

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 – They had to “borrow” *the power of eminent domain* From the Government (state and federal)
- C. **Price Discrimination** against Places (**Towns and Cities**); People (**businesses**); and types of Traffic (**value based pricing**)
- D. **They Could Not be Liquidated** (i.e., declared bankrupt under normal Common Law)
- E. **The Complaints of the Farmers** – Blamed falling prices for commodities on **Railroads (high freight rates)**; elevator Companies; mortgage rates; monopolies & trusts; futures markets.
- F. **Widespread Corruption**

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

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