a few introductions to the principal personages in a neighbourhood will usually enable the recipient to extend his acquaintance to others of less note. We could wish that the introductions furnished in the Appendix were more legibly printed. It is a misfortune that the long extract from Mill's important but not easily accessible fragment on Socialism, here reprinted, should be visible only to the "microscopic eye." But this is the fault of the publisher, or of the public taste which he caters for. We have only praise for the editor.

Standards of Reasonableness in Local Freight Discriminations. By JOHN MAURICE CLARK. (Columbia University Studies.) (New York: Columbia University. 1910. Pp. 155.)

IN his search for a standard of reasonableness, Mr. Clark has retouched the theories of economists and reviewed the decisions of tribunals. We shall briefly notice some out of the many topics on which he has shed new light.

With reference to the law of cost pertaining to railways, Mr. Clark well exhibits the connection between *joint cost* and *discrimination.* In his definition of joint cost he follows in the main Professor Marshall; while he entertains the question which has exercised American economists, "whether it is proper to apply the law of joint cost to a plant producing a homogeneous output as well as to one whose output is of several kinds" (p. 28). The cognate concept of "special" or *prime* cost is well presented; its relation to the magnitude of the object to which the term is applied has seldom, if ever, been so clearly stated.

"When one relates the term 'special cost' to a definite increment of traffic, one finds that it spreads into more and more kinds of expense in proportion as the traffic increment is increased in size" (p. 33).

"If a traffic manager has under consideration a rate, an interrelated schedule of rates, or a rate policy, that affects *large volumes of traffic,* he must consider, as the special cost of the traffic he is valuing, a large share of items usually classed as general or constant" (p. 35).

So the special cost of an aggregate of numerous services is not the sum of the special costs of each (p. 37 *et passim.*)

Does cost, when properly interpreted so as to include general expenses, afford the ideal standard for apportioning railway rates? To carry out this idea we might add to the cost of operation, varying with the distance over which a commodity (of an assigned class) is hauled, a sort of *tax* which would not vary with the distance. This tax would have to be supplemented by an equal tax—a sort of *excise*—on goods sold in places which have access to railway carriage, when those goods have *not* been carried on a railway. Otherwise we should be *protecting* local producers against others in the neighbourhood who might be more efficient, and so violating the principle which underlies the proposed ideal: that each producer should get the benefit of his "natural" advantages. The writer admits that such a scheme is "fantastically unlike anything we are likely to see." But he seems to think that the difficulty of apportioning the general cost, which constitutes the "vitiating element" of such a scheme, is reduced when we consider large units of traffic of which the "special" cost, as above explained, includes a considerable share of the general expenses.

Instead of the cost of a service to the railway, may we take as our standard the value of the service to the shippers? In this connection it is well observed by Mr. Clark :—

"The value of any service may then be defined as that charge which will in the long run bring in, over and above the special cost of the traffic involved, the greatest clear return possible" (p. 55).

This canon of monopoly is not to be identified, as some eminent writers have conceived, with the principle of "equality of sacrifice" in taxation.

"There might be between railroad self-interest and truly 'equitable concession' as wide a difference as that between ancient systems of taxation, aiming only at the largest obtainable revenue, and a modern system intelligently based on the tax-bearers' ability to pay" (p. 64).

The inappropriateness of the term "sacrifice" in the sense in which it is applied to taxation is thus further argued :—

"Who are the payers of rates, and in what sense are their sacrifices equalised? In what sense can we speak of their sacrifices at all? If a transportation service involved a true sacrifice it would never be made" (p. 65).

The doctrine applied to discriminate in favour of the weaker producers might lead to the perpetuation of the economically unfit (p. 66).

Will competition suffice to secure reasonable rates? Not desperate war between railways; not the "semimonopolistic truces of an anomalous competition" (pp. 42, 72). More may be hoped from what has been called "competition between markets";

the relation between two railway-systems serving respectively two territories which compete against each other for the supply of a neutral market. In this case the interest of the railway is largely identified with that of its customers.

"To keep themselves in business they [the carriers] must keep producers in business in their territory, and keep the business of these producers up to a maximum volume."

Still, even in this case the railroads may wield the power of monopoly injuriously. It may be good tactics to favour a large firm; in the words of a railway official, "to give one hustler a special rate and let him scoop the business" (p. 71, and *cp.* p. 21).

From economic theories we turn to the decisions of tribunals: the principles of common law as interpreted by the courts, the various State and Federal statutes, and the ruling of the Interstate Commerce Commission. In his search for a standard of reasonableness, Mr. Clark examines an immense mass of American judgments and precedents; some of them familiar to students of Professor Ripley's valuable compilation of documents relating to *Railway Problems*, many of them less accessible to the English reader. The results of this elaborate review are thus summed up by the author :—

"The central [standard] is that of comparative cost; modified towards conservatism, especially in the courts, by consideration of established interests; slightly modified by the 'infant section' [perhaps a misprint for 'infant industry'] idea; and imperceptibly, if at all, by the standard of symmetrical development [as to which standard see pp. 127–8]; but modified most of all by necessary concession to the practices which must needs go with private competitive rate-making, especially that of making 'blanket rates' or others which 'just meet' competition over a wide area" (p. 135).

Mr. Clark applies his principles to the construction of an American distance-tariff not ineffectively. But his principal success consists not so much in the solution of practical problems, as in his clear statement of the issues and elucidation of the principles involved. He has done for the standard of reasonableness in railway rates something like what Sidgwick did for the standard of reasonableness in moral conduct. To have improved by philosophical criticism a department of political economy in which his countrymen already excelled is no slight achievement for a young author. Mr. Clark, inheriting a name distinguished in economic literature, has added to it new lustre.