Origins of Trucking Regulation

Like an understudy who outshines the absent star, the trucking industry established itself during a temporary "absence" of railroads, and the railroads never regained the spotlight. During World War I, when the rails were nationalized to assure speedy transport of military troops and supplies, they were often forced to suspend shipment of other freight. Motor carriers took up the slack. The railroads returned to private control in 1920, but by then, trucks were an accepted form of transportation, and their use quickly expanded. The railroads campaigned for state controls that would limit the competitive advantage of the trucking industry. The railroad industry had itself been regulated for many years--both by state commissions and by the Interstate Commerce Commission, established in 1887 for that purpose. Maximum-rate controls shielded merchants and farmers from monopolistic pricing. Even more important as a historical explanation for regulation, minimum-rate controls protected the railroads from one another. But the same regulation that restrained rate cutting within the rail industry left railroads vulnerable to competition from outside.

The state commissions that oversaw railroads also sought controls on trucking, as a way both to ease the decline of railroads and to expand their own influence. Pennsylvania was the first state to adopt trucking controls, in 1914. Thirty-five states had followed suit by 1925. These controls--modeled after regulation of railroads and public utilities--restricted entry into the trucking industry and limited maximum and minimum rates that truckers could charge.

The first proposal for federal regulation of motor carriers took shape in 1925, in response to Supreme Court decisions that upset the informal practice of states controlling interstate trucking on the grounds that the practice invaded a field reserved by the Commerce Clause of the Constitution for federal regulation. The bill--drafted by the National Association of Regulatory Utility Commissioners--called for national controls that would be administered by boards of state commissioners, with the ICC--which had shown little interest in trucking regulation--to intervene only in the event of an appeal. The railroads solidly supported the proposal. Opponents included most truckers, representatives of labor, and shipper groups. But Congress delayed action with respect to trucks and focused instead on regulation of buses, since railroads were still primarily concerned with the decline in passenger traffic and revenue.

When the depression settled in several years later, the railroads were extremely hard hit, and the pressure for trucking regulation increased. One vocal proponent was the Security Owners' Association--a politically powerful group of investors in railroad securities that included more than 1,500 national and state banks, trust companies, mutual savings banks, and life insurance companies. In 1932, the SOA established the National Transportation Commission, with former president Calvin Coolidge as its chairman, and the following year the commission recommended regulation of trucking.

The railroads' plight also attracted the support of many politicians, most notably Franklin Roosevelt. In a widely publicized campaign speech in 1932, presidential candidate Roosevelt called for elimination of the "unfair competitive advantages" of the trucking industry. Once elected, Roosevelt announced "plans for the regulation of all forms of transportation."

The depression also served to eliminate the trucking industry's resistance to regulation, as Ellis Hawley describes:

With the coming of the depression, the drastic drop in demand, and the resulting struggle for available markets, the attitude of some of the larger trucking firms began to change. Their position, they felt, was seriously threatened by the appearance of cut-rate, "fly-by-night" operators, who, with the aid of truck dealers and manufacturers, managed to get a truck on credit, to eke out a living on cut rates until they lost it, and in the process to force down wages and disrupt the whole rate structure. Under the circumstances, there was growing support in trucking, bus, and teamster circles for some type of regulation, some system that would establish minimum rates and wages and eliminate irresponsible operators.

Thus, in 1933, many trucking firms welcomed the establishment of a price and wage code under the National
Industrial Recovery Act. Most truckers continued to prefer the code to legislation that would give regulatory control to the rail-minded ICC—the alternative favored by railroads, state rail commissions, and Roosevelt's federal coordinator of transportation. The motor carrier industry—represented by the newly formed American Trucking Associations (ATA)—was joined in its opposition to legislation by shippers and by auto manufacturers concerned with maintaining the growing market for trucks.

Fearful that Congress would not renew the National Recovery Administration codes when they expired in 1935, the ATA modified its stance on a regulatory bill and testified that the industry was "willing to be controlled by the Federal Government" under a reorganized ICC. But when the Supreme Court declared the NRA unconstitutional in May of 1935, the ATA dropped its opposition to a regulatory bill altogether and became an active sponsor of federal controls.

