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Author(s): Leonard Darwin

Review by: Leonard Darwin

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Municipal and Private Operation of Public Utilities. Report to the National Civic Federation. In three volumes. (New York, 1907.)

THE National Civic Federation consists of a number of American citizens interested in public questions, and evidently brought together by the stimulating belief that the path of true reform is best ascertained by the association of men of widely differing views. A Commission of the Federation, with a membership of 150, was formed in 1905 to consider the question of municipal trade, as we should call it, and this Commission subsequently appointed a Committee of Investigation. This Committee consisted, in about equal proportions, of "those regarded as 'pro's,' those as 'anti's,' and those who were classified as having taken no pronounced position" (p. 12). The plan of investigation adopted was to examine selected examples of both publicly and privately owned waterworks, gasworks, electrical works, and tramways in the United States and the United Kingdom, experts, generally one "pro" and one "anti," being sent in advance to make preliminary reports and to facilitate the inquiry generally. After personal inspection by the Committee as a whole, four members, two "pro's" and two "anti's," were appointed to compile the results of this investigation, whilst historical and political reports were called for from other writers. Then a final report was drafted and signed by 19 out of the 20 available members. All these results are included in three volumes, the first containing the final report and the reports giving the results of the inquiries, and the other two volumes containing the reports of the experts. At first sight, at all events, the conception of the inquiry appears to have been simply admirable. But the sad truth is that good organisation, though excellent for producing finished goods, may be very inefficient in turning out sound conclusions or ready-made public opinion.

It is first to be noted that out of the nearly 2,500 pages in these volumes less than eight are devoted to the final report. A short unanimous report may, of course, be of extreme value, but in this case we cannot help suspecting that it is to the person who drafted the following sentence that the credit for the remarkable "degree of unanimity manifested" must be attributed. "The Committee takes no position on the question of the general expediency of either private or public ownership" (p. 26). But was not this the very question on which it was hoped that they would report? However, in spite of this serious limitation, this report does contain certain valuable conclusions, which, as great

weight should be attached to them, ought to be widely known, and may be here briefly summarised. In the case of the "public utilities" investigated, government control is necessary in all circumstances. "There are no particular reasons why the financial results from private or public operation should be different if the conditions are the same." But we may remark in passing that, if the conditions are not likely to be the same, the value of this conclusion is doubtful. "Undertakings in which the sanitary motive largely enters should be operated by the public" (p. 23). Also, "municipal ownership of public utilities should not be extended to revenue-producing industries which do not involve the public health, the public safety, public transportation, or the permanent occupation of public streets or grounds" (p. 23). This sentence must be read with care, for it does not state that "the opposite is advisable" (p. 28), and it is to be noted that, if accepted, it would place a check on municipalities by preventing them from undertaking such trades as the manufacture of electrical fittings. Moreover, it appears from these sentences that the Committee does take a position on certain questions concerning ownership, and presumably their statement that they do not do so only applies to the "public utilities" investigated. Terminable concessions are advocated, and thus English legislation concerning gas and water stands condemned. Certain conditions are laid down as being necessary for the success of municipal trade, perhaps the most important being the appointment of "an executive manager with full responsibility" (p. 25). As to American corruption, they "are unable to recommend municipal ownership as a political panacea" (p. 26), their reason probably being that "municipal ownership will create a large class of employees who may have more or less political influence" (p. 27). But this final report is, in truth, so condensed that it will hardly bear further condensation.

