

ability of the citizens to compete with their rivals in other cities and countries. The technical and administrative peculiarities of the gas business are next considered, with a detailed review of the experience of foreign countries and American cities as to competition, leading to the conclusion that competition always fails to regulate prices, and that the gas business, therefore, must be a monopoly, either public or private.

Arriving at the conclusion that the gas business must be a monopoly, the arguments against public management are considered one by one :

1. That the manufacture of gas is not a legitimate government function. Professor James here discusses the nature of the functions of government, showing how it has been found necessary to depart from theories of *laissez faire* in the establishment of free schools, the amelioration of conditions of labor in factories, the provision of public asylums for the unfortunate classes, public bath-houses, etc., and then discusses the functions of local government, showing how it has become the rule in American cities for the city to own and manage its own water works—a business of similar nature to the gas business.

2. That private companies can manufacture gas more cheaply than public corporations. Under this head it is shown that a city can usually obtain the necessary capital at lower rates than private individuals ; that a gas company, necessarily a monopoly, is peculiarly liable to attack from the public and consequent depreciation of stock ; and that, in the same manner as a municipality, a large company must depend upon the faithfulness of paid agents.

3. That political corruption is not so rife under the régime of private companies as under that of public management. This is the chief objection in most minds. Many persons say : "Municipal control may do in foreign cities, where a proper city administration prevents corruption, but it would never do in our American cities." Professor James makes his strongest point in showing that a large capital in private hands, subject to public regulation, is a greater source of corruption through bribery of councilmen and manipulation of votes than direct municipal management can possibly be. He further adds, with force, that if city governments had greater responsibilities, greater care would be taken in their selection ; that more public business, not less, should be put into the hands of city councils to reform them.

A history of gas works under municipal control in Philadelphia, Richmond, and Wheeling is given in detail, with a large amount of foreign experience as to the general result of public management. In Philadelphia, although the system adopted was the worst possible, that of putting the gas supply under the control of an irresponsible board, the result has not been worse than in other cities. In Richmond the plan of public management has worked to the satisfaction of the citizens, and in Wheeling, also, is reported satisfactory. In England the number of cities having public management is said to be already larger than the number having private management.

In regard to financial risk arising from the development of electric lighting, Professor James anticipates no diminution of the gas business in the near future. This point is treated very briefly, and seems less securely taken than the other points. That electricity will not largely supersede gas as a means of illumination and driving small machines is not certain. It is added, however, that if the city were to hold depreciated stock the loss to the public would not be greater than if private owners held it, since in the later case the owners, before the stock went down, would charge a sufficient price to reimburse them against loss of capital.

Another important point is that municipal control of gas business can be made a source of revenue, lessening taxation in other directions.

As a whole, the presentation is a strong one, and those who see the testimony that has been collected in support of the arguments will hardly call the work visionary. It proves that, at least, municipal control can be no worse than present private management, which brings perpetual blocking of streets, frightful odors, and enormous prices, and may be much better. If in some places public management reduces the price of gas more than one-half, why not here ?

The pamphlet is published by the American Economic Association, of which Professor James is one of the officers—an association for the dissemination of economic thought.

SHALL CITIES CONTROL THE GAS WORKS? ¹

In presenting the arguments in favor of municipal control of the gas supply, Professor James treats a topic which concerns men's pockets, not only those of stockholders in modern lighting apparatus, but also of consumers of gas and of taxpayers in all large towns throughout the country. The introductory propositions are that an ample supply of pure and strong gas has become an absolute necessity ; that for purposes of illumination it is a great labor-saving device ; and that for driving machinery it has been produced so cheaply in some cities as to become the decisive element in the

¹ *The Relation of the Modern Municipality to the Gas Supply.* By Edmund J. James, Professor of Finance and Administration in the Wharton School of Finance and Economy, University of Pennsylvania. (American Economic Association.)