

A. Provisions of the Interstate Commerce Act of 1887

1. **The Act outlawed rebates, drawbacks, and pooling.** It required the railroads to post the rates in every depot and station and required the rates to be "reasonable and just".
2. The Act contained a **Short Haul Pricing Constraint.**
3. Finally, the act set up a Commission to adjudicate disputes between shippers and the railroads. **The Interstate Commerce Commission (ICC) was the first federal government regulatory agency.**

B. Social Costs -- The best guess is that **the ratio of losses to gains was about 2 to 1.**

Short haul freight rates fell about 15 to 30 percent while long haul freight rates rose.

Because about 2/3 of the traffic was long haul freight, the losses of the long haul shippers were much greater than the gains of the short haul shippers.

C. Enforcement Problems

1. The ICA was vaguely written and did not have the independent means to enforce its determinations.
2. The actions of the ICC could be appealed to the federal courts and it took about 4 years to settle any particular point of dispute.
3. **During the first 10 years 90% of the ICC's rulings on rate charges were reversed in federal court.** Consequently, the number of shipper appeals fell sharply.