THE LIMITS OF COMPETITION.

THERE is a sense in which much of the orthodox system of political economy is eternally true. Conclusions reached by valid reasoning are always as true as the hypotheses from which they are deduced. If we admit the fact of unlimited competition, we concede in advance many doctrines which current opinion is now disposed to reject. This refuge will always be open to the latter-day defenders of the faith, as they are confronted by greater and greater discrepancies between their system and the facts of life; it will remain forever true that if unlimited competition existed, most of the traditional laws would be realized in the practical world. It will also be true that in those corners of the industrial field which still show an approximation to Ricardian competition there will be seen as much of correspondence between theory and fact as candid reasoners claim. If political economy will but content itself with this kind of truth, it need never be disturbed by industrial revolutions. The science need not trouble itself to progress.

This hypothetical truth, or science of what would take place if society were fashioned after an ideal pattern, is not what Ricardo believed that he had discovered. His system was positive; actual life suggested it by developing tendencies for which the scientific formulas which at that time were traditional could not account. It was a new industrial world which called for a modernized system of economic doctrine. Ricardo was the first to understand the situation, to trace the new tendencies to their consummation, and to create a scientific system by insight and foresight. He outran history in the process, and mentally created a world more relentlessly competitive than any which has existed; and yet it was fact and not imagination that lay at the basis of the whole system. Steam had been utilized, machines were supplanting hand labor, workmen were migrating to new centres of production, guild regulations were giving way,

and competition of a type unheard of before was beginning to prevail.

A struggle for existence had commenced between parties of unequal strength. In manufacturing industries the balance of power had been disturbed by steam, and the little shops of former times were disappearing. The science adapted to such conditions was an economic Darwinism; it embodied the laws of a struggle for existence between competitors of the new and predatory type and those of the peaceable type which formerly possessed the field. Though the process was savage, the outlook which it afforded was not wholly evil. The survival of crude strength was, in the long run, desirable. Machines and factories meant, to every social class, cheapened goods and more comfortable living. Efficient working establishments were developing; the social organism was perfecting itself for its contest with crude nature. It was a fuller and speedier dominion over the earth which was to result from the concentration of human energy now termed centralization.

The error unavoidable to the theorists of the time lay in basing a scientific system on the facts afforded by a state of revolution. This was attempting to derive permanent principles from transient phenomena. Some of these principles must become obsolete; and the work demanded of modern economists consists in separating the transient from the permanent in the Ricardian system. How much of the doctrine holds true when the struggle between unequal competitors is over, and when a few of the very strongest have possession of the field? Can the old-time competition be trusted to divide the fruits of industry between one overgrown shop and another, and between the owners and the workmen in each? Can this same force control railroads, as it once controlled stage-coaches and packet-sloops? To be more accurate, are the transactions of consolidated railroad lines governed by the same principles as those of single railroads and stage-coach lines when these are competing with each other? Does the old regulating principle at present exist, and will general well-being continue to evolve itself under its unaided influence? An economic system

adapted to the modern era must begin by answering these questions.

In most branches of manufacturing, and in other than local transportation, the contest between the strong and the weak is either settled or in process of rapid settlement. The survivors are becoming so few, so powerful, and so nearly equal that if the strife were to continue, it would bid fair to involve them all in a common ruin. What has actually developed is not such a battle of giants, but a system of armed neutralities and federations of giants. The new era is distinctively one of consolidated forces; rival establishments are forming combinations, and the principle of union is extending itself to the labor and the capital in each of them. Laborers, who once competed with each other, are now making their bargains collectively with their employers. Employers, who under the old *régime* would have worked independently, are merging their capital in corporations, and allowing it to be managed as by a single hand. We need Ricardo's insight and foresight if we are to attain the economic laws that are to govern the transactions of the practical world. The changes which we are witnessing are as startling in character as those which he witnessed, and are on a scale of greater magnitude. There is this difference between his scientific position and ours, namely, that he saw before him an interval of contest that must of necessity, sooner or later, come to an end; while we see approaching a period of union which gives a promise of indefinite continuance. He studied the evolution that created a type of industrial establishment; we have to study the functions of this surviving type. History will aid us by furnishing a point of departure, and by indicating the direction of social development, but not by giving facts from which any possible induction can give the principles which we seek. The light derivable from past facts is negative; that derivable from present tendencies is positive. The materials for study lie in the present and the immediate future; and, to be scientific, we must be somewhat prophetic.

