

M i l Code: L, E and EG

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THE IMPACT AND RELEVANCE
OF
THE 1911 GENERATION

I. INTRODUCTION

The General Electric case of 1911 is an example of a lost opportunity to increase competition because the Justice Department and the Court failed to decrease real concentration in the electric lamp industry.¹ As a result of the case, General Electric, the largest firm in the industry, was actually merged with National Lamp, the second-largest in which the former had an interest. It is very possible that had this merger not taken place and had National Lamp become an independent firm, the lamp industry would have been more competitive.

This paper will explore this question by analyzing the case and discussing its long-term effects. In section II the development

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marketing, research, and financing, the small firms found that their operations incurred high overhead costs. To solve this problem several of them banded together into a larger organization, called the National Lamp Company, in 1901. Each firm continued to operate its plant separately, but the group pooled the costs of various research, engineering, and marketing functions. To set up the research and engineering facilities, the firms needed financing. This problem was solved when General Electric purchased the majority of the stock in the company. Although General Electric was not active in the management of National Lamp, it granted licenses to National and other firms for many of its patents and technologies.

III. THE 1911 GENERAL ELECTRIC CASE: E ,

the largest firms. Ironically, the lamps case had an opposite effect; the two largest firms were merged.¹

Because of this action, the case failed to have a significant long-term procompetitive impact. The case, however, has not been discussed much in the literature.² The Government's charges were

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. . . The subsidiary relation of National to General Electric, notwithstanding which it was represented to the public as a competing organization, was impugned by the government. The price-fixing and market-sharing agreements with Westinghouse, with National, with the members of the Incandescent Lamp Manufacturers Association, and with other lamp producers were attacked as restraining trade. The paramiding of patents on improvements in machinery and production processes as well as on detail improvements in lamp design and on improvements in filament materials was alleged to maintain R. em. ur 2

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