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have to pay in rates could be recouped in the form of additional rent.

On pp. 193-196, some tentative suggestions in favour of differentiation between different kinds of property for the purposes of rating are put forward, and the succeeding and final dozen pages are allotted to a consideration of means by which the burden of "onerous" expenditure might be more equitably distributed. Professor Cannan rightly points out that the first condition of a satisfactory distribution of expenditure is a standard by which the needs of a locality may be gauged. Though he is inclined to dismiss it as impracticable, it is a question as to whether the number of houses or tenements under a certain value would not be on the whole a satisfactory, though rough, guide. Except in popular sea-side resorts and in the more central parts of London, where sub-letting is common, the single family dwelling can usually be identified, and finds recognition in the local rate books. It is true that the authorities might have an interest—for the purposes of receiving a grant—in allowing the valuation to lag behind the rent, but this would hardly counter-balance the general inconvenience caused by fictitiously low assessment values.

G. T. REID.

Principles and Methods of Municipal Trading. By DOUGLAS KNOOP, Lecturer on Economics in the University of Sheffield. (London: Macmillan & Co. 1912. xvii+409 pp. 8vo. Price 10s.)

THIS work forms a pleasing contrast to the wearisome and misleading partisan productions on municipal trading to which we have had to accustom ourselves. Mr. Knoop, like every sensible person, is "neutral" between the fanatics who think that everything that has been municipalised has been rightly municipalised and is excellently managed, and the other set of fanatics who think that nothing should ever have been municipalised and that everything which has been municipalised is worse managed than if it were managed by private enterprise or statutory companies. It is only by an unfortunate slip that he prejudices his neutrality by expressing "the general conclusion reached in this book" in the very unsatisfactory form, "namely, that municipal trading in itself is undesirable, but that nevertheless a certain amount of it may be justified, owing to the fact that in certain industries private enterprise may give even less satisfactory results

than municipal enterprise." It is difficult to attach any meaning to "in itself" in this passage, and it would appear to be just as true to say "private trading in itself is undesirable" (think of all the greed, corruption, &c., associated with private trade!), "but nevertheless a certain amount of it may be justified, owing to the fact that in certain industries State and municipal enterprise may give even less satisfactory results than private enterprise."

Mr. Knoop's attempt to define municipal trading in the first chapter appears somewhat confused, and this is probably owing to his having unconsciously tried to serve two incompatible purposes. When it is desired to explain different kinds of economic organisation in a general way, such as is (or ought to be) adopted in general economic treatises, it is well to insist on the fact that the different kinds shade one into the other by almost imperceptible gradations : from this point of view it is unnecessary to seek for an actual line of division between trading and other activities of local authorities. But when it is desired to write a book upon a particular kind of organisation, it is obviously necessary to have some definite limits. The limits must be arbitrary, and in practice the most convenient limits are those suggested by the abilities and environment of the writer and the exigencies of the publishing trade. Mr. Knoop would have done better to have recognised this and admitted it frankly, instead of involving himself in a circular argument based on an antithesis between "political" and "economic," in which "political" is applied to any service which is not chiefly paid for by special charges made to voluntary buyers, and "economic" to services "performed primarily for the benefit of individual members of the community and not for the benefit of the community as a whole, as, for example, the provision of water, gas, swimming-baths, and cemeteries." It is certainly a little surprising to be told that "the maintenance of high-roads" and "the lighting of the public streets" are political and not economic functions of government. The unsatisfactory nature of the attempted distinction is of real importance, because it leads up to the very misleading practical doctrine that the policy followed in a municipal undertaking must be governed for all time by the intentions of the council or even the ratepayers who started it. If these originators thought it would be self-supporting, it must be made to support itself at whatever cost to the consumers, rather than show a "loss" to the ratepayers : but if the originators did not think it would entirely support itself, the difference may be called by the blessed name of "subsidy," and everyone may sleep quite happily.

Clearly the root of the matter is to be found simply in the fact that people call the difference paid out of the rates a "loss" when they disapprove of it, and a "subsidy" (if they know the word) when they approve of it. However, to cut a long story short, the services with which Mr. Knoop principally concerns himself are water, gas, electricity, and tramways. These owe their predominant position among municipal trades chiefly, he thinks, because of their tendency to become local monopolies, it being generally impossible, and almost always undesirable, that there should be competition. He might perhaps with advantage have pointed out that this arises from all four of them requiring an engineering plant which lies like a network over the locality, and also that the network, whether it is all in the public streets or not, simply cannot, in ordinary cases, be constructed by really "private" enterprise, that is by private arrangements between owners of property and others which do not require the "interference" or special authorisation of the national or local authority.