Predatory competition between unequal parties was the basis of the Ricardian system. This process was vaguely conceived

and never fully analyzed; what was prominent in the thought of men in connection with it was the single element of struggle. Mere effort to survive, the Darwinian feature of the process, was all that, in some uses, the term competition was made to designate. Yet the competitive action of an organized society is systematic; each part of it is limited to a specific field, and tends, within these limits, to self-annihilation.

An effort to attain a conception of competition that should remove some of the confusion was made by Professor Cairnes. His system of "non-competing groups" is a feature of his value theory, which is a noteworthy contribution to economic thought. Mr. Mill had followed Ricardo in teaching that the natural price of commodities is governed by the cost of producing them. Professor Cairnes accepts this statement, but attaches to it a meaning altogether new. He says, in effect:

> Commodities do indeed exchange according to their cost of production; but cost is something quite different from what currently passes by that name. That is merely the outlay incurred by the capitalist-employer, for raw materials, labor, *etc.* The real cost is the personal sacrifice made by the producing parties, workmen as well as employers. It is not a mercantile but a psychological phenomenon, a reaction upon the men themselves occasioned by the effort of the laborer and the abstinence of the capitalist. These personal sacrifices gauge the market value of commodities within the fields in which, in the terms of the theory, competition is free. The adjustment takes place through the spontaneous movement of capital and labor from employments that yield small returns to those that give larger ones. Capital migrates freely from place to place and from occupation to occupation. If one industry is abnormally profitable, capital seeks it, increases and cheapens its product, and reduces its profits to the prevailing level. Profits tend to a general uniformity.

Wages are said to tend to equality only within limits. The transfer of labor from one employment to another is checked by barriers.

> What we find, in effect [continues Professor Cairnes], is not a whole population competing indiscriminately for all occupations, but a series of industrial layers, superimposed on one another, within each of which the various candidates for employment possess a real and effective power of

selection, while those occupying the several strata are, for all purposes of effective competition, practically isolated from each other. We may perhaps venture to arrange them in some such order as this: first, at the bottom of the scale there would be the large group of unskilled or nearly unskilled laborers, comprising agricultural laborers, laborers engaged in miscellaneous occupations in towns, or acting in attendance on skilled labor. Secondly, there would be the artisan group, comprising skilled laborers of the secondary order, — carpenters, joiners, smiths, masons, shoemakers, tailors, hatters, *etc.*, *etc.*, — with whom might be included the very large class of small retail dealers, whose means and position place them within the reach of the same industrial opportunities as the class of artisans. The third layer would contain producers and dealers of a higher order, whose work would demand qualifications only obtainable by persons of substantial means and fair educational opportunities; for example, civil and mechanical engineers, chemists, opticians, watchmakers, and others of the same industrial grade, in which might also find a place the superior class of retail tradesmen; while above these there would be a fourth, comprising persons still more favorably circumstanced, whose ampler means would give them a still wider choice. This last group would contain members of the learned professions, as well as persons engaged in the various careers of science and art, and in the higher branches of mercantile business.

It is essential to the theory that not only workmen but their children should be confined to a producing group. The equalizing process may take place even though men do not actually abandon one occupation and enter another; for there exists, in the generation of young men not yet committed to any occupation, a disposable fund of labor, which will gravitate naturally to the occupations that pay the largest wages. It is not necessary that blacksmiths should ever become shoemakers, or *vice versa*, but only that the children of both classes of artisans should be free to enter the trade that is best rewarded.

