unquestioned calculations regarded as perfectly correct in peace-time business, such as the deduction of "discard," as a loss on production, though in fact the discarded steel is sold at a small profit.

On questions of maximum production we are said to have reached an impasse probably necessitating compulsory pooling of resources. The pool planners would have to be composed of industrialists whose life-long conception of the duties of industry may well be outraged at the idea of destroying the foundations of competitive enterprise. These ample extracts from a well-informed observer should suffice to confirm the principles of *Progress and Poverty*, that in all human concerns liberty is better than control; and that planned control is only needed for the limitation and ending of monopoly in all its forms.

Unfortunately on 16th August a further article in the series hails what it regards a solution of the problems of planning arrived by the Select Committee on National Expenditure. The allocation according to priority of available supplies between "the conflicting State departments" is the new problem. The finding of additional output capacity from factories now idle seems to be no one's business, we read. There are many firms for whose products several departments may be in direct competition, and co-ordination depends on the degree of pressure which each department may exercise. The Committee's report is quoted: "A complete priority system should regulate the whole process from the originating demand to the supply of the finished product, in such a way that the entire national resources would be organized to secure . . . maximum output . . . and a priority grading relative . . . to the war effort."

This whole detailed study shows that whilst every article tells how easy it is to regulate human labour, speaking of "the dangerous movement of skilled men from factory to factory," on the other hand the "organization of the entire national resources" has no reference to the power of land monopoly to keep valuable sites out of use. There is to be no interference, no regulation, no plan to control the private ownership of the basic source of all raw materials. It is to be a war fought "in the air" in more senses than one.

Military experts tell us the final decision will be made on the land; we may be sure that our financial and economic experts will reach no decisive solution until they realize and tackle the fundamental land problem now ignored by them.

D. J. J. O.

MONOPOLY, COMPETITION AND FREEDOM

THE WORD "competition" has gradually acquired obnoxious implications. The impression has been heightened by the fact that prejudicial adjectives, such as "unfair," "cutthroat" and others, are frequently tacked on to it.

Leaving aside the adjectives for the moment, what does competition in economic affairs mean? Competition exists when there is more than one person (or firm) which offers to supply a commodity or render a service. The commodity (or service) must obviously be one which is scarce and for which some people are willing to pay. If no one wanted the commodity, and consequently no one was willing to pay anything for it, evidently there would not be anyone who would offer to supply it. If the commodity existed in superabundance so that every one could have as much as he pleased, it could also have no value and no one would offer to supply it.

The concept of competition applies, therefore, to scarce commodities, and it exists when there are several independent persons offering to supply such a commodity. The persons must be independent; if they are bound together by some arrangement which obliges them to act in concert, they become virtually one supplier and there is no competition. It is not essential, however, that there should be more than one consumer of any particular article in order that competition should exist.

Competition implies freedom of choice on the part of the consumer. There are a number of alternative sources from which he can obtain the commodity he requires. The absence of competition means that the consumer has no freedom of choice.

In a free market the competition of producers operates to reduce price to a lower limit determined by cost of production. In a monopolized market this is not so. The monopolist fixes the price (or the quantity sold, which comes to the same thing) so as to assure himself of the maximum net profit. This inevitably means that the quantity sold is less and the price charged is more than would prevail under competition.

Frequently it is said that, while these arguments are true, they mean only that competition is beneficial to consumers, and it is suggested that competition is detrimental to producers. In this it is to be observed that everyone is a consumer, and a policy which benefits consumers must benefit everyone. The suppression of competition does not benefit producers generally, but only those who remain as monopolists. The others, who are squeezed out, would be left to starve if the policy of monopoly could be applied to every industry and occupation. In practice monopoly is not carried so far as that. There remains a residue of occupations which people are free to enter. Competition in these is much accentuated, and earnings in them are less than in the monopolized occupations. The lower level of earnings in such non-monopolized trades as compared with the monopolized ones appears then to be the result of competition, whereas the real cause is monopoly or lack of competition in other trades.

A particular case of the argument last examined is the contention that competition reduces wages. This is frequently put in the form that high prices mean high wages, and many people accept this as axiomatic. The truth is the exact opposite. Consider for example some commodity which is produced under a monopoly, for example by a patented process. The manufacturer adjusts his price so as to get the maximum price and restricts production accordingly, as we have already seen. Suppose that after a time the monopoly ceases, for example by the expiry of the patent. Other persons are attracted to this branch of production by the higher profits gained in it; production is increased; the price of the commodity decreases until finally profits fall to a normal level. The increased sales at the lower prices cause a greater demand for labour in that industry, and the tendency will be for wages to rise rather than to fall, while workers generally will benefit by the reduction in prices.

To put the matter in another way: monopoly means less production; it must therefore injure the community as a whole; if some particular individuals gain by it then the remainder must suffer all the greater injury. It is impossible to think of any argument by which it could be demonstrated that in such circumstances it is the workers who would gain by monopoly and the landlords and capitalists who would lose. Yet this is precisely the proposition which the workers are asked to accept when they are invited to vote for protective tariffs, quotas, and other schemes for restricting production.

It is no doubt conceivable that some trade union could be formed sufficiently close and powerful to wrest a share of the profits of a monopolized industry from the employers. The profit would then be divided between a larger number of persons, but as between them and the community generally the position would be no whit improved. Politically the situation would be worse because a larger number of persons would have a vested interest in an uneconomic and unjust arrangement. In any case the position of workers as a whole could not be improved by such monopoly practices, for each monopoly would despoil the remainder as consumers, and as the number of monopolies increased those who had been parties to the original one would by the increase of prices caused by the others be deprived of all the advantage they had at first and in the end be worse off than ever.

