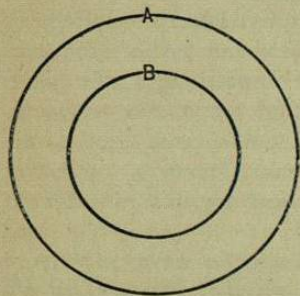


CHAPTER VII.

CAPITAL AND ITS INCREASE.

55. WE have already seen that **wealth** is any thing which satisfies a desire, for the attainment of which we are willing to undergo some sacrifice, and which is exchangeable. But not all wealth is **capital**. *Only that part of*



wealth is capital which the possessor intends to use for the production of other wealth. Thus, in the diagram, all the wealth of a country may be represented by A, and all its capital by B. The capital can never be greater than A, and of course it is much less than A, because not all wealth, after it is produced, is used to produce other wealth again: it

may be consumed in such a way that nothing else is made while it is being used up. "Thus oats are capital* if they are to be given to a cart-horse, but not if they are to be given to a race-horse." A coat may be worn by a man who does no work at all, or by a man who tills his fields early and late. In the first case, the coat is wealth, but not capital, and in the second case it is wealth used as capital. Nothing, then, is capital which when being used does

* Marshall, "Economics of Industry," p. 13.

not aid in making other wealth. All the wealth spent in buying, furnishing, and sailing a pleasure-yacht is not capital, because its use in that way does not result in the production of other wealth.

56. When we pass from the most primitive age of society, it is found that **labor can not be properly employed without capital**. There must be a store of the results of past labor laid up, so that, for example, it can furnish an artisan in a chair-factory with lumber and materials on which he can work, with tools, lathes, steam-power, and factory buildings, and with food, clothing, and shelter, while he is occupied in making chairs. If the laborer does not himself own this capital, it must be furnished to him by some one who has it. This, of course, seems clear enough as industries are now carried on; but we ought to see how this necessity for capital first arose, for without it we should be forced to live like Indians. "Let us take the case of a tribe dwelling along the shore, and subsisting upon fish caught from the rocks which jut into the sea. . . . When the fish are plentiful, the people live freely, even gluttonously. When their luck is bad, they submit to privations which involve suffering, reaching sometimes the pitch of famine. Now let us suppose that one of these fishermen, moved by a strong desire to better his condition, undertakes to lay by a store of fish. Living as closely as will consist with health and strength, he denies himself all superfluity even at the height of the season, and by little and little, accumulates in his hut a considerable quantity of dried food. . . . As the dull season approaches, he takes all the food he can carry, and goes into the hills, where he finds trees whose bark can be detached by sharp stones. Again and again he returns to his work in the hills, while his neighbors are painfully striving to keep themselves alive. At the end of the dull season, he brings down to the water a canoe, so light that it can be borne upon his shoulders, so buoyant that he can paddle in it

out to the 'banks' which lie two or three miles from shore, where in one day he can get as many fish as he could catch from off the rocks in a week. The canoe is capital; the fisherman is a capitalist."*

57. We see by this illustration that capital can result only from **saving**, or abstaining from consuming wealth for one's own pleasure. In the above example, the fisherman abstained from consuming any more fish than he actually needed, with the intention of keeping the dried fish he had saved to subsist upon while he was engaged in making other wealth, which was in this case a canoe. We may then say that **capital is saved wealth intended for reproduction**. While the capital is being consumed in reproducing something else, it can not be used for another thing at the same time. If this fisherman had given his dried food to the others for a great feast, he would have had nothing on which to subsist while making the canoe. The capital, by which more wealth may be produced, can not come into existence except by that hardship and sacrifice which is involved in the word *saving*. After going through this sacrifice in the abundant season, the prudent fisherman would justly consider it very impudent indeed if another man were to come and claim that he had an equal right to this saved food, and that he wanted to use the food, but would not pay him anything for the use of it—that is, not reward him at all for his sacrifice and abstinence. If this were ever permitted, it is not likely that much abstinence and saving for capital would go on; and so we should be without the accumulations of boats, factories, machinery, materials, houses, clothing, and food, by which so many laborers are able to continue working without interruption month after month and year after year. Wherever capital exists, some one who has had wealth, which he himself could have consumed in carriages or fine dinners or yachting, has refrained from making this use of

* F. A. Walker, "Political Economy," pp. 63, 64.

it and put it instead into a form by which, while being consumed, some new thing was produced. Only by saving capital, which is necessary to production, can the wealth of the world be increased.

