The Common Market and E.F.T.A.

The European Coal and Steel Community was established by the Treaty of Paris in 1951. Article 65 of the Treaty prohibits price fixing, market sharing and other agreements if they help production and interfere with competition only to a limited extent. Article 66 gives the High Authority power to reject mergers which give the company resulting from the merger a dominant position in the market and one likely to interfere with competition. While agreements are prohibited unless exempt, mergers are accepted unless specifically banned.

The European Economic Community was established by the Treaty of Rome in 1957. Article 85 prohibits price fixing, market sharing, discriminatory and conditional sale agreements, and arrangements and concerted practices affecting trade between members; but it allows exemptions if they contribute towards improving the production or distribution of goods or promoting technical or economic progress while reserving to users a fiar share of the benefit which results. Article 86 prohibits mergers which affect trade between member countries and result in the abuse of a dominant position in the market or a substantial part of it.

In general, Article 85 of the Treaty of Rome about agreements affecting trade between Common Market Countries is stronger than the internal legislation in the countries concerned; while Article 86 is stronger than national legislation on dominant firms. The process of registering and classifying agreements that have been registered is a lengthy one. Most of the 37,000 agreements registered with the Common Market Authorities are not cartel agreements at all but licensing or exclusive dealership agreements. Some price agreements in the Common Market have been abandoned because of Article 85; and others have not been reported. About a dozen voluminous reports on agreements have been made and action is likely to follow.

The European Free Trade Association was established in November 1959 and is a looser association than the Common Market. Tariffs between the seven member countries have been reduced but there is no Common External Tariff. The E.F.T.A. Convention incorporates a declaration against concerted business practices that have as their objective, or result in the prevention, restriction or distortion of, competition or frustrate the benefits of the reduction or removal of tariffs. Little has yet been done to implement this objective of the Convention.

Monopoly and the Co-operative Movement

In all countries consumers' co-operatives, agricultural co-operatives and other kinds of co-operatives are in competition with the big capitalist combines and thereby help to curb monopoly and to keep down prices. The Swedish Co-operative Movement has been particularly successful in fighting monopoly in selected fields. As long ago as 1908, Kooperativa Förbundet took over a margarine factory and by 1911 had brought down prices and broken the cartel, going on to build new margarine factories of its own in 1921 and in 1965.

In the early years of the century it also went tnto the production of soap, chocolate and flour. It acquired a galoshes factory in 1926 and went into oatmeal production in 1929. In 1931 it joined with Co-operatives in Norway and in Scotland to break the electric light bulb ring by producing its own Luma bulbs. K.F. has also undertaken the production of fertilisers, china, heaters and cash registers on a substantial scale, and it fought the detergent combines in the years after the Second World War.

The Norwegian Co-operative Movement has had some success in fighting trusts and cartels. It opposed the formation of the Norwegian Grain Corporation in 1928 and fought the Swedish linoleum trust and the British-American tobacco trust. It opposed Unilever expansion in Norway and brought down the price of its own margarine when Unilever prices were raised. N.K.L. opposed the formation of a state sugar monopoly in 1936 but has given general support to the policies of the Norwegian Government on restrictive practices in the post war years. It has supported a free market for food and other consumers goods and has opposed higher profit margins on subsidised products such as butter. The petroleum Co-operative Norsk O.K. has helped to keep down petrol prices.

In Britain, the Co-operative Wholesale Society and the Scottish Co-operative Wholesale Society have in some fields, such as margarine and flour, provided the only effective competition to the chains and the combines such as Unilever, Spillers and Tanks. The Co-operative Wholesale Societies run some two hundred factories but these do not always operate on a scale sufficient to compete effectively with thee big companies.

In Finland, K.K. has been pressing for anti-monopoly legislation since 1927. A Committee reported on the problem in 1948 but nothing was done in spite of K.K. protests, and legislation was only passed in 1958. Both Co-operative Movements in Finland produce on a substantial scale in competition with the monopolies.

In Japan, the Japanese Consumers' Co-operative Union campaigned against the restoration of resale price maintenance in 1953 and has been campaigning since for changes in the law. Anti-monopoly legislation has been ineffective and cartels have grown in the sixties, often with interlocking control; and small businesses have suffered. The

Consumers' Co-operative Union have campaigned for the abolition of price, import-export and other cartels and have urged that rationalisation cartels should be temporary. There have been many cases of manufacturers refusing to supply Co-operatives; but the Fair Trade Commission has often, as in the case of the Kao Soap Company, found in favour of Co-operatives. The Consumers' Co-operative Union has joined with other consumer organisations in pressing for higher standards. It has compaigned against higher fares and other price increases and fought against monopoly in many other ways.

The Co-operative Movements in France, Germany, Italy, Switzerland and other European countries have also fought the big monopolies with some success, producing certain commodities on a substantial scale and helping to keep down prices. The International Co-operative Petroleum Association has been competing effectively with the big international oil companies - and increasing its sales in the face of tough competition. It has also been supplying farmers with fertilisers in competition with the big chemical companies. Co-operative refineries in the U.S.A. supply farmers with their own oil.

Many agricultural Co-operatives supply their members with feed in competition with big international companies; and some, as in Canada and Japan, produce their own machinery and fertilisers. Consumers Societies in many countries have to compete with chains and combines operating on an ever increasing scale. Governments would do well to bear in mind that strengthening and encouraging the expansion of the Co-operative Movement is one of the best ways of fighting the growth of monopoly.

Prospects for the Future

In spite of the substantial amount of legislation against restrictive practices and market domination in the post war years, monopoly remains a grave threat to the consumer in the mixed economy countries. There is still a disposition in Europe to allow and encourage mergers and some agreements, on the ground that the economies of scale and the avoidance of duplication help European companies to compete more effectively with American ones in world markets.

Attempts in the early post war years to create an International Trade Organisation which would act as an effective curb on monopoly failed, as did attempts to incorporate effective provisions against restrictive practices in the General Agreement on Tariffs and Trade. Tariff reductions that have been made help to make competition more effective; and treaties and ad hoc collaboration may help to make national and regional measures against monopoly more effective also.

The difficulties that stand in the way of effective international action against monopolies underline the vital importance to the consumer of the further growth and development of the Co-operative Movement. Changes in the internal structure of the enterprises and the wider application of Co-operative principles may assist competition in ensuring that the fruits of rapid technological development are passed on to the consumer and that the primary producers of developing countries are also protected against exploitation.

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