

Trucking and Rail Regulatory Reforms Provide a Model for Bipartisan Cooperation

By: Jerry Ellig | October 7, 2020

In brief...

This year marks the 40th anniversary of the Motor Carrier Act and the Staggers Rail Act, which substantially deregulated prices, entry, and exit in surface freight transportation. These reforms are noteworthy because they produced enormous consumer benefits, there is a strong scholarly consensus about their effects, and they enjoyed significant bipartisan support. The Regulatory Studies Center will host an online symposium to commemorate these regulatory reforms and draw lessons for the future.

This month marks the 40th anniversary of the [Staggers Rail Act](#), signed by President Carter on October 14, 1980. The Staggers Act came on the heels of the [Motor Carrier Act](#), signed the previous July 1. Together, these two pieces of legislation deregulated prices, entry, and exit in the interstate trucking industry and largely deregulated prices, entry, and exit in the freight rail industry.

To commemorate these significant regulatory reforms and draw lessons for the future, the Regulatory Studies Center is hosting an online symposium featuring policymakers who were involved in these reforms and scholars who studied their effects. Videos of two moderated panel discussions will be available for viewing online the week of October 12. These will be followed later in the month by a live, online question-and-answer session with the panelists via Zoom. Full details are available [online](#).

Panel 1: How Regulatory Reform Happened

Craig Keats, general counsel, Surface Transportation Board

Darius Gaskins, chairman, Interstate Commerce Commission, 1980-81

Will Ris, chief legal counsel for transportation deregulation legislation, Senate Commerce, Science, and Transportation Committee, 1978-83

Dorothy Robyn, author, *Braking the Special Interests: Trucking Deregulation and the Politics of Policy Reform*

Panel 2: Results of Regulatory Reform

Clifford Winston, Searle Freedom Trust senior fellow, Economic Studies Program, The Brookings Institution

Wesley Wilson, professor of economics, University of Oregon

James Peoples, professor of economics, University of Wisconsin-Milwaukee

Jerry Ellig, research professor, Regulatory Studies Center

The Motor Carrier Act and the Staggers Rail Act are noteworthy for three reasons: (1) The economic benefits were enormous, (2) There is a strong scholarly consensus on the effects, and (3) There was significant bipartisan agreement and policy continuity. Consider each in turn.

Enormous Economic Benefits

Between 1982 and 1996, inflation-adjusted average freight rail rates fell by [46 percent](#), and rates for individual commodities fell by between [29 and 56 percent](#). Studies that control for other factors find that deregulation was responsible for at least one-third of this reduction, and [possibly much more](#). [Winston et al.](#) found that by 1985, trucking deregulation was associated with a 3 percent reduction in truckload rates and a 17 percent reduction in less-than-truckload rates. They calculated that lower trucking rates saved shippers about \$6.8 billion per year (in 1977 dollars). Not all freight rates fell by the same amount, because deregulation aligned prices more closely with costs.

Regulatory reform also improved the quality of service. By 1985, railroads reduced delivery times by almost 30 percent, and variance in delivery time declined even further. [Winston et al.](#) estimated that this improvement increased shipper welfare by \$2 billion - \$6 billion annually (in 1977 dollars). They also estimated that speedier trucking service saved shippers almost \$1 billion annually by 1985. Deregulation allowed truckers to offer [service guarantees](#), which [made just-in-time manufacturing possible](#).

Clifford Winston [noted](#) in 1998 that since deregulation, real railroad costs per ton-mile had fallen by 60 percent, real operating costs per vehicle-mile for less-than-truckload trucking had fallen by 35 percent, and real operating costs per vehicle mile for truckload trucking had fallen by 75 percent. [Studies](#) of railroad productivity and costs that control for other factors find that deregulation is responsible for most of the productivity increases and cost reductions.

Some of the cost reductions in deregulated industries occurred because fewer monopoly rents were shared with labor, but the [effects in the trucking and rail industries were somewhat different](#). The trucking industry saw substantial entry of new, nonunion carriers. This eliminated the wage premium that truck drivers in the for-hire trucking industry received compared to workers in other highly unionized industries. Employment in the trucking industry increased substantially. The railroad industry, on the other hand, saw little new entry. Railroads adopted new technologies and negotiated new work rules that substantially reduced costs by reducing the number of workers.

Scholarly Consensus on Effects

Economists are especially famous for disagreement. “Ask four economists; get five opinions” is a common joke. But in the case of surface freight deregulation, both the ex ante predictions and ex post evaluations in economic studies are [remarkably consistent](#). No serious economic scholar has claimed that deregulation of freight rates and entry led to generally higher prices or lower quality of service. Different studies have sometimes reached different conclusions on the size of the consumer benefits. But even much of this apparent disagreement stems from differences in the time period studied, the data employed, and the types of benefits different studies were designed to assess.

Bipartisan Agreement and Policy Continuity

Many people unfamiliar with the history assume that President Reagan deregulated railroads and trucking, because regulatory relief was one of his signature campaign issues. In reality, the Staggers Rail Act and the Motor Carrier Act were enacted during the Carter administration, and they followed the efforts of Carter’s Interstate Commerce Commission appointees to pursue deregulation through administrative action. As Martha Derthick and Paul J. Quirk note in their classic book, [The Politics of Deregulation](#), much of the analytical groundwork within government was laid even earlier, in the late 1960s and early 1970s:

What had begun as a random critique of government policies from private sources, with publication outlets in obscure learned journals and the book lists of university presses, in a decade had evolved into a moderately concentrated effort with a substantial official and quasi-official base, whose written products included a stream of position papers internal to the government.

Deregulation was thus the result of a sustained effort within that spanned multiple administrations of both political parties. [Antitrust officials](#) as well as economists highlighted the anticompetitive nature of price and entry regulation.

Both pieces of legislation received bipartisan support in Congress as well. For example, Senators Howard Cannon (D-NV) and Bob Packwood (R-OR), the chairman and ranking minority member of the Commerce Committee, cosponsored both bills. The Staggers Rail Act passed the House by a vote of [337-20](#) and passed the Senate by a vote of [61-8](#). The Motor Carrier Act passed the House by a vote of [367-13](#) and passed the Senate by a vote of [70-20](#).

Outside of Congress, the reforms enjoyed widespread support from a diverse combination of business, agricultural, and public interest groups. For example, the classic 1973 Yale Law Review article by Ralph Nader and Mark Green, “[Economic Regulation vs. Competition: Uncle Sam the Monopoly Man](#),” is a [model](#) of reasoned, evidence-based analysis that relies on peer-reviewed scholarly literature to support the policies the authors advocate. Underscoring the diverse motivations of deregulation’s proponents, President Carter’s [signing statement](#) for the Motor Carrier Act noted,

[B]y ending wasteful practices, it will conserve annually hundreds of millions of gallons of precious fuel ... No longer will trucks travel empty because of rules absurdly limiting the kinds of goods a truck may carry. No longer will trucks be forced to travel hundreds of miles out of their way for no reason or prohibited senselessly from stopping to pick up and deliver goods at points along their routes.

So if you want some relief from the presidential debate train wreck, [tune in](#) to find out how elected leaders at one time acted on evidence rather than partisanship to deliver reforms that created significant benefits for American consumers and competitiveness. Maybe we can figure out how to make such cooperation happen again.