In American Railroads, Robert E. Gallamore, an emeritus professor of management at Northwestern University, and the late John Meyer, an emeritus professor at the School of Government at Harvard, explain the long decline of railroads. Detailed, sophisticated, occasionally technical, and provocative, their book provides a superb and often fascinating analysis of the economics, technological change, and the impact of public policy on an iconic American industry.

Gallamore and Meyer review the disastrous merger of the Pennsylvania Railroad and the New York Central, the
provisions of the Staggers Rail Act of 1980, the privatization and profitability of Conrail, and the mixed results produced by Amtrak. They then maintain that the greatest errors in 20th-century transportation history were made by government regulators. Their adversarial policies, predicated on an exaggerated conflict between railroads and specific business interests or social goals, distorted consumer choices, subsidized competitors, and taxed away profits needed for investment.

The authors acknowledge that economists debate whether railroads are "natural monopolies." The public has a right to safety, environmental protection, and consumer welfare. And though the history of railroads in Europe and Asia may generate different conclusions, the authors insist that "economic fundamentals will, in the end, trump all artificial regulatory restrictions on business enterprise . . . time and again history makes the case for laissez-faire, and no testimony in its favor is more powerful than the story of railroads in the twentieth century."

Although the passenger business remains an iffy proposition, the authors demonstrate that freight trains are alive and well. In 2000, railroads generated more than 10 times as many freight-ton miles as in 1900, with a ratio of more than 8.7 million ton-miles per employee, compared to 139,000 per worker in 1900.

Gallamore and Meyer have thrown down the gauntlet to policymakers. The burden may well now be on them to demonstrate, through a careful analysis of costs and benefits, that regulation of passenger and/or freight railroads is in the public interest.

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