58. By the very fact of deciding to use his wealth as capital in producing new wealth, a man puts his wealth where it is consumed, since **capital** is able to reproduce other wealth only by being **consumed**. The wealth is either eaten up in the food or worn out in the clothing of the laborers, or it disappears in the form of materials only to reappear in a new form. Bread, meat, woolen clothing, hides, nails, thread, all disappear; but in their place reappear shoes ready for the market. Productive expenditure, then, implies the consumption of wealth, with the usual result that a greater amount is produced in its place. This is illustrated by the career of the Duke of Bridgewater, in England.* "In his time English industries were sadly hampered by the enormous cost of carrying goods from one part of the country to another. None of the roads leading into Manchester were passable by carts. Coals, corn, cloth, and other things were carried on horses' backs in summer. But in winter, when the roads were bad, Manchester was like a beleaguered town. The duke conceived the daring project of making canals to connect the manufactures of Manchester with the coal districts on the one hand, and with the sea at Liverpool on the other. He devoted all his wealth and energies to the work. He lived in the plainest manner, had long consultations with Brindley, the engineer, in rough log huts, and derived from the excitement of his enterprise a keener pleasure than he would have obtained from spending his wealth in luxury." The enterprise was a great success. "He bequeathed vast wealth to his descendants, but in the act of saving it he gave employment to vast numbers of workingmen. His canals are a source of the prosper-

* Marshall, *ibid.*, p. 15.

ity of his country, and afford permanent employment to thousands."

59. That capital is always being consumed and being reproduced in a new form, is a truth which it is well to keep constantly in mind. In the last diagram (section 55), in which circle B represents all the capital of a country, you can understand what is going on by imagining that, as you look at B, you are looking into a kettle of boiling water, the surface of which is always in ebullition, as new particles arise from the bottom and displace others on top, causing a constant and never-ending movement. So capital is constantly disappearing, and again reappearing as wealth. As a consequence, it is evident that those who consume wealth without at the same time producing new wealth to take its place act in a way to decrease the total wealth of the community; while those who turn their wealth into capital will not only produce an equal, but usually an increased, amount of wealth, and thereby add to the total wealth of the community. In fact they do more than that. By using the wealth as **capital it gives occupation to laborers**, which is not the case when the wealth is consumed without having production for its aim. A thousand dollars invested in an India shawl will while it is being worn out neither produce more wealth nor employ laborers; but a thousand dollars spent in improving a farm by drains, good fences, and shelter for cattle, will not only bring new wealth in the place of that which was consumed in making the improvements, but it will also employ laborers while the improvements are being made. Indeed, one cannot make use of wealth as capital, that is, as a means of production, without employing more or less of labor; for labor is a requisite to all production, and capital cannot get on without labor any more than labor can get on without capital. They cannot get on without each other any more than one blade of a scissors can cut without the other. Turning back to our figure in section 55, we see

that, since capital is that part of wealth which is used in producing other wealth, circle B not only reproduces itself but also all that part between B and A. So, if people use as capital more wealth than before (instead of consuming it for their own enjoyment), it is evident that, circle B being larger, A would be larger, that is, the wealth of the country would be greater. **Extravagance**, certainly, *is not a gain to the poor*; more good is done to the poor when people invest their wealth as capital than when they use it without adding anything to the stock of goods.

60. Capital is of two kinds, fixed and circulating. "Capital which fulfills the whole of its office, in the production in which it is engaged, by a single use, is called **circulating capital**. The tallow and alkali of which soap is made, once used in the manufacture, are destroyed as alkali and tallow."* In a factory, some of the capital must be constantly renewed out of the proceeds of the finished goods, and when thus renewed it is again used up in buying materials or paying wages. Such, for example, is the raw cotton in a mill, or the coal for the boilers which furnish steam, or the wages of the operatives. But there are other parts of capital (used in production) which are not exhausted by a single use, and which are called "**fixed capital**." A machine is not used up in making one piece of cloth. In fact, before it wears out, it may have made millions of yards. A hammer will not be used up in driving a single nail, but will drive thousands just as well. "Capital which exists in any of these durable shapes, and the return to which is spread over a period of corresponding duration, is called **fixed capital**." A hundred dollars invested by a farmer in seed must be all returned to him with a profit in the next crop; but for a hundred dollars invested in a plow he need be repaid only a part each year, a part which will give him annually a profit, and

* Mill, "Principles of Political Economy," Book I, chap. vi, § 1.

enough besides during the years it exists to make up the original cost of the implement.

