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**CAMBRIDGE ECONOMIC HANDBOOKS.—IX.**  
**GENERAL EDITOR: C. W. GUILLEBAUD, M.A.**

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**THE ECONOMICS OF TRANSPORT**

# THE ECONOMICS OF TRANSPORT

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## INTRODUCTION TO THE SERIES

*By the General Editor*

SHORTLY after the war of 1914-18 there seemed to be a place for a Series of introductory Economic Handbooks "intended to convey to the ordinary reader and to the uninitiated student some conception of the general principles of thought which economists now apply to economic problems."

This Series was planned by Mr. J. M. Keynes under the title *Cambridge Economic Handbook* and he wrote for it a general Editorial Introduction of which the words quoted above formed part. In 1936 Mr. Keynes handed over the editorship of the Series to Mr. D. H. Robertson, who held it until he became Professor of Economics in the University of London.

The judgment of its originators has been justified by the wide welcome given to the Series. Apart from its circulation in the British Empire, it has been published from the start in the United States of America while translations of the principal volumes have so far appeared in German, Spanish, Italian, Swedish, Japanese, Polish and Lithuanian.

It is symptomatic of the changes which have been taking place in recent times in the development of economic science, changes associated in a high degree with the work and influence of Mr. Keynes himself, that within the brief space of fifteen years the text

of part of the Editorial Introduction should have stood in need of revision. In its original version the last paragraph of the Introduction to the Series ran as follows :

“ Even on matters of principle there is not yet a complete unanimity of opinion amongst professors. Generally speaking, the writers of these volumes believe themselves to be orthodox members of the Cambridge School of Economics. At any rate, most of their ideas about the subject, and even their prejudices, are traceable to the contact they have enjoyed with the writings and lectures of the two economists who have chiefly influenced Cambridge thought for the past fifty years, Dr. Marshall and Professor Pigou.”

When the Editorship of the Series was transferred to Mr. D. H. Robertson, Mr. Keynes consented to the retention of his general Introduction, but subsequently re-wrote the concluding paragraph in the following form :

“ Even on matters of principle there is not yet a complete unanimity of opinion amongst professional students of the subject. Immediately after the war daily economic events were of such a startling character as to divert attention from theoretical complexities. But to-day, economic science has recovered its wind. Traditional treatments and traditional solutions are being questioned, improved, and revised. In the end this activity of research should clear up controversy. But for the moment controversy and doubt are increased. The writers

of this series must apologise to the general reader and to the beginner if many parts of their subject have not yet reached to a degree of certainty and lucidity which would make them easy and straightforward reading."

Still more recent events have produced a world so far removed from that which existed when the foregoing words were written, that it has fallen to the lot of the present Editor to provide a new Introduction.

This is perhaps a good vantage point from which to survey very briefly some of the principal trends in the evolution of economic thought in this country during the past thirty years. Prior to 1914 economic theory here was largely dominated by Alfred Marshall; and economists, following him, thought in terms of the long period tendencies of the different sections of the economic system towards positions of equilibrium, even though ever-present dynamic factors were perpetually modifying the existing structure and presenting new and equally distant, if equally unattainable, goals as stimuli to change and adaptation. Moreover, in the Marshallian system, those tendencies resulted from the working of persistent underlying forces which were conceived of as largely competitive in character. The increasing trend towards monopoly was certainly affecting thought, but not so much in the realm of the theory of value, as in the emphasis which came to be laid on possible discrepancies between the private interest and the social interest. Under the influence of Professor Pigou a Welfare Economics was developing side by side with, and out of, the Value Economics of the older generation.

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After 1918 the long-drawn-out agony of the depressed areas, the weakening of the position of this country in international trade, and the tremendous intensity of the economic crisis of 1930-32 (to mention but a few out of the many contributing causes) combined, on the one hand, to focus attention on problems of the short period and, on the other hand, to throw doubt on the extent to which the self-adjusting, seemingly automatic mechanism, which on the whole had operated so effectively during the nineteenth century, was capable of coping with the deep-seated maladjustments and disharmonies which characterised the post-war world. At the same time value theory itself was profoundly influenced by the emergence of a number of writers who approached value problems from the view-point of monopoly, and emphasised the unrealistic nature of an analysis which was based on the assumptions of perfect competition and a perfect market. Most of all, however, economic thought was dominated by the desire to find a solution for the problem of how to maintain the level of effective demand so as to avoid the recurrence of phases of deep depression and widespread unemployment. There was a growing feeling of impatience with the economics of the long period "in which we are all dead", and a great, perhaps even excessive, concentration on the short period in which we live and move and have our being.

The result was a remarkable ferment of ideas, the challenging of ancient orthodoxies, and "for the moment controversy and doubt [were] increased." This ferment had by no means subsided when the second war with Germany broke out in September 1939,



bringing in its train a degree of State interference with the normal peace-time working of the economic system far exceeding that reached even in the last years of the war of 1914-18.

