

Saving Fifty Per Cent On Export

Selling Costs

WITH the passing of war conditions and the consequent and inevitable decline in our overseas trade, our manufacturers and exporters are naturally casting about for means whereby they may continue to serve the foreign markets and rebuild the American export trade on a permanent and profitable basis.

The Webb-Pomerene law is one of the means that makes this possible and places in the hands of our exporters the machinery whereby they may emphasize in their foreign trade operations the fact that "in union there is strength," and by organized effort secure much of the trade which otherwise would not be possible.

Especially during this interim of unsettled world-trade will our exporters do well to familiarize themselves with the advantages of the Webb-Pomerene law.

The intention of the framers of the act gathered from the reports of the committees and debates in Congress undoubtedly contemplated associations that would carry through to completion actual sale and delivery of an article of commerce to foreign purchasers.

Under the provisions of the act two or more individuals or corporations may form an association for the purpose of exporting. To this end it was expected that they would pool or combine their goods and maintain a common selling agency; have joint representatives and branch offices abroad; determine export prices and credit terms, and jointly solicit orders.

In general, our exporters may benefit by every means of co-operative and collective action, provided their business is confined solely to foreign trade and does not operate in unfair competition against American competitors, enhance or depress prices or otherwise restrain domestic trade.

The Webb-Pomerene law was one of the very few trade measures looking to so-called after-war preparedness that were placed on the statute books by Congress. With the close of the war came the entire reversal of old conditions in export trade, and with the necessary opening up of new fields and the inauguration of new methods this machinery was ready for at least some adjustment to the novel and unusual conditions which confronted our trade and our traders.

The law has been in operation during the past three years and its influence upon the volume and direction of our exports can now be fairly well gaged. It was conceived for the purpose of meeting and solving a number of very definite problems, and an approximate idea of the degree of success with which these problems have been handled is now possible.

One of the expectations of those who advocated legislation permitting the operation of export associations was that thereby a great economy in selling costs could be achieved both at home and abroad.

In view of the keen competition which already has set in in international trade, and which promises to grow in intensity as the war-stricken countries of Europe gradually return to normal producing conditions, the matter of cutting down selling costs is rapidly becoming one of paramount significance. It is questionable whether labor costs, transportation expenses and the cost of raw materials can be reduced sufficiently on American manufactures to successfully meet foreign competing goods; but greater efficiency in merchandising methods is certainly possible and promises to become an important element of advantage to our export trade.

NOW, what has been the experience in this respect of the export associations operating to-day under the Webb-Pomerene law? Practically all of them report a considerable saving in operating expenses abroad. One concern has discovered a saving of 50 per cent in selling cost in foreign countries! Other associations

have found it possible to make considerable savings by maintaining one joint central office in each of their foreign markets instead of separate offices for each member firm, as was formerly required. A like reduction of expenses is noted at home, brought about by the centralization of the export business of all of the member concerns in one common selling agency.

On this subject, one association operating under the law states that "no one of our constituent firms could decrease the cost of an individual export department to a very great degree over the export department of the corporation for the entire list of constituents, not only in cables and office expenses, but in the facilities offered by the corporation's location for handling shipping and banking details, etc., abroad. There is a saving of cable expense and confining of correspondence to one organization instead of many—that is, an agent abroad may have a dozen accounts in this country. To fill his requirements it would be necessary to cable each account for some particular article which is not made up in any great volume."

The fact is important that benefits of the kind just mentioned are of the greatest assistance to the smaller business concerns, permitting them to become active participants in export trade and placing them on an equal footing with the more powerful corporations; otherwise they would be unable to enter foreign trade.

The disadvantage of the small American manufacturer, who single-handed has to meet the actions of his foreign competitors *who are combined*, may be so large as to make it almost impossible for the individual American, particularly the small house, to continue its export business. Moreover, organized groups of foreign buyers, supported frequently by their governments, who may play one American exporter against another, may depress prices to such an extent that export trade in a commodity becomes wholly unprofitable.