Professor Cairnes does not claim that his classification is exhaustive, nor that the demarcation is absolute:

> No doubt the various ranks and classes fade into each other by imperceptible gradations, and individuals from all classes are constantly passing up or dropping down; but while this is so, it is nevertheless true that the average workman, from whatever rank he be taken, finds his power of competition limited for practical purposes to a certain range of

occupations, so that, however high the rates of remuneration in those which lie beyond may rise, he is excluded from sharing them. We are thus compelled to recognize the existence of non-competing industrial groups as a feature of our social economy.

It will be seen that the competition which is here under discussion is of an extraordinary kind; and the fact that the general term is applied to it without explanation is a proof of the vagueness of the conceptions of competition with which acute writers have contented themselves. Actual competition consists invariably in an effort to undersell a rival producer. A carpenter competes with a carpenter because he creates a similar utility, and offers it in the market. In the theory of Professor Cairnes the carpenter is the competitor of the blacksmith, because his children may enter the blacksmith's calling. In the actual practice of his own trade, the one artisan in nowise affects the other. It is potential competition rather than actual that is here under discussion; and even this depends for its effectiveness on the action of the rising generation.

Cost, in the sense of personal sacrifice, governing prices within the fields in which potential competition exists, is the summary of this noteworthy theory. The criticism to be made upon it is that the application of its more fundamental principle, that which connects the prices of commodities with the sacrifices involved in producing them, has an application that is far wider than the author of the theory supposed, and wider than it had, in fact, in European countries at the time when he published his work. The limitations which he imposed on the action of this principle are no longer necessary, and the fourfold grouping of laborers according to their personal qualities no longer corresponds with anything in actual life.

Modern methods of production have obliterated Professor Cairnes' dividing lines. Potential competition extends to every part of the industrial field in which men work in organized companies. Throwing out of account the professions, a few trades of the highest sort, and the class of labor which is performed by employers themselves and their salaried assistants, it is practically true that labor is in a universal ebb and flow; it

passes freely to occupations which are, for the time being, highly paid, and reduces their rewards to the general level.

This objection to the proposed grouping is not theoretical. The question is one of fact; it is the development of actual industry that has invalidated the theory which, ten years ago, expressed an important truth concerning economic relations in England. Moreover, the author of the theory anticipated one change which would somewhat lessen its applicability to future conditions. He recorded his belief that education would prove a leveller, and that it would merge to some extent the strata of industrial society. The children of hod-carriers might become machinists, accountants, or lawyers when they could acquire the needed education. He admitted also that new countries afford conditions in which the lines of demarcation are faint. He was not in a position to appreciate the chief levelling agency, namely, the machine method of production as now extended and perfected. Education makes the laborer capable of things relatively difficult, and machines render the processes which he needs to master relatively easy. The so-called unskilled workmen stand on a higher personal level than those of former times; and the new methods of manufacturing are reducing class after class to that level. Mechanical labor is resolving itself into processes so simple that any one may learn them. An old-time shoemaker could not become a watchmaker, and even his children would have found difficulties in their way had they attempted to master the higher trade; but a laster in a Lynn shoe factory can, if he will, learn one of the minute trades that are involved in the making of a Waltham watch. His children may do so without difficulty; and this is all that is necessary for maintaining the normal balance between the trades.

The largest surviving differences between workmen are moral. Bodily strength still counts for something, and mental strength for more; but the consideration which chiefly determines the value of a workman to the employer who entrusts to him costly materials and a delicate machine is the question of fidelity. Character is not monopolized by any social class; it

is of universal growth, and tends, by the prominent part which it plays in modern industry, to reduce to their lowest terms the class differences of the former era.

