
This book attempts to rid the term "cartel" of the opprobrium with which it has come to be regarded. It purports to present "a broad survey of international cartels in the period immediately preceding the Second World War," and seeks to clarify "certain perplexities inherent in almost all discussions of entrepreneurial cooperation" as a prerequisite for what is described as a sound policy on international cartels. Such policies, Professor Hexner concludes, are dependent upon intergovernmental agreement. Although he appears to be convinced that cartels are not, in themselves, pernicious, he proposes that certain of their activities be outlawed by means of international convention—specifically, (a) price discrimination, (b) "all kinds of private boycott measures against countries," (c) "discrimination in the supply of raw and semi-finished material to outsiders," and (d) the placing of restrictions on any kind of investment. He proposes, further, that cartels be made subject to public registration; that "home market protection by international cartels be subject to the express consent of the government to whose territory the protected market belongs"; that "an international convention of governments should regulate the extent of possible territorial, quantitative, and other restrictions attached to patent licensing," and that "in submitting bids to international public agencies, the bidders should be required to disclose whether they are co-operating." Furthermore, Professor Hexner suggests that "private agreements of international scope concerning communication, transportation, explosives, armaments, and dangerous drugs should be subject to specific international public regulations." It may be questioned whether cartels could continue to exist if such restraints were imposed. Certainly there would not be the same inducement for entrepreneurs to join.

Professor Hexner conceives a cartel to be a "voluntary, potentially impermanent, business relationship among a number of independent, private entrepreneurs, which through coordinated marketing significantly affects the market of a commodity or service." This view he prefers to the various definitions which he quotes, such as the view of certain American cartel members that a cartel is "a combination of competitors to control production and fix prices." He does not consider it axiomatic that "the co-operation of private entrepreneurs on international markets is necessarily an evil." He concedes, however, that "frequently entrepreneurial co-operation on international markets was to wage political warfare and to exert economic pressure, and may be so abused in the future." In his opinion, "more research and consideration" are needed to arrive at "all-comprehensive generalizations." He points out: "It is impossible to make reliable generalizations on the basis of the selected examples now available." This did not deter him, however, from generalizing. Even as he admitted that the "generaliza-

1 "As an emotional symbol, it calls for the response of a 'interior secret,' 'un-American,' 'contract with foreigners'" (p. 7).

2 One may safely assume that even if conclusive evidence should be rendered that cartels are not under all circumstances and in all forms socially undesirable, it would be extremely difficult to attain that emotional adjustment of public sentiment under which the taboo on the term cartel could be removed" (p. 9).

3 P. 162.

4 P. 24.

5 P. 175.

6 P. 39.

5 P. viii.
tions in this study are, of course, not exempt from this proposition," Professor Hexner made the following rather cryptic utterances:

"... there may be cases in which self-restriction is necessary in order to increase the volume of world trade in the long run, to coordinate the use of natural resources, to stabilize employment through the business cycle, or for other reasons."

"There are no a priori reasons which would justify the conclusion that the cooperation of entrepreneurs on international markets necessarily violates 'general interests,' unless it is assumed that all business activities of private entrepreneurs essentially violate 'general interest.'"

"If a private collective marketing control is closed to actual or potential competition its classification as a cartel is seriously in doubt."

"There is good reason for hesitating to state that as a general rule a cartel restricts competition, as is usually assumed."

"Private restrictions upon economic activities have become in many cases, and may become again, oppressive upon cartel members, outside competitors, distributors, and consumers."

"... the absence of express restrictions of the cartel type may result in a much more obnoxious monopolistic situation."

"The cartel relationship serves the real or imagined interests of its adherents."

"A plurality of entrepreneurs makes the cartel a collective marketing mechanism."

"The lack of publicity about their operation and structure is one of the major objections to international cartels."

"Cartel policies are meaningless without reference to a particular historic and economic setting."

"The problem of international cartels can be viewed, of course, only in a past, present, or future political setting."

The author of this treatise claims that "the most important task in discussing the political implications of cartels is to clarify issues and make clear reasoning and political choice easier." Generalizations which imply more than is warranted by the facts make it difficult to achieve such clarity and "result in making cartels principally responsible for tragical [sic] political mistakes of former decades, particularly for those preceding the Second World War." As an example of such unwarranted generalization he mentions the accusation of the Indian delegates to the International Business Conference to the effect that international cartels were responsible "for blocking the industrialization of India." What role, if any, the cartels played in this connection would be, in his opinion, "an interesting subject for detailed investigation." The "slow industrialization of India," he observes with some show of profundity, "is due to the interaction of many intricate factors." As a generalization of his own, Professor Hexner discerns "a certain parallelism between political events of 1928 to 1939 and
landmarks in the development of international cartels." There is little doubt, in his opinion, "that in France the Comité des Forges, and in Germany certain industrial circles, supported reactionary national policies not primarily with a view to increasing their entrepreneurial profits." The reward for their support, it seems, was that "Nazi Germany repudiated all kinds of cartels in the traditional sense." This is explained with such a beautiful generalization as this: "The Germans rightly judge that the true cartel (domestic or international) is not dominated by the political volition of any government. It does not serve political purposes. That is why it ceased to be a workable instrument of trade in Germany."

