

ABOUT TRUSTS, CARTELS AND MONOPOLIES WITHIN THE WORK OF VIRGIL N. MADGEARU

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During the time, the appearance, development and the political, economical, social, etc. influences of the trusts and cartels in the industry have been treated within the university courses taught by Virgil Madgearu, and by many other written works belonging to him. He has an original concept concerning the appearance, place and role of those influences in the economy of his life time. Being an authorized voice of the Romanian economical inter-war thinking, we consider as being of high interest the presentation of some aspects of his vision as a professor and as a politician regarding the trusts and the cartels.

Key words: trusts, cartels, monopolies, imperialism, competition, market

Virgil N. Madgearu (1887 – 1940) was a Romanian economist, professor, publicist and politician, educated at the German historical school. As a professor at The High Industrial and Commercial Studies Academy from Bucharest (the actual Bucharest Academy of Economic Studies) since 1916, he was a man of a vast culture of specialty initiating original specialty courses, well documented or argued (Course of introduction into the economic sciences, Course of political economy and industry, Course of agrarian economy and industry, The industrial and commercial enterprises study, Course of transports, etc). He was a general Secretary of the National Peasant Party, a parliamentary man and a minister in the peasant party's governments. His main works are, as follows: Agrarianism, capitalism, imperialism, published in 1936, The Evolution of the Romanian economy after the World War I, appeared in 1940. As an original and profound thinker and a politician with democratic views, he couldn't tolerate the extremism. He was killed in 27th of November 1940, by the same legionary team who assassinated Nicolae Iorga.

Appeared toward the end of the 19th century, the trusts and the cartels have continued even nowadays to make felt their presence and influence in the economic social life. These economic formations (and not only), have incited the interest of the large public, of the politicians and economic thinkers together and have generated different attitudes, during the inter-war period, a while when Virgil N. Madgearu also activated. Without being a preoccupation of a high amplex for Virgil N Madgearu, this one, as an economist, professor and publicist couldn't have treated in his works the problems concerning the trusts, cartels and monopolies.

In his courses he taught at the earlier (ex-) Commercial Academy, Virgil Madgearu sustained the formation of the trusts and cartels as a consequence of the economic depression between 1870 and 1890, as „simple agreements, without having reached to an organization form”, so that, before the World War I, these to be able to be framed within the economic organization of all the nations. In his concept, the appearance of the trusts and of the cartels „was born from the necessity of counterbalancing the results of the free competition at the public auctions (sales)”, because of the free competition and the big number of companies which were present at those public sales by auction (auctions) diminished considerably the margin of profit of the winners (winning bidders).

He considered that the customs fees and the trade protectionism rule favored the formation of the cartels and the maintaining of the high prices on the inland market, as he asserted in his work „Agrarianism, Capitalism, Imperialism, within the chapter The Economic Imperialism and the Nations League: „...the politic of the protectionism favors the formation of the trusts and cartels” and further: The protectionism is the securest wave behind of it usually prosper the trusts and cartels which produce that transformation from the system of the free competition as a dominant one, to the monopoly system, within the economic organization.”

Simultaneously, the massive concentration of the industrial capitals in bigger and bigger enterprises, has determined that the part of „fixed capital in an industrial enterprise reach to represent a significant quote” (benchmark), and a relative stable production becomes necessary for the capital depreciation, so that it

appears the idea of not allowing anymore that the production (output) to be under the influence of the market fluctuations.

Virgil Madgearu sets the objectives of the trusts and cartels so: „the goal of the trusts is the achievement of their market-independent feature.”

As the cartels are, on his opinion, agreements among the producers or manufacturers for the monopolist domination of market, they have an important influence concerning the price formation, which are going to align their selves depending on the average cost realized by the cartelled companies or on the highest cost within the organization.

The conclusion of Virgil Madgearu is therefore that the prices are higher than the rule of the free competition, but there are also situations when the costs of production are diminished by closing the enterprises having old equipment, or generating higher costs. These measures may be also abusive, when in fact it is pursued the diminution of the production „speculating the consuming world”.

The trusts differ from the cartels, says Virgil Madgearu, as the latter keep the individuality of the component enterprises, overtaking only the commercial function and they have a limited time life, while the first „are monopoly organizations of an industry branch, which possess directly or indirectly the power of absolute disposition upon the exploitations and enterprises reunited in the trust”, having simultaneously a life time much longer. Interesting are also his ideas about the trust forms: from the mixt companies, with a horizontal layout, too, to the portfolio societies, „holding company” and the private trusts.

