

## Why Railroads had Political Problems

- A. **Unique Form of Highway** – They owned the highway *and the vehicles* on the highway
- B. **They Have Never Been fully *Private* Businesses** –
  - 1. **They were Publicly Licensed Corporations**
  - 2. **They had to “borrow” *the power of eminent domain* From the Government (state and federal)**
  - 3. **They had considerable aid from governments in the form of land grants and direct public investment**
- C. **Price Discrimination** against Places (**Towns and Cities**); People (**businesses**); and types of Traffic (**value based pricing**). This was contrary to the Common Law concept of a “Common Carrier”. – (Topic 5)
- D. **They Could Not be Liquidated** (i.e., declared bankrupt under normal Common Law) – (Topic 5)
- E. **The Complaints of the Farmers** – Blamed falling prices for commodities on **Railroads (high freight rates)**; elevator Companies; mortgage rates; monopolies & trusts; futures markets. -- (Topic 6)
- F. **Widespread Corruption** – (Topic 7)

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C), E), and F) Resulted in **“The Railroad Problem”** and led to:

**1. State Regulation of Railroad Rates and Practices**

**2. Then Federal Regulation of Railroad Rates and Practices (1887)**