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Public Utility Regulation and the So-Called Sliding Scale

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BOOK REVIEW

PUBLIC UTILITY REGULATION AND THE SO-CALLED SLIDING SCALE. By Irvin Bussing. New York. Columbia University Press, 1936. Pp. 172.

The normal public utility case concerns either a determination of the rate base or the rate of return and ignores the paradoxical situation wherein an inefficient plant is permitted to earn in general the same eventual return as an efficient one. There is little reward for good management and the result in many cases is higher prices than are necessary and which benefit neither the utility nor the public.

The so-called sliding scale system of regulating public utilities is a broad term covering a group of devices which reward efficiency by making the rate of return increase or decrease in proportion as prices decrease or increase. The efficient company is given the usual rate of return, together with a bonus for its efficiency, while the public is benefitted by lower prices. In theory such devices harm no one and benefit everyone.

The author first traces the development of the sliding scale in England from its origin to the present day, and then discusses in considerable detail its operation in several cities of this country. He shows both the weak and strong points of the various plans, and is as careful to show its failure in Boston, as its apparent success in Washington. His book contains considerable information on a somewhat neglected phase of public utility law, and is worthy of serious consideration by any student of the problem. It presents a variety of interesting plans designed to encourage voluntary reductions in public utility prices to secure the tempting bonus of a higher rate of return. The most serious defect is a somewhat complicated treatment of an already complicated subject. It is unfortunate that the author limited himself to a factual presentation of the various plans and made his own comments so brief.

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