With the major source of resistance now gone, legislation passed Congress with relative ease. The Motor Carrier Act of 1935 gave the ICC broad regulatory powers over most interstate motor carriers with respect to entry and rates, as well as labor practices, safety, and the issuance of trucking securities. Exempted from regulation were shippers who transported their own goods and carriers hauling unprocessed agricultural commodities—a testament to the political clout of "private carriers" and farmers. (In addition, intrastate trucking remained subject solely to state regulation.) With its domain only slightly narrowed by these exemptions, the ICC set out to reduce competitive disturbances both within the trucking industry and between trucking and rail.

The following years saw dramatic changes in the ICC and the industries it oversaw. Once regarded suspiciously by the trucking industry, the commission gradually adopted an attitude toward motor carriers that was strongly protectionist. The regulated trucking industry changed too—from a struggling infant to a mature, prosperous adult. State highway construction, responding to the flood of new cars bought following World War II, made trucking faster and cheaper. But the real boon was construction of the interstate highway system, which permitted truckers to compete seriously with railroads for long-distance freight. With the highways began a movement of industry away from rail sites and into suburban and rural areas serviceable by trucks. The industrialization of the South, which had few railroads to start with, also benefited trucking as it hurt the rails.

The highway network, combined with significant increases in standard truck size (from twenty-seven feet in the late 1940s to forty-five feet thirty years later), and the inherent advantage of being able to offer door-to-door delivery, produced a rate of growth in motor carriage far greater than that of the economy itself. By 1980, interstate trucking earned $67 billion a year, accounting for over 70 percent of interstate freight revenues. In 1979, the average family spent $800 a year for interstate truck transportation, which is a hidden cost in virtually every product the consumer buys. Of that, about 46 percent—$31 billion total—went to motor carriers regulated by the ICC.

The basic regulatory system that shaped the growth of the entire industry has been described. Many of the policies described were modified or eliminated in the late 1970s by the ICC; the Motor Carrier Act of 1980 essentially codified changes made by a commission that became increasingly reform minded as the prospect of legislative deregulation increased. Other aspects of the system were preserved; the 1980 act reduced regulatory controls on the trucking industry, but it did not eliminate them altogether.

Entry

ICC controls on trucking (like the earlier state controls) were modeled after classical public-utility regulation. The traditional rationale for such regulation is that certain enterprises—like the telephone industry, railroads, and electric utilities—are "natural monopolies." The technology of these industries is (or once was) such that it would be wasteful to society to have more than one company take on the enormous cost of stringing phone lines or laying track. Since the average cost per connection goes down as the network expands, one competitor will inevitably emerge as the sole provider—or "natural monopolist." In return for protecting the naturally monopolistic industry from competition, regulation requires that it provide service to all who desire it—what's known as the common-carrier obligation. Thus the phone company can't refuse to connect lines to a new home just because it's out of the way.

The motor carrier industry was regulated as a public utility, even though it did not fit the description of a natural monopoly and that was not the rationale for the 1935 act. The ICC granted trucking firms near-exclusive operating rights to carry certain commodities on certain routes. In principle, these firms performed a common-carrier
The great majority of common-carrier operating rights held even in the late 1970s were issued under the "grandfather clause" of the Motor Carrier Act. Given automatically to (18,000) trucking companies that were in business in 1935, the grandfather rights authorized them to maintain their existing routes and service. Later, operating rights became much more difficult to obtain.

New operating authority required a showing of "public convenience and necessity," the watchwords of the 1935 act. An applicant had the burden of proving that existing firms weren't already providing a needed service and that they wouldn't be financially damaged by the additional competition. That a new carrier promised to offer an existing service at a lower cost was by law not relevant to the ICC.

Entry applications were open to challenge by established carriers, and requests for significant operating authority were almost always litigated—a process that could take up to two or more years and $250,000. As a result, applicants often struck deals with would-be competitors, narrowing the scope of their request in return for withdrawal of the legal challenge. Other requests were narrowly drawn to begin with so as to avoid litigation. Thus while the ICC technically granted a very high percentage of all applications for operating rights, the effect on competition was negligible. Most amounted to insubstantial requests, and from existing carriers at that. (Because operating rights were so narrowly defined, carriers had to apply continually for new authority to meet changing freight demands resulting from, for example, construction of a new factory or warehouse.)

Since entry was so tightly restricted, trucking firms typically acquired rights by buying them from an existing carrier. Operating certificates, like broadcast licenses and taxicab medallions, had a market value. For many companies, these certificates were their most valuable asset, and banks routinely accepted them as collateral on loans.

Most coveted were the "general commodity, regular route" certificates, which represented common-carrier authority to truck all but legally exempt goods over designated ("regular") routes. Those licenses were so lucrative that, in 1977, the eight largest trucking companies—all of which held them—earned a rate of return on equity twice that of the average Fortune 500 company.