In so far as it is possible to foresee future trends, they would seem to lie in a much greater measure of conscious public control over many aspects of economic activity than has existed in the past. It will no doubt still remain true, to quote Mr. Keynes's Introduction again, that :

"The Theory of Economics does not furnish a body of settled conclusions immediately applicable to policy. It is a method rather than a doctrine, an apparatus of the mind, a technique of thinking, which helps its possessor to draw correct conclusions."

Nevertheless, economists may well find themselves to a greater degree than hitherto called upon to express their views on matters of economic policy, and—for a time at least—the writers of future volumes of the Cambridge Economic Handbooks may be concerned rather with specific problems than with the more general aspects of economic theory.

C. W. G.

*Cambridge,*  
April, 1941.

## AUTHOR'S NOTE TO NEW EDITION

As the proofs of this revised edition were passing through the press, the Royal Assent was given to the Transport Act, 1947, a measure which changes the whole structure of the industry. This Act transfers the railways, canals, and long-distance road hauliers of Great Britain to State ownership, and thereby creates a single vast inland transport monopoly. It also contains clauses enabling the acquisition to take place, later, of the nation's road passenger transport undertakings and the docks and harbours.

The administrative machinery for controlling this vast assembly of enterprises consists of a British Transport Commission as a supreme policy-making, financial and co-ordinating authority. The Commission is to be composed of a Chairman and between four and eight other members, all of whom will be appointed by the Minister of Transport. The following Executives, also appointed by the Minister, will exercise managerial functions over the various branches of transport on behalf of the Commission :—

Railway Executive,  
Docks and Inland Waterways Executive,  
Road Transport Executive,  
London Transport Executive,  
Hotels Executive (to be set up on an appointed day).

It is provided in the Act that all the business carried on by the Commission shall form one under-

taking, and the Commission is directed to secure that its revenues shall be not less than sufficient for making provision for the meeting of all charges properly chargeable to revenue, taking one year with another.

It is obviously impossible to deal here with the details of this enormous legislative measure, or even to indicate its chief probable effects on the economic structure of the country.

In his preface, the General Editor of this series observes that economic theory has in the last twenty years been profoundly influenced by the new treatment of monopoly and by the gradual abandonment of the conception of free competition and perfect markets as representing economic normality. And transport is a field in which monopoly has always, and necessarily, played a prominent part; since in many forms of transport (particularly those based upon the use of an artificial highway or track) the whole structure of the industry tends naturally to monopolistic organisation. This has led to a good deal of confusion in the past. Some writers have been led into arguments which led to highly unrealistic conclusions simply because of their unfamiliarity with the details of this complex industry. Others have confined themselves to a descriptive treatment which frankly abandons any attempt at an analytical treatment of a baffling subject. The problem of co-ordination has sometimes been falsely represented as a choice between monopoly and competition, whereas it was a choice between monopoly and imperfect competition, or "duopoly." However, the Gordian knot has now been cut by a Labour Government which has heavily committed itself to State-owned monopoly wherever it is administratively possible to introduce it.

## xii AUTHOR'S NOTE TO NEW EDITION

It must be admitted that, at a single stroke, the unification of transport will sweep away many of the more complex problems and the new British Transport Commission will possess a degree of freedom, particularly as regards charges, for which its predecessors on the main line railways have sighed in vain for many years.

The chief points of criticism raised against the Act have not been theoretical objections to monopoly, but practical questions relating to administrative efficiency, and equitable treatment of dispossessed stockholders. The fixing of an arbitrary radius of operation for road vehicles as a test for whether hauliers' undertakings are to be acquired as being predominantly "long-distance," or left independent as predominantly "short-distance," is obviously full of difficulties. The devolution of authority from the Commission to the Executives on a functional basis has been described as a disintegration, rather than an integration, of transport facilities. The equity of the compensation terms, based upon current Stock Exchange values, which are offered to railway and canal stockholders, has been challenged. But there is no question that the broad principle of unification, so far as pure theory is concerned, will simplify many of the vexed problems of charges, costs and net revenue, that have perplexed the last generation of administrators, since the Commission will undoubtedly be able to charge "all that the traffic will bear" subject only to potential checks from "C" licence vehicle operation on the freight side and from private cars on the passenger side. Public transport will in fact be almost entirely monopolised and only private transport will offer the stimulus and the checks of competition.

AUTHOR'S NOTE TO NEW EDITION xiii

When things are changing on such a scale and at such a pace, it is impossible to present a picture that will be truly up-to-date for more than a few weeks. And in revising this book no attempt has been made to describe the economic effects upon the transport industry of the recent war. The Road Haulage organisation set up by the Ministry of Transport and afterwards disbanded; the control of the main line railways and London Transport, and their management for war purposes by the Railway Executive Committee; the forms of war-time shipping control—all these are matters of great interest, and the student of transport should acquaint himself with their main outline. But it is too early yet to draw any general moral from their application. As the war recedes into the background we shall see its events in a better perspective. In any case, however, it would probably be unwise to attempt to reach definite conclusions when so great an upheaval as will be caused by the provisions of the Transport Act is in progress. When the convulsions have died down and the lava has ceased to flow, we shall be able to take stock of the new landscape as it appears after the earthquake.

M. R. B.

*September, 1947.*

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