

preferred 7% stock for their property, while the large manufacturer has the controlling voice on account of his ownership of a majority of the stock.

Monopoly.

Now, then, we have a monopoly established in our community, so far as the manufacture of hats goes, at least. What is our manufacturer going to do now? and where is he going to fix the prices, since he has the only factories equipped for hat-making, and it is, by hypothesis, impossible to import them from outside? He has complete control of the supply.

Limitations of Monopoly.

Our manufacturer is anxious to make as much as he can, but he cannot drive the price too high or else the common people will give up wearing hats altogether. These may become a mark of wealth and distinction, like automobiles. But such a course would not pay him, because in every community the comparatively poor are far more numerous, and in the aggregate buy far more largely of such articles as hats than do the wealthy. It is not our manufacturer's object to make the most possible on each individual hat, but to make the greatest aggregate profit on his whole product. He might be supposed to know already just about how many hats the community will take at each price, but if he does not he will have to experiment by raising and lowering the prices and calculate what price gives him the greatest aggregate profit. His calculation might run about as follows:

At \$10.00 I can sell 3,000 hats costing \$1.60 each;	
net profit on each hat \$8.40; or.....	\$25,200
At \$5.00 I can sell 10,000 hats costing \$1.50 each;	
net profit on each hat \$3.50; or.....	35,000
At \$4.00 I can sell 20,000 hats costing \$1.40 each;	
net profit on each hat \$2.60; or.....	52,000
At \$3.00 I can sell 32,000 hats costing \$1.30 each;	
net profit on each hat \$1.70; or.....	\$54,400