

COMMENTARY ON HARBESON AND BARSNESS

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I

These are two fine papers which should be of interest to those of us in history, economics, and business administration. Both papers raise significant questions for certain of our political officials and for the public in general. There is, for example, a growing national concern about governmental intervention in the economy, and this is the heart of Professor Harbeson's thoughtful analysis of federal railroad policy, and a major theme of Professor Barsness's challenging view of port development in this century. As an historian interested in railways and port development, I found myself in substantial agreement with the thrust of both papers.

II

Professor Harbeson's review of federal regulation of railways is welcomed in this centennial year of the enactment of the so-called Granger laws. With increasing cries for restriction of the activities of the Interstate Commerce Commission, or even elimination of the ICC, it is certainly in order to examine the reasons why this regulatory agency was established, and what its record has been. The Penn Central crisis, the bankruptcy of half a dozen smaller Eastern lines, and the meager profit levels in the industry as a whole call for intensive review of the effectiveness of railroad regulation. Professor Harbeson's comments and suggestions are, therefore, important not only for the academic community, but also for the larger public sector.

In his analysis of various factors leading to federal regulation of the railway network, Professor Harbeson notes the long-held view that such regulation was needed because of the tendency for the industry to become a natural monopoly, and how unrestrained competition failed to satisfy the needs of shippers and, indeed, proved quite harmful to the railroads themselves. Regulation then had a two-fold goal, the prevention of monopoly and the termination of rate wars. Further, Professor Harbeson comments that railroading was one of few industries to have direct regulation as a method of control. I would agree with his analysis, but I wonder if single-

industry regulation may be more extensive than we are prone to think, and if we might not profit by comparing the impact of federal regulation of the railroads with the regulation of other industries. For example, what has been the effect of the Civil Aeronautics Board on the airlines? Does the recent CAB-approved reduction of services on competing routes by three airlines parallel some recent decisions by the ICC? In the broadcasting industry, what has been the effect of regulation by the Federal Communications Commission? Does the recent Boston licensing decision have a parallel in the railroad industry? I believe we would all profit by some comparative studies of the roles and activities of industry-wide federal regulatory agencies.

In his analysis of the origins of railway regulation, Professor Harbeson comments upon the historiographical debate between the traditionalists, such as Solon J. Buck and John D. Hicks, who saw the farmers as the primary force advocating regulation of the railroads, and the revisionists who see the small businessman and the merchant as primemovers in the drive to control the industry. The revisionist studies by Lee Benson on New York and Harold Woodman on Illinois and Iowa seriously challenged the traditional agrarian interpretation. A more recent study which Professor Harbeson does not mention is George Miller's Railroads and The Granger Laws. Miller has investigated the agitation for the Granger laws in Illinois, Iowa, Minnesota, and Wisconsin and concluded that the demand for restrictions on the railways came primarily from merchants who sought to end long-haul-short-haul discrimination. Miller also argues that the railroads fought desperately to prevent the enactment of these laws. Miller's conclusions are generally supportive of Professor Harbeson's analysis of Granger legislation. They also suggest the correctness of Professor Harbeson's position on the origins of the ICC.

The traditional view that the agrarians were largely responsible for the ICC was first challenged by Gabriel Kolko who argued that between 1877 and 1916 the railroads themselves were the chief advocates of regulation as a means to end rate wars and stop the diminution of profits. Kolko saw the ICC as a device which favored the railways, hurt the shipper, and penalized the consumer. Professor Harbeson disagrees with this revisionist interpretation, and I agree with his findings which are also supported by recent studies published by Austin Kerr, Albro Martin, and Stanley Caine. While Kerr's study, American Railroad Politics, is concerned only with the period from 1914 to 1920, the implications are broader than the dates suggest.