The fact is that competition includes not only freedom of choice for consumers, but it also involves freedom of choice for producers so that they may devote themselves to whatever calling offers to them the greatest advantages. Competition in economic life is a synonym for economic freedom, and it is not possible to conceive how the one can exist without the other. It is by the growth of economic freedom that economic progress has been made possible. The economic evils which oppress men arise not from freedom but from monopoly and restriction. Where land is monopolized and held out of use, where production is restricted by tariffs, quotas and other monopolies, the condition of life of the ordinary man is depressed and he complains of "cut-throat competition," but the remedy is not to be found in more restriction but in more freedom. ~~F. C. R. D.~~

A COMMUNIST VIEW OF GERMANY'S PLIGHT

By Harry F. Levett, Johannesburg

Some months ago we reviewed *The Real Rulers of Germany*.* The subject-matter of the book is important enough to deserve this further notice in which Mr Levett so competently deals with the failure of the author and his sponsor to reveal the true situation because they do not distinguish between capital and natural resources.

WHEN WRITING about international rivalry, the possibility of war, or any actual war, Communists invariably start off with the assumption that such rivalry or war has an "imperialistic capitalistic" foundation or cause; they assume that wars or the threats of wars are due to the desire on the part of capitalists of one country to end the competition from the capitalists of the other country. They then make an attempt, revealing their ignorance of human nature, to persuade the workers not to take part in the so-called "imperialistic capitalistic" war. Anyone with a slight knowledge of workers realizes that the average worker invariably identifies himself with the organization by which he is employed, and that, if wars are caused by or fought on a "capitalistic imperialistic" basis, the average worker will defend the system in which he is a cog rather than risk its overthrow by a rival system in which he may not be even a cog. After all, we nearly all prefer "the devil we know to the devil we don't know," and it is for this reason, probably, that the Communistic "anti-war" propaganda has so largely been a failure.

Although Behrend writes blithely about "imperialistic" or "capitalistic" rivalry, he himself in this book gives innumerable instances and ample evidence to show that there is no such rivalry. Arnot, in his preface (page 14), speaks of the necessity for "German finance capital" to "share" profits with the "victors of Versailles" (after 1919); but Behrend, although he shares Arnot's views on "international capitalistic rivalry," explains (pages 29 and 30) that prominent Frenchmen actually assisted the German industrialists to get concessions in Morocco; that "thirty per cent. of the iron ore workings of Briey and Longwy" (in France) were German owned (page 30). Behrend reports "agreement with the Allies" (page 39); association of large German industrial companies with the "International Nobel Gunpowder Trust" (page 56); German directors on the boards of companies in other countries (page 109); and similarly gives evidence that there is no real rivalry or competition between at any rate the larger corporations of the different countries (pages 128, 159, 181, 183, 222, 224, and 225).

Thus, while Behrend gives out the usual Communistic talk about "imperialistic capitalistic" rivalry and competition, he, like all his fellow Communists, fails to see that the position is much more serious than that. In Chapter 8, Behrend elaborately lists the memberships of the larger German industrial directorates, he rather carefully forgets to mention that most of those same boards have American, British, French, and other members, representing large shareholdings; he forgets that many of the large corporations in other countries have German and other nationalities prominent upon their boards. The theory of the Communists, that there exists "imperialistic capitalistic rivalry," is so far from being the truth that the Communists do not understand the real seriousness of the position of the worker in the world.

If there is any actual ground for hostility between capital (as such) and labour, which is doubtful, it is certainly not a matter of international capitalistic rivalry, it is a matter of international capital *versus* international labour, and in such case there is no basis at all for wars between nations. Thus the Communistic idea that wars are caused by capitalistic competition is completely without any foundation whatever. It is clear that, as practically every really large corporation has on its board of directors representatives of various nations, any decision taken by the board is, at any rate in peace-time, an international decision.

In the various cases cited by Behrend, where the boards of German companies acted in ways designed to take away from the German workers certain rights, it is clear that the decisions were international decisions; that is to say that in each dispute it was not a question of German labour *versus* German capital, it was a question of German labour *versus* international capital. The word capital has here been used in the Communist sense; actually it is not at all a question of labour *versus* capital, it is actually a question of labour and capital together on one side *versus* landownership on the other, and Behrend himself, without understanding what he is writing, gives evidence of it.

Over and over again, both Arnot and Behrend bear witness to the fact that they do not realize that what they call "monopoly capital" is not capital at all but landownership monopoly. Thus (page 12) Arnot talks about "millionaires and landlords," and goes on to mention Kirdorf, Krupp, Thyssen, Stinnes, etc., "the lords of the huge coal, iron, and steel industries," in sublime ignorance of the elementary fact that coal, iron, etc., are essentially raw materials derived from land and that, without exclusive ownership of land, Kirdorf and company could not even be millionaires let alone monopoly capitalists. Similarly he connects the Rockefellers, Morgans, Mellons, etc., of America with Wall Street, instead of with landownership; oil, copper, aluminium, are, like coal, iron ore, etc., raw materials derived from the land. Without exclusive ownership of oil or ore bearing or other land, none of these men could have ever become millionaires. Behrend himself mentions (page 64) the time when the coal industry in Germany was in the hands of "small independent producers—operators" (he means capitalists) "and workers in one." It should be obvious

* By Hans Behrend, translated by Charles Ashleigh, preface by R. Page Arnot, published by Lawrence & Wishart, Ltd., London.