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Madeira embroidery: A failed collective brand (1935–59)

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Abstract

The regional cluster of the Madeira embroidery sector in the political context of 1935 to 1959 provides the basis for an analysis of a common strategy aimed at strengthening the business competitiveness of the industry. The strategy was a government initiative aimed at improving the material welfare of workers and based on the creation of a collective brand. The aim of this paper is to show that the mixed corporatist organisation that managed the initiative was an example of hybrid governance and that the strategy failed because the regulations introduced were not successful in transforming a weak cluster into a strong one. As a result, competition was kept within a circle of low-wage production centres that left Madeira at a disadvantage.

Keywords:

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Notes

1. A collective brand is concerned with the relationships – the definition and enforcement of rules – within a group concerned with quality standards, whereas the main concern of a private brand is the identification of rules to protect an asset (Stanziani, 2007b, p. 236 and see n. 23 below).

2. A debate on industrial districts contrasts the embeddedness of a social relations perspective (explained by a cultural disposition among local actors towards trust and cooperation within a closely knit community) with the point of view that sees trust as constructed by governance structures. For the later perspective see Carnivali (2004) and for a critical perspective on this concept drawn from industrial districts in northern Italy in the 1970s and 1980s see Casson (1999, p. 6). For the use of embeddedness in linking trust and economic action in two Italian industrial districts see Gaggio (2006). For English examples from a different perspective see Popp (2001, pp. 5–23) and for a review of the literature see Wilson and Popp (2003). For a review of industrial districts literature see Zeitlin (2008). For the embeddedness concept see also Granovetter (1985).

3. In general, there is evidence that brand (collective or private) protection is preceded by tensions (for private brands see Duguid, 2003; and for collective brands see Guy, 1999; Stanziani; 2004). Collective brands through before-the-fact selection create winners and losers and the case of embroidery is no exception.
4. Geography and tradition matters in PDO collective brands (see n. 22 below).
5. Minutes of the Board of Directors, no. 182, 15-05-1939. In 1938, the daily pay for an agricultural worker was 8-10 escudos (Banco de Portugal, Situação Económica da Provincia, 1938). For the corporatist goal of embroidery welfare see Decree-Law no. 25:643, Diário do Governo, 1ª serie, no. 166, 20 July 1935 and n. 9 below.
6. Banco de Portugal, Relatório, Balanço (1952); Rodrigues (1955, Vol. 2, p. 136); Sousa (1950, p. 17).
7. In 1958, 95% of total production was exported (Indústria, 1958, p. 8).
8. For European and Asian (namely Philippines and China) competition to Madeira Embroidery see Diário da Manhã, 22 June 1932 and Banco de Portugal report, Relatório, Balanço (1945 and 1946). In 1924, embroidery from the Philippines was negatively affected by the competition in the US market from European embroidery (Commercial handbook, 1926, p. 45).
9. Minutes of the Board of Directors, 23, 19-12-1935; Office letter to the Minister, Minutes of the Board of Directors, no. 161, 10-09-1938; Minutes of the Board of Directors, nos. 168, 16-01-1939; 177, 23-03-1939 and 204, 19-12-1939 and Decree-Law 29:241, Diário do Governo, 1ª serie, no. 284, 8 December 1938. In France, the Petain government also tried to make craft professions compatible with aspirations for improved material circumstances without requiring the rationalisation (increased productivity resulting from mechanisation) of production with a view to eliminating economic and social conflicts (Zdatny, 2004, p. 351).
10. The government imposed increased pay rates for embroiderers in outwork against a legislation of the certification system that eliminated industrialists not accredited in 1935 (Minutes of the Board of Directors, no. 118, 18-10-1937).
11. In the eighteenth century, French export quality certification boards ('bureaux de marque') saw regulation as necessary only for high quality products subject to fixed

standards and not for fashion products (Minard, 2003, pp. 119–232). This problem is not analysed here.

12. Decree-Law no. 25:643, *Diário do Governo*, 1ª serie, no. 166, 20 July 1935; Decree-Law no. 29:239, *Diário do Governo*, 1ª serie, no. 284, 8 December 1938; Minutes of the Board of Directors, no. 118, 18–10–1937.