Kerr demonstrates conclusively that regulation was the product of interest group conflict, and that these groups were quite diverse. Shippers, railroad managers, railway stockholders, labor unions and efficiency advocates all sought to use the ICC for their own ends. Each of these groups favored regulation as a means to resolve questions of wages, rates, and profits. Kerr sees the Adamson Act as a major turning point in this period rather than the United States Railway Administration, but he views the Transportation Act of 1920 as a return to pre-1914 practices. In Enterprise Denied, Albro Martin denounces the regulatory practices in the years before 1914 as "archaic progressivism." Martin declares that what the industry needed between 1897 and 1914 was not more regulation, as in the Mann-Elkins Act, but more investment capital. The refusal of the ICC to grant rate increases after 1906 drove away potential investors, halted a massive modernization effort on the part of the railways, and caused the plant deterioration which led ultimately to the industry's collapse and the USRA. Archaic progressivism laid the basis for the present railway crises as the industry suffered from low profits, reduced capital input, and a loss of spirit. Far from advocating greater regulation, Martin argues that the railroad managers sought freedom from the restrictions of the ICC which failed in its job as the just and wise arbitrator. Martin's study clearly supports Professor Harbeson's position as does a recent book by Stanley Caine. Caine's The Myth of Progressive Reform demonstrates why Wisconsin's attempt to regulate railroads during the progressive era failed miserably as the railroads and lumber companies fought the state railroad commission and its advocates, the Milwaukee Chamber of Commerce, and the state's farmers. The commission failed to reform railroad practices and, like the ICC, became a vehicle for compromises which failed to please either side. One can only agree with Professor Harbeson, that railway regulation at the state and federal levels came into being as a result of competing pressure groups, and that each group failed to fully achieve its goals.

One pressure group seems to have been neglected by all but one of these studies, and deserves greater consideration. Only Austin Kerr has been concerned about the role of the railway workers in the first two decades of this century, and I would have been quite interested in Professor Harbeson's views on the position of the railway unions on regulation, especially after the Transportation Act of 1920.

There is less agreement between Professor Harbeson's paper and the studies by Kerr and Martin on the impact and success of the Transportation Act. While Professor Harbeson maintains that this law ended the negative and restrictive policy period, Kerr argues that it returned the ICC to its pre-1917 position, the position Martin denounced as "archaic progressivism." However, both Kerr and Martin would probably agree with Professor Harbeson's contention that the Act failed to deal with technological changes already in progress and failed to deal with the impact of intermodal competition.

I found that portion of the paper concerned with the development of intermodal competition to be one of the most interesting and suggestive. Certainly the ICC has not been able to cope with advancing technology, but has the CAB or the FCC been able to act more effectively? The ICC failed to resolve expeditiously the Southern Railway's request for lower rates for its giant new hopper cars with their enormous capacity; the CAB apparently cannot cope with the impact of the jumbo jets in either domestic or foreign service; and the FCC still has not been able to formulate a meaningful policy on cable television. Professor Harbeson's comments on the ICC's inability to cope with technological change appear equally true of other regulatory agencies. Is this then a question of changing the ICC or a general malaise in regulatory institutions?

Finally, Professor Harbeson's very relevant comments on rate structure deserve broad attention. The concept of "unjust" or "undue" discrimination certainly needs review as does the volume concept in rate making. Certain commodities are subsidizing others, and there is preferential treatment for certain sectors of the economy. Cross-subsidization of unprofitable traffic by that which is profitable not only effects shippers, but has also had a negative effect upon certain railways whose traffic is primarily made up of low-rate commodities. Certainly a new rate structure should also deal with intermodal competition and should encourage greater cooperation between rail, water, air and highway carriers. Increasing use of trailer-on-flat and piggyback services suggest the need for more cooperation between rail and highway carriers. But, intermodal competition in the transportation industry can produce interesting and humorous confrontations. I, for one, found the complaints of the airlines and the buslines against federal subsidization of Amtrak to be amusing, as were the protests of the buslines concerning the new economy fares on the jumbo jets. I agree with Professor Harbeson's proposal for a

redefinition of the role of the ICC, and would further suggest that what we may need is one regulatory commission for the entire transportation industry rather than individual agencies for each segment.

III

Professor Barsness's paper strikes some of the same chords as that of Professor Harbeson. Once again we have competing economic interest groups on the docks, in the hearing rooms of regulatory agencies, and appearing before the commissions of a multiplicity of port authorities. Technological change has come to the ports altering traffic patterns, creating major new harbor operations, and provoking long and costly battles between labor and management. But, as Professor Barsness notes, the history of port development has not received anything like the concern given to railway development. His paper calls to our attention large areas which need exploration, and suggests a basic framework for these investigations.