General commodity carriers engage in "less-than-truckload" operations—the heart of the motor carrier business. An LTL operation involves diverse cargoes of packaged freight and requires large terminals with loading docks where the cargo can be assembled for shipment or reassigned to local fleets for final delivery. LTL service makes transportation of many small shipments economically feasible—a service no other form of surface transportation can duplicate. Only 1,000 of the 17,000 trucking companies that were regulated in 1979 were general commodity carriers, but they accounted for two-thirds of total regulated trucking revenue. Each of the three largest general commodity carriers—Roadway Express, Consolidated Freightways—and Yellow Freight System—earned close to a billion dollars in 1979.

Most of the remaining firms regulated by the ICC were specialized, irregular route common carriers. These firms, which rely heavily on owner-operators to perform the actual transportation, haul truckload (TL) shipments of a homogeneous cargo using specially tailored equipment such as refrigerated trucks ("reefers"), armored cars, or automobile trailers. Specialized carrier rights—less valued than LTL rights because of competition from railroads for TL shipments—allowed considerable flexibility with respect to routes but authorized only a narrow range of specified commodities.

This system of assigning rights produced some bizarre restrictions. A specialized carrier, for example, might be allowed to carry exposed film but not unexposed film, or lead pipe but not plastic pipe. General freight carriers were often forced to take long, roundabout routes because their authority represented a "tacking" together of operating rights acquired through purchase and merger. Many operating rights contained only one-way authority; thus carriers were legally barred from carrying a load on their return trip (backhaul), even if cargo was readily available to be shipped.

Overall, the ICC’s system of route and commodity restrictions served to divide the market into thousands of segments, each served by only a few carriers. For shipments between large cities that were well-served in 1935,
when grandfather rights were issued, there might have been as many as 12 carriers to choose from. In geographic areas of the country that developed after 1935, the choice was likely between only two or three. Long-distance shipments often had to be “interlined” between two or more carriers with adjacent routes.

In addition to general commodity and specialized common carriers, ICC regulation governed contract carriage-service to individual shippers on a long-term contract basis, often using specialized equipment. In recent years, some 3,000 contract carriers, operating under ICC permits that had negligible market value, hauled approximately 7 percent of the total regulated tonnage. During the 1920s and early 1930s, state-regulated common carriers perceived the contract hauler as a threat because he could attract lucrative freight by undercutting their published rates-rates that in theory reflected the added cost of the common-carrier obligation. To prevent what common carriers argued was cream-skimming, the 1935 act provided for setting a floor on contract carriage rates. The ICC also limited severely the number of shippers a contract carrier could serve.

Rates

In addition to restricting entry, the ICC was authorized to regulate trucking rates. The need to control excessive rates is apparent, since a shipper often had little choice as to which carrier could haul his goods to a given destination. But the major objective of ICC controls was to prevent rates from being set too low to maintain an acceptable level of profits and service in the industry. The system that developed collective ratemaking was well suited to that objective.

Collective ratemaking in the (regulated) motor carrier industry was performed, much as it had been historically in the railroad industry, by private “rate bureaus.” These bureaus–regional organizations run by a full-time staff and financed by dues from participating carriers–established rates that were applied uniformly throughout a designated geographic area. Ten rate bureaus composed of general commodity carriers controlled the vast majority of trucking shipments within and between regions of the country.

Rate bureaus operated much like cartels. Carriers held open meetings at which shippers could testify but then voted in secret on proposed rates. While this is price-fixing pure and simple, it was exempted from antitrust action by the Reed-Bulwinkle Act of 1948 passed by Congress over the veto of President Truman.

By law, all bureau-set rates had to be approved by the ICC. But over the years, the commission was extremely sympathetic to the industry and protective of its health. What’s more, the magnitude of the task–several thousand rates were filed every day–left the ICC little choice but to rubber-stamp rate-bureau decisions. In 1977, the commission rejected lesser than 1 percent of the trucking rates filed.

In theory, any regulated firm was free to undercut the collectively fixed rate, but few did since the local rate bureau or a rival carrier was sure to protest. Protests were often filed automatically, regardless of whether the challengers were directly affected. The most notorious example involved an exasperated carrier who filed a rate to carry yak fat from Omaha to Chicago. Even though yak fat was an imaginary product, thirteen different carriers challenged the rate!