After this final report, and a short report by the one dissentient who condemns municipal trade vigorously, there follow the above-mentioned reports by various writers. The American Municipality and the English Municipality are first dealt with by Mr. W. L. Fisher and Prof. F. J. Goodnow. Then follow a series of articles which may not unkindly be described as the cases for and against municipal trade. In reading them grave doubts must be felt as to whether the method of investigation was as sound as it appeared at first sight to be. The number of works of each class examined was small, only four municipal gasworks and three private gasworks, for example, being in-

spected in England. But the nearer the equality between competing classes, and the greater the divergence between the specimens, the greater must be the number of samples taken in order to decide on the relative merits of such classes. The impression made by reading these reports is that the best municipal and private works are sufficiently nearly on an equality in all matters which can be recorded in statistics to prevent a comparison between four municipal works and three private works from yielding any indications of value as to the merits and demerits of municipal trade generally. Moreover, the local circumstances vary much, and "it is very difficult to estimate the allowance that should be made for" the conditions affecting particular plants (p. 21); yet allowances must be frequently made, and it is for this reason that the same material is often made to suggest very different conclusions. Then again, although in these circumstances especial care should have been taken to select typical examples, the Committee appear to have deliberately chosen "the best available samples" (pp. 304 and 165). This is especially unfortunate, since the effects of disasters in public and private trade are very different. Moreover, the detailed examination of a few chosen samples tends to make details too prominent, whilst pushing more important general questions somewhat into the background. Lastly, the appointment of writers as the avowed advocates and opponents of municipal trade seems to have had the effect of intensifying their spirit of partisanship and of preventing them from calmly weighing the conflicting arguments. Many instances of these unfortunate results occur in these reports, but here only a few examples, taken almost by chance, can be quoted. They may perhaps be enough to show how necessary it is to be vigilant whilst reading this volume.

Labour conditions are first dealt with in two articles, Mr. J. W. Sullivan being the opponent, and Prof. J. R. Commons the advocate of municipal trade. Mr. Sullivan's conviction appears to be that municipal trade is antagonistic to the interests of trades unionism, since it would lead the workmen concerned to endeavour to gain their ends by political means only, and, consequently, that it must be opposed all along the line. Cold water is therefore thrown on all evidence in favour of the belief that municipal workmen are better off than private workmen. In Prof. J. R. Commons's article, on the other hand, a good deal of evidence is brought forward to show that municipal workmen are better paid per hour than their fellows in private trade (pp. 103, 107, and 108).

The general case in favour of municipal trade, as, in fact, it is, opens with an introduction by Prof. F. Parsons, followed by an article on "American Conditions" by Dr. E. W. Bemis. Then follows, "on the same side," Dr. Maltbie, with a discussion on gas and electrical works in England, the statistics of these trades as regards cost, price, capital invested, &c., being considered in detail, the figures quoted being nearly always held to tell in favour of municipalisation. No doubt much thought and labour has thus been expended, but many of the arguments raise controversial points requiring more consideration than is given to them. For example, as regards gasworks, he tells us that the English municipalities "have followed a more conservative and sound policy. For every £100 of assets they have only £73 6s. in liabilities, while the companies, for every £100 of assets, have £128 3s. in liabilities" (p. 196). But amongst the liabilities of the municipalities, the sum of over a million sterling of its gasworks' debts which Manchester has redeemed, for example, has not been included. It is true that this debt has been wiped out, but it is equally true that if this sum should be regarded as money raised by taxation and invested on behalf of the citizens in their own municipal gasworks, then it follows that the liability to pay them interest thereon in some form or other is not redeemed. Again, Dr. Maltbie asks "if municipalities should provide a sinking fund, why not companies?" (p. 199), thus implying that the companies have been remiss in this respect. But before asking such a conundrum, it would be as well to attempt to realise the position of a company which had redeemed *all* its liabilities by means of a sinking fund. Who would then be the owner of the works? In the chapter on English electrical works, Dr. Maltbie also lays considerable stress on a comparison between the "appraisal of assets" and the "present liabilities." But if the student searches in the detailed reports—a search in which he is not assisted by a cross-reference—he will find that the appraisal "must not be taken as strictly accurate, but approximately as correct as could be ascertained by superficial examination" (Part II., Vol. II., p. 314). One cannot help wondering what is the probable error of a superficial valuation of electrical assets to the estimated value of about £10,000,000, and whether it is not sufficient to make close-drawn conclusions based on such figures almost valueless. In fact, the treatment of the excessively complex questions which arise in connection with all such discussions is inadequate, and the reader feels bewildered in his attempt to decide on the value to be

attached to the statistical arguments here adduced. British tramways are then discussed by Prof. Parsons in much the same spirit, the case for municipal trade closing with a careful *résumé* of the general arguments in its favour.