61. Now that we have learned what capital is, we can go on to inquire **how capital can grow**. Then, as it is one of the requisites of production, we shall have studied the increase from all the three requisites of production, land, labor, and capital, and can then, as a result, see how wealth can be increased, and whether there is any limit to its increase.

Since all capital is the result of abstinence, the increase of capital depends (1) on *the amount which can be saved*, and (2) on *the disposition to save*. That it depends a good deal on the amount to be saved is clear. All that any man has coming to him above the amount sufficient to provide him with the necessaries *can* be saved, whether he does save it or not. This does not apply solely to a laborer, but to any one having an income. When wages are high, more can be saved by the laborer; when profits are high, more can be saved by the owner of capital. This ought to make it evident that all classes in the community can save, and that, if any man saves, however little, he to that extent becomes a capitalist. The amount, for example, which is spent in tobacco and drink could be saved, and it amounts to hundreds of millions of dollars a year. Of course, if laborers become more efficient and get larger wages, the margin from which saving can be made becomes larger.

62. Then, secondly, saving depends upon the **disposition to save**. Two men, who have the same opportunities to save, will not accumulate equal amounts of capital, because they will not be equally affected by the impulse to save. Think what it means to save. A man has wealth in his hands which belongs to him; he can do with it what he pleases; he can give himself a real enjoyment by spending it for his own uses. It is a great temptation to do so; and, if he does not yield to the strong eager desires of the

present (which are strong, because the enjoyment is capable of immediate realization), he must have some object to gain in the future which will be attractive enough to overcome his existing desires; that is, *in order to save and add to his capital*, he must be able to set a future and *unseen* object before him, as compared with a present and seen enjoyment. Consider what this means in every-day life. You have suddenly given to you a thousand dollars, and you can use it for your own enjoyment in buying guns and ammunition, in going a long distance to North Carolina for duck-shooting, or to Wyoming for deer-shooting, and spending the wealth in several months of pleasure; or you can say, "I will give up all present use of this wealth; I will abstain from consuming it, and invest it so that it shall yield me an income of fifty dollars a year; for after a while it will be of great service to me in enabling me to go into business, or in acquiring a college education, or in saving my mother and family from suffering in times of illness or hunger." The future gains, although *unseen*, are much more likely to be worth the sacrifice of saving than the satisfaction of having a good time now and losing all the wealth in an act of spending. Some people, however, especially the wretchedly poor, find it very hard to save; and yet they too can save, if they set aside all that is not necessary to live upon. Every additional saving gives them protection against "a rainy day," or the means to buy a cow or a horse, and they get thereby more chances to save. A little capital is a means of lifting a laborer out of a wretched condition, and the more capital he saves, the longer the lever he can use to raise his position in life, and the greater progress he can make. "To him who hath more shall be given."

This is the thing to teach every one: to set the *unseen* above the *seen*. The Indians in Paraguay were very industrious and worked hard all day under the direction of the Jesuits. At night, when they came home hungry from

plowing with the oxen, without thinking ahead even as far as the morrow, they killed the oxen for supper. This, of course, cut them off from plowing and from planting corn, to keep them alive during the winter. The present was stronger than the future. But here in the United States, people will work in cutting down trees, digging out stumps, and only after several years of preparation will get a piece of land ready to grow food. This is a sign that the future *unseen* object is present with them; and makes the difference between them and Indians. Can you imagine Indians or a semi-civilized people engaged on a work from which the return is spread over a hundred years or more, like the canal connecting the Mediterranean and the Red seas? As this power to set the future above the present distinguishes us from the Indians, so, among the people of the United States, it distinguishes the thrifty from the shiftless and prodigal.

63.—**Exercises.**—1. Is the intelligence of the laborer, capital to him? (Consult the definition in section 55.) Can he exchange it for something else? If he cannot exchange it, can it be wealth (section 4)? If it cannot be wealth, can it be capital? Are the results of his skill in the form of commodities wealth?

2. Are the goods on a shelf in a store capital to the owner? Does he so employ them as to gain for himself other wealth?

3. Two bushels of potatoes stand in a shop. One bushel is bought and used on a yacht to feed the crew on a voyage to Mt. Desert; another bushel is bought by a coal-heaver. Which of the two bushels could be called capital? Or are they both capital?

4. Try to name some employment, if you can, in which labor, without capital, produces wealth. Would hunting serve as an example? How about the hunter's gun, or his bow, or his trap? Would fishing serve as an example? How about the hooks and lines of the fishermen?