Rate bureaus traditionally served other functions besides providing a forum in which carriers could meet to discuss and set rates. None was more important than the periodic filing of “general rate increase” proposals, designed to raise every bureau-published rate by a fixed percentage in response to higher costs. These proposals, based on average carrier costs, were routinely approved by the ICC. Unlike most regulated utilities, the trucking industry was not held to a maximum rate of return, and the average return on equity for regulated truckers was well above that for other industries.

Unregulated Trucking

A substantial sector of the trucking industry was unregulated, technically speaking. Though not of major size in 1935, this sector accounted for 60 percent of total industry revenue in 1979 and was growing rapidly. Unregulated trucking companies–primarily private carriers and haulers of exempt products–did not need ICC approval to operate, but their services were severely restricted by the ICC nonetheless.
Private carriers are actually shippers who choose to haul their own goods. In 1935, only a small percentage of industry freight went by private truck; by 1978, that share of tonnage had grown to 40 percent. Some of the largest private carriers--Sears Roebuck, for example--have fleets of more than 1,000 trucks.

The dramatic growth in private trucking came about despite ICC regulations. In general, private carriers were barred from soliciting freight on a commercial basis. (The major rationale was the potential for a private carrier to subsidize his transportation operations out of his non-transportation operations and thus gain a competitive advantage.) Since the normal flow of goods for an individual shipper is in only one direction, private carriers' backhauls were generally empty.

Empty backhauls were also a chronic problem for the 100,000 or more owner-operators who made a living hauling unprocessed food--the other major form of unregulated trucking. An exempt trucker who carried tomatoes to a cannery could not haul canned tomatoes--a regulated commodity--back to the growing area. To avoid "deadheading," many independent truckers carried nonexempt goods on the return haul under temporary contract to a (specialized) regulated carrier--a practice known as trip-leasing. (Also common was the hauling of "hot" freight.) Other owner-operators worked under permanent contract to regulated carriers. Under this system--much as with trip-leasing--the certified carrier provided operating rights plus managerial services in return for a 20 to 30 percent commission. (Critics of regulation termed this practice "share-cropping." ) Many specialized commodities--such as household goods and steel--were carried almost exclusively by owner-operators working under long-term contract.

Economic Objections to Regulation

A common view is that regulated firms naturally abhor regulation and would prefer their "freedom." But the regulated firms in the trucking industry are the very last to want freedom ...In this sense, regulation is topsy-turvy. Rather than protecting consumers from the vices of "unbridled enterprise," regulation is protecting regulated enterprises from the discipline of the marketplace.

Economists criticized the idea of regulating the trucking industry almost from the beginning. Their basic theoretical argument can be simply stated: Trucking is an inherently competitive industry which, when allowed to operate by free-market rules, does an efficient job of allocating and pricing trucking services. The industry possesses neither of the characteristics of a natural monopoly--high capital costs (or other natural barriers to entry) and large economies of scale. Only in LTL operations, which require expensive terminals and a large volume of shipments to run efficiently, might one find significant concentration, but even there, the economies of scale are exhausted far short of monopoly control. And the truckload sector--made up of tens of thousands of small firms, many of them operating just a single rig--is almost a textbook example of a competitive industry.

Regulation's defenders often counter that the trucking industry should be sheltered from competition because, like a public utility, motor common carriers have an obligation to provide service. The economist's first response is that such an argument puts the cart before the horse. The common-carrier obligation is the necessary result of a regulated system in which consumers have no alternative supplier, not the justification for it. Second, there is no evidence that ICC-regulated common carriers actually honor that obligation, which is impossible to enforce anyway; trucking firms serve out-of-the-way places, but only when it's profitable to do so.

While trucking was regulated as if it were a natural monopoly, the rationale for the 1935 act--aside from protection of railroads--was that the industry was too competitive, with alleged results--chaos, cutthroat pricing, excess capacity--that were destructive to the trucking industry, shippers, and ultimately the public. Even if that rationale was valid during the Depression, it ceased to be long ago.

Destructive competition is a "theoretical novelty" about which economists have argued for years, according to James Miller:

It is still not clear whether even in theory destructive competition is feasible (assuming that firms in the industry are rational profit maximizers). But if it is, the requirements are that the industry has substantial fixed costs and that demand be either quite unstable or secularly declining. The interstate trucking industry simply does not fit these requirements. Although there are some fixed costs, the vast majority of costs are variable. As a matter of fact, the ICC uses a rule of thumb that 90 percent of all trucking costs are variable. Also, though demand fluctuates, with
seasonal peaks in various areas of the country and for different commodities, its overall pattern is fairly predictable. Finally, as is well known, the demand for trucking has grown rather steadily over time.

