Hammond: Railway Rate Theories

Railway Rate Theories of the Interstate Commerce Commission.
By M. B. Hammond, Professor of Economics and Sociology,
Ohio State University. (Cambridge (Mass.): Harvard University, 1911. Pp. 200.)

Professor Hammond has done a useful work in analysing the decisions of the Interstate Commerce Commission. Of the various applications to which this analysis lends itself we shall mention two: a special and a general use.

To those who are engaged in the organisation and management of railways in the United States this book is likely to be of considerable practical value. Railway Presidents will be enabled to read the thoughts and anticipate the judgments of the Commissioners to whose control they are subject. It is thus that legal practitioners are benefitted by an exposition of "leading cases," a digest of precedents, in a land where a simple code is not available. The arrangement of dispersed data has called for no ordinary power of classification. Whether the logical operations involved form, in our author's phrase, an "inductive study," it might be ungracious to inquire. The question seems to turn on the existence of an order resembling the uniformity of Nature in the subject-matter. One would hardly describe Heraldry, for instance, as an inductive science. That epithet may, however, be deserved if there exists, as our author presumes, "the possibility of evolving a theory of railway rates from a study of the decisions of such railway commissions as have already been in existence." This brings us to our second head.

Railway experts in the author's country are not the only class to which this book will prove useful. It may be read with advantage by the lay citizen of other lands who wishes to form an intelligent opinion on measures affecting the relation between railways and the State. Not that the conclusions of the Interstate Commerce Commission are directly applicable outside the United States. Yet some instruction is to be derived from considering the premises and methods of the Commission. That institution is admittedly one of the most impartial, intelligent, and efficient organs for the regulation of railways in the interest of the public. Its success forms a sort of high-water mark of what may be expected from such regulation. The height attained can now be observed more accurately. The scrutiny is assisted, not only by our author's analysis, but also by this reproduction of passages from the Reports of the Commission which are not very accessible to the European reader. It appears to us that the
deservedly high reputation of the Commission does not show more favourably upon a nearer view. Some inconsistencies are brought to light. Thus Professor Hammond finds it difficult to reconcile the "blanket" rate for the carriage of milk to New York permitted in the Howell case, with the zone system prescribed in a later case on the ground that "furnishing an article like milk in no greater quantities than is required for daily use in a given city is a business which falls naturally to those producers nearest the city who are able to provide the needed supply." The epithet "arbitrary" occasionally bestowed by our author appears to be deserved by some of the orders designed to maintain the natural or geographical advantages of localities. It is not always easy to apprehend the principle on which the Commission approve or disapprove of a difference of rates between raw and finished articles; in particular, flour and wheat. Free traders will suspect decisions which savour of Protection against foreign countries, or Protection of one State against another. It is tenable, in the matter of export and import rates, that if the railways had been let alone, to charge what rates they pleased, in consulting for their own interest, they would have best promoted the interests of the country. But the doctrine of laissez-faire, that one who "intends only his own gain" is "led by an invisible hand to promote an end which was no part of his intention," must be applied with peculiar caution in a regime of monopoly. How far would it be accurate to use the words of Adam Smith, who had not this regime in view, and to describe the power of a Railway Commission as "an authority which could safely be trusted not only to no single person, but to no council or senate whatever"?

We have given the impressions which Professor Hammond's book has produced on us rather than his own expressions. His criticisms are models of moderation, cautious and courteous. But they are not the less effective. His hinted doubts are more persuasive than the hectoring tone of controversialists like Professor Hugo Meyer. In a certain efficacy to sap authority we can only compare this work to the reminiscences of the two ladies who kept house for Herbert Spencer. Nothing can be more respectful than their attitude to the philosopher; yet in noting many a littleness on the part of the great man they at least reduce the altitude of the pedestal on which he might have posed to more distant admirers. Thus, unintentionally and without taking a side, our modest author has contributed something towards the decision of the issue between private manag-
ment and public regulation. He assists his readers to strike the balance between considerations placed in opposite scales by able advocates, such as the two Professors summarized by him. A slight but sensible weight appears now to be added to the scale with which Professor Hugo is identified. Pro tanto something is shown to be wanting in the scale preferred by Professor Balthasar; a name which, occurring in this connection, suggests an inclination of the balance more decided than we mean to indicate.

Wealth and Welfare. By A. C. Pigou, Professor of Political Economy in the University of Cambridge. (London: Macmillan & Co. 1912.)

Originality has set its unmistakable mark on Professor Pigou’s work. But this distinction is not inconsistent with some resemblance to great predecessors. The author appears to have drawn inspiration from two very high authorities on wealth and welfare. The good which philanthropy and statesmanship should seek to realize is defined by him in accordance with Sidgwick’s utilitarian philosophy; to investigate the means conducive to that end he employs the method perfected by Dr. Marshall. Like Sidgwick, Professor Pigou is not open to the imputation of materialism which is sometimes brought against economists. He lays down two propositions: “first, that welfare includes states of consciousness only, and not material things or conditions; secondly, that welfare can be brought under the category of greater and less” (Wealth and Welfare, p. 1). These propositions (with their context) do not postulate a psychology (like that of J. S. Mill) specially favourable to utilitarianism; but they do postulate the absence of a metaphysic (like that of T. H. Green) which denies practical significance to a conception such as “aggregate welfare” or “satisfaction.” Much of our author’s philosophy recalls Sidgwick’s utilitarianism. For example, the following sentiment is not often met with outside the pages of Sidgwick: “If the life of an average workman contains, on the whole, more satisfaction than dissatisfaction, an increase in numbers, even though it leave economic welfare per head the same, involves an addition to economic welfare in the aggregate” (loc. cit., p. 20). Like Sidgwick, Professor Pigou is prepared to admit that, in Sidgwick’s phrase (Politics, p. 583), “One person may be more capable of happiness than another.” According to Professor Pigou, “We may sometimes be able to say that the more cultured