5. A shoemaker took some leather, pegs, nails, thread, wax, some tools, and a bench; while working, he ate some food, wore woolen clothes, and paid some rent; and at the end of a few days produced a pair of shoes. Did he have any capital? Could he have been ready to make shoes without tools and food? Did he save in order to get these things? If he had not set aside food, could he have gone on working? How else could he have got his food without saving?

6. From this illustration of a shoe, show that wealth is consumed in being used as capital. What has been consumed in making the shoes? Is the pair of finished shoes an equivalent for all that was used up in the making?

7. Does the man who keeps 500 horses in his stables for his own use, or the man who lives frugally and spends \$1,000,000 in cultivating ten farms in Minnesota do the more to increase the wealth of the country?

8. Are the canal-locks which carry steamers around Niagara Falls capital? Are they fixed or circulating capital?

9. Select some establishment such as a tannery, a cooper-shop, or a foundry, and write a list of the things which would be called fixed capital in use there.

10. It is said that a Chinaman can live on ten or twenty cents a day. If he receives a dollar a day, how much can he save? If he lays by all he does not need for food, clothing, and shelter, can he save more than a European who drinks beer or wine intemperately?

11. Why do not the Apache or Sioux Indians have bank-buildings, factories, or fire-engines to protect their houses from destruction?

CHAPTER VIII.

EFFICIENCY OF PRODUCTION.

64. WE have now ascertained the possibility of an increase of wealth through **land, labor, and capital**, the three requisites of production. We found that labor can increase indefinitely; that capital increases with the disposition to save (which grows with the progress of civilization), and with the amount which can be saved; but that from land there is a tendency to diminishing returns, which, however, is more or less counteracted by the progress of improvements. It is evident that there will be labor enough; there will be no limit to increasing wealth due to a scanty population. How about capital? It has a practical limit, for it cannot increase indefinitely, and its increase is kept back whenever land begins to yield diminishing returns. For, if capital and labor continue to get less and less from land, the total wealth cannot be increased so fast, and the total capital will probably be less. This, however, can be prevented by a greater disposition to save; since, even if a man gets a less return for his investment, he may become more frugal than before, so that a less return may permit as much or more saving than before. Then, although the tendency to diminishing returns from land is always felt, and so hinders the increase of production, we know that improvements, especially in the present century, have enabled all lands to yield more produce, have opened new and rich lands to

(64)

cultivation, and to that extent have deferred the effects of diminishing returns.

It is now, perhaps, evident that only through changes in some of the requisites of production, can more wealth be produced. The amount of wealth produced in a country, then, will depend on the following causes: First, not merely on the number of the laborers, but on their physique, their intelligence and skill, and their moral character; second, on the fertility of the soil, the abundance of coal and minerals, the situation of rivers and water-ways, a temperate climate, and the extent to which improved processes are being adopted to extract ores from the soil or carry them over the country; and, third, on the "abundance of roads and railroads, of canals and docks, of factories and warehouses, of engines and machines, of raw material, of food and clothing, in short, the already accumulated capital of the nation";* and on the prevalence of a disposition to save and to increase this capital. This is the general statement, indicating how each requisite of production affects the whole result by influences affecting each one by itself; but it will be evident at once that there are some other things which affect more than one of these factors at the same time, and which thus affect the total amount of wealth.

65. One of these influences is the **ownership of land**, or, as it is sometimes called, "peasant-proprietorship." This affects not only the quality of the labor, but also the saving of capital, and the amount of produce to be got from the soil. When a man owns his land, he is working for himself; there is no reason for shirking and giving poor work, for he would be cheating only himself; and so we find that the people who own their lands become noted for industry and for the care with which their soil is tilled. When a man only leases his house and land, he does not take the same care with buildings and

* Marshall, *ibid.*, p. 37.

improvements. Said Arthur Young: "Give a man secure possession of a bleak rock, and he will turn it into a garden; give him a nine years' lease of a garden, and he will convert it into a desert. . . . The magic of property turns sand into gold." The ownership of land is like an ever-present inducement to deposit in a savings-bank. The owner seeing where a judicious investment would improve the value of his property, is tempted to save for this purpose. In his extra hours he digs a drain here or repairs a fence there, he nails up a loose board or adds a little to his barn. The land appeals to his pride and to his self-respect; he looks forward to the future and does not live only in the present. In France the "peasant-proprietors" are widely known for their extraordinary thrift and frugality, while the poor people of Ireland, who, as a rule, are only tenants, are noted too often for their shiftlessness and imprudence. In the United States the farmer generally owns his land; and the ownership of their houses by workmen in the cities is observed to have a good influence on their general habits, and to make them better citizens.

