

RAILWAY MONOPOLY AND RATE REGULATION

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Railway Monopoly and Rate Regulation by Robert James McFall

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ROBERT JAMES MCFALL

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MONOPOLY AND
RATE REGULATION**

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BY

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PREFACE

THE purpose of the following study is to present the general theory involved in what is understood by railway commissioners as the cost-of-service principle in rate regulation. This principle is quite different from that which has been advanced frequently under that name. The earlier cost theories were that the rates should closely follow the cost of each particular service; a practice which has resulted in unfortunate rigidity of rates wherever tried. The theory of the present-day commissioners avoids this rigidity by paying considerable attention to the complementary principle of value in the adjustment of particular rates, while basing the system of rates as a whole, in so far as possible, on the total cost to the railways. The object is to reduce the rates as a system to the level of cost by means of governmental regulation, just as it is asserted is done in other fields of enterprise by the forces of competition, the particular rates within the system, meanwhile, being allowed a flexibility that would be impossible if cost alone controlled the situation. The scope of the present study has not allowed a discussion of particular problems of rate regulation; the general theory alone has been presented, and with it a discussion of the more obvious reasons for its adoption and the difficulties which it encounters.

The writer wishes to take this opportunity of expressing his appreciation of the direction of his major professor, Dr. E. R. A. Seligman, particularly of the stimulation given for the pursuit of the work and of the liberality

TO VARIOUS
SUBJECTS

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PREFACE

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manifested in encouraging the development of an independent point of view. To this gentleman as well as to several of the writer's fellow students is due great gratitude for criticism of the manuscript and helpful discussion of the theory.

R. J. McF.

MINNEAPOLIS, NOVEMBER, 1915.

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