profitably displace hand labour, and the demand for capital will, therefore, be comparatively small. The amount of capital used by the average labourer, therefore, depends upon the average rate of wages. The competition for capital, and, therefore, interest, will, other things being equal, be greatest where wages are highest, and smallest where wages are lowest. The same conditions which govern rent and wages must, therefore, govern the rate of interest. The rate of interest, therefore, depends upon the productive capacity of the marginal or rent-free land, and is high where rent is low, and low where rent is high.

The same conditions which counteract an excessive rise of rent and an excessive fall in wages must also counteract an excessive reduction of

interest, *i.e.* excessive as compared with the existing difficulty of making capital. These conditions are: emigration, unchecked importation, and, more powerfully still, legislative measures which prevent more productive land from being withheld from use or full use.

§ 48. MONOPOLIES AND MONOPOLY CHARGES. — Monopolies consist of the private possession of Privileges which secure their possessors against the action of free competition, either partly or fully.

Privileges are conferred by custom or law; all monopolies, therefore, arise from these sources. The greater number of monopolies arise from the legal right to use some specially productive land —either specially giving the right to exclusive use, or such exclusive use arising from surrounding circumstances. Apart from the ownership of such land generally, such monopolies are created by the ownership of railway and canal tracks; by the use of public streets for the conveyance of gas, water, electricity, etc., and for laying tramway tracks; by the right to use waterfalls, mines, and similar natural opportunities of exceptional value.

As no one but the grantees can, or is permitted to, use the same land, *i.e.* natural opportunity, for the same purposes, and as similar natural opportunities of equal value are scarce, such privileges confer the power to exact a rent, which must be paid in addition to the value of the services by those to whom the latter are rendered. When such privileges are owned by companies, the market value of the shares of such companies generally exceeds the value of the actual capital used by them. In these cases it is apparent that this excess is not capital, and that the proportion of the dividends paid on this excess value is neither interest nor wages, but is a Monopoly Charge.

The so-called interest paid for public loans which are not represented by public works is of a similar

character. Such payments also arise, not from the earnings of capital, but from the special privilege of sharing in the result of taxation. The wealth with which this privilege was purchased has disappeared, would have disappeared in any case, but the monopoly charge remains.

The most serious monopoly unconnected with particular lands arises from the action of so-called Protective Duties. Such duties are levied on foreign goods for the express purpose of shielding local manufacturers against the competition of foreign rivals. They, therefore, enable the former to sell their goods at prices which, until a sufficient local competition springs up, equal the foreign prices *plus* the duty, and enable them, by the formation of "Rings" and "Trusts," to prevent such local competition.

The most extensive of all monopolies, however, arises from the unconscious combination of the owners of the more productive land not to permit of its use except at prices, or rents, which exceed the present and discount the future rental value of the land. In and around every growing city, land is kept out of use through this cause, and, especially in new countries, much agricultural and mining land shares the same fate. Land of all kinds is thus made scarce, and the users of land, driven to compete more fiercely with each other for such land as the owners will permit to be used, are largely forced to pay rents in excess of the economic rent of the land.

Where a monopoly consists of the exclusive or partial control over the production of certain goods, or over the rendering of certain services, the monopolist does not generally demand the highest price which he might exact. His aim is to reap the greatest possible nett return. The latter may frequently be greater at a lower than at a higher price.

The reason is, that certain expenses for the production of the goods or services continue at the

same or similar rate, whether the transactions are few or many. If, therefore, the price asked reduces the number of transactions below a certain limit, the expense incurred for each transaction must rise, and may rise more than the increase in price. If the price be lowered, the number of transactions may increase, and, consequently, the expense incurred for each transaction may fall by more than the fall in price. In the former case the nett return is lowered by increase of price; in the latter the nett return is raised by lowering of price.

It, therefore, is the endeavour of every monopolist to find out "the highest charge which the traffic can stand," *i.e.* to ascertain the price which will secure the greatest nett return. This price need not be, and generally is not, the highest which some consumers would consent to pay; nor