
Dr. Mortenson’s contention in this book is that a unified system of milk distribution, under conditions existing in the Middle West, could greatly reduce the costs of handling fluid milk which are present under prevailing monopolistic-competition patterns. His cost calculations (based largely on an unpublished thesis written under Dr. Mortenson’s supervision by Mr. Gale Johnson) indicate the possibility of cutting distribution costs by twenty-five to thirty-eight per cent. These estimated economies are chiefly in delivery labor (where less men could do the work if one agency delivered all milk) and in salaries. No wage-rate reductions are implied; and except for depriving the consumer of his choice of milkmen and limiting him to two or three grades of milk and two of cream, no significant curtailment of service. The need to lay off men and reduce the amount of plant and equipment—particularly the latter—make it plain that the economies could not be realized in full at once, but would take place gradually over a period of years.

The two forms of unification which Dr. Mortenson contemplates are (1) controlled private monopoly, treated as a “public utility,” and (2) public ownership and operation of all distribution facilities. His optimism about possibilities under the first plan makes no allowance for the difficulties of choosing the one of the existing companies which is to survive and insuring its ability to buy in the other companies at a reasonable price; and it is noticeable that the book’s imposing array of not excessively relevant legal case material offers no clues as to whether the power of eminent domain could be used in behalf of a private company in buying out other companies, or as to the treatment of purchased properties in determining valuations for rate-basing purposes. (On the latter point it is plain that much could be learned from electric utility and railway cases.) In the reviewer’s judgment, the only way to arrive at private, regulated monopoly without inviting inflation of acquisition cost would be first to establish public ownership and then sell out to a private company. Failure to consider these transitional difficulties is a major blemish upon the book.

Viewed as propaganda addressed to the public and to the legal profession, the book does an important dis-service by further confusing the issue of competition versus monopoly. Although the bibliography lists half a dozen general discussions of monopolistic and monopolistic competition, the text is altogether innocent of modern doctrine, and the evils of semi-monopolistic conditions are regularly described as evils of competition. On the policy side, moreover, possibilities of enforcing competition are too lightly dismissed. There is a reasonably competent discussion of the reasons why imperfect competition does not lead to unification; and it is also indicated why imperfect competition is unfavorable to maintenance of private agreements against unduly frequent deliveries, excessive variety of grades, and permitting some customers to evade full payment for milk used and bottles destroyed. But if, as Dr. Mortenson concedes, the enforcement of such rules could secure at least “some of these economies of service mentioned above,” why could they not be enforced by public authority?

1 The usual anti-competitive catchwords of “chaotic conditions” and “disrupted markets” appear on p. 9; on p. 7, Dr. Mortenson goes so far as to say (without a scrap of supporting evidence) that “public welfare, health, and safety were being jeopardized” in 1932 due to price-cutting factors labelled as “unfair and destructive trade practices.”

2 Pp. 16–18.

3 P. 89.
If it were really desired to cut distribution costs, it might be quite feasible to canalize competition on a price basis, by setting maximum as well as minimum ratings for grades, limiting the number of grades, and in general standardizing the non-price factors into which competition among small numbers of dealers tends to run off. If forced to compete solely on a price basis, dealers would have to look closely into opportunities to reduce both costs and prices by deliveries in greater quantity but at longer intervals. Dr. Mortenson's anti-competitive bias shows up, incidentally, in the complete lack of discussion of the reduced rates for gallon purchases which are now becoming common and the extent to which they may correct the alleged "competitive abuses."

Since the book, by its Wisconsin origin and its copious legal citations, is labeled as institutionalistic, the reader should be warned that all the material dealing with public attitudes toward milk distribution is strictly a priori. A factual inquiry on public attitudes in the Middle West would be a useful supplement to the cost study here presented.

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