Distinction Between Competitive and Monopoly Price.

So far we have dealt in the main with a small isolated community, and we have found that the price of a commodity, when free competition prevails, is likely to be equal to the cost of production of that commodity when manufactured by the least efficient producer actually employed; other producers have a lesser cost of production per unit simply because they are more skilful or have larger and better equipment, and these favored persons selling the same article for the same price—because one article cannot have two prices in the same market at the same time—secure a producer's surplus—the difference between their lower cost of production and the higher cost of production of the least efficient producer.

Under monopoly, on the other hand, the price tends to be that which gives the monopolist the greatest aggregate profit. In a small community, as we have seen, he will be able to experiment and find out approximately what that price will be.

Difficulty of Predicting Supply and Demand.

In practice, the fact that for most commodities to-day our market is a world-market greatly complicates our problem. It is not merely the hat-makers of a single community who are in competition—it is the hat-makers of the whole world. And who is going to tell the hat-makers of Toronto or Montreal how many hats will be manufactured or are going to be needed at a given price throughout the world in a given space of time—say a year? In the modern world our competing hat-makers go on producing blindly, with only the roughest general ideas as to the state of the market. And none of them can tell, unless he has a contract signed for the purchase of his product, what he will get for that product in the market. It is clearly impossible for one small competitor in one corner of the world to gauge what the world's demand in a given time is likely to be. And while he may be able to save up his hats if there is no imme-