encourage the widest and most abundant use of electricity. It is generally accepted that low costs can produce low rates. The opposite also is true: low rates can produce low costs." (p. 5)

There follows a table of comparison of TVA costs with investor-owned utilities. In operation and distribution TVA costs are said to be 45 per cent of investor-owned utilities; in transmission and distribution, 35 per cent; in collection and customers accounting, 30 per cent; sales and demonstration, 25 per cent; administration overhead, 30 per cent; and finally, depreciation, 70 per cent. Altogether, TVA claims to operate at 45 per cent of the costs of investor-owned utilities.

To discover what accounts for this amazing comparison, we must understand the TVA method of cost allocation. TVA announces construction of "multiple-use dams" and then charges 22 per cent of the construction costs and 27 per cent of its common costs to "navigation," 14 per cent of construction and 31 per cent of overhead to "flood control," and only 64 per cent and 42 per cent respectively to "electric power." (p. 10)

Investor-owned companies, however, have no way to remove millions of dollars from cost accounting. They build dams whose purpose is flood control, and yet every penny spent constitutes power cost.

"A Competitive Challenge"

This competitive challenge to individual enterprise is emphasized throughout the pages of *Facts about TVA Operations*. The following passage is indicative: "The effects of competition by comparison are apparent beyond the limits of the Valley region. Adjacent utility companies found that rate reductions which they initiated because of TVA's influence helped to bring rapid increases in the home use of electricity. The closer private utilities are to the Valley area the lower their residential rates tend to be. Similarly, rural electric cooperatives pay lower wholesale rates for electric power the closer they are to TVA and to the most nearly comparable other area, the Pacific Northwest. Federal Power Commission figures show that the private utilities have been helped, not hurt, financially by low-rate policies. The common stock earnings of all the large privately owned utilities in the U. S. multiplied about 4 times in the years 1937 to 1960; in the same period, nine large private companies adjoining the TVA area multiplied their common stock earnings more than 10 times." (p. 7)

The truth is that in recent years most privately-owned utilities have reduced their rates because of improved technology and rising productivity. Even in states where coal, oil, or gas have remained the most economical fuel, electricity has become an effective competitor. And it should not be surprising that despite such rate reductions, most utilities now show higher earnings than prevailed in the depression years of the late thirties. Yet, TVA would take all the credit!

Perhaps the most enlightening of all the *Facts about TVA Operations* is to be found in the concluding passages. While the report claims exceptionally economical operation in all TVA endeavors and thus "justifies" the Federal expenditures through extraordinary returns and benefits, it concludes that the Tennessee Valley is entitled to this expenditure in the distribution of Federal funds. Why should New York, Pittsburgh, California's Central Valley enjoy Federal funds, and the Tennessee Valley be without them? In fact, the Tennessee Valley is said to have received less than its proper share in the redistribution of wealth and income. "Is it fair," the report asks rhetorically, "that such states as Texas, Oklahoma, and Louisiana should enjoy low-cost gas and oil, simply because their states are richly endowed with such resources, while people farther away must pay more dearly?" (p. 14) This, presumably, is why the people of the Tennessee Valley deserve TVA. The principle of sharing-the-wealth through redistribution could not be stated more succinctly. ◈

IDEAS ON LIBERTY

Socialized People

IN THE FINAL ANALYSIS, this study concerns *persons*, and not *things*. When we speak of the socialization of the electrical industry, we are, of course, referring to persons. Electricity doesn't care who or what produces it. In a like manner, when we speak of controlled production or controlled prices, we really mean controlled persons. Under a controlled economy, it is *persons* – not *things* – who are told by government what they must or must not do. This coercion of individual citizens is the vital issue. And in the long run the individual consumers of electricity have just as much at stake in this matter as do the private producers of electricity.

DEAN RUSSELL, *The TVA Idea*