The rewards of professional life are gauged primarily by character and native endowment, and are, to this extent, open to the children of workmen. New barriers, however, arise here in the ampler education which, as time advances, is demanded of persons in these pursuits; and these barriers give to a part of the fourth and highest class in the scheme that we are criticising a permanent basis of existence. Another variety of labor retains a pre-eminence based on native adaptations and special opportunities. It is the work of the employer himself. It is an organizing and directing function, and in large industries is performed only in part by the owners. A portion of this work is committed to hired assistants. Strictly speaking, the *entrepreneur*, or employer, of a great establishment is not one man, but many, who work in a collective capacity, and who receive a reward that, taken in the aggregate, constitutes the "wages of superintendence." To some members of this administrative body the returns come in the form of salaries, while to others they come partly in the form of dividends; but if we regard their work in its entirety, and consider their wages in a single sum, we must class it with *entrepreneur's* profits rather than with ordinary wages. It is a different part of the product from the sum distributed among day-laborers; and this fact separates the administrative group from the class considered in our present inquiry. Positions of the higher sort are usually gained either through the possession of capital, or through relations to persons who possess it. Though clerkships of the lower grade demand no attainments which the children of workmen cannot gain, and though promotion to the higher grades is still open, the tendency of the time is to make the transition from the ranks of labor to those of administration more and more difficult. The true laboring class is merging its subdivisions, while it is separating more sharply from the class whose interests, in test questions, place them on the side of capital.

If we consider individuals of the higher group, we shall find that the grounds for classifying them separately from wage-workers are not always distinct. It may be doubtful whether a particular man should be rated as a workman, or as a subordinate member of the employer's staff. In the case of responsible managers this uncertainty disappears. The manager of a great manufactory does what is clearly identified as *entrepreneur's* work, and receives a reward which, in the minds of those who pay it, stands in a recognized ratio to the product which is secured by his efficiency. Such a man is identified with employers in interest, acts with them when labor conflicts arise, and carries with him the staff of assistants who help to execute his plans and, in some degree, share his fortunes. Here lies the essential distinction between salaried labor and the true wage-labor to which our inquiry is now confined.

America affords the conditions most favorable to the levelling process which is reducing the workman proper to a single social stratum. To this extent our democracy has an economic basis. Free education and native versatility elevate the lower substrata, while machine processes depress the higher. High general wages assist, by placing within the reach of the children of the state that modicum of training which opens many callings to their selection. The barriers that separated wage-earners into broad non-competing strata are, to all intents and purposes, things of the past.

Art may create barriers where nature has destroyed them. The concerted action of men may set in motion aristocratizing influences, where a natural evolution would lead to democracy. Trades unions may obstruct the transfer of labor from one occupation to another, and create a partial monopoly of favored employments. Restrictions on apprenticeships like those which prevailed among the mediæval guilds might, if carried far enough, erect a palisade around each of the minute trades which the factory system has developed, and substitute for the general strata of former times an artificial grouping far more undemocratic in its practical working. Labor organization has in fact taken this course, to an extent that produces appreciable effects

on relative wages. The boy who has both time and ability to learn a trade is not always permitted to do so; and hence arises the need of trade schools, especially in self-governing countries. It is an important question whether the principle of equality and consequent fraternity is to prevail over the artificial tendency to exclusiveness and antagonism. In the long run and in the general field it must prevail; the forces in its favor are too powerful to be resisted. The education which increases men's working ability, the change of method which makes less and less demands on that ability, supplemented by the public sentiment that revolts at the policy of denying to men the opportunity to do what they can for themselves and for society, will keep within bounds the effort to monopolize skill by reviving guild regulations. Trades unions may, for some time, interpose obstacles to the free transfer of labor to the points of greatest demand, which is the potential competition of Professor Cairnes' theory; but, in the long run, causes beyond arbitrary control will keep this movement nearly free.

