



ANGLE TAB VISIBLE-NAME FOLDERS

CAT. No. 50939

Could even have
elastic demand for rr
services, & competitive regulation
of rr, if had guidiron of
rr, so every point served from
many directions, & all
products had many substi-
tutes.

5. Spain, monop. water co.s
sell water at auction, prices
fluctuate greatly.

Check into this, to evaluate my
water plan.

BLS CPI used for
union clauses, & works
ok. -- Fortune, Feb, 52; twice
exonerated by stat. investigators.

If so, could be used for
my p.v. plan, of open
end stocks.

Instead of regulating
my rates --- which is
cumbersome --- could
tax it on lvt basis. Raise
tax if Δ rates.

This is very complex
process to do perfectly.
But not as complex as
regulating is at present.

I must still regulate to
make roads act as common
carriers, etc.

Natoh monop. calculations.

3c

This question of allocation of costs of dams etc where there are joint products is the wrong way to go about it. The govt should sell the water & power for the competitively determined market price, as per my scheme, and take the increment to annual land rents caused, whatever it may be. If this sum exceeds the cost of the works it is economical; if not, then it still might be, if we figure in complementation to labor & capital. & if not then, then it isn't ec.

Once we figure in the increment to land values there is no problem about whether govt should set the competitive price, or the price with greatest ~~total~~ net revenue; for if it increased net revenue by reducing output & raising price, it would reduce land values by more than it increased its revenues, making a net loss to the system.

This is an interesting principle that might have application to all monopolies. If the complementary effect on other land values could somehow be made part of their revenues, or incentive, they would have no mvp motive. This may be a more practical way to work out the problem than my open stock plan. & more on cooperative principles, might work in with coop. idea.

We speak glibly of nat. monop. as exceptions to free enterprise rule, as tho they were minor exception. Rails, utilities, roads, some heavy industry, is far more than that. Hence far-reaching significance of my open-end stock plan.

Chap 8: Important Industries

R.R.s. Expansion ceased c. 1916. Wartime govt control gave economies. Transportation Act, 1920, tried to please all vested interests: ICC told to plan a consolidation that would strengthen weak roads (whose customers insisted they be retained, even if not paying, & they had as many votes as anyone else), retain competition, keep customary routes. R.r.s to be permitted to keep propose consolidation plans voluntarily, if in accord with general plan of ICC.

This proved unworkable, ICC, engaging Ripley, never could get a scheme that anyone would accept, 1927 it asked to be excused from duty. Result of 1920 was just turning roads back to private ownership, & ICC instructed to fix rates that would bring owners "fair" returns.

Autos: Paid 9% manuf. wages by 1929. Instalment selling grew with it, made great sales possible.

v. Clark
ch. 13

Were some cos which just owned rolling stock -- Blue Freight Line, Pullman Co.

Watch
manip
from

Public utility experts say rate regulation is utterly ineffective because companies control rate of inv. - makes my plan look good. -- Ralph

Fay, C.R., GB from A Smith a present, Longmans Green, 1928

18th & 19th, little intervention. By reducing functions, state became efficient - became economical, & bureaucracy honest & efficient. Left foreign trade alone. Min. regulation of banks. Ran P.O., but improvements were introduced on inspiration of private people, vs. opposition of officials.

p. 322 Rowland Hill suggested, 1867, state buy rr & lease to private co.s, comp. for using rails, instead of comp. among them (might work, if you leased, not to highest bidder, but one promising most service at lowest cost)

RCA internat. communication.

FCC regulates, & gives wave lengths free.

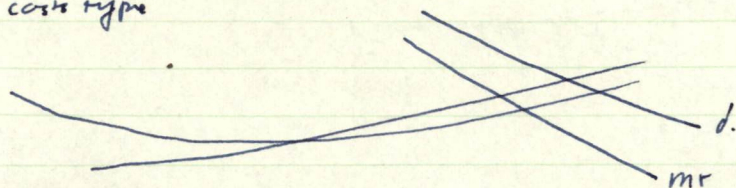
They frequently apply for rate reductions.

'so they can expand service -- RCA wants to share benefits with its customers' -- so they claim. Rate changes are at their initiative.

Their profits are regulated, if they get too high,

Open end stocks. & watch monop.

1. Incr. costs type



Assume there is a 'competitive level' of int., cap stock either is or isn't getting it.

Goal: to get production where $mc = \text{demand}$?

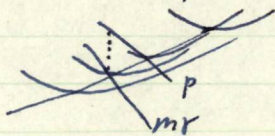
Competitive method: increase no. of firms until no 'excess profits' are being made — assuming all firms are alike, this is a sensible way of putting it. But this is just a way of squeezing down rents?

Say the l.r.a.c. curve as drawn is no better than any other, except it represents the level at which rents begin. If a.c. ~~goes~~ ^{curve} above this, it is because some factors are valued higher, not because any physical or vble cost is greater. With monop, production would occur where $mr = mc$, & a.c. curve would have min. there. — (odd, no, that this makes any point you choose the opt size?)