The advocates of private trade, Mr. C. L. Edgar and Mr. Walton Clarke, both apparently men of considerable business experience, have, of course, had to build their case on the same too narrow basis, and here also the same partisan spirit prevails. English gasworks are first dealt with, and in this chapter we find, for instance, the population per mile of gas mains cited to show that, "other things being taken as equal," two companies, "in their efforts to secure business extended the opportunity to use gas to a larger proportion of the population of the area supplied than has any of the " three municipal undertakings with which the comparison is being made (p. 324). Other things are so obviously not equal that, even as regards these particular towns, little weight can be attached to such an argument, whilst, as a basis on which to found a general argument against municipal trade, it is even less convincing. Then again, as regard another point, out of the seven works under consideration, London is omitted "because of its widely different conditions " (p. 344), whilst the private works at Sheffield are retained, although the advocates of municipal trade consider that that town is especially favoured by local conditions as regards the point in dispute. American gasworks, electric lighting works, waterworks, finance, and general conclusions are dealt with in separate chapters. Finally, British tramways are discussed by Mr. W. J. Clark alone, the animus of his remarks being perhaps sufficiently indicated by his assertion that the purchase clauses of the Act of 1870 can "hardly be designated other than as legalised confiscation " (p. 450). A good deal of space is devoted to a comparison between the relative development of electric tramways in this country, where this industry has, it is held, been controlled by municipalities or influenced by their desire for municipalisation, and in the United States, where it has been practically exclusively managed by private proprietors. Here the effect of the difference in the local conditions in the two countries is not discussed. But, whatever be the cause, it is startling to find that the urban population per mile of track is 1,516 in the United States, as compared with 12,476 in the United Kingdom (p. 445).

In comparing the cases for and against municipal trade, that of its opponents does appear to be most convincing, in spite of

its defects. But when it is asked whether this is because it is in truth the strongest case, or because it is stated by men more conversant with the trades examined, or merely because the conclusions happen to coincide with those previously formed by the reviewer, we are discussing a question on which that reviewer's opinion is of little value. But he may perhaps point out that the opponents of municipal trade can cite the experts here quoted in favour of the belief that public management is actually accompanied by certain disadvantages which theoretical considerations had led them to expect. For example, the companies are said to push their trade better than the municipal managers (p. 329), to offer greater conveniences to the public as regards complaints (p. 321), and to make better use of labour-saving machinery (p. 342).

Thus far we have only dealt with the smallest of the three volumes. Part II. of the report consists of two large volumes, Vol. I. dealing with works in the United States, and Vol. II. with works in the United Kingdom. Here we have the replies of the experts to specific questions prepared to cover every important fact, without conclusions being drawn from them. Possibly a student gifted with vast patience would do best only to wade through these two thousand pages, and thus to be in a position to draw his own conclusions from the vast array of facts placed before him.

LEONARD DARWIN

Work and Wages. II. Wages and Employment. By SIDNEY J. CHAPMAN, M.A., with an introduction by LORD BRASSEY, G.C.B. (Longmans, Green & Co., 1908.)

It is typical of the modern developments both of industrial complexity and of economic theory that the modest and simple statements of fact depicted in Lord Brassey's *Work and Wages* and *Foreign Work and English Wages* should have necessitated three bulky volumes when the subjects contained therein came up for revision. The first of these, *Foreign Competition*, was noticed in the ECONOMIC JOURNAL, December, 1904; the second lies before us, and ostensibly deals with *Wages and Employment*. The title is somewhat of a misnomer, for it is only the outworks of the theory of wages that are attacked, and no history of wages is attempted here; the subject-matters of the book are the policy and results of Trade Unionism, the methods of arranging or preventing trade disputes, unemployment, and work-