There are other serious shortcomings in Professor Hexner’s treatise on cartels. As we have already pointed out, the author, in his definition of a cartel excludes all organizations in which membership is not voluntary and to which governments are a party. However, he does not exclude them from his case studies which are the "foundation upon which the more generally informative Part I stands." The Pan-American Coffee Bureau, for example, he describes as a cartel solely because "there are some features of it characteristic of cartels." Similarly, the International Tea Committee is so classified because, while "officially called a private marketing control, it was actually a blend of private and governmental control." Other such examples involving private and governmental control are wheat, opium, meat, sugar, tin, and rubber. Indeed, the International Rubber Regulation Committee is discussed at greater length than any of the international organizations which might more accurately come under Professor Hexner’s definition of cartels. Among these latter, however, the question might be raised as to whether membership in the German cartels was really voluntary. The case studies, which on the surface are more to the point, fall short of what they could be on the basis of available information. Some are given only a few lines, as in the case of asbestos, buttons, graphite, linen thread, kapok, and pencils. Then it does not contribute to an understanding of the cartel problem to be told that magnesium, platinum, and a host of other metals are "valuable" or that platinum "is characterized by a high melting point." Again, the paragraph on optical goods incorrectly states that before World War I, Bausch and Lomb had an agreement to furnish the German firm of Carl Zeiss "with technological information and patent licenses relating to optical goods." Actually, it was the other way around. Further, the author tells us that the action against Bausch and Lomb under the Sherman Act was settled by a consent decree. On the contrary, it was a criminal action and was terminated when the defendants pleaded nolo contendere and paid substantial fines. Still further, the discussion of international relations in the photographic materials trade does not even mention the important raw film cartel known as the International Convention of Film and Sensitized Paper Manufacturers. And it is certainly not correct to say of the European Dyestuffs Cartel of 1929 that "exchange of technological information was the backbone of the cartel." This might be said of the Franco-German agreement of 1927, but the 1929 agreement was principally commercial in nature. Nor is it correct to say that the National Aniline Chemical Company is the largest American producer of dyestuffs. This subsidiary of the Allied Chemical and Dye Company is only the third largest, and certainly it does not account for anywhere near "40 per cent of the American market."

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20 P. 137.
21 P. 142.
22 P. 148.
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In collecting material on such a large number of cartels and generalizing from it, Professor Hexner undertook a task which at the best would not have been easy. As it is, his treatment is based upon a heterogeneous collection of fragmentary, and to some extent misleading, information. It is therefore not surprising that it lacks clarity. It certainly did not help matters to define a cartel in such a way as to exclude so many organizations concerned with marketing problems. Although the defects of the book are such as to diminish its usefulness to those concerned with matters of public policy, the proposals it makes which have been mentioned above for the regulation of cartels deserve serious consideration.

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The author of this book was associated with the foreign activities of the Office of War Information. He is, therefore, thoroughly familiar with the art of war propaganda, and his description of the organization, methods, and results of Nazi, Japanese, British, Soviet, and American propaganda is both interesting and informing. He discusses the division of functions and the jurisdictional conflicts among various United States agencies such as the Coordinator of Information, Coordinator of Inter-American Affairs, Office of War Information, and Office of Strategic Services, and the failure of these agencies clearly to perceive the difference between the aims and methods of information and of propaganda, especially in conducting psychological warfare.

The author contributes to the science of public opinion by his analysis of this distinction. Information, he says, is to promote the functioning of man's reason; propaganda, to mobilize certain of man's emotions in such a way that they will dominate his reason. Information is descriptive and impartial, propaganda is selective and persuasive. The author believes that only by careful discrimination of these two activities, both of which are necessary in war and both of which within limits are legitimate in time of peace, can international progress be assured. He insists that the methods are so different that each function should be conducted by a distinct agency.

Mr. Warburg is a crusader for righteousness and offers practical suggestions for a continuous flow of broad streams of information across national boundaries in time of peace and for preventing the pollution of that stream by propaganda aimed at psychological aggression.

For the first he proposes a draft treaty by which the governments would agree to allow information-gathering and communication agencies of the others to operate in their territory, and to use facilities at reasonable cost equal to that offered to nationals.2

For preventing illegitimate propaganda, he proposes an agreement extending the jurisdiction of the Security Council of the United Nations to acts of psychological aggression.3 It may be questioned whether any change in the charter is necessary for this purpose because the members of the United Nations already appear to have the right

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1 P. 17.
3 P. 157.