Now co. is forced to expand by new open stock purchases. Prod. increases until $mc = d$. Now will equity be getting > comp. level? Yes, for a.c. curve drawn represents non-rent costs. ~~In fact, firm will have to making even a larger differential between~~ So production will expand until $d = a.c.$ But this will be a better allocation than other, since complementarity is recognized in price exists. It is always better to increase production beyond what is ec. to firm, at least a little.

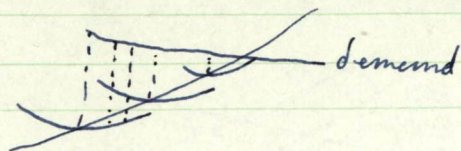
Ricardian rent:

When $mr = p$, ok to say a.c. rise as p does. With mr below price,



With comp, get rent with no output restriction. With monop, the excess between mc & p might be called a 'rent' due to monop power's irreplacability, but here the return rests on ability to keep mc below p . Well, you can draw in the excess returns, impute them to the monop, & not say any more, not call them part of a.c. — or you can (over)

call them part of a.c. if you like, so:



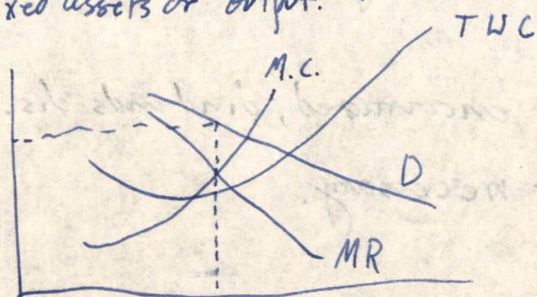
The effective 'cost curve' being demand curve, the other cost curves being to show relationships.

Leigh,

Incidence, concl. Ultimately it is on our producers of export goods, as foreign exchange is lost. "Monopsony argument" for tariff says that this will improve terms of trade - not considering that their reduced demand will lower our prices, too. If foreign factors are immobile, can we really collect some of their rent?

Decreasing cost industries.

Utilities - & they aren't too small. But it depends on whether it is on fixed assets or output.



Monopoly

Where $MC = MR$, that determines output, price is on demand curve.

Unit tax increases MC. Profits tax doesn't change pt of max profits.

Suggested: tax profit highly, give it back as subsidy on output. Maybe a good idea on natural monopolies. Administrative difficulties. Also you must leave ^{some} profit or subsidy will not stimulate.

How about some kind of competition, not between utility firms, but within the firm. ~~Can~~ Require management to give financial statement, & allow bidding for management position? Allow new investors to invest in utility without limit, require management to sell stock to all comers, ~~invest~~ pay it same rates as others. This would bring its returns on inv. down to competitive levels, force it to invest in the business until marg. eff. of surpluses in utility = market. Terrible Good for r.r.s, too.

If firm is making any monop. profit, it is by restricting production. Suppose it has higher rates than ~~min.~~ min. possible. This means higher returns on inv. than comp. It is compelled to sell all the stock demanded (at what price?) In order to pay normal dividends without (over)

taking from other inc., it must put proceeds to work in this business. To use new equipment best, it must lower price.

But then efficiency discouraged, as it results in the proceeds being subject to claim by general public. But a time delay in ^{stock} sales ~~would~~ requirement would allow a return to efficiency. New stock not allowed to participate in earnings for a year or so.

Price of stock sales shall be original price of original shares.

This, incidentally, ^{virtually} prevents plowback. All expansion will be by new financing.

Price of shares on market can never rise much above original cost, for identical shares can be bought at original price.

Transition problems.

Management speculations encouraged, dividends discouraged.

Rate regulation no longer necessary.

Arington, Leonard J. 'The Denver Telegraph'

Brigham had it built in 1860s. Cooperatively. Church did it & subsidized it. I used it free -- & high % of its commercial business was church.

Church also controlled prices.

ch 2

Mantoux, 10

Roads generally locally maintained, and local people not much interested in them, they stunk. Best roads in 17th & early 18th were those with Roman surfaces. Chas. II passed act for toll roads, to finance better thru roads. Tolling very unpopular, system spread slowly. Until after 1745, when Culloden episode showed how poor was military transportation, great boom in road building, ostensibly motivated by military. Toll roads mostly.

Not until 1759 did Eng. have a canal, altho country admirably suited for them. France had extensive ones, centuries before. Eng. had such good coastal shipping, less incentive. Then Eng. built many.

Coal the inspiration for the early canals, being very heavy. Duke of Bridgewater, owner of much coal, backed many early ones.

So maybe it was ~~canal~~ canals, before r.r., that broke the coal monop.

New canals mostly in n. & center. Tremendous change in face of Eng. in 30 years. 1793, great boom, "canal fever", speculation, they overdid it.

Canal schemes done by private individuals -- groups of them, rather -- almost exclusively. Crown had some permissive functions. Done for the purpose of increasing land values. Noblemen & captains of industry led.

(underdeveloped countries take note.)

The yeomen didn't "disappear" -- they created the industrial revolution.