

The Efficiency of Public Utility and Service Fee Determination: An Austrian Perspective

Abstract:

Public Services are regarded by many as a necessity within the framework of an urban setting, the precise amount of provision and the means by which they are funded derive far less consensus. What exactly is the efficient level of provision and how much should it cost? These are two questions often asked within the realm of urban planning and public finance, each of which having innumerable justifiable solutions. The generally accepted answers are, that provision of services regarded as public should service as many as possible at the lowest possible cost, in other words the perfectly competitive equilibrium. It is supposed private markets are unable to accomplish societally efficient provision given the nature of natural monopolies, natural monopolies being the purported alternative to the markets currently controlled by public services. Many methods for reaching, or approaching, this efficient level of public provision have been developed either from a pure theoretical perspective or from practice itself to combat these supposed natural monopolies. There are; however, no efficient means by which public services may be provisioned, as the unhampered market is the most efficient means of resource allocation and utility maximization.