It is not workmen but employers who have erected the chief artificial barriers against competition. A startling recent development is the system of combinations by which producers of particular articles have attempted arbitrarily to control the supply and the market value of their respective products. This apparently wholesale abrogation of economic law was unthought of by early economists; and although in Professor Cairnes' time the pooling process had begun, even he regarded capital as in a universal ebb and flow, ready to move spontaneously to the point where it could gain the largest returns. Toward the close of what we have termed the century of transition, producers' combinations appeared on a large scale; and very lately they have stolen a forced march upon economists. While we slept, as it were, and dreamed of the regulation of values by the automatic flow of capital to the points of highest profit, the principle apparently ceased to operate within very extensive fields. It would be easy to name a hundred staple articles, like glass, wall-paper, cut nails, screws, files, spool silk, anthracite coal, steel rails, *etc.*, of which the supply and the market

value are fixed by agreement by strong associations of producers. The scientific significance of this transition is a question for immediate study. Have we come unconsciously under a *régime* of arbitrary values? Is the old regulating principle, competition, abrogated? Is it subject to disturbances so vast and uncertain as to baffle scientific calculation?

The practical inquiry must be guided here as elsewhere by a study of principles. Combinations have their roots in the nature of social industry and are normal in their origin, their development, and their practical working. They are neither to be deprecated by scientists nor suppressed by legislators. They are the result of an evolution, and are the happy outcome of a competition so abnormal that the continuance of it would have meant wide-spread ruin. A successful attempt to suppress them by law would involve the reversion of industrial systems to a cast-off type, the renewal of abuses from which society has escaped by a step in development. Combinations are to be accepted, studied, and, probably, regulated; they ought not to be suppressed if such action were practicable. This action is fortunately not practicable except in the early stages of their growth, while their form is still crude, and while the initial difficulties of the system are great. The repressive policy may then, for a time, succeed; but it must be at the cost of social retrogradation and economic loss.

Modern production is not an individualistic process; it is the act of society as a whole, and each separate man in the ranks finds his function narrowly limited. Parts of the productive operation are assigned to sub-organizations, and these are subjected to a discipline which limits each member to an infinitesimal part of general industry. He may be one of a group that collectively cuts trees, or of another that saws logs, or of another that fashions lumber into furniture. The chair that a primitive settler would have hewn out with an axe is the product of one of the numerous sub-organisms of society. The relations of these sub-organisms to each other, though intricate, are capable of clear analysis. We select a typical one for study, and, to avoid confusion, consider no relations that are not essential to

our present purpose. Crudely represented, the furniture-making group arranges itself as follows:

Finishing
Cabinet making
Transporting
Lumber dealing
Wood cutting

Each stratum shows a subdivision into capitalists and workmen; and in each case there range themselves on the side of the capitalists a few men of managing ability, who constitute with their employer a sort of collective *entrepreneur*, and whose rewards, in the form of salaries, have more in common with profits than they have with wages.

True competition is limited by nature to the strata here indicated; cutters compete only with cutters, lumber dealers with lumber dealers, *etc.* The distinction between this grouping and that of Professor Cairnes consists, not in the fact that the classification here proposed follows the lines of occupation, but in the fact that it is based on real and not on potential competition. Whether a workman can or cannot transfer himself from one sub-group to another is a question which we do not raise. We inquire simply with whom he competes while remaining in his own group and continuing to discharge his special function. In this lies the practical fruit to be gained by a study of the grouping. As bearing on the direct adjustment of relative wages, the question to be considered is: Whether wood-cutters are potential competitors of furniture makers, *etc.;* whether they or their children have such a choice of occupations open to them that the rewards of all tend toward a general uniformity? As bearing on the question which we are now considering, the point to be studied is: What groups of men are brought into competition with each other by the nature of their industrial functions, and what consequences result from this grouping? It is to be noted, moreover, that in the sale of commodities, finished or unfinished, the competition is not between

workmen, nor between employers, separately considered, but between industrial establishments in their entirety. One furniture manufactory as a whole competes with another. Each is an organism in itself; and although the employer in each case becomes the owner of the product, and places it in his own name upon the market, yet his relations with his men are such as to make them partners in the sacrifice which creates the product, and in the rewards derived from it. It is the efficiency of both workmen and employers, and the relations between the two, that determine the competing ability of an industrial establishment. Competition in the sale of commodities is limited to establishments of the same sub-class; it is confined by nature within horizontal lines like those which, in the case of one representative group, we have indicated in the foregoing diagram.