In laying out some broad trends in port development in this century, Professor Barsness draws some very interesting parallels with the railroad industry. There is a massive loss of passenger traffic, a decline in general cargo tonnage, increasing competition with pipelines and trucks, poor labor relations, a decrease in the size of the physical plant, and a substantial increase in containerization. The analogy cannot be pressed too far, but certainly the similarities do suggest possibilities for comparative studies.

Technological change has been a major factor in shaping port development, as Professor Barsness contends, but has optimum productivity been achieved, and if not, why not? Obviously the labor unions have not allowed total utilization of automation and the continuing problems on the West Coast docks suggests we will have this problem for some time to come. One can immediately ask why the Maritime Commission has failed to help resolve some of the problems of technological change, or does it suffer, as Professor Harbeson suggests of the ICC, from a technological lag?

If the federal government has played a negative role in achieving efficiency, what has been its impact in developing our ports in this century? Professor Barsness notes that the federal government pays largely for navigational facilities, but how have decisions been reached in the Congress as to the

placement of these funds? Is there a correlation between the composition of relevant congressional committees and the geographical distribution of funds? Certainly the Eisenhower administration was torn over the Saint Lawrence Seaway and its impact upon the eastern and midwestern wings of the Republican party. Professor Barsness also comments on the rapid expansion of ports in the Southeast, Southwest, and Far West and relates this growth to the sharp rise in population in these areas. One wonders, however, if Congressmen and Senators from these states may have taken a greater interest in those committees which bear most directly upon federal navigational policy and appropriations.

Local politics must also be a major factor in port development. Again Professor Barsness discusses the vast number of local agencies which control our ports. A study is certainly in order comparing the operations of port commissions in a variety of locales. Questions which need to be asked include: Are the local agencies involved in partisan politics? Do the commissions represent only the carriers or are shippers and workers represented also? How does a port authority in an old port, such as Boston, compare with that of a new harbor, such as Port Everglades? Have some harbor authorities been more successful in obtaining local, state, and federal funds, and if so, why? Clearly the technological changes of the present are demanding large-scale expenditures in port facilities, and the ability or inability to raise funds is crucial to port development.

Professor Barsness raises another significant point, if only by inference, in noting the creation of artificial ports and the decline of geographically "natural" harbors. I find this one of the most fascinating aspects of port development in this century. Galveston loses out to Houston; Port Arthur, Beaumont, Lake Charles, and Baton Rouge drain cargoes away from New Orleans; and Port Everglades increasingly challenges Jacksonville and Tampa for position as Florida's major port. Why have millions of dollars been expended on canals and artificial harbors, and natural sites ignored or neglected? Perhaps the question more properly belongs to the economic geographer, but surely historians can and must deal with it. The studies of Houston by Marilyn McAdams Sibley and David McComb have dealt with the rise of that port and its replacement of Galveston as the major port for Texas. They have suggested that local entrepreneurship and community leadership overcame geographical obstacles in Houston's rise to prominence. A comparison of San Francisco's relative decline with the rise of

the various ports in the Los Angeles metropolitan area might provide additional insights into this interesting phenomena.

As I read his paper, I wondered if Professor Barsness had underemphasized the significance of labor in port development; a question I also raised with regard to Professor Harbeson's analysis of railroad regulation. It appears to me that historians and economists have concentrated their attention on the port authorities, the maritime companies, and the impact of international trade, and have failed to treat adequately the role of labor, especially organized labor. Fascinating topics abound in this area, and I would suggest Harry Bridges and his dock workers, or the bitter strife in the Gulf ports after World War II as only two examples. The conflicts over automation and port modernization may more properly belong to the economists or labor relations experts, but they too need investigation by historians.

Another interesting parallel with Professor Harbeson's paper is Professor Barsness's concern for the rate structure and its impact on ports. Here again there is a call for rate revision by some ports, carriers, or shippers who feel that equalization of rates has aided the newer and smaller ports. While equalization came because the railroads desired to avoid excessive competition and to equalize distribution of traffic, Professor Barsness points out that the trucking industry and the growing impact of barge traffic has made the rate situation more complex. Certainly those ports which have developed the most modern facilities and which enjoy the best labor relations have benefited as differences in rates were minimized.

Professor Barsness's call for a definitive account of port development in the United States and his many suggestions for additional studies hopefully will provoke more research in this neglected field.