13. Decree 25:643, *Diário do Governo*, 1ª serie, no. 166, 20 July 1935; chapter 1, article 6, c) and h). Registration of designers became compulsory. Many firms were owners or had designs in their possession. If an industrialist used designs registered with the Guild (either the property of a designer or of another company) without due permission, he would also be punished. Firms were in possession of designs because a substantial part of production was ordered by foreign firms. The designs were provided by the foreign firms and local firms, in these cases, simply printed them in different sizes.

14. For the attempt to hire a foreign designer see Minutes of the Board of Directors, no. 547, 28–06–1939 and no. 186, 30–06–1949. The Central Government recommended the use of an English company to provide this type of service, ‘Embroidery Design Company Limited’ (Minutes of the Board of Directors, 13–12–1952).

15. Minutes of the Board of Directors, no. 592, 08–05–1950.

16. Between 1917 and 1924 there were six firms with head offices in New York. There were two US and one Swiss subsidiary companies in 1938 and one US and one Swiss in 1959. An example of a subsidiary firm was Madeira Embroidery and Co., a branch of Campbell, Chetreger & Jacobson (Commercial Registration. *Livros de Registo*, 1917–59 and Minutes 1935–59). For firms that left Madeira after 1924 see: *Anuário Comercial* (1913–59) and also Commercial Registration of Funchal (1914–50).

17. Data from the Commercial Registration of Funchal (1914–50).

18. Minutes of the Board of Directors, (1936–53).

19. Banco de Portugal, *Relatório, Balanço* (1921) and *Breve* (1921).

20. For less developed countries see Ghauri, Lutz, and Tesfom (2003); Ojeda-Gomez, Simpson, Koh, and Padmore (2007) and Rabellotti (1995).

21. For incentives encouraging producers to maintain high quality standards (Klein and Lefflers, 1981; Shapiro, 1983).
22. There is an historical path for the use of quality standards in French wines, namely the PDO. There is a relation between PDO and terroir, but its definition requires an identification of specific characteristics in geological or climatic terms (Stanziani, 2004, 2006, 2007b; and see also Lachiver, 1988, pp. 472–477, 486–506). Recently wine PDOs have faced competition from other international commercial norms (Lopes, 2007, pp. 6–7).
23. Minutes of the Board of Directors, no. 2, 23–08–1935 and no. 8, 23–09–1935. Recently the Portuguese Institute of Industrial Property approved the registration of denomination of origin/geographical indication number 6, Nice Classification number 6 and the registration of the trade mark with a Mix Sign was given the number 255580 (Boletim de Propriedade Industrial, no. 5, 1985 and no. 5, 1991).
24. Traditional embroidery of Portugal [1950s], p. 42.
25. All kinds of association trademarks, whether public or private, were protected in Portugal (Ladar, 1930, p. 586). Association with a place of origin is common. The cutlery and tool industry of Sheffield proved to be unique in campaigning for legislation which protected the city as a ‘place of origin from the fraudulent use of its name’ (Higgins & Tweedale, 1995, p. 17). For the role of national trademarks in establishing competitive advantages for certain industries see Higgins and Mordhorst (2008, p. 186).
26. Decree-Law no. 25:643, Diário do Governo, 1^a serie, no. 166, 20 July 1935, preamble. See also Tirole (1996); Winfree and McCluskey (2005).
27. For the debate on competition versus collusion see Menard (1996, pp. 176–178) and Raynaud and Valceschini (2005, pp. 165, 195). Organisations managing collective brands have been critically appreciated by economists and economic historians. The analysis of guilds by economic historians is an example of this, but this analysis is being revised. In addition to identifying the origin of products, medieval guilds identified craftsmen until this practice was formally regulated (see Minard, 2003, pp. 119–232, 83–100). Medieval guilds (according to recent studies) and Portugal's corporatist Grémios shared the aim of reducing transactions costs and mitigating conflicts between members (see n. 24). For an explanation of the reason why the state

has gradually prevailed as a grantor of collective quality control see Casson (1993/94, p. 6).

28. Tirole, 1996; Winfree and McCluskey, 2005.
29. Minutes of the Board of Directors, no. 10, 30-09-1935; no. 78, 29-10-1936 and no. 314, 18-12-1942.
30. For commercial interests in the export market of the regulator Companhia do Alto Douro see Duguid and Lopes (1999, pp. 88-89).
31. Minutes of the Board of Directors, no. 44 of 14-04-1936; 15-06-1936; no. 139, 26-03-1938; no. 208 18-01-1940 and no. 26, 04-01-1935.

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