now conducted is a gambling game, pure and simple, with the deck stacked and no chance for the player to cut or deal or match the shuffle. A man going up against it shouldn't squeal if he is separated from his money.

The prohibiting of margin trading, however, would protect the widow, the orphan and others whose funds are in trust hands; it would protect the banks, the business man who trusts his employees, and finally would protect the man who is weak and listens to the flatteries and jollyings of brokers and cappers. —B. B.

TAXATION AND CAPITALIZATION

One of the most significant features of modern corporate growth is the increasing capitalization of market opportunities.

The ability and energy of officials of large corporations have, in recent years, been directed toward stock and bond manipulations, rather than toward technical betterment.

This change in the quality of managerial ability marks definitely and unmistakably the trend away from the sphere of competitive industry, and toward the somewhat indefinite realm of monopoly; or, more accurately, of restricted competition.

Economists can no longer, without self-stultification, overlook the influence of this change. Economic theory is no longer justified in basing its postulates upon the bygone premises of small industrial units and free competition.

The theories of the older school of English economists are not applicable, except in a limited degree, to the modern era of corporate industry and large scale production.

A national industrial system which is burdened with an inert mass of unproductive individuals and which gives opportunity for extensive private monopolistic gains, will, like an unlubricated engine, wear itself out overcoming frictional difficulties in its internal organism.

Although superficial writers frequently point with pride to the prosperity of the United States, more discriminating students of statistics see elements of weakness and signs of increasing inefficiency in our national industrial system when viewed as an organized whole.

The discerning investigator finds wastes in unnecessary freight movements, in the multiplication of brokers, lawyers, bankers, transporters and personal servants, in the development of plants to make machines which add to the complexity of an already complex system of production, in the increasing demand for luxuries, in the rapidly growing mass of securities based upon the capitalization of special privileges or market opportunities,—wastes which no amount of statistics resting upon rising prices and paper valuations can completely obscure.

It is proposed, then, to discuss briefly in this editorial some of the problems centering around the capitalization of market opportunities.

The two most widespread and typical forms of market-opportunity rents are the incomes derived from land as distinguished from improvements, and from franchises granted by governmental authorities.

The two forms of market opportunity are very similar. Private ownership of land and private ownership of franchises are privileges.

They are allowed by society and sustained by legal enactments, and may be changed if public sentiment becomes sufficiently crystalized in opposition.

One great objection urged against government ownership of public utilities and against socialism, is that private initative would be reduced, that "the sterner energy, the greater care in the use of tools, machinery and plant, saving in waste of materials and products," would disappear. But however much these qualities are produced in the kinds of business enterprise which do not contain important elements of monopoly, they cannot be said to be conserved in enterprises involving strong monopoly powers.

Professor Ely asserts that the tendency of monopoly is toward deterioration in the quality of the product.

This "sterner energy" is lacking in exactly the degree to which permanent capitalization of market opportunities, or of special and unique privileges, enters into the business.

If the desirable qualities of individual energy and initiative, and of greater care in business, are to be retained, the opportunity to permanently capitalize monopoly returns must be limited.

In order to bring about such a desideratum, a distinction must be drawn between interest, and rents or "premiums" of various kinds, and this distinction must be clearly recognized.

The demand for government ownership and for socialism is threatened by the prevalence of large incomes drawn from the permanent capitalization of market opportunities.

Socialism would divert these incomes from individual pockets to the public purse, but probably at the expense of progress and personal ability.

On the other hand the chance to permanently make market opportunities private income bearers, while it may increase a certain questionable sort of private initiative and individual liberty, tends to destroy the same qualities in the many, and also to destroy the proper ratio between efforts and returns from efforts. Individual initiative and energy can be preserved, even though there is only a possibility of rising slightly above the average. If it was not possible for any man to become a millionaire, men would struggle just as hard to get half a million as they do to-day to become billionaires. Progressive men should be well rewarded. Exceptional men should, for the good of society, receive exceptional benefits. But for exactly the same reason, it should not be possible permanently to capitalize and pass along these exceptional rewards to those who have taken no share in the work. Beyond a certain limit, such capitalization becomes detrimental to society.

In recent years, there is an increasing opportunity of living without productive exertion, upon earnings derived from capitalized market opportunities. Men without ability, men who could not earn large salaries in competitive business, receive munificent incomes. These incomes are no longer the result of extraordinary business efforts or sagacity; they result simply from making permanent the incomes from market opportunities.

"Three characteristics," writes Professor Gide, "are necessary for inequalities (of wealth) to produce the salutary effects which are expected from them: they ought to be in relation to the services rendered; they ought not to be excessive; they ought not to be permanent." The capitalization of market opportunities, the permanent or indefinite absorption by individuals of income from such capitalization, violates the first characteristic. It tends to become excessive as a nation progresses, as population increases and industry becomes well organized. For example, in Massachusetts in 1901, in thirty-three large cities, the land value was estimated at $932,479,395, while the value of the buildings standing on this land was only $871,349,922.* Such a condition, which is typical not only of land in itself but of other market opportunities, proves that the capitalization of such opportunities tends to make inequalities in wealth excessive; for the fortunate individuals controlling these rights or privileges reap the benefits of the increase in value and income. A large percentage of the fortunes of our millionaires or-