In dealing with these trades, Mr. Knoop has not always confined himself to the municipal aspect, but has discussed problems such as the methods of charging for tram-rides and electricity in much the same way as they are discussed by the managers and directors of companies providing such services. No objection need be raised against this, but it involves the admission of evidence from company experience, whereas Mr. Knoop's researches have been confined almost entirely to municipal management. American tramway experience is thus insufficiently utilised. It may be said, of course, that the topography of American towns is so different from that of our own that we cannot argue from American precedents. But it must not be forgotten that suburban growth in this country is rapidly assimilating this country to America: the town population is spreading itself thin in a way undreamt of forty years ago. An inquiry into the question how far the slowness of the London trams compared with those of New York and Chicago is due to topography, the Board of Trade, the Metropolitan Police, and the long stoppages due to halfpenny fares and consequent short rides, might have afforded much profit.

Mr. Knoop is very strongly of opinion that municipalities should provide a sinking fund for paying off the capital of their trading undertakings as well as a depreciation fund for keeping that capital intact by replacing everything which will wear out or may become obsolete. He only supports this view with some hackneyed and meaningless phrases about future

generations paying for the present, and does not attempt to explain why no one expects a company to pay off its shareholders or even its debenture stockholders. I am not at all convinced of the desirability of the present generation paying higher rates or higher charges for its gas in order that the next may have gas cheaper or pay less rates; and which is it to be? When the gasworks capital is all paid off, is gas to be supplied merely at current cost of production, or is the surplus which now provides interest and sinking fund to be applied entirely in relief of rates? Moreover, supposing the principle to be adopted, does it not obviously mean that all the less profitable enterprises which are not expected to be able to pay off capital as well as pay ordinary interest on capital and provide for its maintenance must be left to private enterprise, and is the carrying out of such a doctrine likely to lead to good results? Mr. Knoop and his friends remind me of the proverbial hen which has been foster-mother to ducklings. The essence of trade is the taking of risks, and if municipalities are to trade at all, it is no use to stand cackling on the bank, "Take no risks!" The owners of the fixed property in a locality, who are the ultimate risk-takers in a municipal enterprise whether it is paid for by special charges or by rates, are generally quite as good a body to take risks as shareholders in companies: "Manchester," for example, was a much better body to stand the risk of the Canal undertaking than the shareholders who at first undertook it. We may ask, too, why the rule of providing both a depreciation and a sinking fund is only applicable to the trading undertakings of the municipality and not to the other undertakings, for Mr. Knoop is apparently quite content, so far as sewers are concerned, with a sinking fund based on the probable life of the plant, which, as he insists (when dealing with trading enterprises), is really only a depreciation fund. Why is what is good enough for the sewer not good enough for the waterpipe, when the waterworks happen to be a municipal trading institution? Presumably, in Mr. Knoop's opinion, even a municipal waterworks need only have a depreciation fund so long as the municipality makes no special charges for water; but the moment it calls part of its rate a water-rate, and thereby puts the waterworks within the charmed circle of municipal trading, it is bound to provide sinking fund as well, or it becomes an iniquitous burdener of future generations!

Probably the most useful parts of the book will be found to be the description of German municipal trades. Profits are much greater there than here, but it is not clear whether this is due to better management, higher charges, or more favourable natural

or historical circumstances. The last of the trio should not be forgotten, as it often is; the natural features of a country are bound to affect not only its railways and its canals, but also its waterworks, its gasworks, and its electricity supplies: and if anyone doubts the effect of historical circumstances, he need only compare the charges and profits of the three or four English towns which have always possessed their own waterworks with those of towns in similar natural circumstances which have bought the waterworks from companies.

If the difference is the result of better management in Germany, the question that presents itself is whether the better management is due to the professional element in the German councils, to the less democratic constitution of the towns, or to the absence of the fanatical adherents and opponents of municipal trading. Mr. Knoop certainly does not tell us all that it would be good for us to know, but he shows the way to a fruitful field of inquiry, and we should be grateful to him for having taken the subject of municipal trading beyond the controversial pamphlet "for" and "against" stage.

EDWIN CANNAN

The Railways and the State. By FREDERICK W. PIM. (London : Fisher Unwin. 1912. Pp. 302. Price 5s.)

IT cannot be said either that Mr. Pim has been happy in the choice of a title, or that his book is *felix opportunitate natali*. The author is not only Chairman of one of the principal Irish railways, but also a well-known man of business in Dublin, and Vice-President of the Dublin Chamber of Commerce. He is, therefore, entitled to be listened to with all respects when he discusses Irish railways. But Mr. Pim has expanded his book, we think, unnecessarily by dealing with foreign railway systems, with which his personal acquaintance is, in his own words, "neither profound nor very extensive." And here we will not attempt to follow him.

Confining ourselves to Mr. Pim's real subject—Irish Railways and the State—we are afraid that the book unfortunately lacks actuality. The reports of the Vice-Regal Commissioners, discussion and criticism of which form the bulk of Mr. Pim's work, are now more than two years old. And as they were still-born from the day of their appearance, it was hardly worth while publishing a book to criticise them. It is safe to say that neither the report of the four Commissioners who recommended nationalisation, nor