That growth in trucking demand came partly at the expense of railroads, and one argument for continued regulation of trucking—echoing the concerns of the 1930s—was the need to prevent further diversion of freight from rails. This raises considerations related to the theory of the second-best, which states that when distortions exist in one part of the economy (e.g., certain aspects of railroad regulation), it is not necessarily efficient to correct distortions in other parts (e.g., trucking regulation). However, economists have also shown that second-best considerations do not hold insofar as the distortions are the source of excessive costs of operation. It is always desirable to correct imperfections that lead to smaller output.

In sum, the major arguments for treating the trucking industry like a public utility—to prevent industry concentration, assure service to out-of-the-way places, and hinder destructive competition—have little basis in theory and scant empirical support. Nor are second-best considerations with respect to railroads compelling. What theory and evidence point to, rather, is a system that produces monopoly profits, excessive costs, inefficient price-service options, and discriminatory rates—in short, a system that benefits the regulated industry at great cost to the public.

Monopoly Profits

Regulation provided the two conditions necessary for cartelization: barriers to entry and a means of price fixing. Rate bureaus could set prices well above cost without fear of being undercut by new firms. As a result, regulated carriers received monopoly “rents.”

The clearest evidence of monopoly profits is the value the market placed on operating certificates granted free by the ICC. If profits were normal, no one would pay for the right to enter the industry.

Various estimates placed the total value of operating certificates prior to deregulation at several billion dollars. In 1974, the ATA reported that in recent acquisitions, operating rights had generally sold for amounts equal to 15 to 20 percent of the revenue produced by those rights. Using ATA figures, the White House Council on Wage and Price Stability estimated that industry rights were worth $3 billion to $4 billion. In an independent study of twenty-three attempts to purchase certificates, Thomas Gale Moore confirmed the ATA’s judgment: Buyers on average paid about 15 percent of the expected annual revenue for the rights they purchased. Based on that figure, Moore estimated that large and medium-sized carriers owned rights worth between $2.1 billion and $3 billion.

Other evidence of monopoly profits comes from the 1950s, when unusual circumstances produced a virtual controlled experiment. A series of court decisions forced the ICC to broaden the exemption of unprocessed agricultural goods to include fresh and frozen poultry and frozen fruits and vegetables. The U.S. Department of Agriculture conducted “before” and “after” studies in different markets and concluded that deregulation led to both lower rates and improved service. Shipping rates for fresh poultry fell by 12 to 53 percent, for an average of 33 percent. For frozen poultry the average decline was 36 percent. (Averages for poultry are unweighted.) Rates for frozen fruits and vegetables declined by 19 percent on average. After Congress reregulated frozen fruits and vegetables in 1958, shipping rates rose.

Variations on intrastate trucking controls have also enabled economists to conduct crude natural experiments. Trucking within the state of New Jersey is unregulated. Rates there were found to be 10 to 25 percent lower than for comparable interstate shipments. In Maryland, where intrastate household-goods moving is unregulated, rates were found to be 27 to 87 percent below those of interstate movers. International comparisons also found that trucking rates in countries with little or no regulation were substantially lower than those in regulated countries.

Still other evidence of monopoly profits comes from a comparison of brokerage commissions in the regulated and unregulated sectors. Regulated carriers typically claimed 20 to 30 percent of the revenues earned by owner-operators working under a leasing arrangement. This commission paid for services—insurance, marketing, management—and rental of operating rights. In the exempt sector, agricultural brokers charged 7 to 10 percent for the same services. The difference in commission rates would seem to represent a monopoly rent on ICC certificates.
Excessive Costs

ICC controls enabled carriers to set rates above cost, but they also raised the cost of operation itself—first for both regulated and unregulated truckers. The evidence here is more qualitative, as analysts have been hard put to quantify the economic effects.

Route and commodity restrictions are one likely source of inefficiency, leading to unnecessary circuitry, low load factors, and excessive interlining (i.e., transfer of cargo between shippers), all of which consume gasoline and labor. Various studies have reported finding high rates of empty backhauling, particularly among exempt and private carriers, but it's hard to say how much of total industry underutilization was caused by ICC restrictions. The ICC's system of rate regulation was another source of excessive costs. Particularly in the LTL sector—where general rate increases were based on average industry costs—the system protected less efficient firms. That protection was limited, however, in areas where (LTL) carriers could compete on the basis of service.

