

Lights Out: The Phoebus Cartel 1939

CHMUN XIX
General Assembly

Committee Background:

The 1880s brought forth many inventions like the automobile, refrigerator, and cash register, but one of the most notable inventions during this period was the lightbulb. Although the concept of a light bulb existed in Britain, in the 1880s, inventor Thomas Edison patented the first incandescent lightbulb. This model of the luminous glass ball used a cotton filament encased in inert gas and resulted in a duration of 14 hours. Soon later, many other manufacturers began creating light bulbs with various filament materials, like platinum, carbonized metals, and tungsten, to lengthen the duration of a bulb. However, as the 1900s dawned, the landscape of lightbulb manufacturing underwent a significant transformation. What had once been a diverse marketplace populated by numerous small companies evolved into an industry dominated by large national organizations, each with a presence spanning multiple nations. A prime example of this shift was the rise of OSRAM, a German tech giant that established a virtual monopoly on lightbulbs in the German-speaking regions of Europe. With the shift from small to large companies, the interest in creating longer-lasting bulbs withered—after all, a longer-lasting lightbulb results in fewer repeated customers and thus less revenue. A perfect situation was created where a few large companies could conspire to reduce the duration of lightbulbs and increase revenue as a collective entity. With this idea in mind, companies like OSRAM, General Electric, Philips, and Compagnie des Lampes, declared to meet in Geneva to discuss forming a cartel to regulate lightbulb companies. This cartel, later named the Phoebus Cartel, would oversee all international sales of lightbulbs throughout Europe and America through three main venues. First, the standardization of all lightbulbs; by creating uniform products, each company will be able to collect an even split of revenue and share the entire market. Second, the limiting of lightbulb duration through a practice known as planned obsolescence; by reducing the life of lightbulbs to 1000 hours, companies can maximize their revenue by ensuring they can acquire repeat customers. And third, the imposition of fines if companies don't follow the agreement of the Phoebus Cartel. Through these rules, the Phoebus Cartel can continue its dominance and remain the only existing international cartel.

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Topic A: Ensuring Members Abide by Cartel Guidelines

The day is September 1, 1939, a date forever etched in history as the start of the Second World War. As the world stood on the brink of unprecedented conflict, global tensions soared. Amid this backdrop of international turmoil, a significant event occurred in business and commerce: OSRAM, the primary German lightbulb company, officially announced its withdrawal from the Phoebus Cartel. This momentous decision had far-reaching implications for the cartel and marked a turning point in its history. With one of its key members now absent from the fold, the Phoebus Cartel faced a formidable challenge in enforcing its regulations and maintaining its grip on the global lighting industry. From its inception, the cartel's practices raised concerns about their anti-competitive nature. The withdrawal of OSRAM from this powerful alliance, amidst the backdrop of impending war, set in motion a series of events that would challenge the very foundation of the cartel's operations. In their quest to sustain their dominance, cartel members had meticulously honed sophisticated strategies to evade enforcement measures. They embraced cutting-edge technologies, diversifying their product lines beyond incandescent light bulbs. This diversification allowed them to continue collaborating covertly while expanding their market presence in seemingly unrelated areas, making it even more challenging for antitrust authorities to detect and prove cartel behavior effectively. Additionally, the cartel had become adept at employing covert pricing strategies, manipulating the market without leaving conspicuous traces. These clandestine tactics further frustrated enforcement efforts, casting a shadow over the effectiveness of regulatory oversight. The Phoebus Cartel's uncanny ability to adapt and exploit the ever-present loopholes in existing regulations not only maintained its stranglehold on the lighting industry but also served as a testament to the resilience of their illicit cooperation. As members and ex-members of the Phoebus Cartel, your job is to create binding agreements to ensure the continuation of following policies set by the Cartel for Cartel members.

Questions to Consider:



1. How are current Phoebus Cartel members able to find loopholes within the organization's policies to evade its limiting behavior?
2. How will OSRAM's withdrawal of the cartel impact the cartel's prolongation and continued interest?
3. To what extent will the teetering international relations strain the cartel's monopoly in the lighting industry? Will smaller businesses return and compete with the cartel?



Topic B: Uniting the Cartel During Wartime

The outbreak of World War II in September 1939 had far-reaching implications across various sectors, including international business and commerce. Amid the chaos and uncertainty of wartime, a pressing issue emerged concerning the potential reformation of the Phoebus Cartel, a historically influential consortium of major lightbulb manufacturers. Established in the early 1920s, the Phoebus Cartel aimed to control the global market for incandescent light bulbs. However, with the onset of war, the cartel had fractured, notably with the withdrawal of OSRAM, a key German member. This problem statement delves into the challenges and implications associated with the possible reunification of the Phoebus Cartel during World War II, examining the historical context, economic motivations, and potential consequences. The Phoebus Cartel's formation was emblematic of a period of rapid technological advancement and global economic interdependence. Its primary objective was to standardize the lifespan of incandescent light bulbs, thereby securing continued consumer demand and industry dominance for its members. However, the cartel's practices had been contentious from the outset, attracting concerns about anti-competitive behavior. The withdrawal of OSRAM from the cartel in the lead-up to World War II marked a significant fracture within this powerful alliance. The context of the war and the geopolitical tensions further complicated the possibility of reunification. The lighting industry, even during wartime, remains a crucial sector for nations' economic stability and technological progress. Reuniting the Phoebus Cartel would entail consolidating market power among major lightbulb manufacturers, potentially allowing them to coordinate production, pricing, and market strategies. The reformation of the Phoebus Cartel during World War II would have had profound consequences. It posed challenges to fair competition, potentially leading to inflated prices for consumers and hindering technological innovation in lighting. Additionally, the geopolitical implications of such an alliance during a global conflict raise questions about international trade and cooperation. The enforcement of antitrust regulations amid wartime exigencies presents unique challenges, and the consequences of allowing or preventing the cartel's reunion require careful consideration.



Questions to Consider:

1. Due to the international status of the Phoebus Cartel, how will enemy factions view the Cartel's actions?
2. What were the economic motivations for reforming the Phoebus Cartel during World War II, despite the potential for anti-competitive behavior and reputational damage?
3. How effectively could antitrust regulations be enforced during World War II, given the competing priorities and challenges of wartime governance?



Work Cited

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