66. Division of labor can be carried to its full extent only in the making of articles for which there is a large demand, such as shovels, or cotton and woolen goods; for the expense and care needed in the invention, building, and management of a machine to do a special part of the work are as great when only a few as when many goods are made. There would be waste if a machine were to lie idle; and so, in a shop where only a few goods are made, it would not do to buy expensive machinery which does only one part of the work. In the manufacture of watches, for example, so many are sold that one factory can have machines which are invented to produce but one single piece out of a hundred which enter into the finished watch. One man can thus be occupied solely in taking from each box one part after another which goes to make up a watch, and then passing it along to the next worker.

67. This makes it clear that, where the demand is large, so that division of labor can be carried out fully, the establishment must be a very large one. The tendency in such cases, of course, is to the creation of large factories under one management, which is called the system of large production. In order to bring many laborers together, and to furnish the specialized machinery, there is needed a great amount of capital. "Let us take as an example a set of operations, which we are accustomed to see carried on by one great establishment, that of the post-office. Suppose that the business, let us say only of the letter-post, instead of being centralized in a single concern, were divided among five or six competing companies. Each of these would be obliged to maintain almost as large an establishment as is now sufficient for the whole. Since each must arrange for receiving and delivering letters in all parts of the town, each must send letter-carriers into every street, and almost every alley, and this, too, as many times in the day as is now done by the post-office, if the service is to be well performed."*

The larger the production, and the greater the division of labor, the cheaper each single piece of goods can be sold. Once the organization is complete, an increase of business does not cause a proportional increase of expense. Again, when one manager does the work of several, there is a saving in the expenses of paying managers. Of course, in cases where the division of labor in a very large establishment enables the labor and machinery to be used with more efficiency, or renders possible a more economical arrangement of the work among the laborers, more will be produced with the same labor, and so smaller establishments may often be undersold and driven from the market. A small factory devoted to making but one thing may get along by working as subsidiary to some greater industry; but in producing the same things a large establishment has

* Mill, *ibid.*, Book I, chap. ix, § 1.

an advantage, and will generally undersell the smaller. The consumers of the goods will be benefited, however, in being enabled to make their purchases cheaper.

68. Another matter affecting production is too often underrated, and that is, **managing ability**. The manager, who selects the site of the factory, controls the finances, buys materials, and sells the goods; who decides upon what machinery to use; who deals with the workmen, allotting the tasks, and classifying their labor; who watches the market, knowing when to sell and when to withhold his goods; who can find out satisfactorily what purchasers really want, and adapts the character of his goods to these wants—such a manager, who makes the most of everything, is a rare man. As it is he who plans everything in the productive process, all depends on his skill and his ability to avoid mistakes, for his failures affect not himself alone, but all engaged in the work. "He is the general of the army; he fixes on the plan of operations, organizes its means, and superintends its execution. If he does this well, the business succeeds and continues; if he does it ill, the business fails and ceases. Everything depends on the correctness of the unseen decisions, on the secret sagacity of the determining mind." So said Walter Bagehot. In fact, we find again and again that a particular industry thrives and grows because of the organizing and executive ability of a single man. The same railway under one president earns money and all goes well; but under another it falls into arrears, and accidents or disasters are always happening.

69 The efficiency of production is largely affected by the skill of management and the organization of an industry. (1) The owner of a factory may also be the manager; or (2) the laborers may advance the capital, as in a co-operative shop, and manage it themselves; or (3) the capital may be subscribed in small shares, making by many shares a large capital, formed into a corporation, managed by a board of directors.

Large production would have been impossible without the existence of the corporation. Indeed, it has been a part of the democratic tendencies of society. If an investment required several millions of dollars, only a very few men would be rich enough to take advantage of it; and the small investor would be excluded. But, now, any person may go into a business requiring an enormous capital, by buying a single share, or as many shares as he pleases (at the market price). A railway company of to-day has, perhaps, 15,000 shareholders. Thus, no one person risks his all in the enterprise.

70. The corporation in the eye of the law is a *persona*, which can sue and be sued, while the shareholders may be liable only (according to special laws) for the amount of their shares. By limiting their liability, it is easier to accumulate large sums in a corporation. As our country's resources have been developed, and as the extent of our transportation facilities have, accordingly, expanded, the need for enormous capital to build railways, to open iron, copper, and zinc mines, and to create large industries, has led to the formation of great combinations in such a phenomenal way as to amaze the world. They are sometimes called "Trusts," because, at the start, the original owners deposited certificates granting the management of their concerns to trustees. Most States now forbid this form of combination, and "trusts" of this kind are very rare. But the popular use of "trust" means any large combination, no matter what its legal form.