The general rate-increase mechanism also led to higher labor costs. Since over 60 percent of motor carrier operating expenses go for labor, a rise in Teamster wages was usually sufficient to trigger an across-the-board increase in bureau-set rates. Regulated carriers had less incentive to resist union demands, knowing they could pass the cost along to their customers automatically. Any single firm had an incentive to reduce its costs, but the industry as a collective bargainer faced no such incentive. (While high wages are treated here as an "excessive cost" of operation, they more accurately represent a monopoly rent to organized labor.)

Regulation tends to increase wages through another effect as well. It strengthens union power by preventing nonunion firms from entering the industry and competing for traffic carried by unionized firms. Based on an empirical study of these two effects, Moore estimated that regulation—unionization produced gains to Teamsters employed in the trucking industry of between $1 billion and $1.3 billion in 1972.

Inefficient Price-Service Options

In the same way banks offered depositors free checking accounts and other bonuses to get around federal ceilings on interest rates, many regulated truckers offered better service—such as more frequent pickup or rush-hour delivery—in place of cheaper rates. When regulation restricts rival firms from lowering prices, they will inevitably compete by offering customers better service. Additional service raises operating costs. While this is not intrinsically bad, service competition is inefficient because customers generally don't value the additional service at what it costs to provide it. On the plus side, the service is worth something to customers, and it serves to reduce monopoly rents as it restores consumer surplus.

While regulated carriers found limited ways to circumvent ICC controls, shippers were still faced with inflexible and inefficient rate-service (price-quality) choices. Some shippers would have preferred less service at a lower rate. Others would have gladly paid a premium for still better service. Collective ratemaking precluded this, however, and thus distorted shippers' decisions about such things as where to locate, when to schedule production, and how large an inventory to maintain.

Discriminatory Rates

Other distortions resulted from the rate structure for regulated trucking. To prevent individual shippers from being arbitrarily advantaged by preferential treatment or efficiency differences between carriers, the ICC required regulated firms to charge "equal rates for equal miles" to shippers moving similar freight. But when costs varied, some shippers were overcharged and others were subsidized.

For example, regulated carriers charged the same rates for backhaul (the direction with the light load) as for prime haul, even though backhaul costs are lower because of the additional capacity. This affected shippers' locational decisions and discriminated against certain regions, because traffic to an area tends to be either predominantly prime haul or predominantly backhaul. The "equal rates for equal miles" rule also precluded peak-load pricing. Thus shippers had no incentive to take advantage of off-season months, when carrier costs are lower.

Another form of price discrimination resulted from regulated truckers' policy of charging more for high-value goods.
than for low-value goods that cost the same to transport. The greater the market value of a product relative to its transportation costs, carriers reasoned the less concerned shippers would be with freight prices. Thus truckers charged twice as much to haul nylon as cotton hosiery out of South Carolina. The shipping rate for champagne was considerably higher than that for ginger ale.

This system of price discrimination eventually proved counterproductive as certain shippers resorted to more expensive (to society) alternatives such as private carriage or air freight. The loss of “good freight”-freight assigned rates that were especially high relative to cost- eventually became one of the most serious problems faced by the regulated trucking industry.

In sum, ICC regulation produced monopoly profits, excessive costs, and other inefficiencies resulting from inflexible price-quality choices and rate discrimination. The price tag to consumers, by many estimates, was billions of dollars annually.

Who benefited from this system? Most directly, the owners of ICC certificates did; but only the original owners, oddly enough. Those who bought certificates earned no more than a competitive rate of return when the cost of the certificates was taken into account. As with any asset, the value of future earnings made possible by ownership gets capitalized into its price.

Labor was the other major beneficiary of ICC regulation. Teamsters, like certificate owners, earned economic rents in that cartelization of the industry, combined with unionization, resulted in wages higher than would have been necessary to entice them to work. Moore estimated that between 74 and 97 percent of the cost to consumers of ICC regulation ($3.4 billion in 1972 by his calculations) was rent to capital and labor.

Trucking regulation had other, less direct beneficiaries. Among them were the 3,500 attorneys who comprised the ICC Practitioners’ Association. Employees of the ATA, member conferences, state trucking associations, and rate bureaus also benefited. These individuals were evidence for the argument that a large portion of monopoly rents will often be spent on trying to protect the monopoly.