These sub-groups are now solidifying. Within many of the pairs of parallel lines competition has exterminated the weak producers, and becoming fiercer as the survivors become fewer and stronger, is compelling them, in the end, to unite or perish. "Let us have peace" has become the watchword in this part of the field; and the truce which has ensued has taken the form of a system of producers' combinations.

These unions aim to fix prices and, as a means thereto, to restrict production. The one process limits actual competition, and the other potential. To decide upon a price list, and to abide by it, is to allay the rivalry between similar producers; to restrict production is to disturb the relations between dissimilar producers. An arbitrary restriction upon the amount of a commodity which can be placed upon the market checks the enlargement of the industry, and thus obstructs the transfer of labor and capital from group to group — which is the potential competition of Professor Cairnes' theory. Could each group solidify into a corporation that could control its members within and suppress rivalry without, the whole industrial field would become definitely non-competitive. The old regulator of values would be lost, and the appeal for state intervention would acquire great force. The study of the coming interval is that of

the principles which make a general appeal of this kind unnecessary. It is the study of competition in residual forms. The process is taking on an advanced type, less simple than that of earlier times, and more legitimate than that which has lately developed. Residual competition of the actual kind subsists between productive establishments of comparatively equal strength in combination with each other; and residual competition of the potential kind is maintained between the entire combination and the remainder of society. The members of the pool are still rivals; and capital and labor may still transfer themselves to and from the industry which they try to control. Monopoly prices have not been long maintained by any of these organizations; and this fact is due, not to chance, but to complex and interesting economic laws. Leaving the discussion of these principles to one whose analysis derives weight from practical observation, I close this paper with a brief reference to the conditions which determine the transition from the era of predatory competition to that of union.

If each industry were represented by a diagram like the one by which we have rudely shown the relation of sub-classes in the furniture-making group, it would be found that the horizontal lines which bound the fields of competition bound also those of combination. The combining groups are the natural competing groups of industrial society. The limitation of these fields is important. The fewer are the competitors, the fiercer is the strife and the greater is the need of union. The fewer are the competitors, the easier is the pooling process. The effect of the union is to turn the belligerent energies of society in a new direction. Under the old system it was rival producers that destroyed each other; under the new system it is producers of dissimilar articles whose interests come into overt conflict. To limit the supply and raise the price of a commodity is to make members of other producing groups give for it an increased proportion of their own products; and if this attempt is met by a similar proceeding on their part, there results an industrial war, the battles of which are fought across the horizontal lines, instead of between them. If unions were general, the lumber-

men of the foregoing diagram would cease to attack each other, and collectively do battle with the transporters and furniture makers. Treaties of alliance on the old battle-ground, hostility at the point of former amity, — such are the results of the transition to the new system. The field of economic war and the nature of the belligerent process are both changed.

Combinations are the product of a social evolution, and can have no permanent existence until the Darwinian contest between the weak and the strong has completed its work. The surviving competitors must be few, strong, and nearly equal. Marked inequalities of strength among the members of the group defer the formation of the union, or break it when it is formed prematurely. Rivals do not combine so long as one is conscious of the power to exterminate the other. Moreover, strength for such a contest consists not merely in the size of a producing establishment, although that is an element to be considered; it consists primarily in advantages for economical production. Location is important, but the paramount influence is the mastery of cheap methods. Natural selection locates industries in the most favorable localities, and brings them to some equality in method; and until this is done there is no chance for an economic truce.

In agriculture the number of competitors bars the way for the formation of unions. It is to be noted that the prices of food products are especially sensitive to changes in supply; and if a combination could restrict the crops uniformly and very moderately, it could force the members of other industrial departments to pay double or quadruple prices for the means of living. Against such a calamity the nature of the agricultural industry interposes its bar. Anthracite coal is somewhat like a food product in its importance, and in the variations which the price undergoes in consequence of changes in the supply. Coal-mining affords strong inducements and exceptional facilities for the pooling process, and it is here that the effects of union are especially harmful to society. That the injury thus far done has not been greater than it has been is due to residual competition, though it has worked under unusual disadvantages.