71. The great combination can, of course, if properly managed, obtain the advantages of cheapened expenses of production through an exceptional division of labor, thus giving bodies of labor unusual skill in separate parts of the manufacture; and giving, also, the opportunity to introduce special machinery (which would be too expensive in small establishments). But, in the main, a great industry is created and maintained by building up a highly efficient

body of selected men, who know the business better than others. A large combination has the power to pay large salaries, and thus to draw to itself the best managerial ability in the country. Other things being equal, this is the reason for the great success which has attended the creation of industrial establishments on a large scale. If wisely managed, the interests of the consumer may be also the interest of the producer; but that is not always the case.

72. Sometimes, in too great a haste to grow rich, the managers may resort to illegitimate means of obtaining results. To oust a competitor, they may try to bribe legislatures, or control courts, in order to obtain special privileges. A great combination of capital is a form of great power (like high office in political life), and it may be liable to abuse. To many, the objection to "trusts" is that they may monopolize the market, and keep prices too high. This is possible in some cases, but the danger is likely to be overrated. And the facts are not always easy to ascertain, although there are well-proven instances of prices being kept too high. But, in general, an entire control of the market is not often possible: the source of supply is very large, means of transportation are easy, rapid, and cheap, and in different countries the interests cannot easily combine in an international monopoly. Indeed, if any one country would refuse to give special protection to the article which it is desired to monopolize, cheap supplies would be imported from other countries, to the advantage of the consumer at home.

73. Moreover, it must be kept in mind that, ordinarily, demand is not always under the control of the producer; he can not control the subjective estimate of the voluntary buyer, nor prevent him from refusing to buy at high prices, or adopting substitutes for the high-priced goods. In short, the producer must, in the long run, sell his goods so low that it will be the selfish interest of consumers to buy the commodities on a large scale. If this

is not done, production on a large scale is impossible. Thus, railways have found that it is to their interest, when they have a roadbed and rolling stock, to set a freight rate on heavy stone, ore, coal, lumber, etc., which will induce the shipper to move the goods. So, in manufactures, an attempt is always being made to introduce methods of saving in order to cheapen each unit of product so that sales may be increased. For, if any firm, relying on its supposed security, does not keep up with invention and with new processes, firms of enterprising men arise as competitors, and, by lowering the price, take away their trade. Even when the combination is large, a rival combination may give the most spirited competition. Indeed, wise managers refrain from raising prices too high, in order to give no foothold for competitors.

74. Abuses by large corporations, however, are as likely to arise as abuses have arisen in the past among small rival producers, who have tried to drive each other out of the market. The process is as old as human nature. The magnitude of the operations in recent years calls attention to such abuses, and is therefore more likely to receive public discussion. Large production is a necessary economic evolution in industry, and cannot be forbidden; it has come to stay. The only general principle for their control in the hands of the state is this: whenever large combinations of capital act in a way to interfere with the industrial and personal freedom of the plain citizen, their activities become a proper subject for control. This, however, does not mean restriction in the right to sell cheaper than any other producer. To be driven out of business by a competitor who can sell cheaper is not an interference with industrial liberty. As a rule, publicity of accounts would be an effective means of preventing injustice.

75. Exercises.—1. What is it that prevents capital from increasing indefinitely? Provided the disposition to save remains the same, would as much be saved if

the return to capital and labor from land constantly diminished?

2. Would improvements help the increase of capital? Do they increase the returns to capital and labor? If so, of the two things on which the growth of capital depends, which would be affected?

3. If a man thinks of planting an orchard on the land he cultivates, will it make any difference to him whether he owns the land or not?

4. Think over the largest factories in your neighborhood, and see whether they are engaged in making articles of common use.

5. Recall what is meant by a "market" (section 29). Is it easy to find out what people in different parts of the country wish? In any business, who has charge of this matter? If he makes mistakes, and goes on producing when people do not care for some of his goods, does it affect his laborers?

6. State the amount of capital of some bank in your neighborhood; the amount of each share; and the liability of each shareholder.

7. Are "trusts" forbidden in your state?

8. Name some American manager who has founded a great business.

9. Take some article made by a "trust," and inquire whether its price is higher now than ten or twenty years ago.

BOOK II.

EXCHANGE.