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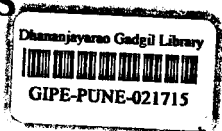
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**RATE THEORIES
AND
THE CALIFORNIA RAILROAD
COMMISSION**

**BY
D. F. PEGRUM**



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PREFACE

The establishment of theories upon which public utility rate control should be based is one of the most controversial problems in the United States today, in economic, political, and legal fields. The polemical and often partisan nature of the literature that is appearing in large volume indicates, moreover, great confusion of thought. Careful examination of the wealth of material and experience that is now available throughout the country should do much toward clarifying the situation. Studies for this purpose are now being made in various states; the state of New York, for example, has just completed an elaborate and exhaustive survey of regulation within its boundaries.

The intensive research here presented deals with the work that has been done by the California Railroad Commission in rate-making. It was selected for the following reasons: (1) The California commission is one of the leading regulatory bodies in the country and its actions are decidedly typical; (2) some of its theories are novel and most of them are salutary; finally, (3) the Commission has now been functioning for virtually twenty years and hence a perspective can be obtained through which its activities and tendencies can be gauged with a reasonable degree of certainty. Comparisons have been made with the theories and practices of other regulatory agencies, and an endeavor has been made to present a fair appraisal of what has been done in this state, together with some suggestions as to changes that appear to be necessary.

The deliberate limitation of the study to an analysis of rate theories has made it necessary to ignore many phases of the commission's activities. This procedure obviously has its disadvantages, but it is believed that it has in its favor the merit of setting forth in sharp outline the fundamental economic issues at stake.

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