Our larger industrial concerns probably can hold their own against foreign competition, combines included. With their strong, well organized and long-

WHY the Webb-Pomerene law is one of the principal avenues through which American manufacturers and exporters of musical instruments can continue to serve the foreign markets and rebuild American export trade on a permanent and profitable basis, is thoroughly explained by Commissioner Huston Thompson in the accompanying article which he has prepared for the readers of THE MUSIC TRADES. Commissioner Thompson is one of the outstanding figures in our governmental activities at Washington, having been a member of the Federal Trade Commission for a number of years and for a period its chairman. Prior to his connection with the Commission he held the high position of assistant attorney general of the United States.—Editor's Note.

established export departments, as well as with their powerful financial resources, they are in position to "go it alone." But the smaller manufacturer of whose total output only a comparatively small part goes abroad has neither the facilities nor the resources to compete with large competitors. So, not being able to market his goods directly to foreign purchasers, he is likely to be at the mercy of the foreign middleman or distributor who has not the same interest in pushing his products as has our small manufacturer—especially when the commission or profit is larger on a competing line.

Foreign purchasers and competitors who have from time to time intimated that they were apprehensive of the size and power of the Webb-Pomerene Association of entering their fields may be reassured if they give full consideration to section 4 of the Webb-Pomerene Act, which extends to the Federal Trade Commission the jurisdiction in foreign trade which it already had in domestic trade under the Federal Trade Commission Act to suppress unfair methods of competition. In fact, the standards required of American exporters is much higher under this act than any laws governing foreign competitors in our fields of industry.

One of the injunctions laid upon business under this act is that these combinations shall not—

"Enter into any agreement, understanding, conspiracy, or do any act which artificially or intentionally enhances or depresses prices within the United States of commodities of the class exported by such associations, or which substantially lessens competition within the United States or otherwise restrains trade therein."

Although this foreign trade law was approved April 10, 1918, it has not been in existence a sufficient length of time under normal conditions for the Commission to have arrived at any ultimate conclusion as to the effect, broadly speaking, of the actions of business in relation to the part of the law forbidding restraint or injury to our domestic business.

One of the significant results of the world war is an increased reliance upon the efficacy of organization as a means for accomplishing desired ends in civil enterprises as well as in military affairs. The advantages of military organizations have taught the business world to seek reliance on collective economic co-operation. We know that the export industries of Great Britain, France, Germany, Japan and other countries have lost no time in reorganizing their facilities and resources. It is quite apparent that one of the means relied upon by them to recapture lost markets and to gain a foothold in new fields is concerted and organized "group action." The cartels of Germany, the syndicates of France and the combines of Great Britain form a noticeable part of the foreign trade machinery of those countries, and these organizations of merchants and traders are much more active and receiving much more support than before the war.

TRADE combines of the sort we are discussing are rapidly increasing in number in all of the leading commercial countries of the world. In certain cases these organized groups are receiving substantial backing by their governments and are otherwise assisted in their foreign trade campaigns.

One of the purposes underlying the Webb-Pomerene Act is to make available to American manufacturers the facilities of co-operation which will enable them to enter the foreign fields with the least possible overhead expenses and thus be able to compete in such a way as to sell their surplus. It is gratifying to know that the law is to a considerable degree fulfilling this purpose. Several of the American export associations report that they have successfully stopped the en-

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deavors of foreign buyers' combinations to make their individual members bid against each other and thus drive prices down to an unprofitable level.

The only solution of the internationalizing of business throughout the world tending toward a harmonious condition must soon require all the nations of the world to come together and form a definition of fair competition. If I were asked for such a definition, I would say that fair competition is such as will give the consumer the world over the right to purchase articles without interference based upon a price not artificially restricted, the quality of the goods, the service performed and the natural benefits of location. In all ages when business has confined its actions within such definition the ultimate consumer has been satisfied and monopoly has not flourished.

When such a definition is accepted it can only be applied through some form of an international administrative body perhaps fashioned somewhat along the lines of the Federal Trade Commission, which should have the power to make investigations of business conditions, to gather world information of the situations in the various countries regarding trade practices, etc., and to keep such information for the immediate access of all the peoples of the respective countries that form such an association.

It should also have the power of investigating unfair methods of competition in international business and to make findings regarding the same, leaving it to the discretion of the officially designated body of a nation where one of its business units has transgressed the definition of fair competition to formulate and to enforce an order after having given the offender a proper hearing.

Publicity and constant information and contact would be the greatest element in solving trade difficulties through this type of organization, and would also be very informative to organizations under the Webb-Pomerene Act in avoiding speculative markets and stabilizing the production of the world so that there would not be an alternate feast and famine. In such atmosphere all competitors would have access to information of the markets of the world and the informed competitor in the field of fair competition would have a reasonable opportunity to succeed.