The value of this regulating agent under favorable circumstances must be indefinitely greater.

Portability in the commodity produced is essential to the formation of a combination on a national scale. The large establishment must be able to reach with its product the entire territory, and that without incurring a cost for transportation which would prevent it from underselling the small local producers. Baskets are made with great economy in a large shop; but their bulk subjects them to a cost for transportation that enables the local manufacturers, though working with less economy, to hold their respective fields, and defeats the formation of a union in this industry. In the silk manufacture the freight costs practically nothing, and the mill which produces cheaply has at its command all parts of the national territory to which its agents choose to travel. The silk industry offers, in this respect, a favorable field for combination. Moreover, cheapness of transportation depends not only on the nature of a product, but also on the development of an efficient railroad system. The low rates for freight now prevailing in this country have done much to create combinations among manufacturers; if pools among the railroads themselves were to restore the former cost of transportation, they would undo this work. The economic war between transporters and other groups of industrial society promises to result so favorably to the other groups as to facilitate combinations among them.

In but few instances has the principle of union among producers shown a capacity to cross national lines; and in so far as a protective tariff debars the foreigner from being an efficient competitor within the limits of a country, it hastens the formation of pools within those limits. In any case foreign competition acts as a check upon the raising of prices after a combination has been formed.

The industrial world would seem to be dividing into two portions, in one of which, embracing the most important of all forms of production, namely, that of agriculture, the principle of individual competition continues, and produces results so beneficial to society as to justify the enthusiasm of the early

economists for competition as a regulator of values and a divider of the fruits of industry. In the other economic division, embracing transportation and a majority of manufactures, the principle of combination is asserting itself, and introducing a *régime* in which prices are regulated by competition in latent and residual forms. Whether these surviving types of competition are so nearly adequate to the regulating work which must be done that no state action is called for, is a debatable question. Whether state action should take the form of a legal suppression of combinations is a question which a brief trial of such a policy would place beyond the debatable line. To regulate combinations is possible and, in some directions, desirable; to permanently suppress them is impossible; to temporarily repress them is either to force them into illegal forms, or to restore the internecine war from which a natural evolution has delivered us. To accept the results of this evolution and to meet the demands of the new era is the part of wisdom.

JOHN B. CLARK.

THE PERSISTENCE OF COMPETITION.

THE late Walter Bagehot probably knew the "market" better than any other thinker who has grappled with theoretical questions of political economy. This fact lends weight to his views of the present, past, and future of competition, as presented in those luminous essays on *The Postulates of English Political Economy*, written just before his death. John Stuart Mill had said that "only through the principle of competition has political economy any pretension to the character of a science," [1] — a dictum that compressed into a sentence the economic system of Ricardo, James Mill, Senior, and McCulloch. John Stuart Mill himself distinctly recognized the hypothetical character of this system, and in the chapter on "Competition and Custom" he undertook to show that it was only the wholesale trade and the great articles of commerce that were really under the dominion of competition. At the same time he asserted that the influence of competition was "making itself felt more and more through the principal branches of retail trade in the large towns," and that "the rapidity and cheapness of transport, by making consumers less dependent on the dealers in their immediate neighborhood," were "tending to assimilate more and more the whole country to a large town." Mr. Bagehot, bringing to his investigations a rare mastery of deductive reasoning, a breadth of view gained by many excursions into the domains of history and physical science, and the worldly sagacity of a practical business man of Lombard Street, became convinced that the fundamental postulates of English political economy, besides being only hypothetically true for a great portion of modern European society, were not true at all for uncivilized and semi-civilized societies, nor for European societies in their primitive eras. His demon-

[1] Principles of Political Economy, chapter on Competition and Custom, second paragraph.