Review No ???

Robert E. Gallamore and John R. Meyer, *American railroads: Decline and renaissance in the twentieth century* (Cambridge, Massachusetts: Harvard University Press, 2014. Pp. xiii + 506, ISBN 9780674725645 Hbk. £40.95)

After a series of crises in the 1960s and 1970s, U.S. railroads were subjected to the shock therapy of the Staggers Rail Act of 1980, which abolished almost all regulation. Most studies of this move have concluded it was a great success, with lower prices and higher profits, and a far more dynamic industry that responds better to the changing needs of the economy. This development deserves study both as a key historical step in railway policy, and for its implications for other industries. In particular, the current public debates about net neutrality would benefit from studying the rail experience. The markets and technologies are different, but the main issues, concerning differential pricing and degree of regulation, are similar.

The Gallamore and Meyer book is a valuable addition to the literature on American railways of the 20th century. The authors were superbly qualified to write about the subject. The late John Meyer was a major economist, one of the founders of cliometrics, and the provider of much of the empirical and theoretical inspiration for deregulation. Gallamore was Meyer's student, has had decades of experience in railways and railway policy, and participated in the drafting of the Staggers Act. Thus they possessed unique knowledge and insights, and their views are bound to be scrutinized with care by all serious students of railway policy. Their detailed discussion of how the Staggers Act came about will be of special interest. There were plenty of interesting elements, some ironic. As the authors noted, Democratic "liberal transportation and utility sector advisers embarked on a degree of regulatory reform that ... put to shame the timid and feeble efforts of the Republicans" (p. 231). But there is far more of value in this book, including the role of technology in giving rise to competing transportation services (planes, cars, buses, pipelines, ...) that drastically reduced the role of railways in the economy, and thereby were crucial in making the Staggers Act deregulation acceptable.

Unfortunately, this book also has serious limitations that limit its usefulness and will likely reduce its readership. It is a rather dry and lengthy tome, with much detail that will be of interest to only a few readers. Given the vast subject, it still leaves much out, since "[t]he economic and legal arguments quickly become complex and subtle" (p. 26). But it would have been useful for both experts and general readers to have a comprehensive list of references to those "complex and subtle" arguments and to additional studies of the performance of American railroads pre- and post-Staggers. It would also have been useful to have a regular bibliography. As an example, the authors wrote highly of the boooks by Klein, Loving, Martin, and Saunders (p. 19), but gave no titles, and the index is of no help, so the reader is forced to scan the 60 pages of endnotes for more information.

The book could have been made much more accessible to the non-experts. For example, Chapter 2, on the "ills of government regulation," would have benefited from a detailed presentation of the "Big John" grain hopper case, which is cited only very briefly on p. 391. That affair serves as an excellent example of how regulation, and exploitation of regulation by competitors, can stifle economic progress.

Given the authors' substantial role in bringing about railway deregulation, it should perhaps not be surprising that they were uncritical supporters of the Staggers Act and of the rail industry in general. What is harder to explain was their lack of proper historical perspective on differential pricing. They wrote about the period after the 1887 Interstate Commerce Act "that the federal government based the new regulatory regime on a tough set of criteria--differential rates that were not discriminatory" (p. 30). But that was not a new dilemma, it had been present in transportation policies for centuries. Charters for canals, turnpikes, and railways had from the beginning specified pricing rules that embodied the value-of-service principle that the authors criticize so severely. This was a compromise between basic economic incentives for differential rates and society's concern about fairness. The authors did not appear to appreciate this.

The lack of comparison of U.S. railway reforms with those of other countries is regrettable. In their conclusions (p. 435), the authors argued that keeping railways private and deregulated is better than the alternatives, of which they listed just three: nationalization, subsidy, and comprehensive regulation. But earlier (p. 249) they mentioned that the UK has forced vertical separation on its rail industry, and that the EU is also adopting this policy. How well has that approach worked? There is no hint in this book.

In conclusion, this is a very valuable book, with implications in areas outside railways. Unfortunately, it is likely to be studied by only a handful of experts.

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