The monopolies are also the object of Virgil Madgearu’s lectures, for instance those ones created as an effect of the protectionist politics, which, through the customs fees create „temporary economic monopolies” for the national industry, or the privileged situation of the issuing bank from Romania, that has performed the credit and capitals monopoly. He exemplifies also the existence of the monopolies created by the state in the domain of the transports and communications, rightly appeared from „the natural necessity” of a unique exploitation, without forgetting the monopolies appeared as a following of „the absolute superiority of the exploitation”. Such enterprises, where the output optimum is carried out at an unusual large extension of the company”, by minimizing the price cost, obtain therefore the absolute domination of the market.

Regarding „the capitalist politic of the monopolies” as Virgil Madgearu asserts, „that politic doesn’t know the selection concerning the fighting weapons”, namely the means used for surmounting the competition comprise the whole range, from the supply of agreements, to the „aggression actions”.

The monopolies have „a work politic”, so that it is much easier for the employers non-reunited in trade unions to proceed for massive dismissals during the periods when they have to decrease the output.

The trusts, asserts further Virgil Madgearu, will always act toward increasing the output, and as a consequence of this, they are going to search new trade markets, therefore it wouldn’t be able to say that they (the trusts) are interested in pursuing the sale prices raise, for not limiting their selves their market. In opposition, there are known even situations when the trusts decrease drastically to eliminate like that their competitors or for gaining new markets (the dumping politic).

The high importance which is assigned by Virgil Madgearu to the trusts and cartels results also from the fact that by dominating the market, or without being dependent on it, it is ensured a stability of the prices, it is set „a kind of order in this chaos”, although their appearance and development doesn’t mean that „they’ve disappeared” or there is a perspective to disappear the economic crises and the periodical cycles”, but it is only diminished the ampleness of the prices’ oscillations. „It would be a mistake to consider the trusts and cartels as a pathological manifestation of the capitalist society”, asserts Virgil Madgearu in his Course of Political Economy published in 1944, delimiting like that the Marxist doctrine (Lenin’s tenet, more exact).

The international trusts and cartels’ problems are also tackled by Virgil Madgearu in his university courses, without being able to clarify the causes of their appearance and their development and expansion modalities. But referring himself to the industry financing, he reached to the conclusion that „the European model” of financing of this one by the banks, a model that has spread in United States (of America), too, „forms the essential feature of the economic step nowadays, of the economic imperialism”.

As a publicist and a politician he goes further, criticizing the formation of the banking trusts that dominate the international economy and stimulate the economic expansion: „The bank trusts, that perform the domination of the whole economic life, upon the industry, agriculture and commerce, which master

therefore the whole economic life of all nations, these have in their hands the imperialist conflicts...The impulse toward expansion is not given only by the merchandise export necessity of the industrial states, but also by the necessity of the capitals export”, asserted Virgil Madgearu in the „ Economic Imperialism and the Nations League.”

At the same time, he considers that the capital export has begun simultaneously with the development in the big capitalist countries, of a system of the big banks, whose politic is based on the same monopoly principles, as the industrial trusts’ and cartels’ one.

As attitude of the state against the trusts and cartels, Virgil Madgearu, from his perspective as a National Peasant Party-doctrinaire considers as the most appropriate method that one of nationalizing of those ones: „ or where can be formed a private monopoly, the peasant-party tenet, representing the interests of the producing (manufacturing) and consuming mass- majority, will prefer its transfer in the hands of the collectivity in economic form, proper for the output (production) interests,, (The peasant party doctrine, 1923).

But later, within the program adopted by The National Peasant Party in 1935, this attitude changed: „The cartels and any agreements among the industrial companies, which are interested, by suppressing the competitiveness or by other means, by speculating the consumers and restraining the industrial flourishing, are to be forbidden.

Of course, that analyzing the work of Virgil Madgearu other interesting ideas can be detached (found out) concerning his opinion on the trusts and monopolies.

The problems of these capitalist formations have generated a rich specialty literature and also a lot of controversies and attitudes. It is not less true that the subject is still one of actuality and it incites a lot of interest among the economical environments and not only those ones.

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