The Problem of Profit

by Sydney A. Mayers

SOME two thousand years ago there reigned as Monarch of Egypt a reputedly alluring, witty and shrewd woman named Cleopatra. Since her self-inflicted demise, her romantic career has provided inspiration for countless literary and dramatic works, including the famous plays of Shakespeare and Shaw. Undaunted by such competition, this writer finds material for yet another, if minor, opus in the most recent epic inspired by the Queen of the Nile. Believe it or not, the subject *is* political economy.

Seeking a suitable role for its most beautiful (and most money-making) actress, a film producing company known as Twentieth Century-Fox decided to star her in a spectacular motion picture based on the legend of Cleopatra. Years were devoted to its completion, which required considerable creative effort, artistic endeavor, technical skill, executive wisdom and administrative know-how. (It also required publicity, of which there came an abundance.) But most of all, to provide these necessary ingredients, there had to be enterprise and money, especially the latter. The production of any motion picture calls for an inevitably speculative investment; the financial needs of "Cleopatra," because of its grandiose nature, were tremendous.

By the time the film was ready for public exhibition, Twentieth Century-Fox and its bankers are said to have expended on it $44,000,000 – as fabulous a figure as that of Cleopatra herself. A portion of this amount constituted wages, and another was paid as rent, but the major part represented capital, in the pure economic sense. And a goodly percentage of the same was, to put it mildly, the riskiest kind of "risk" capital, for the producer did not know whether it would ever see its investment again – and still does not know.

Whether "Cleopatra" is esthetically worth the time, energy and money it cost is a moot question, but it is a question that concerns the film critic and the movie-goer, not the economist. What is important economically is that this enormous cost was deliberately ventured. It was made available by entrepreneurs and investors on the hope (or gamble, if you will) that the market would justify it. What prompted them to hazard their funds on this perilous transaction? The answer is simple and obvious – it was the anticipation of a profit, the same motive that encourages any economic activity.

Henry George justified interest as the legitimate return for the use of capital. Profit, of course, where it stems from invested capital, is essentially interest. While we properly decry the maldistribution of the fruits of production, we cannot but commend the great strides man has made in his productive capacities. It is worth considering that this enhanced productiveness is sparked primarily by the quest for gain, through which man satisfies his desires. Maybe his mountainous labor sometimes brings forth only a mouse (or a "Cleopatra"), but it also produces the wealth of nations!